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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002

of the Condition and Affairs of the

The First Pyramid Life Insurance Company of America

NAIC Group Code..... 0876, 0876 (Current Period) (Prior Period) NAIC Company Code..... 63533 Employer's ID Number..... 71-0655804

Organized under the Laws of Arkansas State of Domicile or Port of Entry Arkansas Country of Domicile US

Licensed as Business Type Life, Accident & Health

Is HMO Federally Qualified? Yes [ ] No [X]

Date Incorporated or Organized..... July 20, 1925 Date Commenced Business..... August 8, 1925

Statutory Home Office	601 Gaines Street, 4 North ..... Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	
Address of Main Administrative Office	601 Gaines Street, 4 North ..... Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	501-378-5628 *(Area Code) (Telephone Number)*
Mail Address	P.O. Box 1151 ..... Little Rock ..... AR ..... 72203 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	320 West Capitol, Suite 600 ..... Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	501-378-5628 *(Area Code) (Telephone Number)*
Internet Website Address	N/A	
Statement Contact	Olen Kenneth Pearson CPA, FLMI *(Name)*	501-378-5628 *(Area Code) (Telephone Number) (Extension)*
	okpearson@arkbluecross.com *(E-Mail Address)*	*501-378-5633* *(Fax Number)*
Policyowner Relations Contact	.... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Robert Lee Shoptaw Treasurer ..... Olen Kenneth Pearson Jr., CPA, FLMI Secretary ..... Paul Mark White CPA, FLMI

VICE PRESIDENTS

Curtis Edwin Barnett

DIRECTORS OR TRUSTEES

Sharon Kay Allen	Carolyn Frazier Blakely PhD	Allan Wade Horne	James Boyd House
Bradley Dean Jesson	Robert Lee Shoptaw	Paul Mark White CPA, FLMI	

State of..... Arkansas
County of..... Pulaski

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the *NAIC Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Robert Lee Shoptaw	Paul Mark White CPA, FLMI	Olen Kenneth Pearson Jr., CPA, FLMI
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

.....day of ....., 2003

.....

a. Is this an original filing? Yes [X] No [ ]

b. If no: 1. State the amendment number
2. Date filed.....
3. Number of pages attached.....

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	Prior Year 4 Net Admitted Assets
1. Bonds	4,180,686		4,180,686	6,396,658
2. Stocks:				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate:				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)			(a) 0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....4,232,988, Schedule E, Part 1) and short-term investments ($.....5,679,112, Schedule DA, Part 2)	9,912,100		9,912,100	4,774,852
6. Other long-term invested assets	0		0	4,512,683
7. Receivable for securities			0	
8. Aggregate write-ins for invested assets	0	0	0	0
9. Subtotal cash and invested assets (Lines 1 to 8)	14,092,786	0	14,092,786	15,684,193
10. Accident and health premiums due and unpaid			0	65,972
11. Health care receivables			0	627,301
12. Amounts recoverable from reinsurers			0	
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	
14. Investment income due and accrued	97,174		97,174	145,066
15. Amounts due from parent, subsidiaries and affiliates	747,838		747,838	1,103,209
16. Amounts receivable relating to uninsured accident and health plans			0	885,411
17. Furniture and equipment			0	
18. Amounts due from agents			0	
19. Federal and foreign income tax recoverable and interest thereon (including $.....0 net deferred tax asset)			0	1,300,316
20. Electronic data processing equipment and software			0	
21. Other nonadmitted assets			0	
22. Aggregate write-ins for other than invested assets	84,689	0	84,689	1,913,364
23. Total assets (Lines 9 plus 10 through 22)	15,022,487	0	15,022,487	21,724,833

DETAILS OF WRITE-INS

0801.			0	
0802.			0	
0803.			0	
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	0	0	0	0
2201. Guaranty Association Assessments	31,706		31,706	27,073
2202. Miscellaneous Receivable	52,983		52,983	1,225,212
2203. Other Assets			0	661,079
2298. Summary of remaining write-ins for Line 22 from overflow page	0	0	0	0
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	84,689	0	84,689	1,913,364

(a) $.....0 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year 1 Covered	2 Uncovered	3 Total	Prior year 4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)			0	1,158,350
2. Accrued medical incentive pool and bonus payments			0	
3. Unpaid claims adjustment expenses			0	
4. Aggregate policy reserves			0	342,357
5. Aggregate claim reserves			0	
6. Premiums received in advance			0	
7. General expenses due or accrued			0	2,070,161
8. Federal and foreign income tax payable and interest thereon (including $.....0 (on realized capital gains (losses)) (including $.....0 net deferred tax liability)			0	1,897,648
9. Amounts withheld or retained by company for the account of others			0	39,607
10. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	113,975		113,975	2,230,561
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	220,800
14. Reinsurance in unauthorized companies			0	
15. Net adjustments in assets and liabilities due to foreign exchange rates			0	
16. Liability for amounts held under uninsured accident and health plans			0	2,840,864
17. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	4,648,177
18. Total liabilities (Lines 1 to 17)	113,975	0	113,975	15,448,525
19. Common capital stock	XXX	XXX	2,539,748	2,539,748
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	29,729,123	29,729,123
22. Surplus notes	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
24. Unassigned funds (surplus)	XXX	XXX	(17,360,359)	(25,992,563)
25. Less treasury stock, at cost:				
25.1 .....0.000 shares common (value included in Line 19 $.....0)	XXX	XXX		
25.2 .....0.000 shares preferred (value included in Line 20 $.....0)	XXX	XXX		
26. Total capital and surplus (Lines 19 to 24 less Line 25)	XXX	XXX	14,908,512	6,276,308
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	15,022,487	21,724,833

