

**SPRING 2012**

**EXAM CSP-GH**

**Company/Sponsor Perspective  
GROUP & HEALTH**

**CASE STUDY**

**CSP-GH morning**



**COURSE: GROUP HEALTH – COMPANY SPONSORED PERSPECTIVE**

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## CASE STUDY

### I. INTRODUCTION

This case study starts with general information followed by internal and external correspondences which includes more specific information.

All numbers found in this case study are for illustration only and may not be representative of true costs or actual relationships. Any similarities with actual company results are purely coincidental.

### II. A TALE OF TWO COMPANIES

#### *Great Expectations Insurance Company*

Great Expectations Insurance Company (Great Expectations) is a large insurance company operating exclusively in the United States. The company's corporate vision is to be a leader in the insurance industry, to earn a competitive return for its stockholders, to offer a good value to its policy holders while operating in a financially sustainable way, and to attract and retain valuable employees.

Great Expectations has several divisions including a managed care organization, Barnaby Rudge Inc. (BRI), operating in a single location.

Great Expectations currently offers a full line of products, including but not limited to:

- Indemnity and preferred provider organization (PPO) group medical benefits, including high-deductible health plans (HDHPs)
- Group life,
- Group long-term-disability, and
- Specialty products.

Great Expectations has 5,000 employees supporting four primary business divisions:

- Administrative Services Only (ASO),
- Medical Division (including all Indemnity, PPO, and Managed Care areas),
- Group Life and Disability (GLD), and
- Ancillary Products.

Great Expectations has a strong reputation in the self-insured and fully insured group major medical market. The company has spent considerable resources in developing its own preferred provider networks across the country. As a result, Great Expectations is strongly positioned nationally as a provider of ASO and fully insured group insurance products.

### ***Copperfield Insurance Company***

Copperfield Insurance Company (Copperfield) is a large insurance company operating exclusively in Canada. Its corporate vision is the same as Great Expectations: to be a leader in the insurance industry, to earn a competitive return for its stockholders, to offer a good value to its policy holders while operating in a financially sustainable way, and to attract and retain valuable employees.

Copperfield's primary product offerings include:

- Supplemental medical benefits,
- Group life,
- Disability insurance, and
- Ancillary products, including dental and vision.

Copperfield employs 2,000 people throughout Canada.

Copperfield also has a strong reputation in their markets. However, it is interested in growing into other markets and possibly internationally.

### **III. PROSPECTIVE CLIENT**

Dombey and Sons, Inc. (Dombey) is a manufacturing and financial services conglomerate. They currently operate exclusively in the United States but want to expand into Canada. They employ approximately 1,057 union employees and 512 non-union employees. Their consultant has approached Great Expectations about providing a number of employee benefit plans, including medical, group life, and long-term disability.

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From: Charles Dickens <cdickens@greatexp.com>  
To: You  
Sent: March 3, 2012  
Subject: Welcome Aboard

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Hello. I hope you have enjoyed your initial few days here.

While I know you are busy with your day-to-day work, there are two major initiatives with which I need you to take a lead role.

First, as you know, we currently offer only group insurance. Due to market pressures and the recent political activity, the Board and I are very keen on expanding into all lines of individual insurance. However, we have little experience in the individual market place. We would like you to lead a group of senior executives to explore this expansion. In particular, we'd like your team's review to include (but not be limited to) how our current expertise in group products may overlap with the individual marketplace, potential marketing approaches, and any financial concerns about this initiative.

Second, and possibly more significantly, I have been approached by the CEO of Copperfield Insurance Company, located in Canada, for a possible merger. They are interested in expanding into the U.S. and we could gain from their product expertise.

As you can imagine, this potential merger is highly confidential. You will be joining me as Great Expectations' representatives through the due diligence and, if necessary, negotiations of this possible merger. I have attached Copperfield's financial information for your review.

Again, welcome aboard. This is certainly an exciting time to be at Great Expectations.

- Charles

**Copperfield Insurance Company**  
**2011 Annual Report**

**Consolidated Statement of Operations**

(In millions, except per share data)

	<b>December 31</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Revenues</u></b>			
Premium Income			
Supplemental Medical	\$ 4,023	\$ 3,784	\$ 3,129
Group Life	5,888	6,071	6,211
Disability	2,572	3,420	5,280
Ancillary Products	1,234	967	957
<b>Total</b>	<b>\$ 13,717</b>	<b>\$ 14,242</b>	<b>\$ 15,577</b>
Fee Income	2,553	3,118	3,011
Other revenue	-	-	-
<b>Total operating revenue</b>	<b>16,270</b>	<b>17,360</b>	<b>18,588</b>
Net investment income	3,178	5,348	5,707
Other realized (losses) gains	-	-	-
<b>Total non-operating revenue</b>	<b>3,178</b>	<b>5,348</b>	<b>5,707</b>
<b>Total revenues</b>	<b>\$ 19,448</b>	<b>\$ 22,708</b>	<b>\$ 24,295</b>
<b><u>Policy Benefits and Expenses</u></b>			
Payments to Policyholders			
Supplemental Medical	\$ 3,359	\$ 3,123	\$ 2,583
Group Life	3,592	3,946	3,913
Disability	1,517	2,120	3,326
Ancillary Products	963	725	794
<b>Total</b>	<b>\$ 9,431</b>	<b>\$ 9,915</b>	<b>\$ 10,617</b>
Commissions	1,941	2,233	2,671
Operating Expenses	4,084	4,315	4,859
Premium Taxes	274	285	312
Interest expense	350	323	345
Amortization of other intangible assets	265	274	260
<b>Total expenses</b>	<b>\$ 16,345</b>	<b>\$ 17,344</b>	<b>\$ 19,063</b>
Income before income tax expense	3,103	5,364	5,232
Income tax expense	621	1,073	1,046
<b><u>Net income</u></b>	<b>\$ 2,482</b>	<b>\$ 4,291</b>	<b>\$ 4,185</b>
<b><u>Net income per share</u></b>			
Basic	\$ 2.66	\$ 4.33	\$ 3.73
Diluted	\$ 2.70	\$ 4.73	\$ 3.84
<b><u>Average Exchange Rates*</u></b>			
U.S. dollars	0.81	0.83	1.07
U.K. pounds	1.74	1.96	2.15

\* e.g., on 12/31/2007, \$1 Can = \$1.07 US

**Copperfield Insurance Company**  
**2011 Annual Report**

**Consolidated Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 9,880	\$ 8,770
Premium Receivables	8	8
Investments available-for-sale, at fair value:		
Fixed maturity securities	1,169	1,097
Equity securities	256	242
Other invested assets, current	693	722
Other receivables	827	745
Income taxes receivable	53	54
Net due from subsidiaries	867	1,197
Securities lending collateral	583	854
Deferred tax assets, net	250	248
Other current assets	1	1
<b>Total current assets</b>	<b>\$ 14,587</b>	<b>\$ 13,938</b>
<i>Long-term investments available-for-sale, at fair value:</i>		
Fixed maturity securities	534	234
Equity securities	6	7
Other invested assets, long-term	456	495
Property and equipment, net	4	3
Deferred tax assets, net, non-current	234	227
Investment in subsidiaries	5,544	3,456
Other noncurrent assets	114	37
<b>Total Long Term Assets</b>	<b>\$ 6,892</b>	<b>\$ 4,459</b>
 <b>Total assets</b>	 <b>\$ 21,479</b>	 <b>\$ 18,397</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
Actuarial and Policy Liabilities	8,230	7,564
Amounts on deposit	678	876
Deferred Gains	4	5
Long-term debt	345	456
Other Liabilities	795	856
<b>Total liabilities</b>	10,052	9,757
<b>Shareholders equity</b>		
Preferred stock	-	-
Common stock	5	5
Additional paid-in capital	326	109
Retained earnings	1,865	1,777
Accumulated Income	9,231	6,749
<b>Total shareholders equity</b>	11,427	8,640
 <b>Total liabilities and shareholders equity</b>	 <b>\$ 21,479</b>	 <b>\$ 18,397</b>



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From: Candy Cruncher <[ccrunche@greatexp.com](mailto:ccrunche@greatexp.com)>  
To: You  
Sent: March 3, 2012  
Subject: Great Expectations Financial Information

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Hello.

I am your administrative assistant. Per Mr. Dickens's request, I have attached our latest financial information and Statement of Actuarial Opinion for this past year from our consulting actuary.

Please let me know if you need anything else or need help finding anything.

