

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE
COMMISSIONER**



FINANCIAL EXAMINATION

of

**Group Health Options, Inc.
Seattle, Washington**

**NAIC CODE 47055
DECEMBER 31, 2008**

**Participating States:
Washington**

Order No. 10-94
Group Health Options, Inc.
Exhibit A

SALUTATION

Seattle, Washington
June 18, 2010

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Olympia, WA 98504

The Honorable Alfred W. Gross, Commissioner
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Chair, NAIC Financial Condition (E) Committee
PO Box 1157
Richmond, VA 23218

The Honorable Monica J. Lindeen, Commissioner of Securities and Insurance
Montana Office of the Commissioner of Securities and of Insurance
NAIC Secretary, Western Zone
840 Helena Avenue
Helena, MT 59601

Dear Commissioners:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.44.145 and RCW 48.03.010, an Association examination was made of the corporate affairs and financial records of

Group Health Options, Inc.

of

Seattle, Washington

hereinafter referred to as “GHO” or the “Company,” at the location of its home office, 320 Westlake Avenue North, Suite 100, Seattle, Washington 98109. This report is respectfully submitted showing the condition of the Company as of December 31, 2008.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Group Health Options, Inc., of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2008.



Patrick H. McNaughton
Chief Examiner

6-18-10

Date

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	1
INSTRUCTIONS	1
COMMENTS AND RECOMMENDATIONS	3
COMPANY PROFILE	3
Company History.....	3
Capitalization.....	3
Territory and Plan of Operation.....	3
Growth of Company	4
AFFILIATED COMPANIES	4
Organization Chart.....	4
Group Health Cooperative.....	5
KPS Health Plans.....	5
Northwest Credentials Verification Service, LLC.....	5
Group Health Foundation	5
Auxiliary of Group Health Cooperative	5
Inactive Affiliates	5
INTERCOMPANY AGREEMENTS	5
Administrative Services Agreement	6
Medical Services Agreement.....	6
MANAGEMENT AND CONTROL	6
Ownership.....	6
Board of Directors	6
Officers	6
Conflict of Interest.....	7
Fidelity Bond and Other Insurance.....	7
Officers', Employees', and Agents' Welfare and Pension Plans.....	8
ACTUARIAL REVIEW	7
REINSURANCE	8
STATUTORY DEPOSITS	8
ACCOUNTING RECORDS AND INFORMATION SYSTEMS	8
SUBSEQUENT EVENTS	8
FINANCIAL STATEMENTS	9
Assets, Liabilities, Capital and Surplus	10
Statement of Revenue and Expenses	11
Five Year Reconciliation of Surplus.....	12
NOTES TO THE FINANCIAL STATEMENTS	12
ACKNOWLEDGMENT	13
AFFIDAVIT	14

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2004 through December 31, 2008 and comprises a comprehensive review of the books and records of the Company. The examination followed the statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of field work on June 3, 2010.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following sections of this report. In addition, the Company's certified public accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

INSTRUCTIONS

The examiners reviewed the Company's filed 2008 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as contained in the NAIC Accounting Practices and Procedures Manual (AP&P).

1. NAIC Annual Statement Errors and Misclassifications

The results of the examination disclosed instances in which the Company's filing of the 2008 NAIC Annual Statement did not conform to the NAIC Accounting Practices and Procedures Manual and the NAIC Annual Statement Instructions. While the Company needs to correct these deficiencies, none of the following items were material to the financial statements and no examination adjustments were necessary.

a. Material Related Party Transactions

In the Notes to Financial Statements, No. 10. B and C, the Company states that it did not have material related party transactions in the reporting period. GHO did have material transactions with Group Health Cooperative (GHC) relating to the Administrative Services Agreement (ASA) and the Medical Service Agreement (MSA) that it should have disclosed in accordance with the 2008 NAIC Annual Statement Instructions. The disclosures should include descriptions of the transactions for each of the periods for which financial statements are presented, and such other information considered necessary to obtain an understanding of the effects of the transactions on the financial statements.

