CoOportunity Health

Statutory Basis Financial Statements
with Independent Auditor’s Report Thereon
December 31, 2013 and 2012

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McGladrey

Independent Auditor's Report

To the Board of Directors
CoOportunity Health
West Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying statutory basis financial statements of CoOportunity Health, which comprise the statutory basis statements of admitted assets, liabilities, capital and surplus of CoOportunity Health as of December 31, 2013 and 2012, and the related statutory basis statements of revenue and expenses, capital and surplus, and cash flows for the years then ended and the related notes to the statutory basis financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the accounting practices prescribed or permitted by the Insurance Division of the State of Iowa; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statutory basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the statutory basis financial statements, CoOportunity Health prepared these financial statements using accounting practices prescribed or permitted by the Insurance Division of the State of Iowa, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of CoOportunity Health as of December 31, 2013 and 2012, or the results of its operations or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of CoOportunity Health as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of CoOportunity Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CoOportunity Health's internal control over financial reporting and compliance.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the basic statutory basis financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories as of December 31, 2013 (Supplemental Schedules) are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The effects on the Supplemental Schedules of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material. As a consequence, the Supplemental Schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2013. The Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules are fairly stated in all material respects in relation to the statutory basis financial statements taken as a whole.

McGladrey LLP

Des Moines, Iowa
April 28, 2014

CoOportunity Health

Statements of Admitted Assets, Liabilities, Capital and Surplus - Statutory Basis
December 31, 2013 and 2012

Admitted Assets	**2013**	2012
Cash and invested assets:		
Bonds, at amortized cost	**$ 18,372,308**	$ -
Cash, cash equivalents, and short-term investments	**31,171,547**	1,275,931
Total cash and invested assets	**49,543,855**	1,275,931
Investment income due and accrued	**112,461**	-
Electronic data processing and equipment	**46,023**	-
Total admitted assets	**$ 49,702,339**	$ 1,275,931

Liabilities, Capital and Surplus		
Liabilities		
Premiums received in advance	**$ 3,506,693**	$ -
General expenses due or accrued	**690,622**	15,051
Borrowed money (including $718,750 current) and interest thereon $4,809 (including $4,809 current)	**15,423,559**	3,589,706
Total liabilities	**19,620,874**	3,604,757
Capital and surplus		
Surplus notes	**43,993,542**	-
Unassigned funds	**(13,912,077)**	(2,328,826)
Total capital and surplus	**30,081,465**	(2,328,826)
Total liabilities, capital and surplus	**$ 49,702,339**	$ 1,275,931

See Notes to Statutory Basis Financial Statements.

CoOportunity Health

Statements of Revenue and Expenses - Statutory Basis
Years Ended December 31, 2013 and 2012

	2013	2012
Revenue:		
Other income	$ -	$ 397
Total revenues	-	397
General administrative expenses	8,472,395	2,284,380
Total underwriting deductions	8,472,395	2,284,380
Net underwriting (loss)	(8,472,395)	(2,283,983)
Net investment income earned	21,498	-
Net (loss)	$ (8,450,897)	$ (2,283,983)

See Notes to Statutory Basis Financial Statements.

CoOportunity Health

Statements of Capital and Surplus - Statutory Basis
Years Ended December 31, 2013 and 2012

	2013	2012
Capital and surplus prior reporting year	**$ (2,328,826)**	$ -
Net (loss)	**(8,450,897)**	(2,283,983)
Change in nonadmitted assets	**(3,132,354)**	(44,843)
Change in surplus notes	**43,993,542**	-
Net change in capital and surplus	**32,410,291**	(2,328,826)
Capital and surplus end of reporting year	**$ 30,081,465**	$ (2,328,826)

See Notes to Statutory Basis Financial Statements.