Candy

Attached:

- Great Expectations Income Statement
- Great Expectations Balance Sheet
- Great Expectations Selected Experience Data

# Great Expectations Insurance Company

10-K

02/22/2012

## Income Statement

(In millions, except per share data)

	<u>December 31</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>Revenues</u></b>			
Premiums	\$ 51,474	\$ 49,719	\$ 46,745
Administrative fees	3,497	3,455	3,100
Other revenue	561	562	530
<b>Total operating revenue</b>	<b>55,532</b>	<b>53,736</b>	<b>50,375</b>
Net investment income	(1,098)	929	790
Other realized (losses) gains	-	-	-
<b>Total non-operating revenue</b>	<b>(1,098)</b>	<b>929</b>	<b>790</b>
<b>Total revenues</b>	<b>\$ 54,434</b>	<b>\$ 54,665</b>	<b>\$ 51,165</b>
<b><u>Expenses</u></b>			
Benefit expense	43,408	41,478	38,895
Selling expense	2,581	2,478	2,309
General and administrative expense	6,865	6,559	6,035
<b>Total operating expenses</b>	<b>52,854</b>	<b>50,515</b>	<b>47,239</b>
Other Expenses	440	389	397
Interest expense	435	406	365
Amortization of other intangible assets	265	274	260
Impairment of intangible assets	131	-	-
<b>Total non-operating expenses</b>	<b>1,271</b>	<b>1,069</b>	<b>1,022</b>
<b>Total expenses</b>	<b>\$ 54,125</b>	<b>\$ 51,584</b>	<b>\$ 48,261</b>
Income before income tax expense	309	3,081	2,904
Income tax expense at 35%	108	1,078	1,016
<b><u>Net income</u></b>	<b>\$ 201</b>	<b>\$ 2,003</b>	<b>\$ 1,888</b>
<b><u>Net income per share</u></b>			
Basic	\$ 0.45	\$ 4.02	\$ 3.44
Diluted	\$ 0.44	\$ 4.18	\$ 3.34
<b><u>Shares Outstanding</u></b>			
Common/Preferred	444,902,956	498,009,660	548,302,081
<b><u>Tax Rate:</u></b>	35.0%		

**Great Expectations Insurance Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 5,327	\$ 5,258
Premium Receivables	7	2
Investments available-for-sale, at fair value:		
Fixed maturity securities	16	49
Equity securities	39	306
Other invested assets, current	7	8
Other receivables	10	14
Income taxes receivable	161	67
Net due from subsidiaries	1,011	356
Securities lending collateral	17	188
Deferred tax assets, net	24	3
Other current assets	76	95
<b>Total current assets</b>	<b>\$ 6,695</b>	<b>\$ 6,346</b>
<i>Long-term investments available-for-sale, at fair value:</i>		
Fixed maturity securities	223	1,449
Equity securities	6	7
Other invested assets, long-term	299	400
Property and equipment, net	5	5
Deferred tax assets, net, non-current	356	332
Investment in subsidiaries	20,477	21,379
Other noncurrent assets	114	37
<b>Total Long Term Assets</b>	<b>\$ 21,480</b>	<b>\$ 23,609</b>
 <b>Total assets</b>	 <b>\$ 28,175</b>	 <b>\$ 29,955</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	206	-
Securities lending payable	17	192
Current portion of long-term debt	820	-
Other current liabilities	150	95
<b>Total current liabilities</b>	<b>1,193</b>	<b>287</b>
<b>Long-term debt</b>	<b>6,616</b>	<b>7,759</b>
<b>Other noncurrent liabilities</b>	<b>218</b>	<b>759</b>
<b>Total liabilities</b>	<b>8,027</b>	<b>8,805</b>
<b>Shareholders equity</b>		
Preferred stock	-	-
Common stock	5	5
Additional paid-in capital	17,014	17,014
Retained earnings	2,879	3,805
Accumulated Income	250	326
<b>Total shareholders equity</b>	<b>20,148</b>	<b>21,150</b>
 <b>Total liabilities and shareholders equity</b>	 <b>\$ 28,175</b>	 <b>\$ 29,955</b>

**Great Expectations Insurance Company**  
**10-K**  
**02/22/2012**

**Selected Experience Data**

	<b>Enrollment *</b>		
	<b>December 31</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
(In thousands)			
<b><u>Insured Medical Membership</u></b>			
Large Group (>50 employees)	6,837	7,167	7,234
Small Group (2 - 50 employees)	2,339	2,553	2,759
<b><u>Group Life</u></b>	5,074	5,037	4,921
<b><u>Group LTD</u></b>	779	702	662
<b><u>Specialty Products</u></b>			
Dental	5,598	5,607	5,648
Vision	4,332	4,785	5,002
Specific Disease	2,001	1,865	1,773
<b><u>Self Funded Membership</u></b>	10,427	10,817	10,191

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

	<b>Premium</b>		
	<b>December 31</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
(In millions)			
<b><u>Insured Medical Membership</u></b>			
Large Group (>50 employees)	33,494	32,510	30,383
Small Group (2 - 50 employees)	12,803	12,259	11,621
<b><u>Group Life</u></b>	280	264	246
<b><u>Group LTD</u></b>	449	386	346
<b><u>Specialty Products</u></b>			
Dental	3,734	3,562	3,417
Vision	607	638	635
Specific Disease	107	101	97
<b><u>Self Insured Membership</u></b>	3,497	3,455	3,100

	<b>Claims</b>		
	<b>December 31</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
(In millions)			
<b><u>Insured Medical Membership</u></b>			
Large Group (>50 employees)	27,304	26,360	24,616
Small Group (2 - 50 employees)	12,035	11,155	10,459
<b><u>Group Life</u></b>	224	216	202
<b><u>Group LTD</u></b>	341	301	267
<b><u>Specialty Products</u></b>			
Dental	2,983	2,914	2,812
Vision	446	459	476
Specific Disease	74	73	63

### Commissions

	December 31		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
(In millions)			
<b><i>Insured Medical Membership</i></b>			
Large Group (>50 employees)	656	625	557
Small Group (2 - 50 employees)	640	613	581
<b><i>Group Life</i></b>	8	8	7
<b><i>Group LTD</i></b>	13	12	10
<b><i>Specialty Products</i></b>			
Dental	187	178	171
Vision	36	38	38
Specific Disease	11	10	10

### Premium Taxes

	December 31		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
(In millions)			
<b><i>Insured Medical Membership</i></b>			
Large Group (>50 employees)	670	650	608
Small Group (2 - 50 employees)	256	245	232
<b><i>Group Life</i></b>	6	5	5
<b><i>Group LTD</i></b>	9	8	7
<b><i>Specialty Products</i></b>			
Dental	75	71	68
Vision	12	13	13
Specific Disease	2	2	2

### General Administration

	December 31		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
(In millions)			
<b><i>Insured Medical Membership</i></b>			
Large Group (>50 employees)	2,465	2,351	2,063
Small Group (2 - 50 employees)	1,024	981	930
<b><i>Group Life</i></b>	28	26	25
<b><i>Group LTD</i></b>	45	39	35
<b><i>Specialty Products</i></b>			
Dental	560	534	513
Vision	91	96	95
Specific Disease	16	15	15

### Claims Administration

	December 31		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
(In millions)			
<b><i>Insured Medical Membership</i></b>			
Large Group (>50 employees)	1,606	1,551	1,448
Small Group (2 - 50 employees)	752	697	654
<b><i>Group Life</i></b>	17	17	16
<b><i>Group LTD</i></b>	26	23	21
<b><i>Specialty Products</i></b>			
Dental	199	194	187
Vision	30	31	32
Specific Disease	5	5	4

From: Ebenezer Scrooge <[escrooge@greatexp.com](mailto:escrooge@greatexp.com)>  
To: You  
Sent: March 3, 2012  
Subject: Actuarial Questions

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I'm the CFO, Mr. Scrooge. People call me Mr. Scrooge.

I'm concerned about some questions our auditors have been asking about our year-end reserves for Barnaby Rudge, Inc. (BRI). I've attached our former consulting actuary's statement of opinion for your information.

My expectation is that you will review and get back to me – soon!

**Barnaby Rudge, Inc.**  
**Actuarial Statement of Opinion**

I, Mr. Fagin, FSA, MAAA am associated with Sowerberry's Consulting Firm. I am a member of the American Academy of Actuaries and have been retained by Barnaby Rudge, Inc. (BRI) with regard to their aggregate reserves.

I have examined the actuarial assumptions and actuarial methods used in determining the contract reserves as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, 2011.

Aggregate Reserve for Accident and Health Contracts: \$151,979,000

In forming my opinion on BRI's reserves, I evaluated that data for reasonableness and consistency. I also reconciled that data to the Company's current annual statement. In other respects, my examination included such review of the actuarial assumptions and actuarial methods used and such tests of the calculations as I considered necessary.

In my opinion the amounts carried in the balance sheet on account of the actuarial items identified above:

- A. Are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- B. Are based on actuarial assumptions which are in accordance with or stronger than those called for in contract provisions,
- C. Meet the requirements of the insurance laws of (state of domicile),
- D. Make a good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its contracts,
- E. Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year end, and
- F. Include provision for all actuarial reserves and related statement items which ought to be established.

Actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion."

