

PrimeWest Health
Minnesota Supplement Report #1A

REALLOCATION OF EXPENSES AND INVESTMENT INCOME
For the Year Ending December 31, 2013
Public Information, Minnesota Statutes § 62D.08

| Line | Direct Non-Claim Expenses | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|------|-------------------------------------|------------------|----------|-------------------|------------|----------|----------|----------------|----------------|---------------|------------------|----------------|----------|--------------|----------|
| | | Total | Non MN | Total MN products | Commercial | M+C | Medicare | MSHO | SNBC MA only | SNBC | PMAP | MNCare | Dental | Other | Admin |
| 1 | Employee benefit expenses | 2,066,610 | | 2,066,610 | | | | 413,346 | 153,137 | 28,653 | 1,311,800 | 156,541 | | 3,133 | |
| 2 | Sales expenses | 183,373 | | 183,373 | | | | 36,677 | 13,588 | 2,542 | 116,398 | 13,890 | | 278 | |
| 3 | General business/office expense | 410,177 | | 410,177 | | | | 82,040 | 30,394 | 5,687 | 260,364 | 31,070 | | 622 | |
| 4 | State premium taxes and assessments | - | | - | | | | - | - | - | - | - | | - | |
| 5 | Consulting and professional fees | 367,011 | | 367,011 | | | | 73,407 | 27,196 | 5,088 | 232,964 | 27,800 | | 556 | |
| 6 | Outsourced services | 1,017,783 | | 1,017,783 | | | | 203,569 | 75,418 | 14,111 | 646,048 | 77,094 | | 1,543 | |
| 7 | Other expenses | 50,516 | | 50,516 | | | | 10,104 | 3,743 | 700 | 32,066 | 3,826 | | 77 | |
| 8 | Total Direct Expenses | 4,095,470 | - | 4,095,470 | - | - | - | 819,143 | 303,476 | 56,781 | 2,599,640 | 310,221 | - | 6,209 | - |

| Line | Reallocated Indirect Non-Claim Expenses | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|------|---|------------------|----------|-------------------|------------|----------|----------|----------------|----------------|---------------|------------------|----------------|----------|--------------|----------|
| | | Total | Non MN | Total MN products | Commercial | M+C | Medicare | MSHO | SNBC MA only | SNBC | PMAP | MNCare | Dental | Other | Admin |
| 9 | Employee benefit expenses | 1,484,861 | | 1,484,861 | | | | 296,989 | 110,030 | 20,588 | 942,529 | 112,474 | | 2,251 | |
| 10 | Sales expenses | 372,420 | | 372,420 | | | | 74,488 | 27,597 | 5,163 | 236,397 | 28,210 | | 565 | |
| 11 | General business/office expense | 606,286 | | 606,286 | | | | 121,264 | 44,926 | 8,406 | 384,846 | 45,925 | | 919 | |
| 12 | State premium taxes and assessments | - | | - | | | | - | - | - | - | - | | - | |
| 13 | Consulting and professional fees | 659,405 | | 659,405 | | | | 131,889 | 48,862 | 9,142 | 418,564 | 49,948 | | 1,000 | |
| 14 | Outsourced services | 365,392 | | 365,392 | | | | 73,083 | 27,076 | 5,066 | 231,936 | 27,677 | | 554 | |
| 15 | Other expenses | 102,876 | | 102,876 | | | | 20,576 | 7,623 | 1,426 | 65,302 | 7,793 | | 156 | |
| 16 | Total Indirect Expenses | 3,591,240 | - | 3,591,240 | - | - | - | 718,289 | 266,114 | 49,791 | 2,279,574 | 272,027 | - | 5,445 | - |

