

Attachment 5



**COLUMBIA UNITED PROVIDERS, INC.**

Statutory Financial Statements  
and Schedules

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 3800  
1300 South West Fifth Avenue  
Portland, OR 97201

## Independent Auditors' Report

The Board of Directors  
Columbia United Providers, Inc.:

We have audited the accompanying statutory statements of admitted assets, liabilities, and capital and surplus of Columbia United Providers, Inc. (the Company) as of December 31, 2009 and 2008, and the related statutory statements of revenues and expenses, changes in capital and surplus, and cash flows for the years then ended. These statutory financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in note 2 to the statutory financial statements, the Company prepared these statutory financial statements using accounting practices prescribed or permitted by the Washington State Office of the Insurance Commissioner, which practices differ from U.S. generally accepted accounting principles. The effects on the statutory financial statements of the variances between the statutory basis of accounting and U.S. generally accepted accounting principles also are described in note 2.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the statutory financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of Columbia United Providers, Inc. as of December 31, 2009 and 2008, or the results of its operations or its cash flows for the years then ended.

Also, in our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of Columbia United Providers, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flow for the years then ended, on the basis of accounting described in note 2.



Our audits were made for the purpose of forming an opinion on the basic statutory financial statements taken as a whole. The supplementary information included on the supplemental schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic statutory financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole.

KPMG LLP

May 13, 2010

**COLUMBIA UNITED PROVIDERS, INC.**

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

December 31, 2009 and 2008

<b>Admitted Assets</b>	<b>2009</b>	<b>2008</b>
Bonds and stocks:		
Bonds	\$ 9,113,075	8,964,770
Common stock	309,054	225,150
Cash, cash equivalents and short-term investments	9,215,465	8,314,736
Uncollected premiums	1,795,172	1,599,778
Amounts receivable from uninsured health plans	25,720	10,948
Federal income tax refund receivable	1,045,187	—
Net deferred tax assets	209,167	157,020
Interest and other investment income due and accrued	71,020	106,199
Healthcare receivables	114,997	79,693
Receivables from reinsurers	270,876	851,134
Receivables from affiliate	391,231	289,700
	<u>\$ 22,560,964</u>	<u>20,599,128</u>
<b>Liabilities and Capital and Surplus</b>		
Claims unpaid	\$ 6,572,751	6,954,199
Unpaid claims adjustment expense	232,363	156,815
Federal income tax payable	—	729,511
Other expenses due or accrued	1,184,206	1,132,962
	<u>7,989,320</u>	<u>8,973,487</u>
Total liabilities		
Common stock, \$1 par value. Authorized 1,000,000 shares; issued and outstanding 29,415 shares and 29,596 shares at December 31, 2009 and 2008, respectively	29,415	29,596
Statutory surplus	3,000,000	3,000,000
Unassigned surplus	11,542,229	8,596,045
	<u>14,571,644</u>	<u>11,625,641</u>
Total capital and surplus		
Total liabilities and capital and surplus	\$ <u>22,560,964</u>	<u>20,599,128</u>

See accompanying notes to statutory financial statements.

**COLUMBIA UNITED PROVIDERS, INC.**  
 Statutory Statements of Revenues and Expenses  
 Years ended December 31, 2009 and 2008

	2009	2008
Underwriting income:		
Premium income, net	\$ 96,935,429	84,367,231
Underwriting deductions:		
Hospital and medical expenses	83,267,472	71,286,010
Claims adjustment expenses	2,016,764	2,101,206
General administrative expense	7,666,442	6,687,730
Total underwriting deductions	92,950,678	80,074,946
Underwriting gain	3,984,751	4,292,285
Net investment income	251,111	396,582
Other income	165,439	177,816
Net income before federal income taxes	4,401,301	4,866,683
Federal income tax expense	1,416,811	1,007,357
Net income	\$ 2,984,490	3,859,326

See accompanying notes to statutory financial statements.

**COLUMBIA UNITED PROVIDERS, INC.**

Statutory Statements of Changes in Capital and Surplus

Years ended December 31, 2009 and 2008

Capital and surplus as of December 31, 2007	\$	7,594,750
Net income		3,859,326
Change in net unrealized gains and losses on investments, net of tax		(8,186)
Change in net deferred tax asset		(661,396)
Change in nonadmitted assets		852,446
Change in paid in capital and surplus		<u>(11,299)</u>
Capital and surplus as of December 31, 2008		11,625,641
Net income		2,984,490
Change in net unrealized gains and losses on investments, net of tax		55,377
Change in net deferred tax asset		21,833
Change in nonadmitted assets		(97,597)
Change in paid in capital and surplus		<u>(18,100)</u>
Capital and surplus as of December 31, 2009	\$	<u><u>14,571,644</u></u>

See accompanying notes to statutory financial statements.

