



# HEALTH QUARTERLY STATEMENT

AS OF JUNE 30, 2014

OF THE CONDITION AND AFFAIRS OF THE

## SilverScript Insurance Company

NAIC Group Code 4667 4667 NAIC Company Code 12575 Employer's ID Number 20-2833904  
(Current) (Prior)

Organized under the Laws of Tennessee, State of Domicile or Port of Entry Tennessee

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health

Is HMO Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized 05/11/2005 Commenced Business 01/01/2006

Statutory Home Office 445 Great Circle Road, Nashville, TN, US 37228  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 445 Great Circle Road  
(Street and Number)  
Nashville, TN, US 37228, 615-743-6600  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 445 Great Circle Road, Nashville, TN, US 37228  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 445 Great Circle Road  
(Street and Number)  
Nashville, TN, US 37228, 615-743-6600  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address http://www.silverscript.com

Statutory Statement Contact Edward Reed Averill, 401-770-7702  
(Name) (Area Code) (Telephone Number)  
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### OFFICERS

President Todd Dean Meek Treasurer Anthony Graham Strong  
Vice President Albert Franklin Moffett # Actuary Rebecca Conway Justice

### OTHER

Michele Wugalter Buchanan Secretary

### DIRECTORS OR TRUSTEES

Harold Neil Lund Todd Dean Meek Jane Frances Barlow #  
Mary Kristina Meyer David Scott Azzolina

State of \_\_\_\_\_ SS:  
County of \_\_\_\_\_

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Todd Dean Meek  
President

Michele Wugalter Buchanan  
Secretary

Anthony Graham Strong  
Treasurer

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_

- a. Is this an original filing? ..... Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number.....  
2. Date filed .....  
3. Number of pages attached.....

## STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**ASSETS**

|   | Current Statement Date |                         |   | 4<br>December 31<br>Prior Year Net<br>Admitted Assets |
|---|------------------------|-------------------------|---|---|
|   | 1<br>Assets            | 2<br>Nonadmitted Assets | 3<br>Net Admitted Assets<br>(Cols. 1 - 2) |   |
| 1. Bonds .....  | 2,838,669              |                         | 2,838,669                                 | 2,852,200   |
| 2. Stocks:  |                        |                         |   |   |
| 2.1 Preferred stocks .....  |                        |                         | 0   | 0   |
| 2.2 Common stocks .....   |                        |                         | 0   | 0   |
| 3. Mortgage loans on real estate:   |                        |                         |   |   |
| 3.1 First liens .....   |                        |                         | 0   | 0   |
| 3.2 Other than first liens.....   |                        |                         | 0   | 0   |
| 4. Real estate:   |                        |                         |   |   |
| 4.1 Properties occupied by the company (less \$<br>encumbrances) .....  |                        |                         | 0   | 0   |
| 4.2 Properties held for the production of income (less<br>\$ ..... encumbrances) .....  |                        |                         | 0   | 0   |
| 4.3 Properties held for sale (less \$<br>encumbrances) .....  |                        |                         | 0   | 0   |
| 5. Cash (\$ .....(469,801) ), cash equivalents<br>(\$ ..... ) and short-term<br>investments (\$ ..... 1,198,468 ) .....                                     | 728,667                |                         | 728,667                                   | 48,672,313  |
| 6. Contract loans (including \$ ..... premium notes) .....  |                        |                         | 0   | 0   |
| 7. Derivatives .....  |                        |                         | 0   | 0   |
| 8. Other invested assets .....  |                        |                         | 0   | 0   |
| 9. Receivables for securities .....   |                        |                         | 0   | 0   |
| 10. Securities lending reinvested collateral assets .....   |                        |                         | 0   | 0   |
| 11. Aggregate write-ins for invested assets .....   | 0                      | 0                       | 0   | 260,000   |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) .....   | 3,567,336              | 0                       | 3,567,336                                 | 51,784,513  |
| 13. Title plants less \$ ..... charged off (for Title insurers<br>only) .....   |                        |                         | 0   | 0   |
| 14. Investment income due and accrued .....   | 18,139                 |                         | 18,139                                    | 17,793  |
| 15. Premiums and considerations:  |                        |                         |   |   |
| 15.1 Uncollected premiums and agents' balances in the course of collection .....  | 131,109,616            | 98,419,425              | 32,690,191                                | 16,838,910  |
| 15.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due (including \$ .....<br>earned but unbilled premiums) ..... |                        |                         | 0   | 0   |
| 15.3 Accrued retrospective premiums .....   | 43,992,551             |                         | 43,992,551                                | 3,819   |
| 16. Reinsurance:  |                        |                         |   |   |
| 16.1 Amounts recoverable from reinsurers .....  |                        |                         | 0   | 0   |
| 16.2 Funds held by or deposited with reinsured companies .....  |                        |                         | 0   | 0   |
| 16.3 Other amounts receivable under reinsurance contracts .....   |                        |                         | 0   | 0   |
| 17. Amounts receivable relating to uninsured plans .....  | 2,681,518,115          | 2,437,163               | 2,679,080,952                             | 2,381,550,470   |
| 18.1 Current federal and foreign income tax recoverable and interest thereon .....  |                        |                         | 0   | 0   |
| 18.2 Net deferred tax asset .....   | 29,209,041             |                         | 29,209,041                                | 29,209,041  |
| 19. Guaranty funds receivable or on deposit .....   |                        |                         | 0   | 0   |
| 20. Electronic data processing equipment and software .....   |                        |                         | 0   | 0   |
| 21. Furniture and equipment, including health care delivery assets<br>(\$ ..... ) .....   |                        |                         | 0   | 0   |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....  |                        |                         | 0   | 0   |
| 23. Receivables from parent, subsidiaries and affiliates .....  |                        |                         | 0   | 0   |
| 24. Health care (\$ ..... 10,015,529 ) and other amounts receivable .....   | 10,015,529             | 10,015,529              | 0   | 0   |
| 25. Aggregate write-ins for other than invested assets .....  | 3,622,559              | 3,622,559               | 0   | 0   |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 12 to 25) .....                                     | 2,903,052,886          | 114,494,676             | 2,788,558,210                             | 2,479,404,546   |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell<br>Accounts .....  |                        |                         | 0   | 0   |
| 28. Total (Lines 26 and 27) .....   | 2,903,052,886          | 114,494,676             | 2,788,558,210                             | 2,479,404,546   |
| <b>DETAILS OF WRITE-INS</b>   |                        |                         |   |   |
| 1101. Matured investment being held by State .....  |                        |                         | 0   | 260,000   |
| 1102. ....  |                        |                         |   |   |
| 1103. ....  |                        |                         |   |   |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....   | 0                      | 0                       | 0   | 0   |
| 1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above) .....   | 0                      | 0                       | 0   | 260,000   |
| 2501. Prepaid Expenses .....  | 3,622,559              | 3,622,559               | 0   |   |
| 2502. ....  |                        |                         |   |   |
| 2503. ....  |                        |                         |   |   |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....   | 0                      | 0                       | 0   | 0   |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) .....   | 3,622,559              | 3,622,559               | 0   | 0   |

**LIABILITIES, CAPITAL AND SURPLUS**

|   | Current Period |                |               | Prior Year    |
|---|----------------|----------------|---------------|---------------|
|   | 1<br>Covered   | 2<br>Uncovered | 3<br>Total    | 4<br>Total    |
| 1. Claims unpaid (less \$ .....77,020,031 reinsurance ceded) .....  | 330,186,177    |                | 330,186,177   | 203,622,464   |
| 2. Accrued medical incentive pool and bonus amounts .....   | 8,377,767      |                | 8,377,767     | 200,000       |
| 3. Unpaid claims adjustment expenses .....  |                |                | 0             | 0             |
| 4. Aggregate health policy reserves, including the liability of<br>\$ ..... for medical loss ratio rebate per the Public<br>Health Service Act .....                                | 237,635,152    |                | 237,635,152   | 222,079,283   |
| 5. Aggregate life policy reserves .....   |                |                | 0             | 0             |
| 6. Property/casualty unearned premium reserve .....   |                |                | 0             | 0             |
| 7. Aggregate health claim reserves .....  |                |                | 0             | 0             |
| 8. Premiums received in advance .....   | 4,229,682      |                | 4,229,682     | 5,609,269     |
| 9. General expenses due or accrued .....  | 30,020,173     |                | 30,020,173    | 31,401,140    |
| 10.1 Current federal and foreign income tax payable and interest thereon<br>(including \$ ..... on realized gains (losses)) .....   | 29,666,481     |                | 29,666,481    | 44,506,328    |
| 10.2 Net deferred tax liability .....   |                |                | 0             | 0             |
| 11. Ceded reinsurance premiums payable .....  |                |                | 0             | 0             |
| 12. Amounts withheld or retained for the account of others .....  |                |                | 0             | 0             |
| 13. Remittances and items not allocated .....   | 25,949         |                | 25,949        | 44,815        |
| 14. Borrowed money (including \$ ..... current) and<br>interest thereon \$ ..... (including<br>\$ ..... current) .....  |                |                | 0             | 0             |
| 15. Amounts due to parent, subsidiaries and affiliates .....  | 1,006,353,869  |                | 1,006,353,869 | 803,780,895   |
| 16. Derivatives .....   |                |                | 0             | 0             |
| 17. Payable for securities .....  |                |                | 0             | 0             |
| 18. Payable for securities lending .....  |                |                | 0             | 0             |
| 19. Funds held under reinsurance treaties (with \$ .....2,503,749<br>authorized reinsurers, \$ .....140,803,789 unauthorized<br>reinsurers and \$ ..... certified reinsurers) ..... | 143,307,538    |                | 143,307,538   | 156,686,264   |
| 20. Reinsurance in unauthorized and certified (\$ ..... )<br>companies .....  |                |                | 0             | 0             |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates .....   |                |                | 0             | 0             |
| 22. Liability for amounts held under uninsured plans .....  | 728,452,843    |                | 728,452,843   | 679,611,984   |
| 23. Aggregate write-ins for other liabilities (including \$ .....<br>current) .....   | 0              | 0              | 0             | 0             |
| 24. Total liabilities (Lines 1 to 23) .....   | 2,518,255,631  | 0              | 2,518,255,631 | 2,147,542,442 |
| 25. Aggregate write-ins for special surplus funds .....   | XXX            | XXX            | 0             | 0             |
| 26. Common capital stock .....  | XXX            | XXX            | 2,750,000     | 2,750,000     |
| 27. Preferred capital stock .....   | XXX            | XXX            |               |               |
| 28. Gross paid in and contributed surplus .....   | XXX            | XXX            | 124,750,000   | 124,750,000   |
| 29. Surplus notes .....   | XXX            | XXX            |               |               |
| 30. Aggregate write-ins for other than special surplus funds .....  | XXX            | XXX            | 0             | 0             |
| 31. Unassigned funds (surplus) .....  | XXX            | XXX            | 142,802,579   | 204,362,104   |
| 32. Less treasury stock, at cost:   |                |                |               |               |
| 32.1 ..... shares common (value included in Line 26<br>\$ ..... ) .....   | XXX            | XXX            |               |               |
| 32.2 ..... shares preferred (value included in Line 27<br>\$ ..... ) .....  | XXX            | XXX            |               |               |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....  | XXX            | XXX            | 270,302,579   | 331,862,104   |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) .....  | XXX            | XXX            | 2,788,558,210 | 2,479,404,546 |
| <b>DETAILS OF WRITE-INS</b>   |                |                |               |               |
| 2301. ....  |                |                |               |               |
| 2302. ....  |                |                |               |               |
| 2303. ....  |                |                |               |               |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....   | 0              | 0              | 0             | 0             |
| 2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) .....   | 0              | 0              | 0             | 0             |
| 2501. ....  | XXX            | XXX            |               |               |
| 2502. ....  | XXX            | XXX            |               |               |
| 2503. ....  | XXX            | XXX            |               |               |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....   | XXX            | XXX            | 0             | 0             |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) .....   | XXX            | XXX            | 0             | 0             |
| 3001. ....  | XXX            | XXX            |               |               |
| 3002. ....  | XXX            | XXX            |               |               |
| 3003. ....  | XXX            | XXX            |               |               |
| 3098. Summary of remaining write-ins for Line 30 from overflow page .....   | XXX            | XXX            | 0             | 0             |
| 3099. Totals (Lines 3001 through 3003 plus 3098)(Line 30 above) .....   | XXX            | XXX            | 0             | 0             |