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From: Kate Nickleby <[knickleb@greatexp.com](mailto:knickleb@greatexp.com)>  
To: You  
Sent: March 4, 2012  
Subject: Reserving Information

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Hello.

I am one of your actuarial students. Per your request to my supervisor, I am providing you some additional information on Barnaby Rudge's (BRI) Incurred but not Paid (IBNP) reserves. As of December 31, 2011, the IBNP was \$151,979,000 (previously \$192,180,000 as of December 31, 2010). For clarity, these reserves include due and unpaid claims, IBNR, and claims in course of settlement. I calculated these using the combined medical and pharmacy claims data and all product types.

Please let me know if you have any additional questions. Note, though, that I am out Tuesdays and Thursdays studying for exams.

Kate



**Barnaby Rudge, Inc.**

<b>Summary Output</b>				
<b>6-month Average Factors</b>				
<b>Month</b>	<b>Claims Paid (in \$1,000s)</b>	<b>Incurred &amp; Paid (in \$1,000s)</b>	<b>Completion Factors</b>	<b>Members (in 1,000s)</b>
Jan-09		\$45,500	1.0000	930
Feb-09		\$41,400	1.0000	943
Mar-09		\$46,900	1.0000	944
Apr-09		\$46,700	1.0000	945
May-09		\$43,700	1.0000	944
Jun-09		\$43,500	1.0000	944
Jul-09		\$43,700	1.0000	943
Aug-09		\$42,000	1.0000	939
Sep-09		\$42,500	1.0000	934
Oct-09		\$46,900	1.0000	933
Nov-09		\$43,500	1.0000	936
Dec-09		\$47,800	1.0000	937
Jan-10	\$51,600	\$48,100	1.0000	937
Feb-10	\$43,100	\$44,100	1.0000	940
Mar-10	\$46,200	\$48,800	1.0000	942
Apr-10	\$44,000	\$48,900	1.0000	942
May-10	\$55,700	\$46,800	1.0000	940
Jun-10	\$43,800	\$49,500	1.0000	939
Jul-10	\$58,300	\$50,700	1.0000	943
Aug-10	\$45,000	\$48,500	1.0000	939
Sep-10	\$44,000	\$49,500	1.0000	937
Oct-10	\$55,000	\$52,200	1.0000	945
Nov-10	\$45,100	\$50,200	1.0000	945
Dec-10	\$56,600	\$54,300	1.0000	945
Jan-11	\$48,700	\$51,200	1.0000	945
Feb-11	\$46,700	\$49,700	1.0000	966
Mar-11	\$50,400	\$57,600	1.0000	964
Apr-11	\$64,900	\$54,100	1.0000	968
May-11	\$49,400	\$52,400	1.0000	967
Jun-11	\$49,500	\$54,800	1.0000	968
Jul-11	\$60,900	\$55,000	0.9494	969
Aug-11	\$53,800	\$55,100	0.9270	974
Sep-11	\$53,100	\$53,300	0.8830	974
Oct-11	\$72,100	\$49,300	0.8022	976
Nov-11	\$51,400	\$39,200	0.5934	980
Dec-11	\$68,500	\$8,100	0.0759	979

**Barnaby Rudge, Inc.**

<b>Summary Output - Copay Plans</b>				
<b>6-month Average Factors</b>				
<b>Month</b>	<b>Claims Paid (in \$1,000s)</b>	<b>Incurred &amp; Paid (in \$1,000s)</b>	<b>Completion Factors</b>	<b>Members (in 1,000s)</b>
Jan-09		\$34,580	1.0000	698
Feb-09		\$31,257	1.0000	688
Mar-09		\$35,175	1.0000	678
Apr-09		\$34,792	1.0000	668
May-09		\$32,338	1.0000	658
Jun-09		\$31,973	1.0000	648
Jul-09		\$31,901	1.0000	638
Aug-09		\$30,450	1.0000	628
Sep-09		\$30,600	1.0000	618
Oct-09		\$33,534	1.0000	608
Nov-09		\$30,885	1.0000	598
Dec-09		\$33,699	1.0000	588
Jan-10	\$36,120	\$33,670	1.0000	578
Feb-10	\$29,955	\$30,650	1.0000	568
Mar-10	\$31,878	\$33,672	1.0000	558
Apr-10	\$30,140	\$33,497	1.0000	548
May-10	\$37,876	\$31,824	1.0000	538
Jun-10	\$26,565	\$33,413	1.0000	528
Jul-10	\$29,061	\$33,969	1.0000	518
Aug-10	\$29,925	\$32,253	1.0000	508
Sep-10	\$29,040	\$32,670	1.0000	498
Oct-10	\$36,025	\$34,191	1.0000	488
Nov-10	\$29,315	\$32,630	1.0000	478
Dec-10	\$36,507	\$35,024	1.0000	468
Jan-11	\$31,168	\$32,768	1.0000	458
Feb-11	\$29,655	\$31,560	1.0000	448
Mar-11	\$31,752	\$36,288	1.0000	438
Apr-11	\$40,563	\$33,813	1.0000	428
May-11	\$30,628	\$32,488	1.0000	418
Jun-11	\$30,443	\$33,702	1.0000	408
Jul-11	\$37,149	\$33,550	0.9690	398
Aug-11	\$32,549	\$33,336	0.9456	388
Sep-11	\$31,860	\$31,980	0.8948	378
Oct-11	\$42,900	\$29,334	0.8234	368
Nov-11	\$30,326	\$23,128	0.6176	358
Dec-11	\$40,073	\$4,739	0.1049	348

**Barnaby Rudge, Inc.**

<b>Summary Output - High Deductible Plans</b>				
<b>6-month Average Factors</b>				
<b>Month</b>	<b>Claims Paid (in \$1,000s)</b>	<b>Incurred &amp; Paid (in \$1,000s)</b>	<b>Completion Factors</b>	<b>Members (in 1,000s)</b>
Jan-09		\$10,920	1.0000	232
Feb-09		\$10,143	1.0000	255
Mar-09		\$11,725	1.0000	266
Apr-09		\$11,908	1.0000	277
May-09		\$11,362	1.0000	286
Jun-09		\$11,527	1.0000	296
Jul-09		\$11,799	1.0000	305
Aug-09		\$11,550	1.0000	311
Sep-09		\$11,900	1.0000	316
Oct-09		\$13,366	1.0000	325
Nov-09		\$12,615	1.0000	338
Dec-09		\$14,101	1.0000	349
Jan-10	\$15,480	\$14,430	1.0000	359
Feb-10	\$13,145	\$13,450	1.0000	372
Mar-10	\$14,322	\$15,128	1.0000	384
Apr-10	\$13,860	\$15,403	1.0000	394
May-10	\$17,824	\$14,976	1.0000	402
Jun-10	\$17,235	\$16,087	1.0000	411
Jul-10	\$29,239	\$16,731	1.0000	425
Aug-10	\$15,075	\$16,247	1.0000	431
Sep-10	\$14,960	\$16,830	1.0000	439
Oct-10	\$18,975	\$18,009	1.0000	457
Nov-10	\$15,785	\$17,570	1.0000	467
Dec-10	\$20,093	\$19,276	1.0000	477
Jan-11	\$17,532	\$18,432	1.0000	487
Feb-11	\$17,045	\$18,140	1.0000	518
Mar-11	\$18,648	\$21,312	1.0000	526
Apr-11	\$24,337	\$20,287	1.0000	540
May-11	\$18,772	\$19,912	1.0000	549
Jun-11	\$19,057	\$21,098	1.0000	560
Jul-11	\$23,751	\$21,450	0.9234	571
Aug-11	\$21,251	\$21,764	0.8972	586
Sep-11	\$21,240	\$21,320	0.8546	596
Oct-11	\$29,200	\$19,966	0.7856	608
Nov-11	\$21,074	\$16,072	0.5332	622
Dec-11	\$28,427	\$3,361	0.0343	631

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From: Dr. Alexander Manette <[amanette@greatexp.com](mailto:amanette@greatexp.com)>  
To: You  
Sent: March 3, 2012  
Subject: Medical Management Help

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Hello and welcome aboard.

Let me introduce myself. I'm Dr. Alexander Manette, but please call me Alex. I am VP of our Medical Management area.

We currently are split up into two primary areas: disease management and case management. We have begun gathering various metrics that we hope will help us better serve our patients. I have attached some information we have gathered regarding 2011 experience.

I understand you have some experience in this area and I'd like to talk with you further about it. I'll set up some time so we can speak.