b. Inter-Company Receivables and Payables

In the Notes to the Financial Statements, No. 10. D, the Company failed to include a capitation payment payable to GHC in the amount of \$29,569,804. The 2008 NAIC

Annual Statement Instructions require the reporting of amounts due from or to related parties in Note No. 10, D. The Company did record the capitation payable correctly in the financial statements.

c. Misclassification of Prescription Drugs

In the 2008 NAIC Annual Statement, GHO improperly included administrative fees for prescription drugs as a cost of "Prescription drugs" on page 4, line 13. Administrative fees for prescription drugs should be recorded under the "Claims adjustment expenses" on page 4, line 20 and on the Underwriting and Investment Exhibit, Part 3 - Analysis of Expenses, on page 14, line 14. The misclassified administrative fees consisted of outsourced services of EDP, claims and other miscellaneous services.

d. Statement of Actuarial Opinion

The list of opining items in the Statement of Actuarial Opinion (SAO) does not follow the format specified by the NAIC Annual Statement Instructions, Actuarial Opinion, page 10 paragraph 5, item E. The "Aggregate health policy reserve" on page 3, line 4, was not included and, "Other aggregate health policy reserve" on page 3, line 4, was included instead. The format and descriptors of the opinion items required in paragraph 5, should be consistent and follow the NAIC Annual Statement Instructions.

The Company is instructed to file an accurate statement of its financial condition, transactions, and affairs in compliance with RCW 48.43.097, which requires the filing of its financial statements in accordance with the AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions.

2. Collection of Funds by an Affiliate Company Has Not Been Approved

The collection of funds by GHC for GHO is not supported by an inter-company management service agreement on file with OIC as required by RCW 48.31.C.050(2)(d). In addition, GHC collects funds on behalf of GHO in a bank account not under the exclusive control of GHO. The Company does have an administrative service agreement that states GHC will provide, "banking transactions, review and reconcile bank statements...", but this does not allow GHC to collect and deposit Company funds into a bank account not under the exclusive control of the Company.

The Company is instructed to collect funds in a bank account under its exclusive control as required by RCW 48.12.010 or to change the administrative service agreement filed with OIC to allow GHC to collect and deposit funds, on behalf of GHO, in a bank account that is controlled by the Company.

3. Custodial Agreement Deficiencies

The Company did not have a custodial agreement for securities on deposit with Bank of America. The Company erred in stating this is a money market account which is similar to a bank account. The investment is in a mutual fund and therefore classified as a security.

The Company is instructed to execute a custodial agreement that complies with RCW 48.13.480.

COMMENTS AND RECOMMENDATIONS.

None

COMPANY PROFILE

Company History

Group Health Options, Inc., is a for-profit, state of Washington, domiciled health care service contractor (HCSC). The Company, originally named Options Health Care, Incorporated, was incorporated as a wholly owned subsidiary of Group Health Cooperative on January 30, 1990. Options Health Care, Incorporated was issued a certificate of registration as a HCSC in the state of Washington on October 23, 1990 pursuant to RCW 48.44.015. The name was changed in December 2002 to Group Health Options, Inc.

Capitalization

The state of Washington requires domestic health care service contractors to maintain a minimum net worth of the greater of \$3,000,000 or 2% of the first \$150,000,000 of premium revenues and 1% of premiums in excess of \$150,000,000. Minimum net worth requirements pursuant to RCW 48.44.037 are met with 175,000 authorized, issued and outstanding shares of \$10 par value common capital stock, \$16,550,000 in gross paid in and contributed surplus, and \$11,668,316 in unassigned funds, as of December 31, 2008.

Territory and Plan of Operation

GHO provides comprehensive health care coverage products that allow increased customer choice, including a point of service plan benefit. It enhances GHC's ability to offer more flexibility in the choice of health plans it offers as a group in Washington State, and an increased coverage area as a registered disability and managed care carrier in the state of Idaho. GHO is licensed in Idaho and Washington.