DETAILS OF WRITE-INS

1701. ASO Fee Deficiency Reserve			0	3,011,000
1702. Miscellaneous Payables			0	1,637,177
1703. Other amounts payable on reinsurance including assumed and ceded			0	
1798. Summary of remaining write-ins for Line 17 from overflow page	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	0	0	0	4,648,177
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	33,525	53,027
2. Net premium income	XXX	6,411,918	8,572,621
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Total revenues (Lines 2 to 6)	XXX	6,411,918	8,572,621
Medical and Hospital:			
8. Hospital/medical benefits		3,535,074	7,763,008
9. Other professional services			
10. Outside referrals			
11. Emergency room and out-of-area			
12. Prescription drugs		1,009,657	
13. Aggregate write-ins for other medical and hospital	0	0	0
14. Incentive pool and withhold adjustments			
15. Subtotal (Lines 8 to 14)	0	4,544,731	7,763,008
Less:			
16. Net reinsurance recoveries		(82,695)	67,237
17. Total medical and hospital (Lines 15 minus 16)	0	4,627,426	7,695,771
18. Claims adjustment expenses		5,549,690	2,567,655
19. General administrative expenses		(5,190,125)	1,711,757
20. Increase in reserves for accident and health contracts		2,022	1,022,719
21. Total underwriting deductions (Lines 17 through 20)	0	4,989,013	12,997,903
22. Total underwriting gain or (loss) (Lines 7 minus 21)	XXX	1,422,905	(4,425,282)
23. Net investment income earned		436,494	405,540
24. Net realized capital gains or (losses)		9,937	13,430
25. Net investment gains or (losses) (Lines 23 plus 24)	0	446,431	418,971
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
27. Aggregate write-ins for other income or expenses	0	(1,314,513)	(473,162)
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	0	554,823	(4,479,473)
29. Federal and foreign income taxes incurred	XXX	3,332,583	995,326
30. Net income (loss) (Lines 28 minus 29)	XXX	(2,777,760)	(5,474,798)

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
1301.			
1302.			
1303.			
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0
2701. Regional Management Fees		(1,314,513)	(473,162)
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	(1,314,513)	(473,162)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	6,276,308	7,164,224
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30	(2,777,760)	(5,474,798)
33. Change in valuation basis of aggregate policy and claim reserves		
34. Net unrealized capital gains and losses	11,532,869	5,298,459
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax	597,331	(1,420,879)
37. Change in nonadmitted assets	71,488	1,218,184
38. Change in unauthorized reinsurance		
39. Change in treasury stock		
40. Change in surplus notes		
41. Cumulative effect of changes in accounting principles		(2,508,882)
42. Capital Changes:		
42.1 Paid in		4,000
42.2 Transferred from surplus (stock dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in		1,996,000
43.2 Transferred to capital (stock dividend)		
43.3 Transferred from capital		
44. Dividends to stockholders	(791,724)	
45. Aggregate write-ins for gains or (losses) in surplus	0	0
46. Net change in capital and surplus (Lines 32 to 45)	8,632,204	(887,916)
47. Capital and surplus end of reporting year (Line 31 plus 46)	14,908,512	6,276,308