**STATEMENT OF REVENUE AND EXPENSES**

|  | Current Year<br>To Date |               | Prior Year<br>To Date | Prior Year Ended<br>December 31 |
|--|-------------------------|---------------|-----------------------|---------------------------------|
|  | 1<br>Uncovered          | 2<br>Total    | 3<br>Total            | 4<br>Total                      |
| 1. Member Months .....   | XXX                     | 18,581,188    | 21,313,169            | 41,765,543                      |
| 2. Net premium income ( including \$ ..... non-health<br>premium income).....  | XXX                     | 1,374,899,390 | 1,640,527,413         | 3,111,842,234                   |
| 3. Change in unearned premium reserves and reserve for rate credits.....   | XXX                     | 28,432,873    | 39,368,596            | (146,247,628)                   |
| 4. Fee-for-service (net of \$ ..... medical expenses).....   | XXX                     |               |                       |                                 |
| 5. Risk revenue .....  | XXX                     |               |                       |                                 |
| 6. Aggregate write-ins for other health care related revenues .....  | XXX                     | 0             | 0                     | 0                               |
| 7. Aggregate write-ins for other non-health revenues .....   | XXX                     | 0             | 0                     | 0                               |
| 8. Total revenues (Lines 2 to 7) .....   | XXX                     | 1,403,332,263 | 1,679,896,009         | 2,965,594,606                   |
| <b>Hospital and Medical:</b>   |                         |               |                       |                                 |
| 9. Hospital/medical benefits .....   |                         |               |                       |                                 |
| 10. Other professional services .....  |                         |               |                       |                                 |
| 11. Outside referrals .....  |                         |               |                       |                                 |
| 12. Emergency room and out-of-area .....   |                         |               |                       |                                 |
| 13. Prescription drugs .....   |                         | 1,634,057,729 | 2,054,623,298         | 3,147,191,730                   |
| 14. Aggregate write-ins for other hospital and medical .....   | 0                       | 0             | 0                     | 0                               |
| 15. Incentive pool, withhold adjustments and bonus amounts .....   |                         | 10,776,319    |                       | 200,000                         |
| 16. Subtotal (Lines 9 to 15) .....   | 0                       | 1,644,834,048 | 2,054,623,298         | 3,147,391,730                   |
| <b>Less:</b>   |                         |               |                       |                                 |
| 17. Net reinsurance recoveries .....   |                         | 326,835,895   | 397,194,954           | 621,455,381                     |
| 18. Total hospital and medical (Lines 16 minus 17) .....   | 0                       | 1,317,998,153 | 1,657,428,344         | 2,525,936,349                   |
| 19. Non-health claims (net) .....  |                         |               |                       |                                 |
| 20. Claims adjustment expenses, including \$ .....507,862 cost<br>containment expenses .....   |                         | 74,101,787    | 116,082,928           | 243,655,860                     |
| 21. General administrative expenses .....  |                         | 53,367,993    | 23,436,739            | 65,589,644                      |
| 22. Increase in reserves for life and accident and health contracts<br>(including \$ ..... increase in reserves for life only) .....                     |                         |               |                       | 0                               |
| 23. Total underwriting deductions (Lines 18 through 22).....   | 0                       | 1,445,467,933 | 1,796,948,011         | 2,835,181,853                   |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) .....   | XXX                     | (42,135,670)  | (117,052,002)         | 130,412,753                     |
| 25. Net investment income earned .....   |                         | 10,938        | 20,256                | 33,267                          |
| 26. Net realized capital gains (losses) less capital gains tax of<br>\$ .....  |                         |               |                       |                                 |
| 27. Net investment gains (losses) (Lines 25 plus 26) .....   | 0                       | 10,938        | 20,256                | 33,267                          |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount<br>recovered \$ .....4,333 )<br>(amount charged off \$ .....279,165 )]..... |                         | (274,832)     | (563,193)             | (4,085,909)                     |
| 29. Aggregate write-ins for other income or expenses .....   | 0                       | 0             | 0                     | 0                               |
| 30. Net income or (loss) after capital gains tax and before all other federal<br>income taxes (Lines 24 plus 27 plus 28 plus 29) .....                   | XXX                     | (42,399,564)  | (117,594,939)         | 126,360,111                     |
| 31. Federal and foreign income taxes incurred .....  | XXX                     | (14,839,847)  | (41,158,229)          | 44,305,680                      |
| 32. Net income (loss) (Lines 30 minus 31) .....  | XXX                     | (27,559,717)  | (76,436,710)          | 82,054,431                      |
| <b>DETAILS OF WRITE-INS</b>  |                         |               |                       |                                 |
| 0601. ~ .....  | XXX                     |               |                       | 0                               |
| 0602. ~ .....  | XXX                     |               |                       |                                 |
| 0603. ~ .....  | XXX                     |               |                       |                                 |
| 0698. Summary of remaining write-ins for Line 6 from overflow page .....   | XXX                     | 0             | 0                     | 0                               |
| 0699. Totals (Lines 0601 through 0603 plus 0698)(Line 6 above) .....   | XXX                     | 0             | 0                     | 0                               |
| 0701. ~ .....  | XXX                     |               |                       | 0                               |
| 0702. ~ .....  | XXX                     |               |                       |                                 |
| 0703. ~ .....  | XXX                     |               |                       |                                 |
| 0798. Summary of remaining write-ins for Line 7 from overflow page .....   | XXX                     | 0             | 0                     | 0                               |
| 0799. Totals (Lines 0701 through 0703 plus 0798)(Line 7 above) .....   | XXX                     | 0             | 0                     | 0                               |
| 1401. ~ .....  |                         |               |                       | 0                               |
| 1402. ~ .....  |                         |               |                       | 0                               |
| 1403. ~ .....  |                         |               |                       |                                 |
| 1498. Summary of remaining write-ins for Line 14 from overflow page .....  | 0                       | 0             | 0                     | 0                               |
| 1499. Totals (Lines 1401 through 1403 plus 1498)(Line 14 above) .....  | 0                       | 0             | 0                     | 0                               |
| 2901. ~ .....  |                         |               |                       | 0                               |
| 2902. ~ .....  |                         |               |                       | 0                               |
| 2903. ~ .....  |                         |               |                       |                                 |
| 2998. Summary of remaining write-ins for Line 29 from overflow page .....  | 0                       | 0             | 0                     | 0                               |
| 2999. Totals (Lines 2901 through 2903 plus 2998)(Line 29 above) .....  | 0                       | 0             | 0                     | 0                               |

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

|   | 1<br>Current Year<br>to Date | 2<br>Prior Year<br>to Date | 3<br>Prior Year Ended<br>December 31 |
|---|------------------------------|----------------------------|--------------------------------------|
| <b>CAPITAL AND SURPLUS ACCOUNT</b>  |                              |                            |                                      |
| 33. Capital and surplus prior reporting year.....                                     | 331,862,104                  | 286,007,619                | 286,007,619                          |
| 34. Net income or (loss) from Line 32.....  | (27,559,717)                 | (76,436,710)               | 82,054,431                           |
| 35. Change in valuation basis of aggregate policy and claim reserves.....             |                              |                            |                                      |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$..... |                              |                            |                                      |
| 37. Change in net unrealized foreign exchange capital gain or (loss).....             |                              |                            |                                      |
| 38. Change in net deferred income tax.....  |                              |                            | 19,932,232                           |
| 39. Change in nonadmitted assets.....   | (33,999,808)                 | (54,689,267)               | (56,132,178)                         |
| 40. Change in unauthorized and certified reinsurance.....                             | 0                            | 0                          | 0                                    |
| 41. Change in treasury stock.....   | 0                            | 0                          | 0                                    |
| 42. Change in surplus notes.....  | 0                            | 0                          | 0                                    |
| 43. Cumulative effect of changes in accounting principles.....                        |                              |                            |                                      |
| 44. Capital Changes:  |                              |                            |                                      |
| 44.1 Paid in.....   | 0                            | 0                          | 0                                    |
| 44.2 Transferred from surplus (Stock Dividend).....                                   | 0                            | 0                          | 0                                    |
| 44.3 Transferred to surplus.....  |                              |                            |                                      |
| 45. Surplus adjustments:  |                              |                            |                                      |
| 45.1 Paid in.....   | 0                            | 0                          | 0                                    |
| 45.2 Transferred to capital (Stock Dividend).....                                     |                              |                            |                                      |
| 45.3 Transferred from capital.....  |                              |                            |                                      |
| 46. Dividends to stockholders.....  |                              |                            |                                      |
| 47. Aggregate write-ins for gains or (losses) in surplus.....                         | 0                            | 0                          | 0                                    |
| 48. Net change in capital & surplus (Lines 34 to 47).....                             | (61,559,525)                 | (131,125,977)              | 45,854,485                           |
| 49. Capital and surplus end of reporting period (Line 33 plus 48)                     | 270,302,579                  | 154,881,642                | 331,862,104                          |
| <b>DETAILS OF WRITE-INS</b>   |                              |                            |                                      |
| 4701. ....  |                              |                            | 0                                    |
| 4702. ....  |                              |                            |                                      |
| 4703. ....  |                              |                            |                                      |
| 4798. Summary of remaining write-ins for Line 47 from overflow page.....              | 0                            | 0                          | 0                                    |
| 4799. Totals (Lines 4701 through 4703 plus 4798)(Line 47 above)                       | 0                            | 0                          | 0                                    |

## STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**CASH FLOW**

|   | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|---|------------------------------|----------------------------|--------------------------------------|
| <b>Cash from Operations</b>   |                              |                            |                                      |
| 1. Premiums collected net of reinsurance .....  | 1,339,228,955                | 1,542,906,851              | 3,037,291,961                        |
| 2. Net investment income .....  | 24,123                       | 28,594                     | 57,853                               |
| 3. Miscellaneous income .....   | 0                            | 0                          | 0                                    |
| 4. Total (Lines 1 to 3) .....   | 1,339,253,078                | 1,542,935,445              | 3,037,349,814                        |
| 5. Benefit and loss related payments .....  | 1,193,272,203                | 1,611,509,995              | 2,347,200,793                        |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....                                |                              |                            |                                      |
| 7. Commissions, expenses paid and aggregate write-ins for deductions .....  | 194,184,521                  | 353,809,817                | 1,006,438,296                        |
| 8. Dividends paid to policyholders .....  |                              |                            |                                      |
| 9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital<br>gains (losses) .....                 | 0                            | 0                          | 59,794,384                           |
| 10. Total (Lines 5 through 9) .....   | 1,387,456,724                | 1,965,319,812              | 3,413,433,473                        |
| 11. Net cash from operations (Line 4 minus Line 10) .....   | (48,203,646)                 | (422,384,367)              | (376,083,659)                        |
| <b>Cash from Investments</b>  |                              |                            |                                      |
| 12. Proceeds from investments sold, matured or repaid:  |                              |                            |                                      |
| 12.1 Bonds .....  | 0                            | 300,000                    | 360,000                              |
| 12.2 Stocks .....   | 0                            | 0                          | 0                                    |
| 12.3 Mortgage loans .....   | 0                            | 0                          | 0                                    |
| 12.4 Real estate .....  | 0                            | 0                          | 0                                    |
| 12.5 Other invested assets .....  | 0                            | 0                          | 0                                    |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....                                       | 0                            | 0                          | 0                                    |
| 12.7 Miscellaneous proceeds .....   | 260,000                      | 0                          | 0                                    |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) .....   | 260,000                      | 300,000                    | 360,000                              |
| 13. Cost of investments acquired (long-term only):  |                              |                            |                                      |
| 13.1 Bonds .....  | 0                            | 1,633,500                  | 1,693,481                            |
| 13.2 Stocks .....   | 0                            | 0                          | 0                                    |
| 13.3 Mortgage loans .....   | 0                            | 0                          | 0                                    |
| 13.4 Real estate .....  | 0                            | 0                          | 0                                    |
| 13.5 Other invested assets .....  | 0                            | 0                          | 0                                    |
| 13.6 Miscellaneous applications .....   | 0                            | 0                          | 260,000                              |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) .....  | 0                            | 1,633,500                  | 1,953,481                            |
| 14. Net increase (or decrease) in contract loans and premium notes .....  | 0                            | 0                          | 0                                    |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....   | 260,000                      | (1,333,500)                | (1,593,481)                          |
| <b>Cash from Financing and Miscellaneous Sources</b>  |                              |                            |                                      |
| 16. Cash provided (applied):  |                              |                            |                                      |
| 16.1 Surplus notes, capital notes .....   | 0                            | 0                          | 0                                    |
| 16.2 Capital and paid in surplus, less treasury stock .....   | 0                            | 0                          | 0                                    |
| 16.3 Borrowed funds .....   | 0                            | 0                          | 0                                    |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities .....   | 0                            | 0                          | 0                                    |
| 16.5 Dividends to stockholders .....  | 0                            | 0                          | 0                                    |
| 16.6 Other cash provided (applied) .....  | 0                            | 0                          | 0                                    |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5<br>plus Line 16.6) ..... | 0                            | 0                          | 0                                    |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>  |                              |                            |                                      |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....                   | (47,943,646)                 | (423,717,867)              | (377,677,140)                        |
| 19. Cash, cash equivalents and short-term investments:  |                              |                            |                                      |
| 19.1 Beginning of year .....  | 48,672,313                   | 426,349,453                | 426,349,453                          |
| 19.2 End of period (Line 18 plus Line 19.1) .....   | 728,667                      | 2,631,586                  | 48,672,313                           |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