Regards - Alex

<b>Benefit</b>	<b>Utilization Per 1,000 Members</b>	<b>Average Allowed Cost per Unit</b>
<b><u>Inpatient Costs</u></b>		
Medical	48.6 admits	\$6,190.36
Surgical	18.8 admits	\$13,826.00
Psychiatric	5.7 admits	\$1,796.09
Alcohol & Drug Abuse	3.0 admits	\$1,075.81
Maternity	11.1 admits	\$5,340.42
Skilled Nursing Facility	1.1 admits	\$1,011.60
Inpatient Facility - Subtotal	88.3 admits	\$7,186.24
<b><u>Outpatient Costs</u></b>		
Emergency Room	223 cases	\$2,354.49
Surgery	165 cases	\$6,594.76
Radiology	317 cases	\$949.21
Pathology	584 cases	\$340.53
Pharmacy	239 cases	\$1,735.61
Cardiovascular	44 cases	\$1,655.53
Physical Therapy	113 cases	\$382.75
Psychiatric	45 cases	\$476.61
Alcohol & Drug Abuse	25 cases	\$366.21
Other	371.0 cases	\$794.41
Outpatient Facility - Subtotal	2,126.0 cases	\$1,396.70
<b><u>Physician Costs</u></b>		
Inpatient Surgery	111.6 proced	\$1,626.03
Maternity	83.9 proced	\$1,422.95
Outpatient Surgery	937.1 proced	\$611.05
Inpatient Visits	235.0 visits	\$328.96
Office/Home Visits	4,986.9 visits	\$112.24
Immunizations	1,219.3 proced	\$52.36
Physical Exams	685.8 visits	\$151.92
Vision/Hearing/Speech Exams	459.8 visits	\$157.76
Physical Therapy	1,343.2 visits	\$149.79
Cardiovascular	347.6 proced	\$233.22
Radiology	1,514.7 visits	\$238.85
Pathology	6,762.3 visits	\$86.49
Chiropractor	496.6 visits	\$58.39
Outpatient Psychiatric	898.4 visits	\$150.84
Outpatient Alcohol & Drug Abuse	49.3 visits	\$140.37
Physician Total	20,131.3 services	\$156.54
<b><u>Prescription Drugs</u></b>	12,811 scripts	\$107.18

From: Charles Dickens <cdickens@greatexp.com>

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To: You

Sent: March 15, 2012

Subject: RE: 2012 Financial Projections

I don't know if you've had the pleasure to meet our VP of marketing. In any case, please review the following e-mails.

The first is from me to Mr Twist and was based on the projections your predecessor performed. The second is from Oliver asking for some rate concessions.

Once you have had time to read and digest the information give me a call so we can discuss further.

CD

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From: Oliver Twist <[otwist@greatexp.com](mailto:otwist@greatexp.com)>

To: Charles Dickens

Sent: March 4, 2012

Subject: Re: 2012 Financial Projections

Chuck,

As you know, we've had troubles across the board selling our products. I feel like our actuaries are trying to pick our pockets by keeping the rates so high!!

In talking with our brokers and sales staff, the consensus is that for the upcoming year, we can live with the large group increases but need some serious relief in the small group area. The proposed 15% increase will severely hurt sales prospects, and could put us at risk of losing existing customers. We believe the market is looking for rates that are at most 5% more than where we are today. If we can deliver rates at the market expectation, then we think we can grow our medical enrolment by 15%, offsetting the decreased premium.

Our top producer in Region 1, Arthur Dodger, has been particularly vociferous in his comments. I'd hate to lose Artie as a broker. However, he is concerned about his ability to sell our products. I've been thinking – he and his staff are experts in the individual and retiree health arena. Is it possible to team up with him in developing new products in these areas?

Regarding the premium issue – I think we're really going to need some relief in the coming year – especially with the changes in the market due to healthcare reform.

With all do respect – please, sir, we want some more.

Ollie

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From: Charles Dickens <cdickens@greatexp.com>  
To: Oliver Twist  
Sent: March 2, 2012  
Subject: 2012 Financial Projections

Ollie,

The actuaries have completed the financial projections for 2012. Their suggested rate increases were selected to bring our profitability back in line with the board of director's expectations of 3% of premiums. The following assumptions were used in the 2012 financial projection:

Large group average rate increase 10%  
Large group claims trend 11%  
Large group commissions 2%  
Large group administrative expenses \$15 per member per month \*\*

Small group average rate increase 15%  
Small group medical claims trend 13%  
Small group commissions 5%  
Small group administrative expenses \$20 per member per month \*\*

\*\* Administrative expenses include claims administration, premium administration, legal, accounting.

Premium Taxes are 2% across all insured lines.  
Membership for 2012 is the same as 2011.

CD

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From: Charles Dickens <[charles.dickens@greatexp.com](mailto:charles.dickens@greatexp.com)>

To: You

Sent: March 14, 2012

Subject: Alternative Funding Arrangements

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Good morning-

Thanks for all of your hard work. You have added a lot of value to our actuarial operations!

I've come across additional analysis opportunities for you to assist with. Some of our "traditional" insurance commercial groups have been asking about the alternative arrangements that we offer, which are mostly participating and experience-rating.

In order to help with these analyses, you will need additional information regarding specific clients who have expressed an interest in these arrangements.

<b>Group</b>	<b>Employees</b>	<b>Plan Type</b>	<b>Employee Premium (PEPM)</b>	<b>Employer Premium (PEPM)</b>
Lunatic Fringe Psychiatry Associates	60	CDHP	\$25	\$150
Madhouse Gym	200	Indemnity	\$50	\$150
Shave 'n Save Discount Salons	300	PPO	\$100	\$200
Brick in the Wall Construction	600	HMO	\$225	\$225
Pig and Python Inc.	2000	PPO	\$75	\$175
NRG Solar Panel Company	5000	PPO	\$250	\$150

#### **Credibility Factors**

<b>Employees</b>	<b>Factor</b>
50 – 100	25%
250 – 500	50%
500 – 1000	75%
1000 or more	100%

#### **Annual Unit Cost and Utilization Pricing Trends**

<b>Plan Type</b>	<b>Unit Cost</b>	<b>Utilization</b>
Indemnity	2.5%	3.0%
HMO	3.1%	2.0%
CDHP	1.5%	1.5%
PPO	4.0%	2.0%



### Administrative Cost Structure

Group to Individual Conversion Charge (PEPM)	\$4
Surplus Balance Interest Rate (per annum)	2%
Administrative Costs (Variable)	10% of Premium
Administrative Costs (Fixed PEPM)	\$8
Pooling Charge (By Pooling Point)	\$ PEPM
\$25,000	\$2.00
\$50,000	\$1.00
\$75,000	\$0.75
\$100,000	\$0.50
Underwriting Margin (By # of Employees)	% of Premium
50 - 100	10%
250 - 500	7%
500 - 1000	4%
1000 or more	2%
Variable Administrative Costs (By Product Type)	% of Premium
Indemnity	13%
HMO	9%
CDHP	10%
PPO	10%

As specific client analyses come up, I will follow up additional details. I'm looking forward to working with you again.

Thanks!  
-CD

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From: Martin Chuzzlewit <[martin.chuzzlewit@greatexp.com](mailto:martin.chuzzlewit@greatexp.com)>

To: You

Sent: March 23, 2012

Subject: Claim Data for Alternative Funding Analysis

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Hello-

Your project involving alternative funding arrangements sounds interesting. I'm happy to provide you claim data for the analysis.

Here is the 2012 claim data by group that you asked for.

<b>Total Paid Claims (Non-Completed) by Group</b>						
<b>As of 12/31/2012</b>						
<b>Incurring Month</b>	<b>Lunatic</b>	<b>Madhouse</b>	<b>Shave 'n Save</b>	<b>Brick in the Wall</b>	<b>Pig and Python</b>	<b>NRG</b>
Jan-12	\$20,299	\$69,385	\$102,499	\$199,974	\$676,764	\$1,709,000
Feb-12	\$15,235	\$49,503	\$76,928	\$150,086	\$482,839	\$1,257,000
Mar-12	\$18,576	\$62,226	\$93,798	\$182,998	\$606,929	\$1,510,000
Apr-12	\$20,271	\$67,905	\$102,359	\$202,741	\$672,408	\$1,698,000
May-12	\$21,513	\$72,065	\$108,630	\$211,935	\$716,958	\$1,775,000
Jun-12	\$20,278	\$67,928	\$102,394	\$199,768	\$662,548	\$1,690,000
Jul-12	\$18,316	\$63,198	\$95,264	\$185,858	\$598,459	\$1,511,260
Aug-12	\$24,737	\$82,864	\$124,908	\$243,693	\$808,227	\$2,104,100
Sep-12	\$24,454	\$81,916	\$123,480	\$240,906	\$790,996	\$2,017,640
Oct-12	\$17,367	\$58,757	\$88,570	\$171,087	\$567,424	\$1,432,890
Nov-12	\$15,350	\$52,447	\$79,059	\$151,218	\$501,526	\$1,266,480
Dec-12	\$5,675	\$19,580	\$29,515	\$55,906	\$185,417	\$468,224
<b>Total</b>	<b>\$222,070</b>	<b>\$747,774</b>	<b>\$1,127,403</b>	<b>\$2,196,169</b>	<b>\$7,270,494</b>	<b>\$18,439,594</b>

As for completing the claims for the analysis, attached is the data set that I recommend using in doing so. Since we tend to have a lot of small, non-credible groups, I've pooled the necessary data together for you to use.