CoOportunity Health

Statements of Cash Flows - Statutory Basis
Years Ended December 31, 2013 and 2012

	2013	2012
Cash From Operations		
Premiums collected net of reinsurance	$ 3,506,693	$ -
Net investment income	191,526	-
Miscellaneous income	-	397
Commissions, expenses paid and other	(10,419,529)	(2,269,329)
Net cash from operations	(6,721,310)	(2,268,932)
Cash from Investments		
Cost of investments acquired - bonds	(18,654,797)	-
Net cash from investments	(18,654,797)	-
Cash From Financing and Miscellaneous Sources		
Cash provided (applied):		
Surplus notes	43,993,542	-
Borrowed funds	11,833,853	3,589,706
Other cash applied	(555,672)	(44,843)
Net cash from financing and miscellaneous sources	55,271,723	3,544,863
Reconciliation of Cash, Cash Equivalents, and Short-term Investments		
Net change in cash, cash equivalents, and short-term investments	29,895,616	1,275,931
Cash, cash equivalents, and short-term investments		
Beginning of year	1,275,931	-
End of year	$ 31,171,547	$ 1,275,931

See Notes to Statutory Basis Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: CoOportunity Health is a non-profit consumer operated and oriented plan (CO-OP) incorporated in October 2011 in the State of Iowa. The CO-OP was approved for funding in February 2012 under the Affordable Care Act. The CO-OP was formed to create and manage an affordable, accessible and accountable consumer-centric health CO-OP in the States of Iowa and Nebraska that will create a new competitive presence in the insurance marketplace. The CO-OP primarily targets individuals and small groups using a variety of benefit designs.

The CO-OP is currently governed by its formation board of directors. Within twenty-four months of issuing its first health insurance policy, the entity will be a member-owned and member-governed health insurance company through the addition of individuals who are members of the CO-OP to the board of directors.

The CO-OP received insurance licensure in the States of Iowa and Nebraska in 2013 and began selling insurance policies to members on October 1, 2013. Sold policies have effective dates of January 1, 2014 and thereafter.

Basis of presentation: The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division (Division). The Division recognizes only statutory accounting practices prescribed or permitted by the State of Iowa for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the state laws, regulations and general administrative rules. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Iowa. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. However, the CO-OP does not employ any such permitted practices. Also, there are no differences in net income and statutory capital and surplus for the CO-OP between NAIC SAP and SAP as promulgated by the State of Iowa.

Statutory accounting practices comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and differ in some respects. Such significant differences include the following:

- Cash and short-term investments in the statutory basis statement of cash flows represent cash balances and investments purchased with maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents represents cash balances and investments purchased with maturities of three months or less. Further, GAAP would require a reconciliation of net income to net cash provided by operations.

- Investments in bonds are generally carried at amortized cost; while under GAAP, they are generally carried at fair value based on their classification according to the CO-OP's intent to sell or the ability to hold the securities.

- Certain assets designated as "non-admitted assets" (i.e. prepaid assets, leasehold improvements, furniture and fixtures and non-operating software) are charged against capital and surplus, while under GAAP, non-admitted assets are presented on the balance sheet, net of any valuation allowance. Non-admitted assets as of December 31, 2013 and 2012 were $3,177,197 and $44,843, respectively.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

- EDP equipment and operating system software are generally depreciated over a life not to exceed three years, which is generally shorter than their estimated useful life under GAAP. The aggregate amount of admitted EDP equipment and operating system software, net of accumulated depreciation, shall be limited to 3 percent of the CO-OP's capital and surplus adjusted to exclude any EDP equipment and operating system software. EDP equipment and operating system software as of December 31, 2013 and 2012 were $46,023 and $0, respectively.

- Lessees account for all leases as operating leases. Under GAAP, lessees should classify all leases at the inception date either as capital or operating leases in accordance with the terms of the agreements.

- Surplus notes are reported as a component of statutory surplus in the accompanying statutory basis financial statements. In financial statements prepared in conformity with GAAP, surplus notes would be accounted for as debt and included in liabilities. Interest expense on surplus notes is not recognized in statutory basis financial statements until approved by the commissioner of the state of Iowa. In financial statements prepared in conformity with GAAP, interest expense would be accrued daily.

- Statutory requirements indicate the financial statements are to be prepared in a form and using language and groupings substantially the same as the annual statements of the CO-OP will file with the NAIC and state regulatory authorities upon approval for its insurance license. Accordingly, the financial statements are presented in a format consistent with the annual statement a licensed health insurance enterprise would file which differs from the presentation and disclosures of financial statements presented under GAAP.

Accounting estimates: The preparation of statutory basis financial statements, in conformity with statutory accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the statutory basis financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

Bonds: Bonds not backed by other loans are stated at amortized cost if they are designated NAIC one or two and amortized using the interest method taking into consideration specified interest and principal provisions over the life of the bond. Bonds containing call provisions are amortized to the call or maturity date which produces the lowest asset value. Bonds rated three through six are carried at the lower of amortized cost or NAIC fair value with the change charged to surplus. Net investment income earned consists of interest income, amortization of premiums, and accretion of discounts and is recognized on an accrual basis and reported net of investment-related expenses and interest expense.