|  | 1<br>Total    | Comprehensive<br>(Hospital & Medical) |            | 4<br>Medicare<br>Supplement | 5<br>Vision<br>Only | 6<br>Dental<br>Only | 7<br>Federal<br>Employees<br>Health Benefit<br>Plan | 8<br>Title XVIII<br>Medicare | 9<br>Title XIX<br>Medicaid | 10<br>Other   |
|--|---------------|---------------------------------------|------------|-----------------------------|---------------------|---------------------|---|------------------------------|----------------------------|---------------|
|  |               | 2<br>Individual                       | 3<br>Group |                             |                     |                     |   |                              |                            |               |
| <b>Total Members at end of:</b>                            |               |                                       |            |                             |                     |                     |   |                              |                            |               |
| 1. Prior Year .....  | 3,354,748     | 0                                     | 0          | 0                           | 0                   | 0                   | 0   | 0                            | 0                          | 3,354,748     |
| 2. First Quarter .....                                     | 3,094,439     | 0                                     | 0          | 0                           | 0                   | 0                   | 0   | 0                            | 0                          | 3,094,439     |
| 3. Second Quarter .....                                    | 3,046,813     |                                       |            |                             |                     |                     |   |                              |                            | 3,046,813     |
| 4. Third Quarter .....                                     | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 5. Current Year  | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 6. Current Year Member Months                              | 18,581,188    |                                       |            |                             |                     |                     |   |                              |                            | 18,581,188    |
| <b>Total Member Ambulatory Encounters for Period:</b>      |               |                                       |            |                             |                     |                     |   |                              |                            |               |
| 7. Physician .....   | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 8. Non-Physician .....                                     | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 9. Total   | 0             | 0                                     | 0          | 0                           | 0                   | 0                   | 0   | 0                            | 0                          | 0             |
| 10. Hospital Patient Days Incurred                         | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 11. Number of Inpatient Admissions                         | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 12. Health Premiums Written (a) .....                      | 1,721,616,083 |                                       |            |                             |                     |                     |   |                              |                            | 1,721,616,083 |
| 13. Life Premiums Direct .....                             | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 14. Property/Casualty Premiums Written .....               | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 15. Health Premiums Earned .....                           | 1,761,092,704 |                                       |            |                             |                     |                     |   |                              |                            | 1,761,092,704 |
| 16. Property/Casualty Premiums Earned .....                | 0             |                                       |            |                             |                     |                     |   |                              |                            |               |
| 17. Amount Paid for Provision of Health Care Services..... | 1,493,559,529 |                                       |            |                             |                     |                     |   |                              |                            | 1,493,559,529 |
| 18. Amount Incurred for Provision of Health Care Services  | 1,644,834,048 |                                       |            |                             |                     |                     |   |                              |                            | 1,644,834,048 |

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ .....1,721,616,083

STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

**Aging Analysis of Unpaid Claims**

| 1<br>Account   | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>91 - 120 Days | 6<br>Over 120 Days | 7<br>Total  |
|--|------------------|-------------------|-------------------|--------------------|--------------------|-------------|
| <b>Claims Unpaid (Reported)</b>                              |                  |                   |                   |                    |                    |             |
| CVS Caremark Part D Services, L.L.C. ....                    | 316,604,279      |                   |                   |                    |                    | 316,604,279 |
| 0199999 Individually listed claims unpaid                    | 316,604,279      | 0                 | 0                 | 0                  | 0                  | 316,604,279 |
| 0299999 Aggregate accounts not individually listed-uncovered |                  |                   |                   |                    |                    | 0           |
| 0399999 Aggregate accounts not individually listed-covered   | 108,122          |                   |                   |                    |                    | 108,122     |
| 0499999 Subtotals  | 316,712,401      | 0                 | 0                 | 0                  | 0                  | 316,712,401 |
| 0599999 Unreported claims and other claim reserves           |                  |                   |                   |                    |                    | 90,493,807  |
| 0699999 Total amounts withheld                               |                  |                   |                   |                    |                    |             |
| 0799999 Total claims unpaid                                  |                  |                   |                   |                    |                    | 407,206,208 |
| 0899999 Accrued medical incentive pool and bonus amounts     |                  |                   |                   |                    |                    | 8,377,767   |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

| Line of Business                                    | Claims Paid<br>Year to Date   |   | Liability<br>End of Current Quarter                  |   | 5<br>Claims Incurred in<br>Prior Years<br>(Columns 1 + 3) | 6<br>Estimated Claim<br>Reserve and<br>Claim Liability<br>December 31 of<br>Prior Year |
|---|---|---|--|---|---|--|
|   | 1<br>On<br>Claims Incurred Prior<br>to January 1 of<br>Current Year | 2<br>On<br>Claims Incurred<br>During the Year | 3<br>On<br>Claims Unpaid<br>Dec. 31<br>of Prior Year | 4<br>On<br>Claims Incurred<br>During the Year |   |  |
| 1. Comprehensive (hospital and medical) .....       |   |   |  |   | 0   | 0  |
| 2. Medicare Supplement .....                        |   |   |  |   | 0   | 0  |
| 3. Dental Only .....                                |   |   |  |   | 0   | 0  |
| 4. Vision Only .....                                |   |   |  |   | 0   | 0  |
| 5. Federal Employees Health Benefits Plan .....     |   |   |  |   | 0   | 0  |
| 6. Title XVIII - Medicare .....                     |   |   |  |   | 0   | 0  |
| 7. Title XIX - Medicaid .....                       |   |   |  |   | 0   | 0  |
| 8. Other health .....                               | 134,145,897   | 1,059,126,306                                 | 63,474,682   | 266,711,495                                   | 197,620,579   | 203,622,464  |
| 9. Health subtotal (Lines 1 to 8) .....             | 134,145,897   | 1,059,126,306                                 | 63,474,682   | 266,711,495                                   | 197,620,579   | 203,622,464  |
| 10. Healthcare receivables (a) .....                |   |   |  | 10,015,529                                    | 0   | 0  |
| 11. Other non-health .....                          |   |   |  |   | 0   | 0  |
| 12. Medical incentive pools and bonus amounts ..... |   |   | 220,862  | 8,156,905                                     | 220,862   | 200,000  |
| 13. Totals (Lines 9-10+11+12)                       | 134,145,897   | 1,059,126,306                                 | 63,695,544   | 264,852,871                                   | 197,841,441   | 203,822,464  |

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

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# Notes to Financial Statement

## 1. Summary of Significant Accounting Policies

### A. Accounting Practices

SilverScript Insurance Company (the "Company"), a Tennessee domiciled insurance company, is a wholly owned subsidiary of Part D Holding Company, L.L.C. (the "Parent"), and a wholly owned indirect subsidiary of CVS Caremark Corporation (the "Ultimate Parent"). The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (the "Department").

The Department recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under Tennessee Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed or permitted practices by the State of Tennessee.

On January 1, 2013, the Medicare Part D lives of Pennsylvania Life Insurance Company, a wholly owned subsidiary of the Ultimate Parent, were novated into the Company. This novation substantially increased the membership of the Company in 2013.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and its practices prescribed and permitted by the State of Tennessee is shown below:

| <u>NET INCOME :</u>   | <u>State of Domicile</u> | <u>Six months ending</u> |                       |
|---|--------------------------|--------------------------|-----------------------|
|   |                          | <u>June 30, 2014</u>     |                       |
|   |                          | <u>Year ending</u>       |                       |
|   |                          | <u>December 31, 2013</u> |                       |
| State basis   | <u>Tennessee</u>         | \$ (27,559,717)          | \$ 82,054,431         |
| State Prescribed Practices that increase/(decrease) NAIC SAP: | <u>Tennessee</u>         | -                        | -                     |
| State Permitted Practices that increase/(decrease) NAIC SAP:  | <u>Tennessee</u>         | -                        | -                     |
| NAIC SAP  | <u>Tennessee</u>         | <u>(27,559,717)</u>      | <u>82,054,431</u>     |
|   |                          |                          |                       |
| <u>SURPLUS :</u>  |                          | <u>June 30, 2014</u>     |                       |
|   |                          | <u>December 31, 2013</u> |                       |
| State basis   | <u>Tennessee</u>         | \$ 270,302,579           | \$ 331,862,104        |
| State Prescribed Practices that increase/(decrease) NAIC SAP: | <u>Tennessee</u>         | -                        | -                     |
| State Permitted Practices that increase/(decrease) NAIC SAP:  | <u>Tennessee</u>         | -                        | -                     |
| NAIC SAP  | <u>Tennessee</u>         | <u>\$ 270,302,579</u>    | <u>\$ 331,862,104</u> |

### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the *Quarterly Statement Instructions* and Statutory Accounting Principles requires management to make estimates and assumptions that affect amounts reported on the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

### C. Accounting Policy

The Company has adopted accounting policies with respect to particular accounts or transactions which could materially affect its assets, liabilities, capital and surplus or results of operations as follows:

- (1) Short-term investments include money market holdings that are stated at fair value. In addition, bonds with an original purchase maturity date of less than one year are stated at amortized cost using the straight-line method of amortization on premiums or discounts and are classified as short-term investments.
- (2) Bonds with an original purchase maturity date greater than one year are stated at amortized cost using the straight-line method of amortization on premiums or discounts. None of the Company's bonds became impaired during the six months ended June 30, 2014 or the twelve months ended December 31, 2013.

# Notes to Financial Statement

## 1. Summary of Significant Accounting Policies (Continued)

- (3) The Company had 10.0 million shares, (\$1 par), of Class A common capital stock authorized, and 2.75 million of such shares issued and outstanding as of the quarter ended June 30, 2014 and the year ended December 31, 2013.
- (4) Mortgage Loans: None
- (5) Preferred Stocks: None
- (6) Loan-backed Securities: None
- (7) Investment in Subsidiaries, Controlled and Affiliated Companies: None
- (8) Joint Ventures, Partnerships, and Limited Liability Companies: None
- (9) Derivatives: None
- (10) The Company does not utilize anticipated investment income as a factor in determining premium deficiencies.
- (11) The Company has recorded estimates of incurred but not reported claims for claims paid by external entities and subsequently billed to the Company such as claims paid by State pharmaceutical assistance programs and for paper claims. Incurred but not reported claims are estimated based on historical experience.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) Amounts recorded in the Company's financial statements for pharmaceutical rebates are determined based on the amounts CVS Caremark Part D Services, L.L.C. and Member Health, L.L.C. (collectively, the "Part D Services") which are affiliates of the Parent Company, expects to collect from various pharmaceutical manufacturers.

## 2. Accounting Changes and Corrections of Errors

None

## 3. Business Combinations and Goodwill

- A. Statutory Purchase Method: None
- B. Statutory Merger: None
- C. Assumption Reinsurance: None
- D. Impairment Loss: None

## 4. Discontinued Operations

None

## 5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans: None
- B. Debt Restructuring: None
- C. Reverse Mortgages: None
- D. Loan-Backed Securities: None
- E. Repurchase Agreements and/or Securities Lending Transactions: None
- F. Real Estate: None
- G. Low-Income Housing Tax Credits ("LIHTC"): None
- H. Restricted Assets: None

# Notes to Financial Statement

## 6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
- B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

## 7. Investment Income

- A. Due and accrued income was excluded from surplus on the following basis:  
  
All investment income due and accrued with amounts over 90 days past due are excluded from surplus.
- B. The total amount excluded was: None

## 8. Derivative Instruments

None

## 9. Income Taxes

No material changes.

## 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A., B., C During the six months ended June 30, 2014 and the year ended December 31, 2013, the Company did not have any material transfer of assets to affiliates.
- D. The Company had a net \$1,376.7 million and \$1,102.2 million payable to affiliates at June 30, 2014 and December 31, 2013, respectively.
- E. The Company does not have any guarantees or undertakings for the benefit of an affiliate, which result in a material contingent exposure of the Company's or any related party's assets or liabilities.
- F. The following is a description of management and service contracts and cost sharing agreements involving the Company and any related party:

In general, the Company relies on its Parent Company and other affiliates under common control of the Ultimate Parent for all support and operations functions. For specific owner/affiliate relationships, refer to the Legal Entities Organizational Chart contained in Schedule Y.