| Line | Direct plus Indirect Non-Claim Expenses | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|------|---|------------------|----------|-------------------|------------|----------|----------|------------------|----------------|------------------|------------------|----------------|----------|---------------|--------------|
| | | NAIC Total | Non MN | Total MN products | Commercial | M+C | Medicare | MSHO | SNBC MA only | SNBC | PMAP | MNCare | Dental | Other | Admin |
| 17 | Employee benefit expenses | 3,551,471 | - | 3,551,471 | - | - | - | 710,335 | 263,167 | 49,241 | 2,254,329 | 269,015 | - | 5,384 | - |
| 18 | Sales expenses | 555,793 | - | 555,793 | - | - | - | 111,165 | 41,185 | 7,705 | 352,795 | 42,100 | - | 843 | - |
| 19 | General business/office expense | 1,016,463 | - | 1,016,463 | - | - | - | 203,304 | 75,320 | 14,093 | 645,210 | 76,995 | - | 1,541 | - |
| 20 | State premium taxes and assessments | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 21 | Consulting and professional fees | 1,026,416 | - | 1,026,416 | - | - | - | 205,296 | 76,058 | 14,230 | 651,528 | 77,748 | - | 1,556 | - |
| 22 | Outsourced services | 1,383,175 | - | 1,383,175 | - | - | - | 276,652 | 102,494 | 19,177 | 877,984 | 104,771 | - | 2,097 | - |
| 23 | Other expenses | 153,392 | - | 153,392 | - | - | - | 30,680 | 11,366 | 2,126 | 97,368 | 11,619 | - | 233 | - |
| 24 | Total Non-Claim Expenses = Sum of Lines 17 to 23 | 7,686,710 | - | 7,686,710 | - | - | - | 1,537,432 | 569,590 | 106,572 | 4,879,214 | 582,248 | - | 11,654 | - |
| 25 | Claims Adjustment Expenses | 8,847,194 | | 8,847,194 | | | | 1,769,544 | 655,583 | 122,661 | 5,615,841 | 670,151 | | 13,414 | |
| 26 | Revenues (Supp Report #1, Line 8) | 185,870,578 | | 185,870,578 | | | | 55,515,619 | 15,299,957 | 3,509,016 | 100,394,540 | 10,989,892 | | 161,554 | |
| 27 | Incurred Claims (Supp Report #1, Line 18 + Line 22) | 164,316,536 | | 164,316,536 | | | | 52,767,749 | 13,470,068 | 3,873,366 | 84,937,937 | 9,200,574 | | 66,842 | |
| 28 | Net Investment Gain/(Loss) (Allocated) | (87,891) | | (87,891) | | | | (27,194) | (7,495) | (1,719) | (49,178) | (5,383) | | (68) | 3,146 |
| 29 | Aggregate Write Ins for Other Income or (Expenses) | - | | - | | | | | | | | | | | |
| 30 | Federal and Foreign Income Taxes Incurred | - | | - | | | | | | | | | | | |
| 31 | Net Income = Lines 26+28+29-24-25-27-30 | 4,932,247 | - | 4,932,247 | - | - | - | (586,300) | 597,221 | (595,302) | 4,912,370 | 531,536 | - | 69,576 | 3,146 |

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These categorized administrative expenses should roll up into the general administrative expenses reported on line 21 on Minnesota Supplement Report #1, as well as the underwriting and investment exhibit part 3 – analysis of expenses, of the NAIC health blank. The categories are broken down as follows:

Employee benefit expenses: salaries, wages and benefits

Sales expenses: commissions, marketing and advertising; cost of sales-related materials, postage, telephone and printing materials

General business and office type expenses: rent; non-sales related postage, express and telephone; non-sales related printing and office supplies; taxes (excluding state premium taxes and assessments), licenses and fees; traveling expenses; insurance, except on real estate; collection and bank service charges; group service and administration fees; real estate expenses; real estate taxes; equipment; occupancy, depreciation and amortization; cost of depreciation of ECP equipment and software

State premium taxes and assessments

Consulting and professional fees: legal fees and expenses; certifications and accreditation fees; auditing, actuarial and other consulting fees; board, bureaus and association fees

Outsourced services: ECP; claims and other services

Other expenses: investment expenses not included elsewhere; aggregate write-ins for expenses; reimbursements by uninsured plans; reimbursements from fiscal intermediaries.

Indirect expenses must be allocated by dollars of premium income, or premium-equivalent for ASO business.

Investment gain must be allocated by the prior five years of net income.