Let me know if you have any questions.

Martin Chuzzlewit

Director of Corporate Reserving and Financial Analysis

# Great Expectations Insurance Company

## Paid Claim Lag Triangles for Alternative Funding Arrangements Analyses

Incurred Month	Cumulative Paid Claims (in thousands)																								
	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	
Jan-10	27,473	65,268	81,280	86,802	90,888	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001	91,001
Feb-10		27,195	67,266	82,085	87,206	88,379	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120	89,120
Mar-10			28,000	64,300	81,887	84,300	87,870	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900
Apr-10				25,978	64,943	78,475	86,100	90,800	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225	91,225
May-10					28,745	66,000	82,354	87,900	89,765	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900	89,900
Jun-10						26,777	67,387	82,345	88,500	90,671	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783	95,783
Jul-10							26,650	66,319	80,990	84,890	88,471	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998
Aug-10								22,399	67,541	81,000	83,710	87,610	90,193	90,193	90,193	90,193	90,193	90,193	90,193	90,193	90,193	90,193	90,193	90,193	90,193
Sep-10									29,863	65,271	80,173	83,671	89,274	92,918	92,918	92,918	92,918	92,918	92,918	92,918	92,918	92,918	92,918	92,918	92,918
Oct-10										30,067	67,387	82,345	88,500	90,671	94,740	94,740	94,740	94,740	94,740	94,740	94,740	94,740	94,740	94,740	94,740
Nov-10											28,001	66,319	80,990	82,343	89,356	93,448	93,448	93,448	93,448	93,448	93,448	93,448	93,448	93,448	93,448
Dec-10												26,650	66,319	80,990	84,890	88,471	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998	88,998
Jan-11													27,750	66,600	80,475	85,100	87,875	89,725	89,725	89,725	89,725	89,725	89,725	89,725	89,725
Feb-11														26,918	67,266	84,499	79,143	86,996	88,828	88,828	88,828	88,828	88,828	88,828	88,828
Mar-11															27,473	65,934	76,451	88,504	86,996	90,622	90,622	90,622	90,622	90,622	90,622
Apr-11																28,444	64,602	81,280	85,100	87,875	91,200	91,200	91,200	91,200	91,200
May-11																	26,918	67,266	82,399	84,788	86,996	88,828	88,828	88,828	88,828
Jun-11																		29,415	65,934	79,268	85,239	87,228	90,622	90,622	90,622
Jul-11																			30,817	67,000	81,278	86,600	87,691	90,817	90,817
Aug-11																				28,710	67,421	80,924	85,620	87,533	87,533
Sep-11																					24,900	65,311	77,621	84,920	84,920
Oct-11																						29,888	66,129	78,601	78,601
Nov-11																							27,299	67,500	67,500
Dec-11																								30,555	30,555

Provided By: Martin Chuzzlewit

From: Paul Dombey <[pdombey@dombey.com](mailto:pdombey@dombey.com)>  
To: Oliver Twist  
Sent: April 1, 2012  
Subject: Product design

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Mr. Twist,

Thank you for your recent visit to discuss the possibility of Great Expectations providing some of our employee benefits. As you know our benefit consultant, Mr. Uriah Heep, enthusiastically recommended your company to us. He believes you can provide better service as well as a better price. As you requested, I am enclosing a copy the summary of our current medical plan for your review.

Mr. Heep also suggested that your company may be interested in acquiring a financial services company. It so happens that we are considering divesting ourselves of one of our subsidiaries, Dombey Securities Management Inc (DSM). DSM has some life and annuity business on it's books as well as a host of mutual funds. We have decided this company is too far from our core competencies' and have decided to sell the company. I have attached a copy of DSM's income statement from our recent 10K. Please be so kind as to forward to Mr. Dickens or any other member of your management team as appropriate.

Once you have had to time to review the attached documents let me know and we can discuss further.

Best Regards,  
Paul Dombey Sr.

**Dombey and Sons, Inc  
Plan Summary**

	<b>Union Plan - PPO</b>		<b>Non-Union Plan - HSA</b>	
	<u>In Network</u>	<u>Out of Network</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Deductible</u>				
Single	\$250	\$500	\$4,000	\$7,000
Family	\$750	\$1,500	\$12,000	\$21,000
Coinsurance	20%	30%	0%	30%
<u>Annual Maximum Out-of-Pocket</u>				
Single	\$2,000	\$4,000	\$4,000	\$10,000
Family	\$4,000	\$8,000	\$11,900	\$25,000
Lifetime Benefit Maximum	\$5 million		\$5 million	
Inpatient Services	20% after deductible	30% after deductible	0% after deductible	30% after deductible
Outpatient Services	20% after deductible	30% after deductible	0% after deductible	30% after deductible
Emergency Room	\$75 Copay	\$125 Copay	0% after deductible	30% after deductible
Office Visit Copay	\$25	\$40	\$25	\$40
Preventive Services	20% - deductible waived	not covered	0% after deductible	not covered
<u>Mental Health</u>				
Inpatient	20% after deductible	30% after deductible	0% after deductible	30% after deductible
Outpatient	50% after deductible	not covered	0% after deductible	not covered
Skilled Nursing Facility	\$50 Copay	\$150 Copay	0% after deductible	30% after deductible
Physical, Speech, and Occupational Therapy	20% after deductible	30% after deductible	0% after deductible	not covered
Prescription Drug Benefit	\$10 Generic/\$20 Brand	not covered	\$10 Generic/\$20 Brand	not covered
<u>HSA Contribution</u>				
Single	na	na	\$1,200	
Family	na	na	\$3,600	

**Dombey Securities Management**  
**10-K**  
**As of February 2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Revenues</u></b>			
Premium Income	\$ 6,355	\$ 6,249	\$ 5,123
Income from Administrative fees	9,926	10,528	9,214
Other revenue	438	473	477
<b>Total operating revenue</b>	<b>16,719</b>	<b>17,250</b>	<b>14,813</b>
Net investment income	123	255	665
Other realized (losses) gains	-	-	-
<b>Total non-operating revenue</b>	<b>123</b>	<b>255</b>	<b>665</b>
<b>Total revenues</b>	<b>\$ 16,842</b>	<b>\$ 17,505</b>	<b>\$ 15,478</b>
<b><u>Expenses</u></b>			
Benefit expense	5,440	5,349	4,385
Selling expense	381	375	307
General and administrative expense	797	784	642
<b>Total operating expenses</b>	<b>6,618</b>	<b>6,508</b>	<b>5,335</b>
Operating Expenses	9,167	9,723	8,509
Interest expense	105	156	167
Amortization of other intangible assets	34	35	37
Impairment of intangible assets	-	88	-
<b>Total non-operating expenses</b>	<b>9,306</b>	<b>10,002</b>	<b>8,713</b>
<b>Total expenses</b>	<b>\$ 15,924</b>	<b>\$ 16,510</b>	<b>\$ 14,048</b>
Income before income tax expense	918	995	1,430
Income tax expense at 35%	321	348	500
<b><u>Net income</u></b>	<b>\$ 597</b>	<b>\$ 647</b>	<b>\$ 929</b>
<b><u>Net income per share</u></b>			
Basic	\$ 1.34	\$ 1.30	\$ 1.69
Diluted	\$ 1.30	\$ 1.35	\$ 1.65
<b><u>Shares Outstanding</u></b>			
Common/Preferred	444,902,956	498,009,660	548,302,081
<b><u>Tax Rate:</u></b>	35.0%		

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From: Johannes Gutenberg <[jgutenberg@greatexp.com](mailto:jgutenberg@greatexp.com)>  
To: You  
Sent: March 3, 2012  
Subject: Investment Opportunities

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Hello.

I'm Johannes Gutenberg, but most people simply call me Jo. I am the Senior VP over Securities Investments.

I thought you might find the attached newsletter interesting. Prince Investments is a company we utilize on occasion and we have always found their analysis to be accurate and timely. Also attached is an email a friend of mine, John Yossarian shared with me. John actually works for one of the companies mentioned in the report and he had requested some additional information regarding the analytics used.

I know we are considering several acquisitions or mergers at this time. Perhaps there are some additional opportunities in this group.

Best Regards,

Jo

*PRINCE INVESTMENT ADVISORS LLC*



To: Clients  
From: The Prince Investment Advisors LLC  
Subject: Evaluation of Health Benefit Sector Companies

We have completed our monthly evaluation of possible investment opportunities in the Health Benefits sector. At this time we feel that the current state of health care reform does provide for some attractive opportunities, and others that should be avoided. Below is a summary of our recommendation, and some key facts and projections. Please consider this information in your investment decisions over the next month. If you would like personal financial advising please contact Ms. Catherine de'Medici, about setting up an appointment.