Except for amounts due to other PDPs, all claims paid and incurred are based on amounts billed by the Parent Company and its affiliates for pharmacy claims filled by pharmacies in the Parent Company's pharmacy network or claims submitted to the Parent Company for pharmacy claims paid by state agencies. Additionally, all pharmaceutical rebates are received or receivable from the Parent Company, which contracts with pharmaceutical manufacturers for such rebates.

As of June 30, 2014, the Company owed the Parent Company and its affiliates \$1,376.7 million of which \$239.6 million represented an insured liability of the Company and is included in *claims unpaid* in the accompanying balance sheets, \$140.8 million is included in *funds held under reinsurance treaties* relating to the Company's reinsurance agreement with CVS Caremark Indemnity, Ltd., an affiliate, \$10.0 million is included in *Healthcare and other amounts receivable* relating to pharmaceutical rebates earned in excess of pharmaceutical rebate payments, and \$1,006.3 million is included in *amounts due to parent, subsidiaries and affiliates* and is primarily comprised of amounts due for uninsured pharmacy claims processed and management fees from the Parent Company.

# Notes to Financial Statement

## 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (Continued)

As of December 31, 2013, the Company owed the Parent Company and its affiliates \$1,102.2 million of which \$143.9 million represented an insured liability of the Company and is included in *claims unpaid* in the accompanying balance sheets, \$154.5 million is included in *funds held under reinsurance treaties* relating to the Company's reinsurance agreement with CVS Caremark Indemnity, Ltd., an affiliate, and \$803.8 million is included in *amounts due to parent, subsidiaries and affiliates* and is primarily comprised of amounts due for uninsured pharmacy claims processed, pharmaceutical rebate payments received in excess of pharmaceutical rebates earned and management fees from the Parent Company.

The Company pays Part D Services a management fee for sales, accounting, tax, legal, information technology, compliance, claims processing and other administrative functions under a management services agreement, which has been filed with the Department. The management fee is assessed on a per-member, per-month ("pmpm") and a per claim basis and totaled \$172.5 million for the six months ended June 30, 2014, of which \$96.6 million was allocated to *claims adjustment expenses* with the remaining \$75.9 million allocated to *general and administrative expenses*. In addition, related to the Company's reinsurance agreement with CVS Caremark Indemnity, Ltd., the Company recognized a total of \$41.6 million of reduction of expenses related to ceded expenses for the six months ended June 30, 2014, of which \$24.2 million was allocated to *claims adjustment expense* and \$17.4 million was allocated to *general and administrative expense*. The management fee totaled \$188.4 million for the six months ended June 30, 2013, of which \$153.7 million was allocated to *claims adjustment expenses* with the remaining \$34.7 million allocated to *general and administrative expenses*. In addition, related to the Company's reinsurance agreement with CVS Caremark Indemnity, Ltd., the Company recognized a total of \$46.6 million of reduction of expenses related to ceded expenses for the six months ended June 30, 2013, of which \$38.0 million was allocated to *claims adjustment expense* and \$8.6 million was allocated to *general and administrative expense*.

Payment terms require settlement of rebates within sixty days of the beginning of the calendar quarter following receipt of such rebates by Part D Services.

The Company has a written tax-sharing agreement with the Ultimate Parent, and its allocation of the Ultimate Parent's federal and state income and premium taxes is based on the Company's federal and state tax liability determined as if the Company were filing its own separate tax return each year. The Company's tax sharing agreement with the Ultimate Parent provides that the Ultimate Parent will pay the Company for its net operating losses to the extent that such net operating loss is utilized in the reduction of the consolidated federal income tax liability. As of June 30, 2014 and December 31, 2013, the Company owed the Ultimate Parent \$29.7 million and \$44.5 million, respectively, for federal income taxes, which is reported as *current federal and foreign income tax payable* in the Statement of Liabilities, Capital and Surplus. As of June 30, 2014 and December 31, 2013, the Company owed the Ultimate Parent \$0.6 million and \$1.8 million, respectively, for state taxes, which is reported as *general expenses due or accrued* in the Statement of Liabilities, Capital and Surplus. Intercompany tax balances are settled annually.

- G. All outstanding shares of the Company are owned by the Parent Company.
- H. The Company does not own shares of stock of its Parent Company.
- I. The Company does not hold any interest in another company or limited partnership.
- J. The Company did not recognize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.
- K. The Company does not have any investments in a foreign insurance subsidiary.
- L. The Company did not have any investments in a downstream non-insurance holding company.

## 11. Debt

None

# Notes to Financial Statement

## 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No change.

## 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) As of June 30, 2014 and December 31, 2013, the Company had 10.0 million shares, (\$1 par); of Class A *common capital stock* authorized and 2.75 million of such shares issued and outstanding.
- (2) The Company has no preferred stock outstanding.
- (3) Without prior approval of the domiciliary commissioner, dividends to shareholders are limited by the laws of Tennessee and are based on the restrictions relating to statutory surplus.
- (4) No dividends were paid by the Company during the six months ended June 30, 2014 and the twelve months ended December 31, 2013.
- (5) The portion of the Company's profits that may be paid as ordinary dividends are limited by the laws of Tennessee. Tennessee law states that ordinary dividends must follow Tennessee Code Ann. § 56-11-105(e) and Tennessee Code Ann. § 56-11-106(b) for extraordinary dividends. Ordinary dividends are limited to either ten percent of surplus or the net gain from operations for the previous twelve months.
- (6) The Company is subject to certain Risk-Based Capital ("RBC") requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life/health insurance company is to be determined based on the various risk factors related to it. As of June 30, 2014 and December 31, 2013, there were no restrictions placed on the unassigned funds (surplus).
- (7) The Company has no mutual reciprocals or any similarly organized entities.
- (8) The Company does not hold any stock of the Ultimate Parent, including stock of affiliated entities for special purposes.
- (9) The Company had no special surplus funds from the prior period.
- (10) As of June 30, 2014 and December 31, 2013, the Company had no unrealized gains or losses.
- (11) The Company did not issue any surplus debenture of similar obligations.
- (12) The Company did not experience an impact of any restatement due to prior quasi-reorganization.
- (13) Not applicable.

## 14. Contingencies

- A. Contingent Commitments: None
- B. Assessments: None
- C. Gain Contingencies: None
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits: None
- E. All Other Contingencies: None

## 15. Leases

- A. Lessee Operating Lease: None
- B. Lessor Leases: None

## 16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk

None

# Notes to Financial Statement

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

- A. Transfers of Receivables Reported as Sales: None
- B. Transfer and Servicing of Financial Assets: None
- C. Wash Sales: None

**18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

- A. ASO Plans: None
- B. ASC Plans

For the six months ended June 30, 2014 and 2013, the gain from operations from Administrative Services Contract (“ASC”) with uninsured plans is as follows:

**June 30, 2014**

|  | <b>ASC<br/>Uninsured<br/>Plans</b> | <b>Uninsured Portion<br/>of Partially<br/>Insured Plans</b> | <b>Total ASC</b>       |
|--|------------------------------------|---|------------------------|
| a. Gross reimbursement for medical costs incurred                              | \$ 996,826,064                     | \$ -  | \$ 996,826,064         |
| b. Gross administrative fees accrued   | 44,032,998                         | -   | 44,032,998             |
| c. Other income or expense (including interest paid to or received from plans) | -                                  | -   | -                      |
| d. Gross expenses incurred (claims and administrative)                         | <u>(1,040,859,062)</u>             | <u>-</u>  | <u>(1,040,859,062)</u> |
| e. Total net Operations  | <u>\$ -</u>                        | <u>\$ -</u>   | <u>\$ -</u>            |

**June 30, 2013**

|  | <b>ASC<br/>Uninsured<br/>Plans</b> | <b>Uninsured Portion<br/>of Partially<br/>Insured Plans</b> | <b>Total ASC</b>     |
|--|------------------------------------|---|----------------------|
| a. Gross reimbursement for medical costs incurred                              | \$ 640,746,666                     | \$ -  | \$ 640,746,666       |
| b. Gross administrative fees accrued   | 39,609,803                         | -   | 39,609,803           |
| c. Other income or expense (including interest paid to or received from plans) | -                                  | -   | -                    |
| d. Gross expenses incurred (claims and administrative)                         | <u>(680,356,469)</u>               | <u>-</u>  | <u>(680,356,469)</u> |
| e. Total net Operations  | <u>\$ -</u>                        | <u>\$ -</u>   | <u>\$ -</u>          |

**C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:**

- (1) Revenue and prescription drug amounts for the six months ended June 30, 2014 and 2013, exclude \$4,018.6 million and \$3,860.8 million, respectively, in subsidies from CMS for catastrophic reinsurance subsidies, low income cost sharing subsidies (“LICS”) and the coverage gap discount program (“CGDP”) pursuant to the Company’s contracts with CMS.
- (2) As of June 30, 2014 and December 31, 2013, *amounts receivable relating to uninsured plans* includes \$2,589.6 million and \$2,314.5 million, respectively, due from CMS or drug manufacturers for LICS, CGDP and drug costs covered by the catastrophic reinsurance feature. Amounts due from clients and other sources as of June 30, 2014 and December 31, 2013 were \$91.9 million and \$67.3 million, respectively.
- (3) As of June 30, 2014 and December 31, 2013, there were no allowances or reserves for adjustment of recorded revenues.
- (4) The Company has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

# Notes to Financial Statement

## 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None

## 20. Fair Value Measurements

Statement of Statutory Accounting Principle (SSAP) 100, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. SSAP 100 provides guidance on how to measure fair value when required under existing accounting standards. The statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (“Level 1, 2 and 3”). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets the Company has the ability to access at the measurement date. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are unobservable inputs reflecting the Company’s estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The hierarchy requires the use of market observable information when available for assessing fair value. As the fair value of the Company’s U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1.

The following methods and assumptions were used by the Company in estimating the “fair value” disclosures for financial instruments in the accompanying financial statements and notes thereto:

*Cash and short-term investments:* The carrying amounts reported in the accompany balance sheets for these financial instruments approximate their fair values.

*Investment Securities:* Fair values for bonds are based on the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

- *Level 1* - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- *Level 2* - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- *Level 3* - Inputs to the valuation methodology are unobservable inputs based upon management’s best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

# Notes to Financial Statement

## 20. Fair Value Measurements (Continued)

A.

(1) Fair Value Measurements at Reporting Date:

June 30, 2014

| <u>Description for each class of asset or liability</u> | <u>(Level 1)</u>    | <u>(Level 2)</u>  | <u>(Level 3)</u> | <u>Total</u>        |
|---|---------------------|-------------------|------------------|---------------------|
| a. Assets at fair value                                 |                     |                   |                  |                     |
| Bonds - US Governments                                  | \$ 2,315,367        | \$ -              | \$ -             | \$ 2,315,367        |
| Bonds - US Special Revenues                             | -                   | 510,870           | -                | 510,870             |
| Cash  | (469,801)           | -                 | -                | (469,801)           |
| Short-Term Bonds - US Governments                       | -                   | -                 | -                | -                   |
| Exempt Money Market Mutual Funds                        | 578,461             | -                 | -                | 578,461             |
| Class One Money Market Mutual Funds                     | 620,007             | -                 | -                | 620,007             |
| Matured investment being held by State for release      | -                   | -                 | -                | -                   |
| Total Assets at fair value                              | <u>\$ 3,044,034</u> | <u>\$ 510,870</u> | <u>\$ -</u>      | <u>\$ 3,554,904</u> |

December 31, 2013

| <u>Description for each class of asset or liability</u> | <u>(Level 1)</u>     | <u>(Level 2)</u>  | <u>(Level 3)</u> | <u>Total</u>         |
|---|----------------------|-------------------|------------------|----------------------|
| a. Assets at fair value                                 |                      |                   |                  |                      |
| Bonds - US Governments                                  | \$ 2,313,549         | \$ -              | \$ -             | \$ 2,313,549         |
| Bonds - US Special Revenues                             | -                    | 491,985           | -                | 491,985              |
| Cash  | (2,518,723)          | -                 | -                | (2,518,723)          |
| Short-Term Bonds - US Governments                       | -                    | -                 | -                | -                    |
| Exempt Money Market Mutual Funds                        | 50,571,029           | -                 | -                | 50,571,029           |
| Class One Money Market Mutual Funds                     | 620,007              | -                 | -                | 620,007              |
| Matured investment being held by State for release      | 260,000              | -                 | -                | 260,000              |
| Total Assets at fair value                              | <u>\$ 51,245,862</u> | <u>\$ 491,985</u> | <u>\$ -</u>      | <u>\$ 51,737,847</u> |

There have been no transfers between Level 1 and Level 2 of the Fair Value Hierarchy in the current reporting period.