**COLUMBIA UNITED PROVIDERS, INC.**

Statutory Statements of Cash Flows  
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net cash flows from operations:		
Premiums collected	\$ 96,740,035	83,943,214
Benefit and loss-related payments	(83,068,662)	(72,007,082)
Commissions, expenses paid and aggregate write-ins for deductions	<u>(9,571,186)</u>	<u>(9,048,829)</u>
Net cash from underwriting	4,100,187	2,887,303
Investment income, net of investment expenses	397,422	496,753
Federal income taxes paid	(3,191,508)	(55,846)
Other income	<u>165,439</u>	<u>177,816</u>
Net cash from operations	<u>1,471,540</u>	<u>3,506,026</u>
Net cash flows from investments:		
Proceeds from investments	7,210,000	5,503,872
Purchases of investments	<u>(7,469,437)</u>	<u>(5,446,856)</u>
Net cash (used in) from investments	<u>(259,437)</u>	<u>57,016</u>
Net cash flows from financing and miscellaneous sources:		
Other (applications) sources	<u>(311,374)</u>	<u>89,495</u>
Net cash (used in) from financing and miscellaneous sources	<u>(311,374)</u>	<u>89,495</u>
Net increase in cash, cash equivalents and short-term investments	900,729	3,652,537
Cash, cash equivalents and short-term investments, beginning of year	<u>8,314,736</u>	<u>4,662,199</u>
Cash, cash equivalents and short-term investments, end of year	\$ <u><u>9,215,465</u></u>	\$ <u><u>8,314,736</u></u>

See accompanying notes to statutory financial statements.

## COLUMBIA UNITED PROVIDERS, INC.

Notes to Statutory Financial Statements

December 31, 2009 and 2008

### (1) Nature of Operations

Columbia United Providers, Inc. (CUP) was incorporated on July 23, 1993 pursuant to Chapter 23.86, Revised Code of Washington State as a nonprofit cooperative association. During 1997, the board of directors of CUP adopted a conversion plan, which resulted in the conversion of CUP into a for-profit corporation. The Washington State Office of the Insurance Commissioner approved this conversion on February 25, 1997, and amended articles of incorporation and articles of conversion were filed with the Office of the Secretary of State of Washington. CUP is a taxable entity subject to federal taxation applicable to C corporations. In connection with this purpose, CUP applied for and received registration to operate as a healthcare service contractor pursuant to Chapter 48.44, Revised Code of Washington State. CUP began operations effective October 1, 1993.

Southwest Washington Health System (SWHS) owns 89.5% of the CUP common stock currently outstanding. The remaining common shares are owned by various physician practitioners in the Vancouver, Washington area. As of December 31, 2009 and 2008, there were 1,000,000 common shares authorized and 29,415 and 29,596 common shares outstanding, respectively.

On March 19, 2010, the SWHS's Board of Trustees announced that the Boards of SWHS and PeaceHealth have agreed to enter a process of formal discussions regarding affiliation between the two healthcare organizations. The formal discussions will begin immediately, with the process continuing through 2010. PeaceHealth is a Bellevue, Washington-based not-for-profit healthcare system with medical centers, critical access hospitals, medical group clinics, and laboratories located in Alaska, Washington, and Oregon.

CUP contracts directly with various providers within its service area for the provision of medical and hospital services, pharmaceuticals, and other related services. CUP reimburses these providers on a capitated or fee-for-service basis, depending on the negotiated contract. Some providers may be minority owners of CUP stock or affiliates of CUP. Certain providers may be eligible for increased or decreased reimbursement rates based on actual medical expense ratios compared to predetermined criteria. As a result of these criteria, CUP disbursed \$2,081,830 in increased reimbursement during 2009. No additional payments were made in 2008.

All of CUP's revenues are sourced from the State of Washington (the State). Management believes CUP's ability to operate profitably is subject to the State of Washington's ability to adequately fund the Healthy Options Program and the Basic Health Plan. These State contracts provide for changes to previously agreed-upon premium rates and other contractual provisions due to extenuating circumstances, as defined by the State. These circumstances include lack of sufficient resources available to the State to continue to reimburse contracting health plans at the previously agreed-upon rates. The State of Washington is currently projecting significant budget deficits through at least June 30, 2011. The State has notified health plans participating in their programs, including CUP, that reductions in premiums or level of health plan enrollment may occur in future periods due to the projected deficits. The extent of these possible reductions is unknown at this time, but could be significant to CUP's premiums, operating results, and financial position in 2010 and future periods. CUP participates in the Healthy Options and Basic Health Plan programs, which represent 88% and 12% of premiums earned in 2009 and 86% and 14% of premiums earned in 2008, respectively. These programs are administered by departments of the State of Washington.

## COLUMBIA UNITED PROVIDERS, INC.

### Notes to Statutory Financial Statements

December 31, 2009 and 2008

As of December 31, 2009 and 2008, CUP had approximately 40,704 and 33,768 enrolled members for the Healthy Options Program, and 3,076 and 4,185 enrolled members for the Basic Health Plan, respectively.

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal healthcare reform legislation does not affect the 2009 statutory financial statements.

#### (2) Summary of Significant Accounting Policies

##### (a) Basis of Presentation

The accompanying statutory financial statements of CUP are prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the Washington State Office of the Insurance Commissioner (OIC), which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. CUP has no permitted statutory accounting policies that differ from prescribed statutory accounting practices.

The principal differences between financial statements prepared in accordance with statutory accounting principles (NAIC SAP) and those prepared under GAAP are as follows:

- (i) Certain assets designated as "nonadmitted," principally certain nongovernmental accounts receivable, furniture and equipment, prepaids, and other assets not specifically identified as an admitted asset within the *Accounting Practices and Procedures Manual* are excluded from the accompanying statutory statements of admitted assets, liabilities, and capital and surplus and are charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheet.
- (ii) Changes in deferred income taxes are recorded directly to unassigned surplus as opposed to being an item of income tax benefit or expense for GAAP financial reporting purposes. Admittance testing may result in a charge to capital and surplus for nonadmitted portions of deferred tax assets. Under GAAP reporting, a valuation allowance may be recorded against the deferred tax asset and reflected as an expense for financial reporting purposes.
- (iii) Investments, other than investments in subsidiaries, are carried at values prescribed by the NAIC. GAAP requires investments, other than investments in subsidiaries to be classified as held-to-maturity, trading, or available-for-sale. Held-to-maturity securities are carried at amortized cost, trading securities are carried at fair value with the changes in fair value included in the statement of revenues and expenses, and available-for-sale securities are carried at fair value with the changes in fair value reflected as a separate component of surplus.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