The fair value of investments is based on commonly used independent third-party pricing services. Declines in the fair value of investments that are considered other than temporary are charged to realized losses and the cost of the investment is adjusted to estimated fair value in the period when the determination is made. In determining whether these losses are expected to be temporary, the CO-OP considers severity of impairment, duration of the impairment, forecasted market price recovery and the intent and ability of the CO-OP to hold the investment until the market price has recovered. No other-than-temporary impairment write-downs were recognized for the year ended December 31, 2013.

Cash, cash equivalents and short-term investments: For purposes of reporting cash flows, the CO-OP considers all cash, cash equivalents, and short-term investments purchased with maturities of one year or less from acquisition date to be cash, cash equivalents and short-term investments. Although the CO-OP maintains its cash accounts in a limited number of commercial banks, the CO-OP believes it is not exposed to any significant credit risk on cash.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

EDP equipment and operating system software: EDP equipment and operating system software are carried at cost less accumulated depreciation. Depreciation for financial reporting purposes is computed by the straight-line method over the shorter of the estimated useful lives of the respective assets or three years. The CO-OP's policy is to capitalize all individual assets in excess of $1,500. Depreciation expense recognized in the statement of revenue and expenses – statutory basis was $22,107 and $6,188 for the years ended December 31, 2013 and 2012, respectively.

Depreciation on non-admitted assets: Furniture and fixtures and leasehold improvements are considered non-admitted assets. Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the respective assets. The leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the term of the lease. Depreciation on all non-admitted assets was $28,960 and $7,533 for the years ended December 31, 2013 and 2012, respectively.

Net premium income earned and premiums received in advance: Premium revenue is recognized in the period in which members are entitled to receive healthcare services. Premiums received in advance of a coverage period are recorded as premiums received in advance until the period which members are entitled to receive healthcare services. Amounts due to or from members are accrued in the period covered under the contract. Commercial and Federal reinsurance premiums paid are deducted from premium revenue. No premium revenue was recorded in 2013; however, CO-OP collected $3,506,693 of premiums in advance for healthcare coverage that is effective on January 1, 2014.

Premium deficiency reserve: The CO-OP performs periodic analysis of its expected future health care costs and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contract. Should expected costs exceed anticipated revenues, a premium deficiency reserve is accrued. Investment income is not included in the calculation of premium deficiency reserves. At December 31, 2013, the CO-OP determined a premium deficiency reserve was not required.

Regulatory Deposit and Capital and Surplus Requirements: The NAIC has developed risk-based capital (RBC) standards that relate an insurer's reported statutory capital and surplus to the risks inherent in its overall operations. The RBC formula uses the statutory annual statement to calculate the minimum indicated capital level to protect the CO-OP from the various risks that it faces. The NAIC model law calls for various levels of regulatory action based on the magnitude of an indicated RBC capital deficiency, if any. The CO-OP continues to monitor its internal capital requirements and the NAIC's RBC requirements. The CO-OP has determined that its capital levels are in excess of the minimum capital requirements for all RBC action levels and at levels consistent with its business plan. Management believes that the CO-OP's capital levels are sufficient to support the level of risk inherent in its operations.

The CO-OP is subject to legal reserve requirements outlined in chapter 511 of the Iowa code and is required to maintain a balance in its investment account of $5.0 million at December 31, 2013. There was no requirement at December 31, 2012 as the CO-OP was not a licensed insurance entity at that time.

Income tax matters: CoOportunity Health is exempt from paying income taxes on all income other than unrelated business income under Section 501(c)(29) of the Internal Revenue Code as evidenced by a letter from the Internal Revenue Service with an effective date of October 4, 2011.

Subsequent events: These statutory basis financial statements disclose subsequent events through April 28, 2014, the date these statutory basis financial statements were available to be issued.

Note 2. Investments

Bonds

The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of the CO-OP's investment securities at December 31, 2013 were as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 17,637,308	$ 11,064	$ (97,033)	$ 17,551,339
Industrial and miscellaneous	735,000	-	(180)	734,820
Total bonds	$ 18,372,308	$ 11,064	$ (97,213)	$ 18,286,159

Gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2013.