(2) Fair Value Measurement (Level 3) of the Fair Value Hierarchy: Not Applicable

(3) Fair Value Measurement (Level 3) Transfers: Not Applicable

(4) Inputs for Valuation of Fair Value of Level 2 and Level 3 Investments: Bank valuation provided in monthly statements are utilized to estimate fair market value.

(5) Fair Value of Derivative Assets and Liabilities: Not Applicable

B. Other Accounting Pronouncements: Not Applicable

# Notes to Financial Statement

## 20. Fair Value Measurements (Continued)

C. Aggregate fair value for all financial instruments at reporting date:

### June 30, 2014

| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets | (Level 1)    | (Level 2)  | (Level 3) | Not Practicable (Carrying Value) |
|------------------------------|----------------------|-----------------|--------------|------------|-----------|----------------------------------|
| Bonds                        | \$ 2,826,237         | \$ 2,838,669    | \$ 2,315,367 | \$ 510,870 | \$ -      | \$ -                             |
| Cash                         | \$ (469,801)         | \$ (469,801)    | \$ (469,801) | \$ -       | \$ -      | \$ -                             |
| Short Term Investments       | \$ 1,198,468         | \$ 1,198,468    | \$ 1,198,468 | \$ -       | \$ -      | \$ -                             |

### December 31, 2013

| Type of Financial Instrument     | Aggregate Fair Value | Admitted Assets | (Level 1)      | (Level 2)  | (Level 3) | Not Practicable (Carrying Value) |
|----------------------------------|----------------------|-----------------|----------------|------------|-----------|----------------------------------|
| Bonds                            | \$ 2,805,534         | \$ 2,852,200    | \$ 2,313,549   | \$ 491,985 | \$ -      | \$ -                             |
| Cash                             | \$ (2,518,723)       | \$ (2,518,723)  | \$ (2,518,723) | \$ -       | \$ -      | \$ -                             |
| Short Term Investments           | \$ 51,191,036        | \$ 51,191,036   | \$ 51,191,036  | \$ -       | \$ -      | \$ -                             |
| Matured Investment held by State | \$ 260,000           | \$ 260,000      | \$ 260,000     | \$ -       | \$ -      | \$ -                             |

D. Not Practicable to Estimate Fair Value:

As of June 30, 2014 and December 31, 2013, the Company did not own any financial instruments that were not practicable to estimate fair value.

Money market funds in active markets are classified within Level 1 as fair values are based on quoted market prices.

As of June 30, 2014, bonds, short-term investments, and cash with an admitted asset value of \$2.8 million, \$1.2 million and \$0.2 million, respectively, were on deposit with state insurance departments to satisfy regulatory requirements. As of December 31, 2013, bonds, short-term investments and cash with an admitted asset value of \$2.8 million, \$1.2 million, and \$0.2 million, respectively, were on deposit with state insurance departments to satisfy regulatory requirements.

Management regularly reviews the value of the Company's investments. If the value of any investment falls below its cost basis, the decline is analyzed to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the following is considered:

- The length of time and the extent to which the fair value has been below cost;
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential; and
- Management's intent and ability to hold the security long enough for it to recover its value.

Based on that analysis, management makes a judgment as to whether the loss is other-than-temporary. If the loss is other-than-temporary, an impairment charge is recorded within net realized investment gains (losses) in the statements of operations in the period the determination is made. For the six months ended June 30, 2014 and the year ended December 31, 2013, management determined that none of the Company's investments had sustained an other-than-temporary decline in value.

## 21. Other Items

- Extraordinary Items: None
- Troubled Debt Restructuring - Debtors: None
- Other Disclosures and Unusual Items: None
- Business Interruption Insurance Recoveries: None

# Notes to Financial Statement

## 21. Other Items (Continued)

- E. State Transferable Tax Credits: None
- F. Subprime-Mortgage-Related Risk Exposure: None
- G. Retained Assets: None
- H. Offsetting and Netting of Assets and Liabilities: None
- J. Risk Sharing Provisions of the Affordable Care Act (“ACA”): The Company only offers health insurance coverage under Medicare Part D and is not a qualified health plan under the definition of the ACA. Accordingly, the Company has not recorded any financial impact with respect to the following features of the ACA:
  - (1) Permanent ACA Risk Adjustment Program
    - a. Premium adjustments receivable due to ACA Risk Adjustment: None
    - b. Risk adjustment user fees payable for ACA Risk Adjustment: None
    - c. Premium adjustments payable due to ACA Risk Adjustment: None
    - d. Reported as revenue in premium for accident and health contracts due to ACA Risk Adjustment: None
    - e. Reported in expenses as ACA Risk Adjustment user fees: None
  - (2) Transitional ACA Reinsurance Program
    - a. Amounts recoverable for claims paid due to ACA Reinsurance: None
    - b. Amounts recoverable for claims unpaid due to ACA Reinsurance: None
    - c. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance: None
    - d. Liabilities for contributions payable due to ACA Reinsurance: None
    - e. Ceded reinsurance premiums payable due to ACA Reinsurance: None
    - f. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance: None
    - g. Ceded reinsurance premiums due to ACA Reinsurance: None
    - h. Reinsurance recoveries due to ACA Reinsurance payments or expected payments: None
    - i. ACA Reinsurance contributions: None
  - (3) Temporary ACA Risk Corridors Program
    - a. Accrued retrospective premium due to ACA Risk Corridors: None
    - b. Reserve for rate credits or policy experience ratings refunds due to ACA Risk Corridor: None
    - c. Effect of ACA Risk Corridors on net premium income: None
    - d. Effect of ACA Risk Corridors on change in reserves for rate credits: None

## 22. Events Subsequent

The Company has assessed and concluded that there were no other material subsequent events, through August 15, 2014, the date which the financial statements were available to be issued.

## 23. Reinsurance

### A. Ceded Reinsurance Report

The Company entered into a reinsurance agreement with Hartford Life and Accident Insurance Company (“Hartford”), an unaffiliated authorized insurance company, effective January 1, 2009. The Company’s ceded premiums totaled \$1.5 million and \$2.0 million during the six months ended June 30, 2014 and 2013, respectively.

Neither the Company nor any of its related parties control, directly or indirectly, the Hartford. No policies to the Hartford issued by the Company have been reinsured with a foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of insurance. The Company does not have any reinsurance agreements in effect under which the Hartford may unilaterally cancel the agreement. As of June 30, 2014 there are no reinsurance agreements in effect such that the amount of losses paid or accrued exceed the total direct premium collected for the Hartford.

The Company entered into a quota share reinsurance agreement with an affiliate of the Parent Company, CVS Caremark Indemnity, Ltd., a Bermuda domiciled insurer. Under the terms of this agreement, the Company cedes 20% of the Company’s share of the risk associated with individual and group premiums and claims. This agreement was approved by the Department on August 15, 2011, and was retroactive to January 1, 2011. The following is a financial summary of the ceded amounts and related expenses under this agreement:

# Notes to Financial Statement

## 23. Reinsurance (Continued)

|  | <u>Six months ended</u><br><u>June 30, 2014</u> | <u>Twelve months ended</u><br><u>December 31, 2013</u> |
|--|---|--|
| <b>Statement of Revenue and Expense:</b>                           |   |  |
| Premiums   | \$ 356,255,049                                  | \$ 753,808,633   |
| Benefits   | (325,811,841)                                   | (619,519,075)  |
| Commissions expense  | (41,625,968)                                    | (82,178,520)   |
| Interest (revenue) expense   | (20,128)  | 187,676  |
| Total revenue and expense ceded                                    | <u>\$ (11,202,888)</u>                          | <u>\$ 52,298,714</u>                                   |
| <b>Balance Sheet:</b>  |   |  |
| Claims unpaid  | \$ 76,876,839                                   | \$ 50,012,023  |
| Aggregate health policy reserves                                   | 54,925,765                                      | 54,972,327   |
| Accrued retrospective premiums                                     | (10,997,185)                                    | -  |
| Premiums received in advance                                       | 1,031,474                                       | 1,402,317  |
| Premiums receivable  | (8,172,548)                                     | (4,209,728)  |
| Accrued incentive pool   | 2,094,442                                       | 50,000   |
| Rebates receivable   | (2,503,882)                                     | -  |
| Total ceded balance sheet Items                                    | <u>\$ 113,254,905</u>                           | <u>\$ 102,226,939</u>                                  |
| <b>Unsettled Prior Year Balances</b>                               | \$ 38,751,772                                   | \$ -   |
| Funds held by or deposited with reinsured companies                | \$ 393,022,427                                  | \$ 806,161,225   |
| Funds held under reinsurance treaties with unauthorized reinsurers | (252,218,638)                                   | (651,635,572)  |
| Amount due to CMS Caremark Indemnity, Ltd.                         | <u>\$ 140,803,789</u>                           | <u>\$ 154,525,653</u>                                  |

B. Uncollectible Reinsurance: None

C. Commutation of Ceded Reinsurance

The Company did not commute any ceded reinsurance nor did it enter into or engage in any agreement that reinsures policies or contracts that were in-force or had existing reserves as of the effective date of such agreements.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation: None

## 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The Company's Medicare Part D contract with CMS contains a risk corridor feature. Due to the risk corridor feature, the Company's business is accounted for as a retrospectively rated contract. The Company estimates retrospective premium adjustments using a mathematical approach based on the Company's underwriting experience. As of June 30, 2014 and December 31, 2013, accrued retroactive premium adjustments were reported as an *aggregate health policy reserves* in the amount of \$237.6 million and \$222.1 million, respectively, and as *accrued retrospective premiums* of \$44.0 million and \$4 thousand, respectively.
- B. The Company records the risk corridor adjustment as an adjustment to earned premiums.
- C. The amount of net direct premiums written by the Company during the six months ended June 30, 2014 and 2013 that was subject to the retrospective rating feature was \$1,585.6 million and \$1,916.4 million, respectively, which represented 92% and 93%, respectively, of the total premiums written, excluding risk corridor adjustment.
- D. Medical loss ratio rebates required pursuant to the Public Health Service Act: Not applicable

## Notes to Financial Statement

### 25. Change in Incurred Claims and Claim Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances of claims unpaid, accruals for medical incentive pool and bonus, and health care receivables as follows:

|   | <b>Six Months Ended<br/>June 30, 2014</b> | <b>Year Ended<br/>December 31, 2013</b> |
|---|---|---|
| Balances at January 1:                              |   |   |
| Reserves for unpaid claims                          | \$ 203,622,464                            | \$ 44,586,896                           |
| Healthcare receivables                              | -   | (19,499,988)                            |
| Reserve for incentive pools                         | 200,000                                   | -                                       |
|   | \$ 203,822,464                            | \$ 25,086,908                           |
| Incurred related to:                                |   |   |
| Current year  | \$ 1,323,979,178                          | \$ 2,545,281,087                        |
| Prior year  | (5,981,024)                               | (19,344,738)                            |
|   | \$ 1,317,998,154                          | \$ 2,525,936,349                        |
| Paid (received) related to:                         |   |   |
| Current year  | \$ 1,059,126,306                          | \$ 2,361,536,041                        |
| Prior year  | 134,145,897                               | (14,335,248)                            |
|   | \$ 1,193,272,203                          | \$ 2,347,200,793                        |
| Balances at June 30, 2014 and<br>December 31, 2013: |   |   |
| Reserves for unpaid claims                          | \$ 330,186,177                            | \$ 203,622,464                          |
| Healthcare receivables                              | (10,015,529)                              |   |
| Reserve for incentive pools                         | 8,377,767                                 | 200,000                                 |
|   | \$ 328,548,415                            | \$ 203,822,464                          |

Changes in prior year reserves are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding claims. It is at least reasonably possible that a further change in the incurred but not reported claims could occur within one year from the date of these financial statements and that such a change in these estimates could be material to the financial statements.

During 2014, the Company experienced \$6 million of favorable prior year claims development, all of which related to retrospectively rated policies. This favorable development occurred due primarily to additional pharmacy network fees related to the prior year credited to the Company by Part D Services in the second quarter of 2014 and reductions in reserve levels.