Growth of Company

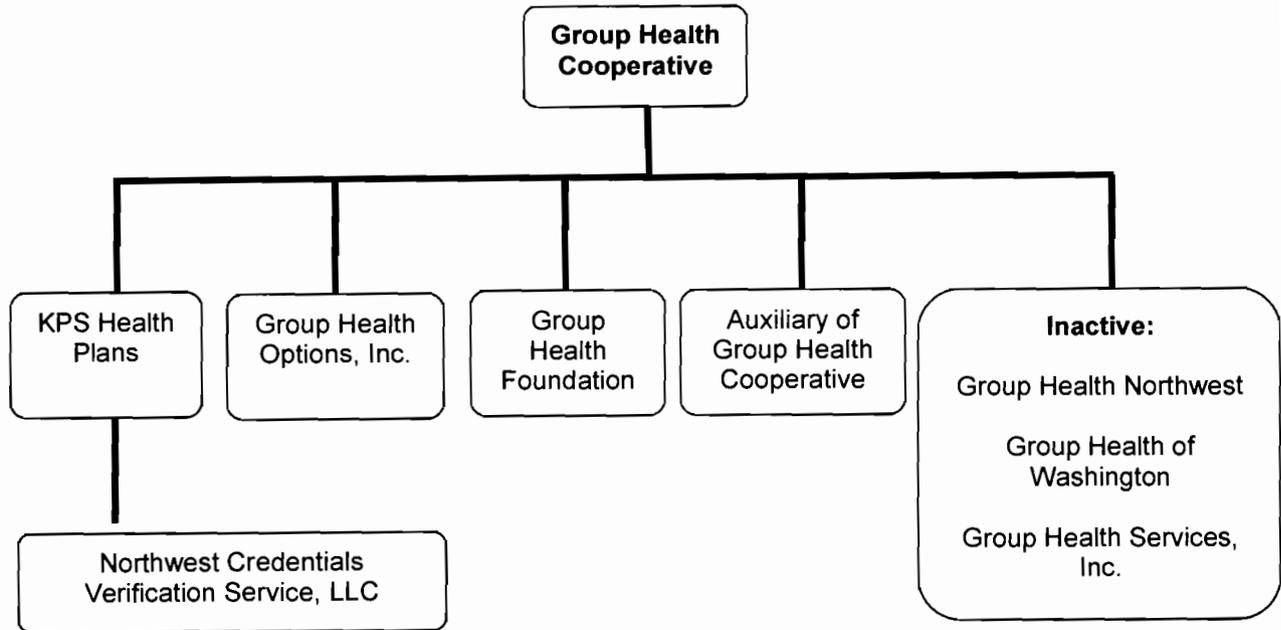
The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the five year period under examination:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assets, Liabilities, Capital and Surplus:					
Admitted Assets	\$66,655,322	\$68,978,716	\$69,085,304	\$70,761,068	\$88,463,016
Liabilities	38,535,610	41,331,456	37,702,468	39,054,200	58,494,700
Capital and Surplus	<u>\$28,119,712</u>	<u>\$27,647,260</u>	<u>\$31,382,836</u>	<u>\$31,706,868</u>	<u>\$29,968,316</u>
Revenue and Expenses:					
Premiums Earned	353,155,497	407,098,349	403,207,095	386,852,954	481,403,860
Net Underwriting Deductions	350,558,800	408,671,148	398,314,432	387,260,990	482,999,904
Underwriting Gain or Loss	2,596,697	(1,572,799)	4,892,663	(408,036)	(1,596,044)
Investment and Other Income	432,389	615,107	851,285	826,010	435,120
Pre-Tax Income	3,029,086	(957,692)	5,743,948	417,974	(1,160,924)
Taxes Incurred	1,035,082	(444,500)	1,960,161	275,280	75,005
Net Income	<u>\$1,994,004</u>	<u>(\$513,192)</u>	<u>\$3,783,787</u>	<u>\$142,694</u>	<u>(\$1,235,929)</u>