	2013					
	12 Months or Less		More than 12 Months		Total	
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 10,198,125	$ (97,033)	$ -	$ -	$ 10,198,125	$ (97,033)
Industrial and miscellaneous	734,820	(180)	-	-	734,820	(180)
Total bonds	$ 10,932,945	$ (97,213)	$ -	$ -	$ 10,932,945	$ (97,213)

The CO-OP considered the following information in reaching the conclusion that the impairments disclosed in the table above are temporary and not other-than-temporary impairments. All investments are considered investment and grade and rated NAIC 1. None of the unrealized losses in the above table are due to the deterioration in the credit quality of any of the issues that might result in the non-collection of contractual principal and interest. The unrealized losses are due to changes in interest rates. The Company has not recognized any unrealized losses in the statutory basis statement of revenue and expenses because management intent and ability to hold the securities to maturity. There were no sales of investments in 2013.

Note 2. Investments (Continued)

The amortized cost and estimated fair value of bonds at December 31, 2013, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with our without call or prepayment penalties.

	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	$ 3,537,536	$ 3,538,736
Due after one year through five years	14,834,772	14,747,423
Due after five years through ten years	-	-
Due after ten years	-	-
	$ 18,372,308	$ 18,286,159

Note 3. Investment Income

Major categories of net investment income earned for 2013 are summarized as follows:

	2013
Investment income:	
Bonds	$ 81,294
Cash and short-term investments	4,652
	85,946
Investment expenses	64,448
Net investment income	$ 21,498

There was no investment income due and accrued excluded from capital and surplus at December 31, 2013.

Note 4. Borrowed Money

Loan agreement with the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services:

In February 2012, the CO-OP entered into a loan agreement with the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services to assist in the commencement of operations for the CO-OP. The loan agreement consists of two series: (1) Series A – CO-OP Start-up Loan and (2) Series B – CO-OP Solvency Loan. Loan disbursements for the Series A Start-Up Loan were contingent upon the CO-OP meeting certain milestones in its business plan in 2012 and 2013 and Series B Solvency Loan disbursements are dependent on the CO-OP maintaining a risk based capital ratio of 500 percent. As a result, multiple draws will be made under the loan agreement.

Note 4. Borrowed Money (Continued)

Series A – CO-OP Start-up Loan

The Series A loan proceeds were used for the establishment of the CO-OP and in accordance with the CO-OP's approved business plan. The outstanding balance on the Series A loan at December 31, 2013 was $14,700,000, the maximum available under the loan. The interest rate on the Series A loan is fixed at 0 percent. No principal payments are due before 5 years from the date of a specific disbursement.

The outstanding balance is due in the amounts of $3,589,706 and $11,110,294 in 2017 and 2018, respectively. No payments were made in 2013.

Series B – CO-OP Solvency Loan

In accordance with SSAP No. 41, Surplus Notes, the Series B Solvency Loan is classified as a Surplus Note and described in detail in Note 5.

Promissory Notes:

On January 17, 2013, the CO-OP entered into an unsecured promissory note with a banking institution to borrow up to $75,000. The floating interest rate is the prime rate as published in the Wall Street Journal using the 365 simple interest basis. Interest only payments will be made quarterly beginning in January 2014. All outstanding principal and interest is due on December 15, 2014. $68,750 and $954 in principal and interest, respectively, were outstanding as of December 31, 2013. The CO-OP paid all outstanding principal and interest amounts on January 22, 2014.

On July 3, 2013, the CO-OP entered into an unsecured promissory note with a banking institution to borrow up to $650,000. Draws may be made on this loan commencing on July 1, 2013 and through December 31, 2013. The interest rate is 6 percent using the 365 simple interest basis. Starting February 28, 2014, the CO-OP will make eight equal principal payments plus accrued interest. All principal and interest is due September 30, 2014 after which the interest rate will increase to 9 percent if amounts are still outstanding. $650,000 and $3,855 in principal and interest, respectively, were outstanding as of December 31, 2013. The CO-OP paid all outstanding principal and interest amounts on January 22, 2014.