During 2013, the Company experienced \$19.3 million of favorable prior year claims development, all of which related to retrospectively rated policies. This favorable development occurred due primarily to a global reduction in reserves that was a result of a reduction in subsequent claims, or runout, noted in the current year.

These amounts do not include the LICs, CGDP or reinsurance portions of claims that have been or will be reimbursed by CMS or drug manufacturers.

### 26. Intercompany Pooling Arrangements

None

### 27. Structured Settlements

None

## Notes to Financial Statement

### 28. Health Care Receivables

The Company has contracted with its Part D Services, for pharmaceutical rebates. Amounts recorded in the Company's financial statements are determined based on the amounts the Part D Services has collected or expects to collect or expects to collect as invoiced or otherwise confirmed by Part D Services. The Company reports pharmaceutical rebates due to/from Part D Services as health care receivables.

#### A. Pharmaceutical Rebate Receivables:

| Quarter    | Estimated Pharmacy Rebates as Reported | Pharmacy Rebates as Billed or Otherwise Confirmed | Actual Rebates Received Within 90 Days of Billing | Actual Rebates Received Within 91 to 180 Days of Billing | Actual Rebates Received More Than 181 Days After Billing |
|------------|--|---|---|--|--|
| 06/30/2014 | \$ 887,340,228                         | \$ 887,340,228                                    | \$ 874,820,817                                    | \$ -   | \$ -   |
| 03/31/2014 | 837,836,305                            | 839,235,240                                       | 839,235,240                                       | -  | -  |
| 12/31/2013 | 850,884,962                            | 853,449,551                                       | 853,449,551                                       | -  | -  |
| 09/30/2013 | 810,829,528                            | 821,540,908                                       | 821,540,908                                       | -  | -  |
| 06/30/2013 | 731,002,181                            | 731,644,099                                       | 731,644,099                                       | -  | -  |
| 03/31/2013 | 668,437,711                            | 703,759,427                                       | 703,759,427                                       | -  | -  |
| 12/31/2012 | 275,629,822                            | 268,361,448                                       | 267,247,991                                       | 1,055,831  | 57,626   |
| 9/30/12    | 244,482,467                            | 254,167,833                                       | 253,631,078                                       | 401,263  | 135,492  |
| 6/30/12    | 249,073,711                            | 257,891,244                                       | 256,227,466                                       | 1,594,850  | 68,928   |
| 3/31/12    | 245,944,146                            | 252,988,253                                       | 250,087,466                                       | 2,550,248  | 350,539  |
| 12/31/2011 | 131,854,647                            | 137,489,148                                       | 136,496,555                                       | 947,428  | 45,165   |
| 9/30/2011  | 126,589,575                            | 132,270,715                                       | 130,919,315                                       | 905,386  | 446,014  |

#### B. Risk Sharing Receivables:

None

### 29. Participating Policies

None

### 30. Premium Deficiency Reserves

None

### 31. Anticipated Salvage and Subrogation

None

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

**GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [ X ]
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [ X ] No [ ]  
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [ X ]
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 4.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
|                     |                        |                        |

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [ X ] N/A [ ]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2013
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2010
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 07/09/2013
- 6.4 By what department or departments?  
State of Tennessee, Department of Commerce and Insurance
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [ ] No [ ] N/A [ X ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [ X ] No [ ] N/A [ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [ X ]
- 7.2 If yes, give full information:
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
|                     |                             |          |          |           |          |

**GENERAL INTERROGATORIES**

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes [ X ] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended? ..... Yes [ ] No [ X ]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes [ ] No [ X ]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

**FINANCIAL**

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [ ] No [ X ]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... \$

**INVESTMENT**

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [ ] No [ X ]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$
13. Amount of real estate and mortgages held in short-term investments: ..... \$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [ ] No [ X ]
- 14.2 If yes, please complete the following:
- |   | 1   | 2  |
|---|---|--|
|   | Prior Year-End<br>Book/Adjusted<br>Carrying Value | Current Quarter<br>Book/Adjusted<br>Carrying Value |
| 14.21 Bonds .....   | \$ .0   | \$ .0  |
| 14.22 Preferred Stock .....   | \$ .0   | \$ .0  |
| 14.23 Common Stock .....  | \$ .0   | \$ .0  |
| 14.24 Short-Term Investments .....  | \$ .0   | \$ .0  |
| 14.25 Mortgage Loans on Real Estate .....   | \$ .0   | \$ .0  |
| 14.26 All Other .....   | \$ .0   | \$ .0  |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) ..... | \$ .0   | \$ .0  |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....                       | \$ .0   | \$ .0  |
- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ X ]
- If no, attach a description with this statement.

STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company  
**GENERAL INTERROGATORIES**

16. For the reporting entity's security lending program, state the amount of the following as of the current statement date:
- |  |          |   |
|--|----------|---|
| 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 .....                   | \$ ..... | 0 |
| 16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 ..... | \$ ..... | 0 |
| 16.3 Total payable for securities lending reported on the liability page .....                                       | \$ ..... | 0 |

17. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes  No
- 17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s)                | 2<br>Custodian Address                                    |
|--|---|
| Bank of America, N.A. ....               | 1655 Grant Street, Concord, CA 94520 .....                |
| Bank of America, N.A. ....               | 200 N College Street, Charlotte, NC 28255 .....           |
| Regions Bank .....                       | 400 West Capitol, Little Rock, AR 72201 .....             |
| Suntrust .....                           | 919 East Main Street, 7th Floor, Richmond, VA 23219 ..... |
| US Bank .....                            | 225 Water Street Suite 700, Jacksonville, FL 32202 .....  |
| Xerox State & Local Solutions, Inc. .... | 100 Hancock Street 10th Floor, Quincy, MA 02171 .....     |

- 17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? ..... Yes  No
- 17.4 If yes, give full information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

- 17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository | 2<br>Name(s) | 3<br>Address |
|--------------------------------------|--------------|--------------|
|                                      |              |              |

- 18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes  No
- 18.2 If no, list exceptions:

# GENERAL INTERROGATORIES

## PART 2 - HEALTH

1. Operating Percentages:
- 1.1 A&H loss percent .....93.9 %
  - 1.2 A&H cost containment percent .....0.0 %
  - 1.3 A&H expense percent excluding cost containment expenses .....9.0 %
- 2.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [ X ]
- 2.2 If yes, please provide the amount of custodial funds held as of the reporting date .....\$ .....
- 2.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [ X ]
- 2.4 If yes, please provide the balance of the funds administered as of the reporting date .....\$ .....

**SCHEDULE S - CEDED REINSURANCE**

Showing All New Reinsurance Treaties - Current Year to Date

| 1<br>NAIC<br>Company<br>Code | 2<br>ID<br>Number | 3<br>Effective<br>Date | 4<br>Name of Reinsurer | 5<br>Domiciliary<br>Jurisdiction | 6<br>Type of<br>Rein-<br>ced | 7<br>Type of Reinsurer | 8<br>Certified<br>Reinsurer<br>Rating<br>(1 through 6) | 9<br>Effective<br>Date of<br>Certified<br>Reinsurer<br>Rating |
|------------------------------|-------------------|------------------------|------------------------|----------------------------------|------------------------------|------------------------|--|---|
| <b>NONE</b>                  |                   |                        |                        |                                  |                              |                        |  |   |

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

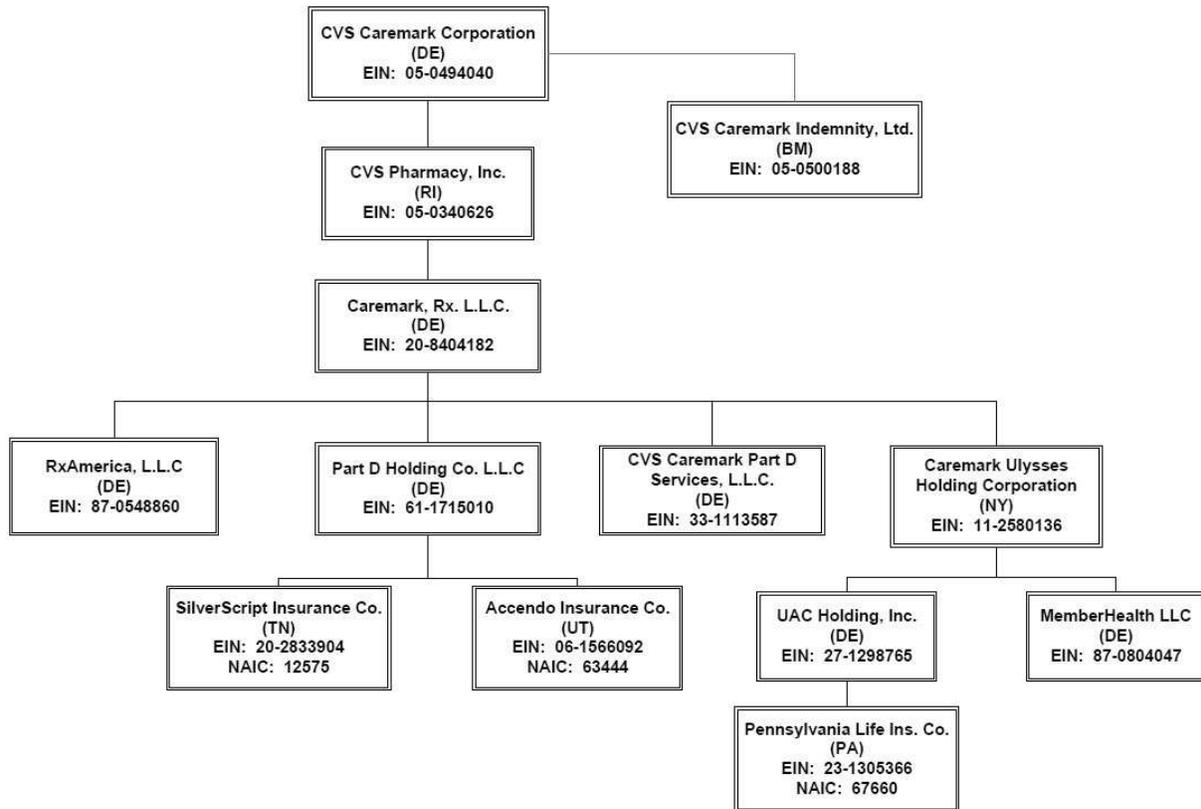
Current Year to Date - Allocated by States and Territories