AFFILIATED COMPANIES

Organization Chart

The following is an organization chart as of December 31, 2008:



Group Health Cooperative (GHC)

GHC, the parent company, was organized in 1945 in the state of Washington and received its original certificate of registration on April 7, 1976 as a health maintenance organization (HMO) pursuant to Chapter 48.46 RCW. GHC is a Washington nonprofit corporation headquartered in Seattle, Washington. GHC offers comprehensive, coordinated health care to an enrolled membership for a fixed prepaid fee through its owned and leased facilities, employed providers, and contracted providers, in addition to providing certain health care services on a fee-for-service basis to both enrollees and nonenrollees.

KPS Health Plans (KPS)

KPS is a Washington nonprofit corporation registered and operating as a health care service contractor and is headquartered in Bremerton, Washington. KPS provides health care services through contracts with participating physicians and hospitals.

Northwest Credentials Verification Service, LLC (NCVS)

NCVS, a Washington limited liability company, performs primary source credentials verification of health care providers requesting new or continued participation with KPS and contracts nationally with health plans, hospitals and other organizations to provide credentials verification services. NCVS is a wholly owned subsidiary of KPS.

Group Health Foundation (GHF)

GHF (formerly the Group Health/Kaiser Permanente Community Foundation) is a Washington nonprofit corporation organized September 28, 1983. GHF is a support organization to GHC under section 501(c)(3) of the Internal Revenue Code. The name was changed in December 2008 to GHF. GHF is registered in the state of Washington as a charitable gift annuity organization and is organized exclusively to benefit, to perform the functions of, and to carry out the purposes of GHC by securing, investing, and allocating charitable gifts in order to support research, health career training, health education, and other charitable programs that support the purposes of GHC. GHF is a membership corporation and has no capital stock. The membership of GHF consists of those persons elected as trustees of GHC, in their official capacities as GHC trustees.

Auxiliary of Group Health Cooperative (Auxiliary)

The Auxiliary is an unincorporated association. It is organized for the purpose of promoting and advancing the welfare of GHC through fund raising in order to provide services and gifts to the hospitals, medical centers, specialty centers and health related programs of GHC and its patients.

Inactive Affiliates

Group Health Northwest, Group Health of Washington, and Group Health Services, Inc., are inactive affiliates of GHC. These affiliates were inactive during the examination period.

INTERCOMPANY AGREEMENTS

The Company had several in-force agreements with affiliates. As a member of a health carrier holding company system, these agreements and any amendments with effective dates May 7,

2001 and later must be filed with the OIC pursuant to RCW 48.31C.050(2). As of December 31, 2008, the Company had the following intercompany agreements in force:

Administrative Services Agreement (ASA) between GHC and GHO

The January 1, 2008 ASA superseded and replaced all amendments dating back to the January 1, 2001 ASA. It is indefinite in term, subject to termination with or without cause pursuant to the terms of the contract. GHO engages GHC to provide to and/or on behalf of GHO the administrative services described in Schedule A of the agreement pursuant to all the terms and conditions of the agreement. Through Schedule B of the agreement, GHO compensates GHC based on a cost-allocation methodology by a per member per month basis. The ASA has been filed on Form D with the OIC. (See Instruction No. 2.)

Medical Services Agreement (MSA) between GHC and GHO

The current MSA was amended on January 1, 2002. It is indefinite in term, subject to termination with or without cause pursuant to the terms of the contract. GHC performs as an independent contractor and provides covered medical care services to GHO enrollees who elect to receive care from GHC as described within this agreement. GHO compensates GHC through Appendix A of the agreement. The compensation arrangement was on a capitated percentage of premiums.

MANAGEMENT AND CONTROL

Ownership

The Company's Articles of Incorporation authorized the issuance of one hundred seventy five thousand (175,000) shares of \$10 par value common capital stock. One hundred percent of the authorized, issued, and outstanding shares are owned directly by the parent, GHC.