Note 5. Surplus Notes

As described in Note 4, the CO-OP's Series B note with the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services is used for the establishment of risk-based capital reserves necessary to meet state reserve requirements and other state insurance laws. The Iowa Division of Insurance approved the loan terms as eligible for treatment as capital and surplus for solvency purposes conditioned upon the CO-OP successfully receiving licensure to operate as a health insurance company in Iowa. The CO-OP received its Iowa and Nebraska licenses in 2013. Borrowings on the Series B loan will be subordinated to the (1) claims of creditors, (2) claims of policyholders, (3) operating expenses of the CO-OP, and (4) reserve and solvency requirements as determined by applicable state law. The interest rate on the Series B loan is fixed at 0.37 percent. The maximum principal available under the Series B loan is $97,912,000. Borrowings will be reflected as surplus notes reported as a component of capital and surplus under statutory accounting principles. In 2013, CO-OP completed the following draws on the Series B solvency loan:

Note 5. Surplus Notes (Continued)

Date Issued	Carrying Value of Each Solvency Disbursement	Unapproved Interest and/or Principal at December 31, 2013	Date of Maturity
2/26/2013	$ 13,912,394	$ 43,469	2/28/2028
3/22/2013	2,818,819	7,968	3/22/2028
6/19/2013	3,043,787	5,908	6/19/2028
12/30/2013	9,650,387	-	1/1/2029
2/14/2014	14,568,155	-	2/14/2029
Total	$ 43,993,542	$ 57,345	

Refer to Note 9 Subsequent Events for more details regarding the draw completed on February 14, 2014 and its designation as a Type I Subsequent Event in accordance with SSAP No. 72, Surplus and Quasi-reorganizations.

No payment of principal or interest shall be made without authorization and approval by the Iowa Division of Insurance and no payments were made in 2013. In accordance with statutory accounting principles, interest will not be recorded as a liability or expense in the CO-OP's statutory basis financial statements prior to such approval. Subject to approval, repayment terms as outlined in the promissory note provide:

- For Series B borrowings made after 2012, but no later than 2018, the interest-only payment period begin in 2019 and ends 7 years from the date of the disbursement. During the interest-only payment period, interest payments are due annually. Interest will be capitalized on an annual basis during the period prior to the first scheduled interest payment due date.

- For Series B borrowings made after 2018, the interest-only payment period begins one year after the disbursement date, and ends 7 years after the disbursement date. During the interest-only payment period, 7 annual interest payments are due.

- For Series B loan disbursements, principal payments begin the later of 2019 or 8 years from the time of the disbursement and ends 15 years from the time of the disbursement. During this period, 8 equal, annual payments, that include principal and interest, are due each year based upon the full amortization of the remaining unpaid principal balance over the remaining term.

The loan agreement contains covenants and failure to comply with any such covenants could result in the debt becoming payable on demand. The covenants are primarily non-financial and data monitoring and reporting covenants focused on compliance with terms of the loan agreement as well as providing insights to CMS on activities performed.

Note 6. Commitments

Administrative services agreement: The CO-OP entered into an administrative service agreement with an unrelated third party to provide core insurance operations including but not limited to enrollment, premium collection, and claims administration to policy holders of the CO-OP. The initial term of the agreement extends to December 31, 2019 and will automatically be extended for successive additional terms of three years each unless parties to the contract provide written notice of its intent to terminate.

The CO-OP paid a $1,875,000 customization fee in 2013 to adapt existing infrastructure of the third party administrator to CO-OP specifications. The customization fee is being recognized over the term of the agreement and any unamortized prepaid asset will be reflected as a non-admitted asset under statutory accounting principles. In 2013, $267,857 of the $1,875,000 was amortized. Starting on January 1, 2014, the CO-OP will pay a per member per month fee for performance of services covered by the agreement.

Note 6. Commitments (Continued)

Software as a service agreement for front-end member enrollment tool: On March 19, 2013, the CO-OP entered into software as a service agreement with an unrelated third party to provide a front-end member enrollment tool and calculator for our website, www.cooportunityhealth.com. The initial term of the agreement extends to March 19, 2016 and may be extended up to two additional three year terms at the discretion of the CO-OP if certain criteria have been met.

The CO-OP paid implementation fees of $220,500 in 2013. The CO-OP also paid 50 percent of the required license fees amount of $622,850 in 2013 with the remaining 50 percent paid in January of 2014. Once the tool was deployed on October 1, 2013, the implementation and license fees are recognized in expense over the remaining term of the agreement. Any unamortized prepaid asset will be reflected as a non-admitted asset under statutory accounting principles. In 2013, $84,725 of the implementation and license fees were amortized.

Upon deployment on October 1, 2013, a monthly managed service fee of $18,798 is paid for the duration of the contract.