| States, etc.   | 1<br>Active Status | Direct Business Only              |                           |                         |   |   |                                 |                                | 9<br>Deposit-Type Contracts |   |
|--|--------------------|-----------------------------------|---------------------------|-------------------------|---|---|---------------------------------|--------------------------------|-----------------------------|---|
|  |                    | 2<br>Accident and Health Premiums | 3<br>Medicare Title XVIII | 4<br>Medicaid Title XIX | 5<br>Federal Employees Health Benefits Program Premiums | 6<br>Life and Annuity Premiums & Other Considerations | 7<br>Property/Casualty Premiums | 8<br>Total Columns 2 Through 7 |                             |   |
| 1. Alabama   | AL                 | L                                 | 29,050,986                |                         |   |   |                                 |                                | 29,050,986                  |   |
| 2. Alaska  | AK                 | L                                 | 918,611                   |                         |   |   |                                 |                                | 918,611                     |   |
| 3. Arizona   | AZ                 | L                                 | 15,790,781                |                         |   |   |                                 |                                | 15,790,781                  |   |
| 4. Arkansas  | AR                 | L                                 | 23,626,466                |                         |   |   |                                 |                                | 23,626,466                  |   |
| 5. California  | CA                 | L                                 | 218,744,761               |                         |   |   |                                 |                                | 218,744,761                 |   |
| 6. Colorado  | CO                 | L                                 | 7,767,330                 |                         |   |   |                                 |                                | 7,767,330                   |   |
| 7. Connecticut   | CT                 | L                                 | 26,283,803                |                         |   |   |                                 |                                | 26,283,803                  |   |
| 8. Delaware  | DE                 | L                                 | 4,627,373                 |                         |   |   |                                 |                                | 4,627,373                   |   |
| 9. District of Columbia  | DC                 | L                                 | 3,215,489                 |                         |   |   |                                 |                                | 3,215,489                   |   |
| 10. Florida  | FL                 | L                                 | 51,788,765                |                         |   |   |                                 |                                | 51,788,765                  |   |
| 11. Georgia  | GA                 | L                                 | 54,000,409                |                         |   |   |                                 |                                | 54,000,409                  |   |
| 12. Hawaii   | HI                 | L                                 | 1,019,027                 |                         |   |   |                                 |                                | 1,019,027                   |   |
| 13. Idaho  | ID                 | L                                 | 7,825,969                 |                         |   |   |                                 |                                | 7,825,969                   |   |
| 14. Illinois   | IL                 | L                                 | 59,093,750                |                         |   |   |                                 |                                | 59,093,750                  |   |
| 15. Indiana  | IN                 | L                                 | 34,159,454                |                         |   |   |                                 |                                | 34,159,454                  |   |
| 16. Iowa   | IA                 | L                                 | 22,516,942                |                         |   |   |                                 |                                | 22,516,942                  |   |
| 17. Kansas   | KS                 | L                                 | 15,958,139                |                         |   |   |                                 |                                | 15,958,139                  |   |
| 18. Kentucky   | KY                 | L                                 | 33,259,726                |                         |   |   |                                 |                                | 33,259,726                  |   |
| 19. Louisiana  | LA                 | L                                 | 45,956,125                |                         |   |   |                                 |                                | 45,956,125                  |   |
| 20. Maine  | ME                 | L                                 | 2,566,202                 |                         |   |   |                                 |                                | 2,566,202                   |   |
| 21. Maryland   | MD                 | L                                 | 20,312,976                |                         |   |   |                                 |                                | 20,312,976                  |   |
| 22. Massachusetts  | MA                 | L                                 | 65,195,308                |                         |   |   |                                 |                                | 65,195,308                  |   |
| 23. Michigan   | MI                 | L                                 | 42,658,222                |                         |   |   |                                 |                                | 42,658,222                  |   |
| 24. Minnesota  | MN                 | L                                 | 23,322,988                |                         |   |   |                                 |                                | 23,322,988                  |   |
| 25. Mississippi  | MS                 | L                                 | 29,501,568                |                         |   |   |                                 |                                | 29,501,568                  |   |
| 26. Missouri   | MO                 | L                                 | 56,191,930                |                         |   |   |                                 |                                | 56,191,930                  |   |
| 27. Montana  | MT                 | L                                 | 6,665,265                 |                         |   |   |                                 |                                | 6,665,265                   |   |
| 28. Nebraska   | NE                 | L                                 | 12,211,867                |                         |   |   |                                 |                                | 12,211,867                  |   |
| 29. Nevada   | NV                 | L                                 | 6,108,725                 |                         |   |   |                                 |                                | 6,108,725                   |   |
| 30. New Hampshire  | NH                 | L                                 | 4,752,487                 |                         |   |   |                                 |                                | 4,752,487                   |   |
| 31. New Jersey   | NJ                 | L                                 | 57,515,818                |                         |   |   |                                 |                                | 57,515,818                  |   |
| 32. New Mexico   | NM                 | L                                 | 12,532,664                |                         |   |   |                                 |                                | 12,532,664                  |   |
| 33. New York   | NY                 | L                                 | 119,675,100               |                         |   |   |                                 |                                | 119,675,100                 |   |
| 34. North Carolina   | NC                 | L                                 | 67,475,336                |                         |   |   |                                 |                                | 67,475,336                  |   |
| 35. North Dakota   | ND                 | L                                 | 7,166,357                 |                         |   |   |                                 |                                | 7,166,357                   |   |
| 36. Ohio   | OH                 | L                                 | 74,092,490                |                         |   |   |                                 |                                | 74,092,490                  |   |
| 37. Oklahoma   | OK                 | L                                 | 34,978,915                |                         |   |   |                                 |                                | 34,978,915                  |   |
| 38. Oregon   | OR                 | L                                 | 14,546,301                |                         |   |   |                                 |                                | 14,546,301                  |   |
| 39. Pennsylvania   | PA                 | L                                 | 88,985,245                |                         |   |   |                                 |                                | 88,985,245                  |   |
| 40. Rhode Island   | RI                 | L                                 | 9,337,671                 |                         |   |   |                                 |                                | 9,337,671                   |   |
| 41. South Carolina   | SC                 | L                                 | 24,588,998                |                         |   |   |                                 |                                | 24,588,998                  |   |
| 42. South Dakota   | SD                 | L                                 | 5,942,887                 |                         |   |   |                                 |                                | 5,942,887                   |   |
| 43. Tennessee  | TN                 | L                                 | 33,327,664                |                         |   |   |                                 |                                | 33,327,664                  |   |
| 44. Texas  | TX                 | L                                 | 101,323,516               |                         |   |   |                                 |                                | 101,323,516                 |   |
| 45. Utah   | UT                 | L                                 | 6,041,556                 |                         |   |   |                                 |                                | 6,041,556                   |   |
| 46. Vermont  | VT                 | L                                 | 7,485,790                 |                         |   |   |                                 |                                | 7,485,790                   |   |
| 47. Virginia   | VA                 | L                                 | 36,969,186                |                         |   |   |                                 |                                | 36,969,186                  |   |
| 48. Washington   | WA                 | L                                 | 33,886,265                |                         |   |   |                                 |                                | 33,886,265                  |   |
| 49. West Virginia  | WV                 | L                                 | 22,749,171                |                         |   |   |                                 |                                | 22,749,171                  |   |
| 50. Wisconsin  | WI                 | L                                 | 34,998,913                |                         |   |   |                                 |                                | 34,998,913                  |   |
| 51. Wyoming  | WY                 | L                                 | 2,692,631                 |                         |   |   |                                 |                                | 2,692,631                   |   |
| 52. American Samoa   | AS                 | N                                 |                           |                         |   |   |                                 |                                | 0                           |   |
| 53. Guam   | GU                 | N                                 |                           |                         |   |   |                                 |                                | 0                           |   |
| 54. Puerto Rico  | PR                 | L                                 | 196,500                   |                         |   |   |                                 |                                | 196,500                     |   |
| 55. U.S. Virgin Islands  | VI                 | N                                 | 15,665                    |                         |   |   |                                 |                                | 15,665                      |   |
| 56. Northern Mariana Islands   | MP                 | N                                 |                           |                         |   |   |                                 |                                | 0                           |   |
| 57. Canada   | CAN                | N                                 |                           |                         |   |   |                                 |                                | 0                           |   |
| 58. Aggregate Other Aliens   | OT                 | XXX                               | 0                         | 0                       | 0   | 0   | 0                               | 0                              | 0                           | 0 |
| 59. Subtotal   | XXX                |                                   | 1,721,616,083             | 0                       | 0   | 0   | 0                               | 0                              | 1,721,616,083               | 0 |
| 60. Reporting Entity Contributions for Employee Benefit Plans        | XXX                |                                   |                           |                         |   |   |                                 |                                | 0                           |   |
| 61. Totals (Direct Business)   | (a) 52             |                                   | 1,721,616,083             | 0                       | 0   | 0   | 0                               | 0                              | 1,721,616,083               | 0 |
| DETAILS OF WRITE-INS   |                    |                                   |                           |                         |   |   |                                 |                                |                             |   |
| 58001.   | XXX                |                                   |                           |                         |   |   |                                 |                                |                             |   |
| 58002.   | XXX                |                                   |                           |                         |   |   |                                 |                                |                             |   |
| 58003.   | XXX                |                                   |                           |                         |   |   |                                 |                                |                             |   |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | XXX                |                                   | 0                         | 0                       | 0   | 0   | 0                               | 0                              | 0                           | 0 |
| 58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)  | XXX                |                                   | 0                         | 0                       | 0   | 0   | 0                               | 0                              | 0                           | 0 |

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART**



STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**SCHEDULE Y**

**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

| 1          | 2                | 3                 | 4                 | 5            | 6   | 7  | 8   | 9                    | 10                               | 11   | 12   | 13   | 14   | 15 |
|------------|------------------|-------------------|-------------------|--------------|-----|--|---|----------------------|----------------------------------|--|--|--|--|----|
| Group Code | Group Name       | NAIC Company Code | Federal ID Number | Federal RSSD | CIK | Name of Securities Exchange if Publicly Traded (U.S. or International) | Names of Parent, Subsidiaries Or Affiliates | Domiciliary Location | Relationship to Reporting Entity | Directly Controlled by (Name of Entity/Person) | Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other) | If Control is Ownership Provide Percentage | Ultimate Controlling Entity(ies)/Person(s) | *  |
| 4667       | CVS CAREMARK GRP | 00000             | 05-0494040        |              |     | NYSE   | CVS Caremark Corporation                    | DE                   | UIP                              | Board of Directors                             | Board of Directors   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 05-0340626        |              |     |  | CVS Pharmacy, Inc                           | RI                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 20-8404182        |              |     |  | Caremark Rx, L.L.C.                         | DE                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 61-1715010        |              |     |  | Part D Holding Company, L.L.C.              | DE                   | UDP                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 33-1113587        |              |     |  | CVS Caremark Part D Services, L.L.C.        | DE                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 87-0548860        |              |     |  | RxAmerica, L.L.C.                           | DE                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 11-2580136        |              |     |  | Caremark Ulysses Holding Corporation        | NY                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 87-0804047        |              |     |  | MemberHealth, L.L.C.                        | DE                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 05-0500188        |              |     |  | CVS Caremark Indemnity, Ltd.                | BMU                  | IA                               | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 12575             | 20-2833904        |              |     |  | SilverScript Insurance Company              | TN                   | IA                               | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 63444             | 06-1566092        |              |     |  | Accendo Insurance Company                   | UT                   | IA                               | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 67660             | 23-1305366        |              |     |  | Pennsylvania Life Insurance Co.             | PA                   | IA                               | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |
| 4667       | CVS CAREMARK GRP | 00000             | 27-1298765        |              |     |  | UAC Holding, Inc.                           | DE                   | NIA                              | CVS Caremark Corporation                       | Management   | 100.000                                    | CVS Caremark Corporation                   |    |

| Asterisk | Explanation |
|----------|-------------|
|          |             |

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

|   | Response |
|---|----------|
| 1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? ..... | YES      |

Explanation:

Bar Code:

**OVERFLOW PAGE FOR WRITE-INS**

**NONE**

STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**SCHEDULE A - VERIFICATION**

Real Estate

|  | 1<br>Year to Date | 2<br>Prior Year Ended<br>December 31 |
|--|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year                           |                   |                                      |
| 2. Cost of acquired:   |                   |                                      |
| 2.1 Actual cost at time of acquisition   |                   |                                      |
| 2.2 Additional investment made after acquisition                                     |                   |                                      |
| 3. Current year change in encumbrances   |                   |                                      |
| 4. Total gain (loss) on disposals  |                   |                                      |
| 5. Deduct amounts received on disposals  |                   |                                      |
| 6. Total foreign exchange change in book/adjusted carrying value                     |                   |                                      |
| 7. Deduct current year's other than temporary impairment recognized                  |                   |                                      |
| 8. Deduct current year's depreciation  |                   |                                      |
| 9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) |                   |                                      |
| 10. Deduct total nonadmitted amounts   |                   |                                      |
| 11. Statement value at end of current period (Line 9 minus Line 10)                  |                   |                                      |

**NONE**

**SCHEDULE B - VERIFICATION**

Mortgage Loans

|   | 1<br>Year to Date | 2<br>Prior Year Ended<br>December 31 |
|---|-------------------|--------------------------------------|
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year                             |                   |                                      |
| 2. Cost of acquired:  |                   |                                      |
| 2.1 Actual cost at time of acquisition  |                   |                                      |
| 2.2 Additional investment made after acquisition  |                   |                                      |
| 3. Capitalized deferred interest and other  |                   |                                      |
| 4. Accrual of discount  |                   |                                      |
| 5. Unrealized valuation increase (decrease)   |                   |                                      |
| 6. Total gain (loss) on disposals   |                   |                                      |
| 7. Deduct amounts received on disposals   |                   |                                      |
| 8. Deduct amortization of premium and mortgage interest and commitment fees   |                   |                                      |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest                       |                   |                                      |
| 10. Deduct current year's other than temporary impairment recognized  |                   |                                      |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) |                   |                                      |
| 12. Total valuation allowance   |                   |                                      |
| 13. Subtotal (Line 11 plus Line 12)   |                   |                                      |
| 14. Deduct total nonadmitted amounts  |                   |                                      |
| 15. Statement value at end of current period (Line 13 minus Line 14)  |                   |                                      |