	Company	Price Target	Beta	Current Price	Shares Outstanding
Recommended Investments:	CITR	\$60	1.1	\$50	45,000,000
	100YOS	\$50	1.2	\$35	60,000,000
Neutral Investments:	TSAR	\$70	1.4	\$67	36,500,000
	LW	\$50	0.6	\$45	22,500,000
Not Advised Investments:	C&P	\$30	1.2	\$35	45,000,000
	LG	\$35	0.6	\$45	60,000,000

Company Stock Symbols:

LG: Leaves of Grass Company  
100YOS: 100 Years of Solitude Company  
TSAR: The Sun Also Rises Company  
LW: Little Women Company  
C&P: Crime & Punishment Company  
CITR: Catcher in the Rye Company

Attached you will find a brief synopsis of these companies and their balance sheets.



***The Sun Also Rises Company***

The Sun Also Rises Company (TSAR) is a large Pharmacy Benefits Management company operating exclusively in the United States. TSAR aims to provide clients with pharmacy benefit plans that provide cost effective means of delivering prescription medications to their employees. TSAR also offers a Medicare Part D Prescription drug plan for sale to individual members.

TSAR’s most popular Employer Pharmacy Plan has the following design:

Drug Type	Copay	Days Supply
Generic	\$20	30 day supply
Preferred Brand	\$40	30 day supply
Non-Preferred Brand	\$60	30 day supply
Non-Covered	Full Cost of Drug	N/A

TSAR’s only Medicare Part D Plan has the following design:

Deductible = \$200

Copays after the Deductible

Drug Type	Copay	Days Supply
Generic	\$20	30 day supply
Preferred Brand	\$40	30 day supply
Non-Preferred Brand	\$60	30 day supply

Member pays 100% after the Initial Coverage Limit

Member pays 5% after the True Out of Pocket Limit

TSAR also offers a mail order pharmacy service to their members. Members receive a 90 day supply of drugs, and pay 2.5 times the standard copay.

**The Sun Also Rises Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,130	\$ 1,225
Investments available-for-sale, at fair value:		
Fixed maturity securities	56	60
Equity securities	50	45
Deferred tax assets, net	12	11
Other current assets	32	34
<b>Total current assets</b>	<b>\$ 1,280</b>	<b>\$ 1,375</b>
<b>Long-term investments available-for-sale, at fair value:</b>		
Fixed maturity securities	55	90
Property and equipment, net	120	100
Deferred tax assets, net, non-current	32	30
Investment in subsidiaries	3,295	3,285
Other noncurrent assets	315	217
<b>Total Long Term Assets</b>	<b>\$ 3,817</b>	<b>\$ 3,722</b>
 <b>Total assets</b>	 <b>\$ 5,097</b>	 <b>\$ 5,097</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	645	564
Long term debt due this year	730	900
Other current liabilities	60	55
<b>Total current liabilities</b>	<b>1,435</b>	<b>1,519</b>
<b>Long-term debt</b>	<b>1,545</b>	<b>900</b>
<b>Other noncurrent liabilities</b>	<b>300</b>	<b>225</b>
<b>Total liabilities</b>	<b>3,280</b>	<b>2,644</b>
<b>Shareholders equity</b>		
<b>Total shareholders equity</b>	<b>1,817</b>	<b>2,453</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 5,097</b>	<b>\$ 5,097</b>

**The Sun Also Rises**  
**10-K**  
**02/22/2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Revenues</u></b>			
Premiums	\$ 9,222	\$ 9,100	\$ 8,923
Administrative fees	-	-	-
Other revenue	-	-	-
<b>Total operating revenue</b>	<b>9,222</b>	<b>9,100</b>	<b>8,923</b>
Net investment income	122	116	111
Other realized (losses) gains	(300)	-	-
<b>Total non-operating revenue</b>	<b>(178)</b>	<b>116</b>	<b>111</b>
<b>Total revenues</b>	<b>\$ 9,044</b>	<b>\$ 9,216</b>	<b>\$ 9,034</b>
<b><u>Expenses</u></b>			
Benefit expense	8,274	7,225	7,100
Selling expense	411	395	368
General and administrative expense	923	901	888
<b>Total operating expenses</b>	<b>9,608</b>	<b>8,521</b>	<b>8,356</b>
Other Expenses	-	-	-
Interest expense	15	10	13
Amortization of other intangible assets	-	-	-
Impairment of intangible assets	400	-	-
<b>Total non-operating expenses</b>	<b>415</b>	<b>10</b>	<b>13</b>
<b>Total expenses</b>	<b>\$ 10,023</b>	<b>\$ 8,531</b>	<b>\$ 8,369</b>
Income before income tax expense	(979)	685	665
Income tax expense at 35%	(343)	240	233
<b><u>Net income</u></b>	<b>\$ (636)</b>	<b>\$ 445</b>	<b>\$ 432</b>
<b><u>Net income per share</u></b>			
Basic	\$ (17.43)	\$ 12.20	\$ 11.84
<b><u>Shares Outstanding</u></b>			
Common/Preferred	36,500,000	36,500,000	36,500,000
<b><u>Tax Rate:</u></b>			
	35.0%		
<b><u>Enrollment</u></b> (in thousands)			
	14,500	15,095	14,975

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

### *Leaves of Grass Company*

Leaves of Grass Company (LG) is a large Disability Insurance company operating in both the United States and Canada. LG aims to provide clients with insurance products for their fulltime employees. They do not currently sell individual disability products but are considering acquiring an individual disability insurer.

LG has created a new product which they will be marketing to prospective clients that has the following design. This plan is unique since LG does not currently offer plan designs that coordinate with government sponsored plans:

Elimination period: 1 week

Length of Disability	Benefit
Week 2	100% of Pay
Weeks 3 - 8	65% of Pay
Weeks 9 - 26	85% of Pay

If the member qualifies for a government sponsored disability plan, the benefit will be reduced by 35% of Pay.

LG has a Long Term Disability plan design as follows:

Member receives 55% of pay beginning in the 27<sup>th</sup> week of disability. The member is considered disabled if they are unable to perform their own occupation.

**Leaves of Grass Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,750	\$ 6,320
Investments available-for-sale, at fair value:		
Fixed maturity securities	420	400
Equity securities	32	22
Deferred tax assets, net	550	550
Other current assets	230	200
<b>Total current assets</b>	<b>\$ 7,982</b>	<b>\$ 7,492</b>
<b>Long-term investments available-for-sale, at fair value:</b>		
Fixed maturity securities	600	550
Property and equipment, net	120	100
Deferred tax assets, net, non-current	32	33
Investment in subsidiaries	556	698
Other noncurrent assets	135	167
<b>Total Long Term Assets</b>	<b>\$ 1,443</b>	<b>\$ 1,548</b>
 <b>Total assets</b>	 <b>\$ 9,425</b>	 <b>\$ 9,040</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	845	956
Long term debt due this year	1,853	1,203
Other current liabilities	32	18
<b>Total current liabilities</b>	<b>2,730</b>	<b>2,177</b>
<b>Long-term debt</b>	4,582	4,888
<b>Other noncurrent liabilities</b>	320	250
<b>Total liabilities</b>	<b>7,632</b>	<b>7,315</b>
<b>Shareholders equity</b>		
<b>Total shareholders equity</b>	1,793	1,725
<b>Total liabilities and shareholders equity</b>	<b>\$ 9,425</b>	<b>\$ 9,040</b>

**Leaves of Grass Company**  
**10-K**  
**02/22/2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Revenues</u></b>			
Premiums	\$ 2,153	\$ 2,126	\$ 2,101
Administrative fees	-	-	-
Other revenue	-	-	-
<b>Total operating revenue</b>	<b>2,153</b>	<b>2,126</b>	<b>2,101</b>
Net investment income	300	275	260
Other realized (losses) gains	(233)	122	130
<b>Total non-operating revenue</b>	<b>67</b>	<b>397</b>	<b>390</b>
<b>Total revenues</b>	<b>\$ 2,220</b>	<b>\$ 2,523</b>	<b>\$ 2,491</b>
<b><u>Expenses</u></b>			
Benefit expense	1,645	1,545	1,535
Selling expense	199	189	188
General and administrative expense	222	210	199
<b>Total operating expenses</b>	<b>2,066</b>	<b>1,944</b>	<b>1,922</b>
Other Expenses	20	30	15
Interest expense	30	28	27
Amortization of other intangible assets	-	-	-
Impairment of intangible assets	-	-	-
<b>Total non-operating expenses</b>	<b>50</b>	<b>58</b>	<b>42</b>
<b>Total expenses</b>	<b>\$ 2,116</b>	<b>\$ 2,002</b>	<b>\$ 1,964</b>
Income before income tax expense	104	521	527
Income tax expense at 35%	36	182	184
<b><u>Net income</u></b>	<b>\$ 68</b>	<b>\$ 339</b>	<b>\$ 343</b>
<b><u>Net income per share</u></b>			
Basic	\$ 1.13	\$ 5.64	\$ 5.71
<b><u>Shares Outstanding</u></b>			
Common/Preferred	60,000,000	60,000,000	60,000,000
<b><u>Tax Rate:</u></b>			
	35.0%		
<b><u>Enrollment</u></b> (in thousands)			
	1,950	1,925	1,903

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

***Crime & Punishment Company***

Crime & Punishment Company (C&P) is a company that sells high deductible health plans with Health Savings Accounts (HSAs). They operate only in the United States. C&P only sells products to individuals. Underwriting is performed to the extent it is allowed, based on the various jurisdictions they serve.