- (iv) Negative cash is reported as a negative asset under NAIC SAP, while under GAAP it is recorded as a liability.
- (v) The statement of cash flows differs in certain respects from the presentation required by GAAP, including the presentation of the changes in cash and short-term investments instead of cash and cash equivalents. Short-term investments include securities with maturities, at the time of acquisition, of 12 months or less. There is no reconciliation between net income and cash from operations for statutory purposes.
- (vi) Comprehensive income is not presented.

The following table sets forth the reconciliation of equity at December 31, 2009 and 2008 under GAAP and capital and surplus reported for statutory insurance requirements:

	<u>2009</u>	<u>2008</u>
Equity – GAAP	\$ 14,998,878	11,956,580
Adjustments for statutory reporting purposes:		
Net unrealized losses on investments	4,029	2,727
Furniture and equipment, net of accumulated depreciation	(245,112)	(151,258)
Prepays	(125,408)	(60,972)
Deferred tax assets	(60,743)	(119,584)
Other assets	—	(1,852)
Capital and surplus – statutory basis	<u>\$ 14,571,644</u>	<u>11,625,641</u>

The difference in net income under U.S. generally accepted accounting principles and net income reported for statutory insurance requirements is not material.

**(b) Use of Estimates**

The preparation of the statutory financial statements on the basis of accounting practices prescribed by the NAIC requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include claims unpaid, unpaid claims adjustment expense, uncollected premiums, receivables from reinsurers, and other-than-temporary impairment of investments.

**(c) Cash, Cash Equivalents, and Short-Term Investments**

Cash, cash equivalents, and short-term investments consist of liquid investments with maturities of 12 months or less from the date of acquisition. Cash was \$7,208,705 and \$8,066,470 at December 31, 2009 and 2008, respectively. Cash equivalents, which include investments with remaining maturities of three months or less at the time of acquisition, are recorded at amortized cost and were \$1,000,278 and \$248,266 at December 31, 2009 and 2008, respectively. Short-term investments, which include investments with remaining maturities between 3 months and 12 months,

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

are recorded at amortized cost and were \$1,006,482 and \$0 at December 31, 2009 and 2008, respectively. The carrying balance of cash, cash equivalents, and short-term investments approximates fair value.

At December 31, 2009, \$577,786 of CUP's cash is pledged as collateral to the Washington State Office of the Insurance Commissioner as a surety deposit pursuant to Title 48 of the Revised Code of Washington.

CUP maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits.

**(d) Investments**

Bonds, other investments, and common stocks are stated at values prescribed by the NAIC as follows:

- Bonds not backed by other loans are principally stated at amortized cost using the effective-interest method.
- Common stocks are reported at market value as determined by the NAIC Securities Valuation Office and the related net unrealized capital gains (losses) are reported in unassigned surplus unless the loss is determined to be other than temporary. For stocks with no NAIC assigned value, estimated market value is based on quoted market prices.
- Realized capital gains and losses are determined using the specific-identification method. Changes in admitted asset carrying amounts of bonds and common stocks are credited or charged directly to unassigned surplus unless the loss is determined to be other than temporary.
- A decline in fair value of a security below cost that is deemed to be other-than-temporary is recorded as an impairment loss and is included in net (loss) income in the accompanying statutory statements of revenue and expenses. A new cost basis is then established for the security.

**(e) Furniture and Equipment**

Furniture and equipment, which are nonadmitted assets, are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset type</u>	<u>Depreciable life (years)</u>
Furniture and equipment	7
Data processing equipment	3 - 5

The cost of furniture and equipment sold or retired and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded. Maintenance and repairs are

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

expensed as incurred. Depreciation expense recorded for the years ended December 31, 2009 and 2008 was \$105,952 and \$109,346, respectively.

**(f) *Claims Unpaid and Unpaid Claims Adjustment Expense***

The liability for claims unpaid includes claims in process and an estimated liability for incurred but not reported claims by physicians, hospitals, and other healthcare providers for services rendered to CUP's members. The claims unpaid liability is determined using actuarial estimates.

CUP has accrued an estimate for the amount needed to process its unpaid claims liability of \$232,363 and \$156,815 at December 31, 2009 and 2008, respectively, which is included in unpaid claims adjustment expense on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

Management believes that the estimated liabilities for claims unpaid and the related claims adjustment expense at December 31, 2009 and 2008 are adequate to cover the ultimate liabilities; however, due to uncertainties inherent in the estimation process, there is at least a reasonable possibility that such estimates may be more or less than the amount ultimately paid when the claims are settled.

**(g) *Premium Income and Uncollected Premiums***

Premium income consists of premiums paid by the State of Washington for healthcare services. Premium income is received on a prepaid basis and is recognized as revenue during the month for which the premium is associated.

Uncollected premiums consist of amounts due from a department of the State of Washington for maternity case rates and newborn premiums due under the Healthy Options and Basic Health Plan contracts. The balance of uncollected premiums is periodically evaluated for collectibility in accordance with statement of statutory accounting principles (SSAP) No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans*. If it is determined that a balance is uncollectible, the balance is written off and charged to income in the period the determination is made.