Board of Directors (BOD)

Board of Directors as of December 31, 2008:

Jerry F. Campbell, Chair	Porsche Everson
Bobbie A. Berkowitz, Vice Chair	Ira M. Fielding
Ruth A. Ballweg	Jennifer Joly
Phyllis C. Best	Robert J. Margulis
Ann E. Daley	ChangMook Sohn
Rosemary Daszkiewicz	

Officers

Officers as of December 31, 2008:

Jerry F. Campbell	Chair
Bobbie A. Berkowitz	Vice Chair
Scott E. Armstrong	President
Richard E. Magnuson	Treasurer
Breton C. Myers	Assistant Treasurer

Rick D. Woods
Sarah B. Yates
Jille Cadwell

Secretary
Assistant Secretary
Vice President

Conflict of Interest

The Company has reporting procedures in place to disclose potential conflicts of interest to the BOD.

Fidelity Bond and Other Insurance

The Company is a named insured on a financial institution fidelity bond. An aggregate loss limit of coverage in the amount of \$10,000,000 is provided for all of the affiliated companies insured and the single loss deductible is \$100,000. The minimum amount recommended by the NAIC for the insured companies is \$1,250,000 to \$1,500,000. The aggregate amount of coverage meets the NAIC recommended level for the Company.

The Company is also provided protection against certain property and liability losses as a named insured on several other purchased insurance policies. Policies in effect at December 31, 2008 provided the following coverages:

- Directors' and officers' liability insurance including employment practices liability coverage
- Fiduciary liability
- Professional, general, automobile and employers liability
- Kidnap/ransom and extortion
- Property
- Excess workers' compensation
- Errors and omissions

Officers', Employees', and Agents' Welfare and Pension Plans

GHO engages GHC to provide administrative services described in the ASA to GHO pursuant to the terms and conditions of the agreement. (See Instruction No. 2.)

ACTUARIAL REVIEW

The OIC health actuary reviewed the Company's actuarial report, claims unpaid, and other claim liabilities as of December 31, 2008. This review included: examining the Company's reserving philosophy and methods to determine the reasonableness of the claim liabilities; verifying that claim liabilities included provisions for all components noted in SSAP No. 54, Paragraphs 12, 13, 18 and 19 and SSAP No. 55, Paragraphs 7 and 8; reviewing historical paid claims and loss ratios; checking the consistency of the incurred-paid data from the Company system to the amounts reported in the 2008 NAIC Annual Statement; and estimating claims unpaid as of December 31, 2008.

GHO claim data provided to the opining actuary is used to estimate the Company's "Claims unpaid" obligations. To check for consistency of the data to the figures reported in the 2008 NAIC Annual Statement, the actuary's claim triangle data was compared to the corresponding claim information from the Underwriting and Investment Exhibit, Part 2B for the 2008 NAIC Annual Statement. Additionally, the claims paid during 2008 from the actuary's data were

compared to the corresponding data from the updated (through April 2009) claims triangle provided by the Company. Lastly, the data from sample cells of the actuary's incurred paid triangles were submitted for testing against data from the Company's general ledger. The reconciliation and data testing outcomes were within acceptable ranges.

REINSURANCE

The Company did not utilize reinsurance as of December 31, 2008.

STATUTORY DEPOSITS

RCW 48.44.030 requires the filing of the underwriting of indemnity calculation or the funded reserve form. The agreement of the health care provider for the uncovered expenditure obligations to the enrolled participants can be guaranteed by cash, security deposit, surety bond, or an insurance policy pursuant to the requirements of WAC 284-44-310, WAC 284-44-320, and WAC 284-44-330. GHO has chosen to purchase a health care service contractor bond (surety bond) to meet the requirements of RCW 48.44.030.

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

The parent company, Group Health Cooperative, provides all of the information systems operations and services for Group Health Options, Inc. The management of GHC is sufficiently knowledgeable of information systems operational issues and provides direction and oversight through its Information Technology Strategy Council and Information Technology Operations Council. Systems development, acquisition and maintenance controls were evaluated to gain assurance that appropriate internal controls are in place. The Company maintains operation procedures and an information security policy that defines the responsibilities of users, management, and information systems personnel.