C&P offers two plan designs, the Sunset, and the Sunrise plan. They are as follows:

	Sunset	Sunrise
Deductible	\$1,000	\$2,000
Out of Pocket Max	\$2,500	\$4,000
Pharmacy Benefits	Included	Excluded
Preventive Coverage	Covered at 100%	Covered at 85%

Members may contribute to an HSA on a tax preferred basis.

**Crime & Punishment Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,420	\$ 2,330
Investments available-for-sale, at fair value:		
Fixed maturity securities	80	70
Equity securities	60	32
Deferred tax assets, net	85	95
Other current assets	44	34
<b>Total current assets</b>	<b>\$ 2,689</b>	<b>\$ 2,561</b>
<b>Long-term investments available-for-sale, at fair value:</b>		
Fixed maturity securities	145	125
Property and equipment, net	185	120
Deferred tax assets, net, non-current	10	10
Investment in subsidiaries	1,600	1,450
Other noncurrent assets	200	150
<b>Total Long Term Assets</b>	<b>\$ 2,140</b>	<b>\$ 1,855</b>
 <b>Total assets</b>	 <b>\$ 4,829</b>	 <b>\$ 4,416</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	450	350
Long term debt due this year	575	795
Other current liabilities	85	69
<b>Total current liabilities</b>	<b>1,110</b>	<b>1,214</b>
<b>Long-term debt</b>	<b>1,403</b>	<b>1,560</b>
<b>Other noncurrent liabilities</b>	<b>120</b>	<b>145</b>
<b>Total liabilities</b>	<b>2,633</b>	<b>2,919</b>
<b>Shareholders equity</b>		
<b>Total shareholders equity</b>	<b>2,196</b>	<b>1,497</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 4,829</b>	<b>\$ 4,416</b>



**Crime & Punishment Company**  
**10-K**  
**02/22/2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Revenues</u></b>			
Premiums	\$ 20,211	\$ 19,030	\$ 18,534
Administrative fees	-	-	-
Other revenue	-	-	-
<b>Total operating revenue</b>	<b>20,211</b>	<b>19,030</b>	<b>18,534</b>
Net investment income	102	97	94
Other realized (losses) gains	-	-	-
<b>Total non-operating revenue</b>	<b>102</b>	<b>97</b>	<b>94</b>
<b>Total revenues</b>	<b>\$ 20,313</b>	<b>\$ 19,127</b>	<b>\$ 18,628</b>
<b><u>Expenses</u></b>			
Benefit expense	16,234	15,534	15,254
Selling expense	978	888	867
General and administrative expense	1,790	1,700	1,600
<b>Total operating expenses</b>	<b>19,002</b>	<b>18,122</b>	<b>17,721</b>
Other Expenses	202	180	170
Interest expense	34	17	13
Amortization of other intangible assets	-	-	-
Impairment of intangible assets	-	-	-
<b>Total non-operating expenses</b>	<b>236</b>	<b>197</b>	<b>183</b>
<b>Total expenses</b>	<b>\$ 19,238</b>	<b>\$ 18,319</b>	<b>\$ 17,904</b>
Income before income tax expense	1,075	808	724
Income tax expense at 35%	376	283	253
<b><u>Net income</u></b>	<b>\$ 699</b>	<b>\$ 525</b>	<b>\$ 471</b>
<b><u>Net income per share</u></b>			
Basic	\$ 15.53	\$ 11.67	\$ 10.46
<b><u>Shares Outstanding</u></b>			
Common/Preferred	45,000,000	45,000,000	45,000,000
<b><u>Tax Rate:</u></b>			
	35.0%		
<b><u>Enrollment</u></b> (in thousands)			
	10,525	11,000	10,900

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

### ***100 Years of Solitude Company***

100 Years of Solitude Company (100YOS) is a medium sized Pharmacy Benefits Management company operating exclusively in the United States. 100YOS offers both employer and individual pharmacy plan designs. They offer both Commercial and Medicare Part D plans. 100YOS aims to provide a high level of service to their members.

100YOS's most popular Commercial Pharmacy Plan has the following design:

Drug Type	Coinsurance	Days Supply
Generic	5%	30 day supply
Preferred Brand	25%	30 day supply
Non-Preferred Brand	65%	30 day supply
Non-Covered	Full Cost of Drug	N/A

100YOS's most popular Medicare Part D Plan has the following design:

Deductible = \$300

Coinsurance between the deductible and the True Out of Pocket Limit

Drug Type	Coinsurance	Days Supply
Generic	5%	30 day supply
Preferred Brand	15%	30 day supply
Non-Preferred Brand	55%	30 day supply

Member pays 5% after the True Out of Pocket Limit

100YOS also offers a mail order pharmacy service to their members. Members receive a 90 day supply of drugs, and pay for a 60 day supply.

Recently, individual members have been complaining about the level of the deductible on the Medicare Part D plan.

**100 Years of Solitude Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 300	\$ 250
Investments available-for-sale, at fair value:		
Fixed maturity securities	2	15
Equity securities	10	25
Deferred tax assets, net	8	3
Other current assets	42	30
<b>Total current assets</b>	<b>\$ 362</b>	<b>\$ 323</b>
<b>Long-term investments available-for-sale, at fair value:</b>		
Fixed maturity securities	95	74
Property and equipment, net	5	5
Deferred tax assets, net, non-current	120	145
Investment in subsidiaries	2,310	2,100
Other noncurrent assets	85	15
<b>Total Long Term Assets</b>	<b>\$ 2,615</b>	<b>\$ 2,339</b>
 <b>Total assets</b>	 <b>\$ 2,977</b>	 <b>\$ 2,662</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	206	-
Long term debt due this year	170	150
Other current liabilities	50	35
<b>Total current liabilities</b>	<b>426</b>	<b>185</b>
<b>Long-term debt</b>	<b>1,150</b>	<b>845</b>
<b>Other noncurrent liabilities</b>	<b>218</b>	<b>350</b>
<b>Total liabilities</b>	<b>1,794</b>	<b>1,380</b>
<b>Shareholders equity</b>		
<b>Total shareholders equity</b>	<b>1,183</b>	<b>1,282</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 2,977</b>	<b>\$ 2,662</b>

**100 Years of Solitude Company**

**10-K**

**02/22/2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Revenues</u></b>			
Premiums	\$ 12,100	\$ 11,957	\$ 11,767
Other revenue	101	123	97
<b>Total operating revenue</b>	<b>12,201</b>	<b>12,080</b>	<b>11,864</b>
Net investment income	95	91	88
Other realized (losses) gains	-	-	-
<b>Total non-operating revenue</b>	<b>95</b>	<b>91</b>	<b>88</b>
<b>Total revenues</b>	<b>\$ 12,296</b>	<b>\$ 12,171</b>	<b>\$ 11,952</b>
<b><u>Expenses</u></b>			
Benefit expense	10,995	10,599	10,545
Selling expense	521	498	478
General and administrative expense	621	599	587
<b>Total operating expenses</b>	<b>12,137</b>	<b>11,696</b>	<b>11,610</b>
Other Expenses	-	-	-
Interest expense	10	12	12
Amortization of other intangible assets	-	-	-
Impairment of intangible assets	-	-	-
<b>Total non-operating expenses</b>	<b>10</b>	<b>12</b>	<b>12</b>
<b>Total expenses</b>	<b>\$ 12,147</b>	<b>\$ 11,708</b>	<b>\$ 11,622</b>
Income before income tax expense	149	463	330
Income tax expense at 35%	52	162	116
<b><u>Net income</u></b>	<b>\$ 97</b>	<b>\$ 301</b>	<b>\$ 215</b>
<b><u>Net income per share</u></b>			
Basic	\$ 1.61	\$ 5.02	\$ 3.58
<b><u>Shares Outstanding</u></b>			
Common/Preferred	60,000,000	60,000,000	60,000,000
<b><u>Tax Rate:</u></b> 35.0%			
<b><u>Enrollment</u></b> (in thousands)			
	15,005	14,995	14,950

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

### ***Little Women Company***

Little Women Company (LW) is a large Disability Insurance company operating in Canada and the United States. LW current offers both individual and group disability insurance products.

LW's most popular individual disability product is as follows:

Elimination period: 2 weeks

Length of Disability	Benefit
Week 3 - 8	90% of Pay
Weeks 9 – 20	75% of Pay
Weeks 21 - 26	45% of Pay

This plan does not currently coordinate with government sponsored disability plans.