**(h) *Healthcare Receivables***

CUP has established a receivable for pharmaceutical rebates in accordance with SSAP No. 84 as of December 31, 2009 and 2008 in the amounts of \$114,997 and \$79,693, respectively. Such amounts are included in healthcare receivables on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus. Recorded balances are estimates based on experience of actual rebates received within 90 days of billing. Balances not collected within 90 days of billing are not admitted.

**(i) *Reinsurance (Stop-Loss Insurance)***

CUP has stop-loss reinsurance indemnifying it against the cost of providing services to individual enrolled participants at 90% in excess of \$125,000 for hospital charges up to a maximum of \$1,000,000 per contract year for each enrolled member.

## COLUMBIA UNITED PROVIDERS, INC.

### Notes to Statutory Financial Statements

December 31, 2009 and 2008

Stop-loss premium expense of \$583,550 and \$807,444 is included in net premium income for 2009 and 2008, respectively. Receivable from reinsurers was \$270,876 and \$851,134 as of December 31, 2009 and 2008, respectively, in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus. Recoveries were \$284,179 and \$1,040,300 in 2009 and 2008, respectively, and were recorded as a reduction to hospital and medical expenses.

CUP cedes insurance to reinsurers in the ordinary course of business for the purpose of limiting exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the related claim liability. CUP evaluates the financial condition of its reinsurer and monitors risks arising from activities or economic characteristics of the reinsurer to minimize its exposure to losses from reinsurer insolvencies. If the reinsurers are unable to meet their obligations under such agreements, CUP would be liable for such default amounts. At December 31, 2009, substantially all reinsurance receivables were due from a single reinsurer.

#### (j) *Income Taxes*

CUP is subject to federal income taxes. Income taxes are provided for the tax effects of transactions reported in the statutory financial statements.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in unassigned surplus in the period that includes the enactment date.

The admissibility of CUP's deferred tax assets is determined according to NAIC SAP. The amount calculated will be subjected to further reduction if it exceeds 10% of capital and surplus or it exceeds the amount of gross deferred tax liabilities. CUP had net admitted deferred tax assets of \$209,167 and \$157,020 as of December 31, 2009 and 2008, respectively.

#### (k) *Capital and Surplus*

In accordance with the Revised Code of Washington State, CUP is required to maintain a minimum statutory net worth of the greater of \$3,000,000 or 2% of premium revenue.

Washington, CUP's state of domicile, imposes minimum risk-based capital requirements that were developed by the NAIC. The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of CUP's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level risk-based capital, also as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. Management believes CUP is in compliance with its capital and surplus requirements.

CUP must obtain approval from the State of Washington Office of the Insurance Commissioner prior to the payment of any dividends to its shareholders.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

**(1) Recently Adopted Accounting Standards**

In November 2009, the NAIC adopted SSAP 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP 10*. SSAP 10R revises the disclosure requirements related to current and deferred income taxes and allows certain additional deferred tax assets to be admitted for statutory reporting purposes at insurance entities that meet certain risk-based capital requirements. Additionally, it requires reduction of deferred tax assets by a valuation allowance if it is more likely than not that they will not be realized. CUP adopted SSAP 10R for the year ended December 31, 2009. The adoption resulted in the additional disclosures included in note 9 to the statutory financial statements.

**(3) Investments**

The cost or amortized cost, gross unrealized gains and losses, and estimated fair value of investments held are as follows:

	December 31, 2009			
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Bonds:				
U.S. government-sponsored agencies	\$ 5,673,171	26,646	(2,719)	5,697,098
States, territories, and possessions	351,784	4,729	—	356,513
Political subdivision of states, territories, and possessions	2,917,429	37,491	(1,032)	2,953,888
Unaffiliated industrial and miscellaneous	170,691	—	(278)	170,413
Total bonds	9,113,075	68,866	(4,029)	9,177,912
Common stock – mutual funds	225,150	83,904	—	309,054
Total	\$ 9,338,225	152,770	(4,029)	9,486,966

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

	December 31, 2008			
	<u>Cost or amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Estimated fair value</u>
Bonds:				
U.S. government-sponsored agencies	\$ 6,535,293	92,323	—	6,627,616
Political subdivision of states, territories, and possessions	2,429,477	8,464	(2,727)	2,435,214
Total bonds	8,964,770	100,787	(2,727)	9,062,830
Common stock – mutual funds	225,150	—	—	225,150
Total	\$ <u>9,189,920</u>	<u>100,787</u>	<u>(2,727)</u>	<u>9,287,980</u>

The cost or amortized cost and estimated fair value of fixed income investments at December 31, 2009 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment obligations.

	2009	
	<u>Cost or amortized cost</u>	<u>Estimated fair value</u>
Due in less than one year	\$ 2,616,731	2,638,347
Due after one year through five years	6,496,344	6,539,565
Total	\$ <u>9,113,075</u>	<u>9,177,912</u>

Proceeds from maturity of investments in bonds and common stock during 2009 and 2008 were \$7,210,000 and \$5,503,872, respectively. Gross gains of \$0 and \$4,703 were realized on those maturities in 2009 and 2008, respectively. No gains and losses were realized on sales of common stock.