Operations and application controls were reviewed to determine the type of hardware installed; operating systems and proprietary software in use; back-up and recovery facilities employed and the internal controls exercised to maintain data security. The Company has sufficient internal controls in place to monitor system activity and processes.

GHC is in the process of putting together a detailed, written business contingency plan and disaster recovery plan that includes appropriate escalation procedures to resolve operational failures in a timely manner and address the continuation of all significant business activities, including financial functions, telecommunication services, and data processing services in the event of a disruption of normal business activities. The portion of the plan that has been completed has been tested and the plan has been updated according to test results.

SUBSEQUENT EVENTS

On July 31, 2009, the Company received a \$45 million capital contribution from GHC. The purpose of the capital contribution was to address the undercapitalization of the Company. The Company was above the leverage ratio for premiums to surplus.

FINANCIAL STATEMENTS

The following examination financial statements show the financial conditions of Group Health Options, Inc., as of December 31, 2008:

Assets, Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Five Year Reconciliation of Surplus

GROUP HEALTH OPTIONS, INC.
ASSETS, LIABILITIES, CAPITAL AND SURPLUS
DECEMBER 31, 2008

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
Assets			
Bonds	\$1,013,734	\$0	\$1,013,734
Cash and short-term investments	16,979,731		16,979,731
Investment income due and accrued	31,261		31,261
Uncollected premiums and agents' balances	10,888,490		10,888,490
Amount receivable relating to uninsured plans	1,931,873		1,931,873
Current federal and foreign income tax recoverable and interest thereon	559,053		559,053
Net deferred tax asset	819,412		819,412
Receivable from parent, subsidiaries and affiliates	56,237,838		56,237,838
Aggregate write-ins for other than invested assets:			
Miscellaneous assets	1,624		1,624
Total Assets	<u>\$88,463,016</u>	<u>\$0</u>	<u>\$88,463,016</u>
 Liabilities, Capital, and Surplus			
Claims unpaid	\$42,106,349	\$0	\$42,106,349
Unpaid claims adjustment expenses	2,631,875		2,631,875
Aggregate health policy reserves	1,871,593		1,871,593
Premiums received in advance	6,406,068		6,406,068
General expenses due or accrued	4,781,594		4,781,594
Current federal and foreign income tax payable	655,090		655,090
Amount withheld or retained for the account of others	178		178
Liability for amounts held under uninsured plans	287		287
Aggregate write-ins for other liabilities:			
Unclaimed properties	41,666		41,666
Total Liabilities	<u>58,494,700</u>	<u>0</u>	<u>58,494,700</u>
Common capital stock	1,750,000		1,750,000
Gross paid in and contributed surplus	16,550,000		16,550,000
Unassigned funds (surplus)	11,668,316		11,668,316
Total Capital and Surplus	<u>29,968,316</u>	<u>0</u>	<u>29,968,316</u>
Total Liabilities, Capital and Surplus	<u>\$88,463,016</u>	<u>\$0</u>	<u>\$88,463,016</u>