LW's most popular group disability product is as follows:

Elimination period: 1 weeks

Length of Disability	Benefit
Week 2 - 8	100% of Pay
Weeks 9 – 20	75% of Pay
Weeks 21 - 26	65% of Pay

If the member qualifies for a government sponsored disability plan, the benefit will be reduced by 30% of Pay.

LW has a Long Term Disability plan design as follows:

Member receives 55% of pay beginning in the 27<sup>th</sup> week of disability. The member is considered disabled if they are unable to perform their own occupation. After 2 years of disability, the member is considered disabled if they are unable to perform any occupation.

**Little Women Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,850	\$ 1,650
Investments available-for-sale, at fair value:		
Fixed maturity securities	20	35
Equity securities	25	30
Deferred tax assets, net	35	65
Other current assets	41	32
<b>Total current assets</b>	<b>\$ 1,971</b>	<b>\$ 1,812</b>
<b>Long-term investments available-for-sale, at fair value:</b>		
Fixed maturity securities	20	44
Property and equipment, net	50	45
Deferred tax assets, net, non-current	55	65
Investment in subsidiaries	742	633
Other noncurrent assets	90	80
<b>Total Long Term Assets</b>	<b>\$ 957</b>	<b>\$ 867</b>
 <b>Total assets</b>	 <b>\$ 2,928</b>	 <b>\$ 2,679</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	185	174
Long term debt due this year	320	280
Other current liabilities	45	38
<b>Total current liabilities</b>	<b>550</b>	<b>492</b>
<b>Long-term debt</b>	<b>463</b>	<b>421</b>
<b>Other noncurrent liabilities</b>	<b>78</b>	<b>85</b>
<b>Total liabilities</b>	<b>1,091</b>	<b>998</b>
<b>Shareholders equity</b>		
<b>Total shareholders equity</b>	<b>1,837</b>	<b>1,681</b>
 <b>Total liabilities and shareholders equity</b>	 <b>\$ 2,928</b>	 <b>\$ 2,679</b>

**Little Women Company**  
**10-K**  
**02/22/2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b><u>Revenues</u></b>			
Premiums	\$ 670	\$ 650	\$ 556
Administrative fees	-	-	-
Other revenue	-	-	-
<b>Total operating revenue</b>	<b>670</b>	<b>650</b>	<b>556</b>
Net investment income	151	160	125
Other realized (losses) gains	-	-	-
<b>Total non-operating revenue</b>	<b>151</b>	<b>160</b>	<b>125</b>
<b>Total revenues</b>	<b>\$ 821</b>	<b>\$ 810</b>	<b>\$ 681</b>
<b><u>Expenses</u></b>			
Benefit expense	475	475	395
Selling expense	32	33	28
General and administrative expense	62	63	55
<b>Total operating expenses</b>	<b>569</b>	<b>571</b>	<b>478</b>
Other Expenses	2	5	1
Interest expense	10	12	12
Amortization of other intangible assets	-	-	-
Impairment of intangible assets	-	-	-
<b>Total non-operating expenses</b>	<b>12</b>	<b>17</b>	<b>13</b>
<b>Total expenses</b>	<b>\$ 581</b>	<b>\$ 588</b>	<b>\$ 491</b>
Income before income tax expense	240	222	190
Income tax expense at 35%	84	78	67
<b><u>Net income</u></b>	<b>\$ 156</b>	<b>\$ 144</b>	<b>\$ 124</b>
<b><u>Net income per share</u></b>			
Basic	\$ 6.93	\$ 6.41	\$ 5.49
<b><u>Shares Outstanding</u></b>			
Common/Preferred	22,500,000	22,500,000	22,500,000
<b><u>Tax Rate:</u></b> 35.0%			
<b><u>Enrollment</u></b> (in thousands)			
	1,125	1,150	1,002

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

### *Catcher in the Rye Company*

Catcher in the Rye Company (CITR) is a company that sells high deductible health plans with Health Savings Accounts (HSAs). They operate only in the United States. CITR only sells products to individuals and groups.

CITR offers two group plan designs, the Moonbeam, and the Moonshine plan. They are as follows:

	Moonbeam	Moonshine
Deductible	\$1,000	\$2,500
Out of Pocket Max	\$2,500	\$6,000
Coinsurance	80%	60%
Pharmacy Benefits	Not Covered	Not Covered
Preventive Coverage	Covered at 95%	Covered at 95%

Members may contribute to an HSA on a tax preferred basis.

CITR offers two individual plan designs, the Adventure, and the Escapade plan. They are as follows:

	Adventure	Escapade
Deductible	\$2,000	\$5,000
Out of Pocket Max	\$4,000	\$12,500
Coinsurance	75%	55%
Pharmacy Benefits	Not Covered	Not Covered
Preventive Coverage	Covered at 85%	Covered at 75%

Members may contribute to an HSA on a tax preferred basis.



**Catcher in the Rye Company**  
**10-K**  
**02/22/2012**

**Balance Sheet**

(In millions, except share data)

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,750	\$ 1,400
Investments available-for-sale, at fair value:		
Fixed maturity securities	12	32
Equity securities	22	20
Deferred tax assets, net	2	5
Other current assets	13	15
<b>Total current assets</b>	<b>\$ 1,799</b>	<b>\$ 1,472</b>
<b>Long-term investments available-for-sale, at fair value:</b>		
Fixed maturity securities	25	30
Property and equipment, net	20	30
Deferred tax assets, net, non-current	55	75
Investment in subsidiaries	3,250	2,750
Other noncurrent assets	45	33
<b>Total Long Term Assets</b>	<b>\$ 3,395</b>	<b>\$ 2,918</b>
 <b>Total assets</b>	 <b>\$ 5,194</b>	 <b>\$ 4,390</b>
 <b><u>Liabilities and shareholders equity</u></b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	377	265
Long term debt due this year	250	550
Other current liabilities	45	15
<b>Total current liabilities</b>	<b>672</b>	<b>830</b>
<b>Long-term debt</b>	<b>1,750</b>	<b>1,250</b>
<b>Other noncurrent liabilities</b>	<b>150</b>	<b>265</b>
<b>Total liabilities</b>	<b>2,572</b>	<b>2,345</b>
<b>Shareholders equity</b>		
<b>Total shareholders equity</b>	<b>2,622</b>	<b>2,045</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 5,194</b>	<b>\$ 4,390</b>

**Catcher in the Rye Company**  
**10-K**  
**02/22/2012**

**Income Statement**

(In millions, except per share data)

	<b>December 31</b>		
	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>
<b><u>Revenues</u></b>			
Premiums	\$ 18,245	\$ 17,888	\$ 17,625
Other revenue	180	195	150
<b>Total operating revenue</b>	<b>18,425</b>	<b>18,083</b>	<b>17,775</b>
Net investment income	178	162	154
Other realized (losses) gains	150	120	24
<b>Total non-operating revenue</b>	<b>328</b>	<b>282</b>	<b>178</b>
<b>Total revenues</b>	<b>\$ 18,753</b>	<b>\$ 18,365</b>	<b>\$ 17,953</b>
<b><u>Expenses</u></b>			
<b>Total operating expenses</b>	17,752	17,707	17,465
<b>Total non-operating expenses</b>	<b>114</b>	<b>51</b>	<b>78</b>
<b>Total expenses</b>	<b>\$ 17,866</b>	<b>\$ 17,758</b>	<b>\$ 17,543</b>
Income before income tax expense	887	607	410
Income tax expense at 35%	310	212	144
<b><u>Net income</u></b>	<b>\$ 577</b>	<b>\$ 395</b>	<b>\$ 267</b>
<b><u>Net income per share</u></b>			
Basic	\$ 12.81	\$ 7.89	\$ 4.85
<b><u>Shares Outstanding</u></b>			
Common/Preferred	45,000,000	50,000,000	55,000,000
<b><u>Tax Rate:</u></b>	35.0%		
<b><u>Enrollment</u></b> (in thousands)			
	10,834	11,081	11,125

\* Membership is defined as all covered individuals (i.e., all employees plus dependents)

From: Randle McMurphy  
To: John Joseph Yossarian  
Sent: March 1, 2012  
Subject: RE: Data you requested

Mr. Yossarian,

I am attaching the information that you requested I compile for you.

	Return on Treasury Bonds	Return on Stocks
3 Years Ago	2.5%	8.2%
2 Years Ago	3.0%	8.7%
Last Year	3.2%	8.9%

The prevailing interest rate on Government Bonds is 3.1%

The prevailing rate on Corporate Bonds is 5.5%

In addition to the above information, we did want to let you know of recent tax law changes which have set corporate tax rates at a flat 35%.

Please let me know if my firm can be of further assistance to you from a business financing perspective.

Randle McMurphy  
Investment Banker  
The Prince Investment Banking LLC