Net investment income, including amortization and accretion, is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest income – bonds	\$ 231,192	346,257
Interest and dividend income – short-term investments	30,483	204,316
Interest expense	(12,753)	(9,515)
Interest and dividend income – common stock	2,189	25,821
Other than temporary impairment – common stock	—	(175,000)
Realized gains – common stock	—	4,703
	\$ <u>251,111</u>	<u>396,582</u>

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

The following table summarizes the investments with unrealized losses as of December 31, 2009:

	Less than 12 months		12 months or longer		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
Bonds:						
U.S. government-sponsored agencies	\$ —	—	1,097,906	2,719	1,097,906	2,719
Political subdivision of states, territories, and possessions	—	—	645,724	1,032	645,724	1,032
Unaffiliated Industrial and Miscellaneous	170,413	278	—	—	170,413	278
Temporarily impaired securities	\$ 170,413	278	1,743,630	3,751	1,914,043	4,029

The following table summarizes the investments with unrealized losses as of December 31, 2008:

	Less than 12 months		12 months or longer		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
Bonds:						
Political subdivision of states, territories, and possessions	\$ 500,000	15	1,158,517	2,712	1,658,517	2,727
Temporarily impaired securities	\$ 500,000	15	1,158,517	2,712	1,658,517	2,727

These temporarily impaired securities are the result of market value and interest rate changes and are expected to regain their lost value with market shifts. Management has the intent to hold these investments until their lost value is regained and does not believe them to be other-than-temporarily impaired at December 31, 2009 or 2008.

Any decline in the market value of any investment below carrying value that is deemed to be other than temporary results in a reduction in the carrying value to fair value. The impairment is charged to earnings, and a new basis for the investment is established. In determining whether the losses are temporary or other than temporary, CUP considers: (1) the length of time and extent to which the fair value has been less than cost or carrying value, (2) the financial strength of the issuer, (3) its intent and ability to retain the security for a period of time sufficient to allow for anticipated recovery, which may be to investment maturity, and (4) its expectation of ability to collect all contractual or estimated cash flows. Based on this evaluation, no other-than-temporary impairment losses were recognized in 2009. In 2008, CUP recognized other-than-temporary impairment losses of \$175,000 on investments in equity securities. The unrealized losses were caused by general declines in the stock market for which recovery was not expected within a reasonable period of time. Other-than-temporary impairment losses are included in "net investment income" on the statements of revenue and expenses and changes in surplus – statutory basis.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

**(4) Reserve for Claims Unpaid and Unpaid Claims Adjustment Expense**

Claims unpaid include both reported and unreported medical claims. Unreported medical claims represent an actuarial estimate of claims incurred on behalf of CUP's members that had not yet been reported to CUP at December 31 based on a number of factors, including prior claims experience; adjustments, if necessary, are made to hospital and medical expenses in the periods the actual claims costs are ultimately determined.

Claims adjustment expense represents costs incurred related to the claim settlement process such as costs to record, process, and adjust claims. These expenses are calculated using a percentage of current medical costs, based on historical experience.

The following table summarizes activities in the reserve for claims unpaid and claims adjustment expense for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Claims unpaid at beginning of year	\$ 7,111,014	7,391,505
Add incurred claims related to:		
Current year	88,097,829	75,781,468
Prior years	<u>(2,813,593)</u>	<u>(1,337,303)</u>
Total incurred	<u>85,284,236</u>	<u>74,444,165</u>
Deduct paid claims related to:		
Current year	81,292,715	68,840,459
Prior years	<u>4,297,421</u>	<u>5,884,197</u>
Total paid	<u>85,590,136</u>	<u>74,724,656</u>
Claims unpaid at end of year	\$ <u>6,805,114</u>	<u>7,111,014</u>

Reserves for claims unpaid and claims adjustment expense attributable to insured events of prior years decreased \$2,813,593 and \$1,337,303 in 2009 and 2008, respectively, as a result of reestimation of claims unpaid and claim adjustment expense. This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

**(5) Related-Party Transactions**

**(a) Southwest Washington Medical Center (SWMC)**

A significant portion of hospital healthcare services provided to CUP enrollees are provided by SWMC. SWMC is controlled by SWHS. Fee-for-service reimbursement paid to SWMC was \$17,009,589 and \$16,795,183 in 2009 and 2008, respectively. Additionally, SWMC received \$1,000,000 in risk share reimbursement from CUP in 2009. Certain professional medical services are provided to CUP enrollees by clinics owned by SWMC or its parent. CUP reimburses these clinics through capitation and fee-for-service arrangements. Total amounts paid to these clinics were \$4,064,495 and \$4,354,625 in 2009 and 2008, respectively.

## COLUMBIA UNITED PROVIDERS, INC.

### Notes to Statutory Financial Statements

December 31, 2009 and 2008

CUP performs certain medical management and claims payment functions for Family Physicians Group P.S., a clinic owned by SWHS. Total fees received in 2009 and 2008 related to this agreement were \$128,235 and \$141,048, respectively. These fees are recorded as a reduction to general administrative expense.

Beginning January 1, 2009, CUP contracted with SWMC to perform certain medical management services for its self-insured employee health plan. Total fees received in 2009 for these services were \$190,534. These fees are recorded as a deduction to general administrative expense.

Due to the related nature of these entities, the amounts received and paid may not have been the same if similar activities had been undertaken with unrelated parties.

#### *(b) Physicians*

CUP contracts with physicians and other healthcare professionals to provide care for its enrollees. These contracts are negotiated on a year-to-year basis and include capitation and fee-for-service arrangements. Some of these providers may be minority owners of CUP common stock and may be members of CUP's board of directors. Management believes that the loss of certain members of its provider network would have a significant detrimental effect on its ability to provide healthcare services to its enrollees.