Reinsurance agreement: On June 16, 2013, the CO-OP entered into specific excess of loss reinsurance agreements to cover members of Iowa and Nebraska with coverage effective from January 1, 2014 through January 1, 2015. CO-OP agreed to pay a per member per month fee with a minimum of $200,000 during 2014. The agreement also outlines the opportunity for experience refunds should premiums exceed a minimum of $500,000 and profits of the reinsurance company meet certain levels. A deposit of $50,000 was paid in June of 2013. CO-OP also prepaid estimated January 2014 reinsurance in December totaling $146,798 taking into account the deposit paid in June of 2013. This was reflected as a nonadmitted asset under statutory accounting principles.

Leases: The CO-OP leases office space under two operating leases during 2013. The first lease expired on April 30, 2013.

On March 19, 2013, the CO-OP entered into license (temporary space) and lease agreements for new office space, which replaced the office space leased under the agreement that terminated on April 30, 2013. The license agreement term was from April 1, 2013 to October 31, 2013. No license fee was required for the month of April and $6,906 was paid monthly for the remaining term. Rents were recognized using the straight-line basis.

The lease agreement is for permanent office space and began on November 1, 2013 and will terminate on January 31, 2019. The lease may be extended for three additional three-year terms. The CO-OP received the first three month's rent for free, followed by sixty monthly payments of $15,801. Rent expense will be recognized using the straight-line basis.

The lease contained a tenant improvement allowance of $226,400. The lease incentive was recorded as an addition to leasehold improvements and as deferred rent. The leasehold improvements are being amortized over the shorter of the useful life of the improvement or the term of the lease and the unamortized balance reflected as a non-admitted asset under statutory accounting principles. The deferred rent will be amortized as a reduction of rental expense over the remaining term of the lease on a straight-line basis.

Note 6. Commitments (Continued)

Total rent expense for all operating leases during the year ended December 31, 2013 and 2012 was $87,360 and $38,322, respectively. Minimum future lease payments required under the non-cancelable leases are as follows:

Year ending December 31,		Amount
2014	$	173,810
2015		189,610
2016		189,610
2017		189,610
2018		189,610
Thereafter		15,801
	$	948,051

Note 7. Retirement Plans

The CO-OP participates in a multiemployer 401(k) plan that permits eligible employees to contribute funds on a pretax basis subject to maximum allowed under federal tax provisions. The CO-OP matches 100 percent to a maximum of 4 percent of employee contributions. Employees are 100 percent vested at the time of the employer contribution.

The employees choose among various investment options for both their contributions and the CO-OP's matching contribution. The CO-OP's contribution expense was $105,727 and $19,197 for the years ended December 31, 2013 and 2012, respectively.

Note 8. Contingencies

The passage at the Federal level of the Patient Protection and Affordable Care Act (ACA) during 2010 represents significant changes to the current U.S. health care system. The legislation is far-reaching and is intended to expand access to health insurance coverage over time by increasing the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax credits to subsidize a portion of the cost of health insurance coverage. The legislation includes a requirement that most individuals obtain health insurance coverage beginning in 2014 and also a requirement that certain large employers offer coverage to their employees or pay a financial penalty. In addition, the new Federal Law includes certain new taxes and fees, including an excise tax on high premium insurance policies, limitations on the amount of compensation that is tax deductible and new fees required to be paid by insurance companies and certain employers.

The federal legislation also imposes new regulations on the health insurance sector, including, but not limited to, guaranteed coverage requirements, prohibitions on some annual and all lifetime limits on amounts paid on behalf of or to our members, increased restrictions on rescinding coverage, establishment of minimum medical loss ratio requirements, a requirement to cover preventive services on a first dollar basis, the establishment of state insurance market places and essential benefit packages and greater limitations on how we price certain of our products.

Note 8. Contingencies (Continued)

These changes could impact us through potential disruption to the employer-based market, potential cost shifting in the health care delivery system to insurance companies and limitations on the ability to increase premiums to meet costs. We will need to dedicate material resources and incur material expenses to implement and comply with Health Care Reform at both the state and federal levels, including implementing and complying with the future regulations that will provide guidance on and clarification of significant portions of the legislation. The Health Care Reform law and regulations are likely to have significant effects on our future operations, which in turn, could impact the value of our business model and results of operations.