GROUP HEALTH OPTIONS, INC.
STATEMENT OF REVENUE AND EXPENSES
DECEMBER 31, 2008

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
Member months	1,475,121		1,475,121
Net premium income	\$483,108,234	\$0	\$483,108,234
Change in unearned premium reserves	(1,704,374)		(1,704,374)
Total revenues	<u>481,403,860</u>	<u>0</u>	<u>481,403,860</u>
<u>Hospital and Medical:</u>			
Hospital/medical benefits	409,712,929		409,712,929
Other professional services	76,833		76,833
Prescription drugs	7,325,338		7,325,338
Subtotal	<u>417,115,100</u>	<u>0</u>	<u>417,115,100</u>
<u>Less:</u>			
Net reinsurance recoveries	<u>0</u>		<u>0</u>
Total hospital and medical	417,115,100		417,115,100
Claims adjustment expenses	10,079,712		10,079,712
General administrative expenses	55,805,092		55,805,092
Total underwriting deductions	<u>482,999,904</u>	<u>0</u>	<u>482,999,904</u>
Net underwriting gain or (loss)	<u>(1,596,044)</u>	<u>0</u>	<u>(1,596,044)</u>
Net investment income earned	435,127		435,127
Aggregate write-ins for other income or expenses	<u>(7)</u>		<u>(7)</u>
Net income or (loss) before FIT	(1,160,924)	0	(1,160,924)
Federal and foreign income taxes incurred	75,005		75,005
Net Income (Loss)	<u>(\$1,235,929)</u>	<u>\$0</u>	<u>(\$1,235,929)</u>
<u>CAPITAL AND SURPLUS ACCOUNT</u>			
Capital and surplus prior reporting period	<u>\$31,706,868</u>	<u>\$0</u>	<u>\$31,706,868</u>
Net Income (Loss) from above	(1,235,929)		(1,235,929)
Change in net dererred income tax	481,607		481,607
Change in nonadmitted assets	(914,446)		(914,446)
Aggregate write-ins for gains or (losses) in surplus			
Audit adjustments	<u>(69,784)</u>		<u>(69,784)</u>
Net change in capital and surplus	<u>(1,738,552)</u>		<u>(1,738,552)</u>
Capital and surplus end of reporting period	<u>\$29,968,316</u>	<u>\$0</u>	<u>\$29,968,316</u>

**GROUP HEALTH OPTIONS, INC.
SURPLUS RECONCILIATION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Capital and Surplus, December 31, prior year	\$31,706,868	\$31,382,836	\$27,647,260	\$28,119,712	\$26,214,848
Net income or (loss)	(1,235,929)	142,694	3,783,787	(513,192)	1,994,004
Change in net deferred income tax	481,607	22,208	4,785	(122,545)	2,612
Change in nonadmitted assets	(914,446)	130,806	(54,709)	171,912	(108,463)
Cumulative effect of changes in accounting principles	0	0	0		
Aggregate write-ins for gains or (losses) in surplus:					
Audit adjustment	(69,784)	28,324	1,713	(8,627)	16,711
Net change in capital and surplus	(1,738,552)	324,032	3,735,576	(472,452)	1,904,864
Capital and surplus, December 31, current year	\$29,968,316	\$31,706,868	\$31,382,836	\$27,647,260	\$28,119,712

NOTES TO THE FINANCIAL STATEMENTS

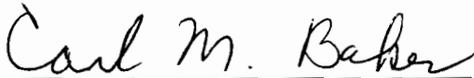
None

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers of Group Health Options, Inc., during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Jeanette Liao, CPA, Examiner-in-Charge; Kathy Hicks, CPA, Financial Examiner; Timothy F. Hays, CPA, JD, Investment Specialist; John R. Jacobson, AFE, CISA, AES, Automated Examination Specialist; Shiraz Jetha, FSA, FCIA, MAAA, Health Actuary; Ann Kauffman, CPA, Financial Examiner; Cynthia Clark, CPA, Financial Examiner; Friday P. Enoye, Financial Examiner and Tony Quach, Financial Examiner; all from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,



Carl Baker, CPA, CFE
Supervising Examiner in Charge
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 }
 } **SS**
COUNTY OF KING }

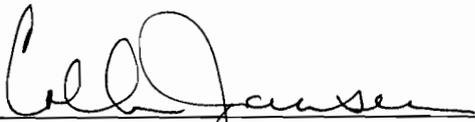
Carl M. Baker, CPA, CFE, being duly sworn, deposes and says that the foregoing report subscribed is true to the best of his knowledge and belief.

He attests that the examination of Group Health Options, Inc., performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).



Carl M. Baker, CPA, CFE
Supervising Examiner
State of Washington

Subscribed and sworn to before me this 18th day of June, 2010.



Notary Public in and for the
State of Washington