CUP performs certain medical management and claims payment functions for a clinic, which is owned by minority shareholders of CUP, and which is represented on CUP's board of directors. Total fees received in 2009 and 2008 related to this agreement were \$254,921 and \$207,857, respectively. These fees are recorded as a reduction to general administrative expense.

#### **(6) Commitments**

Pursuant to Title 48 of the Revised Code of Washington, the Washington State Health Insurance Pool (WSHIP) may assess state health plans to cover the net cost of insuring eligible Washington residents who are denied health coverage elsewhere. Plans are assessed annually based on a per-member per-month basis. CUP's WSHIP assessments for 2009 and 2008 are \$663,816 and \$536,800, respectively, and are included in general administrative expense in the year of assessment.

CUP has contracted with a healthcare information systems vendor to provide software licensing, data processing, and support to CUP for its claims and managed care administration. This agreement terminates in November 2010. CUP pays a monthly fee based on the number of CUP users. Total data processing support expense for 2009 and 2008 was \$276,743 and \$256,739, respectively.

In January 2002, CUP executed a noncancelable operating lease for office space. The commencement date of the lease was January 1, 2002. The term is 10 years, with two 5-year renewal options. The lease agreement calls for escalating rent payments over the life of the lease, which CUP records in its statutory statements of revenues and expenses on a straight-line basis. In addition, CUP pays a pro rata share of building operation and maintenance costs. CUP recorded lease expense related to the office space of \$457,800 and \$456,424 for the years ended December 31, 2009 and 2008, respectively.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

The following is a schedule of future minimum payments required under CUP's operating lease and the software licensing and data processing arrangement at December 31, 2009:

2010	\$	658,703
2011		<u>449,703</u>
Total future minimum payments	\$	<u><u>1,108,406</u></u>

**(7) Retirement Plan**

CUP maintains a 401(k) plan covering substantially all employees. Matching contributions of up to 4% of an employee's compensation are made by CUP in addition to a profit sharing contribution, as established by CUP. CUP contributed \$178,358 and \$158,165 for 2009 and 2008, respectively.

**(8) Uninsured Plans**

CUP performs certain administrative functions for uninsured plans of related entities (see note 5(a)). Net reimbursement received for administrative services only (ASO) plans was \$128,235 and \$141,048 in 2009 and 2008, respectively. The net reimbursement approximates the cost of providing such services and is included in general and administrative expense. The claims paid volume for 2009 and 2008 was approximately \$1,187,690 and \$1,478,409, respectively.

CUP performs certain administrative functions for a self-funded employee health plan of related entities (see note 5(a)). Net reimbursement for administrative services only (ASO) was \$190,534. The reimbursement from this ASO plan resulted in a net gain of \$60,492 in 2009. Such reimbursement is included as an offset to general and administrative expense.

CUP performs certain administrative functions for the uninsured plan of a related entity (see note 5(b)). Gross reimbursement for medical cost incurred under this administrative services contract for 2009 and 2008 was \$3,618,248 and \$2,944,154, respectively. Net reimbursement for administrative services provided by CUP was \$254,921 and \$207,857 for 2009 and 2008, respectively, which approximates the cost of providing such services. Such reimbursement is included as an offset to general and administrative expense.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

**(9) Income Taxes**

The Company adopted SSAP 10R effective December 31, 2009. The December 31, 2009 balances and related disclosures are calculated and presented pursuant to SSAP 10R. The December 31, 2008 balances and related disclosures are calculated and presented pursuant to SSAP 10R prior to its modification by SSAP 10R. The Company has not elected to admit additional deferred tax assets pursuant to paragraph 10.e. for the year ended December 31, 2009.

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross deferred tax assets	\$ 238,937	59,500	298,437	276,604	21,833
Valuation allowance adjustment	—	—	—	— <sup>(a)</sup>	—
Adjusted gross deferred tax assets	238,937	59,500	298,437	276,604	21,833
Total gross deferred tax liabilities	—	(28,527)	(28,527)	—	(28,527)
Net deferred tax assets/(liabilities)	238,937	30,973	269,910	276,604	(6,694)
Total deferred tax assets nonadmitted	(29,770)	(30,973)	(60,743)	(119,584)	58,841
Net admitted deferred tax assets/(liabilities)	\$ 209,167	—	209,167	157,020	52,147

(a) Statutory valuation allowance was implemented as part of SSAP 10R effective as of December 31, 2009.

The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following components:

	December 31, 2009	December 31, 2008	Change
Net adjusted deferred tax asset (liability)	\$ 269,910	276,604	(6,694)
Tax-effect of unrealized gains and losses	28,527	—	28,527
Net tax effect without unrealized gains and losses	\$ 298,437	276,604	\$ 21,833

**Unrecognized Deferred Tax Liabilities**

There are no temporary differences for which deferred tax liabilities are not recognized.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

Current income taxes incurred consists of the following significant components:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Current year tax expense (benefit) exclusive of items listed below	\$ 1,432,440	1,007,357
Prior year adjustments	<u>(15,629)</u>	<u>—</u>
Income taxes incurred	<u>\$ 1,416,811</u>	<u>1,007,357</u>

The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 34% to income before income taxes as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Current income taxes incurred	\$ 1,416,811	1,007,357
Change in deferred income tax (without tax on unrealized gains and losses)	<u>(21,833)</u>	<u>661,396</u>
Total income tax reported	<u>\$ 1,394,978</u>	<u>1,668,753</u>
Income before taxes	\$ 4,401,301 34%	4,866,683 34%
Expected income tax expense (benefit) at 34% statutory rate	\$ 1,496,442	1,654,673
Increase (decrease) in actual tax reported resulting from:		
Nondeductible expenses for meals, penalties, and lobbying	2,788	3,679
Tax-exempt income	(19,993)	—
Change in deferred taxes on non-admitted assets	(21,908)	4,678
Other	<u>(62,351)</u>	<u>5,723</u>
Total income tax reported	<u>\$ 1,394,978</u>	<u>1,668,753</u>