**NONE**

**SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Assets

|  | 1<br>Year to Date | 2<br>Prior Year Ended<br>December 31 |
|--|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year                             |                   |                                      |
| 2. Cost of acquired:   |                   |                                      |
| 2.1 Actual cost at time of acquisition   |                   |                                      |
| 2.2 Additional investment made after acquisition                                       |                   |                                      |
| 3. Capitalized deferred interest and other   |                   |                                      |
| 4. Accrual of discount   |                   |                                      |
| 5. Unrealized valuation increase (decrease)  |                   |                                      |
| 6. Total gain (loss) on disposals  |                   |                                      |
| 7. Deduct amounts received on disposals  |                   |                                      |
| 8. Deduct amortization of premium and depreciation                                     |                   |                                      |
| 9. Total foreign exchange change in book/adjusted carrying value                       |                   |                                      |
| 10. Deduct current year's other than temporary impairment recognized                   |                   |                                      |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) |                   |                                      |
| 12. Deduct total nonadmitted amounts   |                   |                                      |
| 13. Statement value at end of current period (Line 11 minus Line 12)                   |                   |                                      |

**NONE**

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

|   | 1<br>Year to Date | 2<br>Prior Year Ended<br>December 31 |
|---|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year      | 2,852,200         | 1,542,751                            |
| 2. Cost of bonds and stocks acquired  |                   | 1,693,481                            |
| 3. Accrual of discount  | 5                 | 0                                    |
| 4. Unrealized valuation increase (decrease)   |                   | 0                                    |
| 5. Total gain (loss) on disposals   |                   | 0                                    |
| 6. Deduct consideration for bonds and stocks disposed of                            |                   | 360,000                              |
| 7. Deduct amortization of premium   | 13,536            | 24,032                               |
| 8. Total foreign exchange change in book/adjusted carrying value                    |                   | 0                                    |
| 9. Deduct current year's other than temporary impairment recognized                 |                   | 0                                    |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 2,838,669         | 2,852,200                            |
| 11. Deduct total nonadmitted amounts  |                   | 0                                    |
| 12. Statement value at end of current period (Line 10 minus Line 11)                | 2,838,669         | 2,852,200                            |

STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

| NAIC Designation                    | 1<br>Book/Adjusted<br>Carrying Value<br>Beginning<br>of Current Quarter | 2<br>Acquisitions<br>During<br>Current Quarter | 3<br>Dispositions<br>During<br>Current Quarter | 4<br>Non-Trading Activity<br>During<br>Current Quarter | 5<br>Book/Adjusted<br>Carrying Value<br>End of<br>First Quarter | 6<br>Book/Adjusted<br>Carrying Value<br>End of<br>Second Quarter | 7<br>Book/Adjusted<br>Carrying Value<br>End of<br>Third Quarter | 8<br>Book/Adjusted<br>Carrying Value<br>December 31<br>Prior Year |
|-------------------------------------|---|--|--|--|---|--|---|---|
| <b>BONDS</b>                        |   |  |  |  |   |  |   |   |
| 1. NAIC 1 (a) .....                 | 3,516,293   | 7,806  | 425  | (2,720)  | 3,516,293   | 3,520,954  |   | 53,518,963  |
| 2. NAIC 2 (a) .....                 | 0   |  |  |  | 0   | 0  |   | 0   |
| 3. NAIC 3 (a) .....                 | 520,228   |  |  | (4,045)  | 520,228   | 516,183  |   | 524,273   |
| 4. NAIC 4 (a) .....                 | 0   |  |  |  | 0   | 0  |   | 0   |
| 5. NAIC 5 (a) .....                 | 0   |  |  |  | 0   | 0  |   | 0   |
| 6. NAIC 6 (a) .....                 | 0   |  |  |  | 0   | 0  |   | 0   |
| 7. Total Bonds                      | 4,036,521   | 7,806  | 425  | (6,766)  | 4,036,521   | 4,037,137  | 0   | 54,043,236  |
| <b>PREFERRED STOCK</b>              |   |  |  |  |   |  |   |   |
| 8. NAIC 1 .....                     | 0   |  |  |  | 0   | 0  |   | 0   |
| 9. NAIC 2 .....                     | 0   |  |  |  | 0   | 0  |   | 0   |
| 10. NAIC 3 .....                    | 0   |  |  |  | 0   | 0  |   | 0   |
| 11. NAIC 4 .....                    | 0   |  |  |  | 0   | 0  |   | 0   |
| 12. NAIC 5 .....                    | 0   |  |  |  | 0   | 0  |   | 0   |
| 13. NAIC 6 .....                    | 0   |  |  |  | 0   | 0  |   | 0   |
| 14. Total Preferred Stock           | 0   | 0  | 0  | 0  | 0   | 0  | 0   | 0   |
| 15. Total Bonds and Preferred Stock | 4,036,521   | 7,806  | 425  | (6,766)  | 4,036,521   | 4,037,137  | 0   | 54,043,236  |

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ ..... ; NAIC 2 \$ ..... ; NAIC 3 \$ ..... ; NAIC 4 \$ ..... ; NAIC 5 \$ ..... ; NAIC 6 \$ .....

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**SCHEDULE DA - PART 1**

## Short-Term Investments

|                | 1                               | 2         | 3           | 4                                  | 5  |
|----------------|---------------------------------|-----------|-------------|------------------------------------|--|
|                | Book/Adjusted<br>Carrying Value | Par Value | Actual Cost | Interest Collected<br>Year-to-Date | Paid for<br>Accrued Interest<br>Year-to-Date |
| 9199999 Totals | 1,198,468                       | XXX       | 1,198,468   |                                    |  |

**SCHEDULE DA - VERIFICATION**

## Short-Term Investments

|   | 1            | 2                               |
|---|--------------|---------------------------------|
|   | Year To Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                          | 51,191,036   | 422,339,834                     |
| 2. Cost of short-term investments acquired .....  | 7,860        | 1,034,760,116                   |
| 3. Accrual of discount .....  |              | 0                               |
| 4. Unrealized valuation increase (decrease) .....   |              | 0                               |
| 5. Total gain (loss) on disposals .....   |              | 0                               |
| 6. Deduct consideration received on disposals .....                                       | 50,000,428   | 1,405,906,993                   |
| 7. Deduct amortization of premium .....   |              | 1,921                           |
| 8. Total foreign exchange change in book/adjusted carrying value .....                    |              | 0                               |
| 9. Deduct current year's other than temporary impairment recognized .....                 |              | 0                               |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) ..... | 1,198,468    | 51,191,036                      |
| 11. Deduct total nonadmitted amounts .....  |              | 0                               |
| 12. Statement value at end of current period (Line 10 minus Line 11)                      | 1,198,468    | 51,191,036                      |

Schedule DB - Part A - Verification - Options, Caps, Floors, Collars, Swaps and Forwards

**N O N E**

Schedule DB - Part B - Verification - Futures Contracts

**N O N E**

Schedule DB - Part C - Section 1 - Replication (Synthetic Asset) Transactions (RSATs) Open

**N O N E**

Schedule DB-Part C-Section 2-Reconciliation of Replication (Synthetic Asset) Transactions Open

**N O N E**

Schedule DB - Verification - Book/Adjusted Carrying Value, Fair Value and Potential Exposure of  
Derivatives

**N O N E**

Schedule E - Verification - Cash Equivalents

**N O N E**

Schedule A - Part 2 - Real Estate Acquired and Additions Made

**N O N E**

Schedule A - Part 3 - Real Estate Disposed

**N O N E**

Schedule B - Part 2 - Mortgage Loans Acquired

**N O N E**

Schedule B - Part 3 - Mortgage Loans Disposed, Transferred or Repaid

**N O N E**

Schedule BA - Part 2 - Other Long-Term Invested Assets Acquired

**N O N E**

Schedule BA - Part 3 - Other Long-Term Invested Assets Disposed, Transferred or Repaid

**N O N E**

Schedule D - Part 3 - Long-Term Bonds and Stocks Acquired

**N O N E**

Schedule D - Part 4 - Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed Of

**N O N E**

Schedule DB - Part A - Section 1 - Options, Caps, Floors, Collars, Swaps and Forwards Open

**N O N E**

Schedule DB - Part B - Section 1 - Futures Contracts Open

**N O N E**

Schedule DB - Part B - Section 1B - Brokers with whom cash deposits have been made

**N O N E**

Schedule DB - Part D - Section 1 - Counterparty Exposure for Derivative Instruments Open

**N O N E**

Schedule DB - Part D-Section 2 - Collateral for Derivative Instruments Open - Pledged By

**N O N E**

Schedule DB - Part D-Section 2 - Collateral for Derivative Instruments Open - Pledged To

**N O N E**

Schedule DL - Part 1 - Reinvested Collateral Assets Owned

**N O N E**

Schedule DL - Part 2 - Reinvested Collateral Assets Owned

**N O N E**

STATEMENT AS OF JUNE 30, 2014 OF THE SilverScript Insurance Company

**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances

| 1<br>Depository  | 2<br>Code | 3<br>Rate of Interest | 4<br>Amount of Interest Received During Current Quarter | 5<br>Amount of Interest Accrued at Current Statement Date | Book Balance at End of Each Month During Current Quarter |                   |                  | 9<br>* |
|--|-----------|-----------------------|---|---|--|-------------------|------------------|--------|
|  |           |                       |   |   | 6<br>First Month   | 7<br>Second Month | 8<br>Third Month |        |
| Bank of America ..... Concord, CA .....  |           |                       |   |   | (786,505)  | (2,057,325)       | (669,801)        | XXX    |
| Bank of America ..... Charlotte, NC .....  |           | 0.350                 |   | 350   | 200,000  | 200,000           | 200,000          | XXX    |
| 0199998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Open Depositories      | XXX       | XXX                   |   |   |  |                   |                  | XXX    |
| 0199999. Totals - Open Depositories  | XXX       | XXX                   | 0   | 350   | (586,505)  | (1,857,325)       | (469,801)        | XXX    |
| 0299998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Suspended Depositories | XXX       | XXX                   |   |   |  |                   |                  | XXX    |
| 0299999. Totals - Suspended Depositories   | XXX       | XXX                   | 0   | 0   | 0  | 0                 | 0                | XXX    |
| 0399999. Total Cash on Deposit   | XXX       | XXX                   | 0   | 350   | (586,505)  | (1,857,325)       | (469,801)        | XXX    |
| 0499999. Cash in Company's Office  | XXX       | XXX                   | XXX   | XXX   |  |                   |                  | XXX    |
| 0599999. Total - Cash  | XXX       | XXX                   | 0   | 350   | (586,505)  | (1,857,325)       | (469,801)        | XXX    |

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

| 1<br>Description                 | 2<br>C | 3<br>Date Acquired | 4<br>Rate of Interest | 5<br>Maturity Date | 6<br>Book/Adjusted Carrying Value | 7<br>Amount of Interest Due and Accrued | 8<br>Amount Received During Year |
|----------------------------------|--------|--------------------|-----------------------|--------------------|-----------------------------------|---|----------------------------------|
| <b>NONE</b>                      |        |                    |                       |                    |                                   |   |                                  |
| 8699999 - Total Cash Equivalents |        |                    |                       |                    |                                   |   |                                  |



SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2014 OF THE SilverScript Insurance Company

## MEDICARE PART D COVERAGE SUPPLEMENT

(Net of Reinsurance)

NAIC Group Code 4667

NAIC Company Code 12575

|   | Individual Coverage |                | Group Coverage |                | 5<br>Total Cash |
|---|---------------------|----------------|----------------|----------------|-----------------|
|   | 1<br>Insured        | 2<br>Uninsured | 3<br>Insured   | 4<br>Uninsured |                 |
| 1. Premiums Collected .....   | 1,304,455,051       | XXX            | 34,773,903     | XXX            | 1,339,228,954   |
| 2. Earned Premiums .....  | 1,369,649,523       | XXX            | 33,682,740     | XXX            | XXX             |
| 3. Claims Paid .....  | 1,168,630,746       | XXX            | 24,641,456     | XXX            | 1,193,272,202   |
| 4. Claims Incurred .....  | 1,291,138,881       | XXX            | 26,859,272     | XXX            | XXX             |
| 5. Reinsurance Coverage and Low Income Cost<br>Sharing - Claims Paid Net of Reimbursements<br>Applied (a) ..... | XXX                 | 93,962,856     | XXX            | 83,361,388     | 177,324,244     |
| 6. Aggregate Policy Reserves - Change .....   |                     | XXX            |                | XXX            | XXX             |
| 7. Expenses Paid .....  | 131,490,343         | XXX            | 3,233,641      | XXX            | 134,723,984     |
| 8. Expenses Incurred .....  | 12,410,254          | XXX            | 3,059,526      | XXX            | XXX             |
| 9. Underwriting Gain or Loss .....  | 66,100,388          | XXX            | 3,763,942      | XXX            | XXX             |
| 10. Cash Flow Result .....  | XXX                 | XXX            | XXX            | XXX            | (166,091,476)   |

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$ .....2,434,815,095 due from CMS or \$ .....16,733,317 due to CMS