Note 9. Subsequent Events

Solvency requests: On December 30, 2013, the CO-OP requested an additional draw on its Series B solvency loan in the amount of $14,568,155. With approval in December 2013 by the CO-OP's domiciliary commissioner, the subsequent receipt of the funds on February 14, 2014 meets the definition a Type I subsequent event and has been reflected in our statutory basis financial statements as an increase to cash and surplus notes.

On March 31, 2014, the CO-OP requested an additional draw on its Series B solvency loan in the amount of $26,848,000. This funding is expected to be received in early May 2014.

NAIC accounting standard: The NAIC revised Statement of Statutory Accounting Principles (SSAP) No. 35R, *Guaranty Fund and Other Assessments,* to require a reporting entity subject to the assessment under Section 9010 of the Affordable Care Act to provide a disclosure of the assessment payable in 2014 consistent with the guidance provided under SSAP No. 9, *Subsequent Events,* for a type II subsequent event. The disclosure shall provide information regarding the nature of the assessment and an estimate of its financial impact, including the impact on its risk-based capital position. The CO-OP adopted this guidance during 2013. As the assessment payable is based upon the CO-OP's 2013 premium base, the CO-OP has no payable to disclose at December 31, 2013.

CoOportunity Health

Supplemental Summary Investment Schedule
December 31, 2013

Investment Category	Gross Investments Holdings		Admitted As Reported in Annual Statement	
U.S. treasury securities	$ 591,591	1.2%	$ 591,591	1.2%
U.S. government sponsored agencies	17,045,717	34.4%	17,045,717	34.4%
Unaffiliated domestic securities	735,000	1.5%	735,000	1.5%
Cash, cash equivalents and short-term investments	31,171,547	62.9%	31,171,547	62.9%
Total invested assets	$ 49,543,855	100.0%	$ 49,543,855	100.0%

See Accompanying Independent Auditor's Report.

CoOportunity Health

Supplemental Investment Risks Interrogatories
December 31, 2013

The CO-OP's net admitted assets as reported on page 4 of the accompanying statutory basis financial statements totaled $49,702,339.

1. The 10 largest exposures to a single issuer or investment are as follows:

Issuer	Description of Exposure	Amount	Percentage Admitted Assets
Fannie Mae	Bonds	$ 8,210,770	16.5%
Freddie Mac	Bonds	5,392,022	10.8%
Fed Home Loan Bank	Bonds	2,404,350	4.8%
Fed Farm Credit	Bonds	733,515	1.5%
Farmer Mac	Bonds	305,059	0.6%
Bank of Baroda	Short term	245,000	0.5%
General Electric Corp	Short term	245,000	0.5%
SAFRA National Corp	Short term	245,000	0.5%
Synovus Bank	Short term	245,000	0.5%

The CO-OP only had nine single issuer or investment exposures at December 31, 2013.

2. The amounts and percentages of the CO-OP's total admitted assets held in bonds, including bonds classified as short-term investments, and preferred stocks by NAIC designation are as follows:

Bonds			Preferred Stocks		
	Amount	Percentage		Amount	Percentage
NAIC - 1	$ 29,150,898	58.7%	P/RP-1	$ -	0.0%
NAIC - 2	-	0.0%	P/RP-2	-	0.0%
NAIC - 3	-	0.0%	P/RP-3	-	0.0%
NAIC - 4	-	0.0%	P/RP-4	-	0.0%
NAIC - 5	-	0.0%	P/RP-5	-	0.0%
NAIC - 6	-	0.0%	P/RP-6	-	0.0%

3. The CO-OP held no admitted assets in foreign investments.

4. The CO-OP held no admitted assets in Canadian investments.

5. The CO-OP held no admitted assets in investments with contractual sales restrictions.

6. The CO-OP held no admitted assets in excess of 2.5 percent of total admitted assets in equity interests.

7. The CO-OP held no admitted assets in excess of 2.5 percent of total admitted assets in nonaffiliated, privately placed equities; general partnership interests; or mortgage loans.

8. The CO-OP held no admitted assets in real estate.

9. The CO-OP held no admitted assets subject to securities lending, repurchase agreements, reverse repurchase agreements, dollar repurchase agreements or dollar reverse repurchase agreements.

10. The CO-OP had no warrants not attached to other financial instruments, options, caps and floors.

11. The CO-OP had no potential exposure for collars, swaps, and forwards.

12. The CO-OP had no potential exposure for futures contracts.

See Accompanying Independent Auditor's Report.