**Operating Loss Carryforward**

As of December 31, 2009, there are no operating loss or tax credit carryforwards available for tax purposes. The amount of federal income taxes incurred that are available for recoupment in the event of future net losses are:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
2009	\$ 1,348,179	—	1,348,179
2008	\$ 923,407	3,312	926,719

The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Code are \$0.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

Deferred income tax assets and liabilities consist of the following major components:

	December 31, 2009			December 31,	Change
	Ordinary	Capital	Total	2008	
Deferred tax assets:					
Deferred rent	\$ 25,324	—	25,324	38,581	(13,257)
Claims expense	44,793	—	44,793	49,036	(4,243)
Vacation accrual	57,800	—	57,800	49,000	8,800
Other-than-temporary impairment	—	59,500	59,500	61,250	(1,750)
Fixed assets	22,481	—	22,481	38,147	(15,666)
Other	88,539	—	88,539	40,590	47,949
Total gross deferred tax assets	238,937	59,500	298,437	276,604	21,833
Valuation allowance adjustment	—	—	—	—	—
Total adjusted gross deferred tax assets	238,937	59,500	298,437	276,604	21,833
Nonadmitted deferred tax assets	(29,770)	(30,973)	(60,743)	(119,584)	58,841
Admitted deferred tax assets	209,167	28,527	237,694	157,020	80,674
Deferred tax liabilities:					
Unrealized (gains) losses	—	(28,527)	(28,527)	—	(28,527)
Total deferred tax liabilities	—	(28,527)	(28,527)	—	(28,527)
Net admitted deferred tax asset	\$ 209,167	—	209,167	157,020	52,147

**(10) Fair Value of Financial Instruments**

The carrying amount reported in the statutory statements of admitted assets, liabilities, capital and surplus for uncollected premiums, amounts receivable from uninsured health plans, net deferred tax assets, interest and other investment income due and accrued, healthcare receivables, receivables from reinsurers, receivables from affiliate, claims unpaid, unpaid claims adjustment expense, federal income tax payable, and other expenses due or accrued approximate fair value because of the short maturity of these instruments.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), *Fair Value Measurement*, which defines fair value and establishes a framework for measuring fair value and expands disclosures about fair value measurements. In accordance with SFAS 157, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. Level 1 includes CUP’s mutual funds.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Level 2 valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. CUP has no Level 2 financial assets or financial liabilities that are measured at fair value in the statutory statements of admitted assets, liabilities, and capital and surplus.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. CUP has no Level 3 financial assets or financial liabilities.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2009:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual funds	\$ 309,054	309,054	—	—
	<u>\$ 309,054</u>	<u>309,054</u>	<u>—</u>	<u>—</u>

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2008:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual funds	\$ 225,150	225,150	—	—
	<u>\$ 225,150</u>	<u>225,150</u>	<u>—</u>	<u>—</u>

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

**(11) Reconciliation between the Audited Statutory Financial Statements and the Annual Statement Filed with the State of Washington Office of the Insurance Commissioner**

Certain adjustments were made to the December 31, 2009 and 2008 statutory financial statements that were not reflected in CUP's annual filings with State of Washington Office of the Insurance Commissioner. The tables below reflect these adjustments as shown on the current year statutory financial statements and in CUP's annual filings as of and for the years ended December 31, 2009 and 2008, respectively.

		<u>As reported on the annual filing</u>	<u>Reclass- ifications and adjustments</u>	<u>As reported on the statutory financial statements</u>
December 31, 2009:				
Statutory statement of admitted assets, liabilities, capital and surplus:				
	1	\$ 183,667	25,500	209,167
Net deferred tax assets				
Federal income tax refund receivable	1	974,620	70,567	1,045,187
Unassigned surplus	1	11,446,162	96,067	11,542,229
Statutory statement of revenues and expenses:				
Hospital and medical expenses	2	82,467,472	800,000	83,267,472
Net realized capital gains (losses)	3	(189,817)	189,817	—
Federal income tax expense	1, 2, 3	1,754,018	(337,207)	1,416,811
Statutory statement of changes in capital and surplus:				
Net income (loss)	4	3,257,466	(272,976)	2,984,490
Change in net unrealized gains and losses on investments, net of tax	3	273,720	(218,343)	55,377
Change in net deferred tax asset	1	23,539	(1,706)	21,833
Change in nonadmitted assets	1	(158,847)	61,250	(97,597)
Statutory statement of cash flows:				
Benefit and loss-related payments	5	83,051,662	17,000	83,068,662
Commissions, expenses paid, and aggregate write-ins for deductions	5	9,588,186	(17,000)	9,571,186

- 1 Tax effects of certain year-end adjustments were recorded subsequent to CUP's annual filing
- 2 Reversing impact of prior year entry to audited financial statements to reduce claims unpaid and related tax effects
- 3 Reversing impact of prior year entry to audited financial statements to recognize other-than-temporary impairment and reduction of current year other-than-temporary impairment and related tax effects

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

4 Net income (loss) was adjusted as a result of items 1, 2, and 3 above and the related tax affect.

5 These line items were adjusted due to the above adjustments in 1, 2, and 3; corrections to the presentation of the cash flows in accordance with statutory reporting.

		<u>As reported on the annual filing</u>	<u>Reclass- ifications and adjustments</u>	<u>As reported on the statutory financial statements</u>
December 31, 2008:				
Statutory statement of admitted assets, liabilities, capital and surplus:				
	2	\$ 162,537	(5,517)	157,020
Net deferred tax assets				
Claims unpaid	1	7,737,199	(783,000)	6,954,199
Unpaid claims adjustment expense	1	173,815	(17,000)	156,815
Federal income tax payable	1	462,870	266,641	729,511
Unassigned surplus	1,2	8,068,203	527,842	8,596,045
Statutory statement of revenues and expenses:				
Hospital and medical expenses	1	72,086,010	(800,000)	71,286,010
Net investment income	2	571,582	(175,000)	396,582
Federal income tax expense	1	740,716	266,641	1,007,357
Statutory statement of changes in capital and surplus:				
Net income (loss)	3	3,500,967	358,359	3,859,326
Change in net unrealized gains and losses on investments, net of tax	2	(183,186)	175,000	(8,186)
Change in net deferred tax asset	2	(620,129)	(41,267)	(661,396)
Change in nonadmitted assets	2	816,696	35,750	852,446
Statutory statement of cash flows:				
Benefit and loss related payments	4	(72,024,082)	17,000	(72,007,082)
Commissions, expenses paid and aggregate write-ins for deductions	4	(9,031,829)	(17,000)	(9,048,829)
Investment income, net of investment expenses	4	671,753	(175,000)	496,753
Other (applications) sources	4	(85,505)	175,000	89,495

1 Claims unpaid and unpaid claims adjustment expense were adjusted for a change in estimate due to better-known information.

2 Other-than-temporary impairments were reclassified from statutory surplus to net investment income.

3 Net income (loss) was adjusted as a result of items 1 and 2 above and the related tax affect.

4 These line items were adjusted due to the above adjustments in 1, 2, and 3; corrections to the presentation of the cash flows in accordance with statutory reporting.

**COLUMBIA UNITED PROVIDERS, INC.**

Notes to Statutory Financial Statements

December 31, 2009 and 2008

**(12) Subsequent Events**

CUP evaluated subsequent events after the balance sheet date of December 31, 2009 through May 13, 2010, which was the date the financial statements were available to be issued, and determined that no additional disclosures were necessary, except as noted in prior footnotes.

## Schedule 1

## COLUMBIA UNITED PROVIDERS, INC.

## Investment Risks Interrogatories

December 31, 2009

CUP's total admitted assets as reported on page two of the Company's Annual Statement for the year ended December 31, 2009 is: \$ 22,464,897

The following are CUP's 10 largest exposures to a single issuer, borrower, and/or investment, excluding U.S. government, U.S. government agency securities, and exempt money market funds, December 31, 2009:

Investment category	Amount	Percentage of admitted assets
<b>Bonds:</b>		
Multnomah County, OR General Obligation Bond	\$ 503,072	2%
Toole County, UT General Obligation Bond	417,752	2
Douglas County, WA School District	365,223	2
Multnomah County, OR School District	320,629	1
Snohomish County, WA General Obligation Bond	330,638	1
Grand Haven, MI General Obligation Bond	307,063	1
King County, WA School District #411	281,553	1
King County, WA General Obligation Bond	263,089	1
Washington State General Obligation Bond	203,010	1
<b>Mutual funds:</b>		
Growth Fund of America CL A	153,002	1

The following are the amounts and percentages of CUP's total admitted assets held in bonds, government money markets, and preferred stock by NAIC rating:

	Amount	Percentage of total admitted assets
<b>Bonds:</b>		
NAIC - 1	\$ 9,113,075	41%
NAIC - 2 through NAIC - 6	—	—

At December 31, 2009, \$577,786 of CUP's cash balances were pledged as collateral and were, therefore, restricted from sale.

CUP's admitted assets held in equity interests, excluding exempt or class one money market funds, at December 31, 2008, are as follows:

Issuer	Amount	Percentage of admitted assets
Growth Fund of America CL F	\$ 153,002	1%
Artisan International Funds	68,941	—
Royce Opportunity Funds	39,212	—
TCM Small Cap Growth Funds	31,733	—
Artisan MidCap Funds	7,446	—
Dodge & Cox Stock Funds	5,317	—
Dodge & Cox International Funds	3,403	—

See accompanying independent auditors' report.

## COLUMBIA UNITED PROVIDERS, INC.

## Summary Investment Schedule

December 31, 2009

Investment categories	Gross investment holdings*		Admitted assets as reported in the annual statement	
	Amount	Percentage	Amount	Percentage
Bonds:				
U.S. government-sponsored agencies	\$ 5,673,171	30.4%	\$ 5,673,171	30.4%
Other debt securities (excluding short term):				
States, territories, and possessions general obligations	351,784	1.9	351,784	1.9%
Political subdivisions of states, territories, and possessions	2,917,429	15.7	2,917,429	15.7
Industrial development and similar obligations	170,691	0.9	170,691	0.9
Equity interests:				
Investments in mutual funds	309,054	1.7	309,054	1.7
Cash, cash equivalents, and short-term investments	9,215,465	49.4	9,215,465	49.4
Total invested assets	\$ <u>18,637,594</u>	<u>100.0%</u>	\$ <u>18,637,594</u>	<u>100.0%</u>

\* Gross investment holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual*.

See accompanying independent auditors' report.