DETAILS OF WRITE-INS

4501. Change in asset valuation reserve		
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	6,477,890	8,558,801
2. Claims and claims adjustment expenses	11,335,466	10,211,897
3. General administrative expenses paid	(4,126,125)	1,989,785
4. Other underwriting income (expenses)	1,314,513	473,162
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	583,063	(3,169,719)
6. Net Investment income	490,308	443,620
7. Other income (expenses)	(2,748,014)	1,318,577
8. Federal and foreign income taxes (paid) recovered	(1,434,936)	(1,818,873)
9. Net cash from operations (Lines 5 to 8)	(3,109,579)	(3,226,394)
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	3,735,029	1,525,359
10.2 Stocks		
10.3 Mortgage loans		
10.4 Real estate		
10.5 Other invested assets	16,006,882	100,000
10.6 Net gains or (losses) on cash and short-term investments		
10.7 Miscellaneous proceeds		
10.8 Total investment proceeds (Lines 10.1 to 10.7)	19,741,911	1,625,359
11. Cost of investments acquired (long-term only):		
11.1 Bonds	1,606,054	4,300,654
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Miscellaneous applications		
11.7 Total investments acquired (Lines 11.1 to 11.6)	1,606,054	4,300,654
12. Net cash from investments (Line 10.8 minus Line 11.7)	18,135,857	(2,675,295)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in	(0)	2,000,000
13.2 Net transfers from affiliates	355,371	1,467,712
13.3 Borrowed funds received		
13.4 Other cash provided	1,512,712	44,873
13.5 Total (Lines 13.1 to 13.4)	1,868,083	3,512,585
14. Cash applied:		
14.1 Dividends to stockholders paid	791,724	
14.2 Net transfers to affiliates	8,084,918	
14.3 Borrowed funds repaid		
14.4 Other applications	2,880,471	
14.5 Total (Lines 14.1 to 14.4)	11,757,113	0
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(9,889,030)	3,512,585
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	5,137,248	(2,389,103)
17. Cash and short-term investments:		
17.1 Beginning of year	4,774,852	7,163,955
17.2 End of year (Line 16 plus Line 17.1)	9,912,100	4,774,852

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medical Only	4 Medicare Supplement	5 Dental Only	6 Vision Only	7 Federal Employees Health Benefit Plans	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
1. Net premium income	6,411,918	6,411,918											
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												
4. Risk revenue	0												
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5)	6,411,918	6,411,918	0	0	0	0	0	0	0	0	0	0	0
7. Medical/hospital benefits	3,535,074	3,535,074											
8. Other professional services	0												
9. Outside referrals	0												
10. Emergency room and out-of-area	0												
11. Prescription drugs	1,009,657	1,009,657											
12. Aggregate write-ins for other medical and hospital	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Incentive pool and withhold adjustments	0												
14. Subtotal (Lines 7 to 13)	4,544,731	4,544,731	0	0	0	0	0	0	0	0	0	0	0
15. Net reinsurance recoveries	(82,695)	(82,695)											
16. Total medical and hospital (Lines 14 minus 15)	4,627,426	4,627,426	0	0	0	0	0	0	0	0	0	0	0
17. Claims adjustment expenses	5,549,690	5,549,690											
18. General administrative expenses	(5,190,125)	(5,190,125)											
19. Increase in reserves for accident and health contracts	2,022	2,022											
20. Total underwriting deductions (Lines 16 to 19)	4,989,013	4,989,013	0	0	0	0	0	0	0	0	0	0	0
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	1,422,905	1,422,905	0	0	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0												
0502.	0												
0503.	0												
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	0
1201.	0												
1202.	0												
1203.	0												
1298. Summary of remaining write-ins for Line 12 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Total (Lines 1201 thru 1203 plus 1298) (Line 12 above)	0	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (medical and hospital)	6,591,358		179,440	6,411,918
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan premiums				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid				0
8. Other				0
9. Totals	6,591,358	0	179,440	6,411,918

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Payments during the year:									
1.1 Direct	5,785,776	5,785,776							
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	5,785,776	5,785,776	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0								
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	0								
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	0	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct	0								
4.2 Reinsurance assumed	0								
4.3 Reinsurance ceded	0								
4.4 Net	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0								
6. Amounts recoverable from reinsurers December 31, current year	0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	1,241,045	1,241,045							
7.2 Reinsurance assumed	0								
7.3 Reinsurance ceded	82,695	82,695							
7.4 Net	1,158,350	1,158,350	0	0	0	0	0	0	0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct	0								
8.2 Reinsurance assumed	0								
8.3 Reinsurance ceded	0								
8.4 Net	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	0								
10. Amounts recoverable from reinsurers December 31, prior year	0								
11. Incurred benefits:									
11.1 Direct	4,544,731	4,544,731	0	0	0	0	0	0	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	(82,695)	(82,695)	0	0	0	0	0	0	0
11.4 Net	4,627,426	4,627,426	0	0	0	0	0	0	0
12. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Reported in process of adjustment:									
1.1 Direct	0								
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:									
2.1 Direct	0								
2.2 Reinsurance assumed	0								
2.3 Reinsurance ceded	0								
2.4 Net	0	0	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct	0								
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	0	0	0	0	0	0	0	0	0
4. Totals:									
4.1 Direct	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital)	866,599	4,919,177			866,599	1,158,350
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan premiums					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other					0	
9. Subtotal	866,599	4,919,177	0	0	866,599	1,158,350
10. Medical incentive pools, accruals and disbursements					0	
11. Totals	866,599	4,919,177	0	0	866,599	1,158,350

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	506	1			
2. 1998	4,242	406	(6)		
3. 1999	XXX	3,886	1,289	4	
4. 2000	XXX	XXX	5,838	1,010	13
5. 2001	XXX	XXX	XXX	6,630	854
6. 2002	XXX	XXX	XXX	XXX	4,919

SECTION B - INCURRED CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	5,139				
2. 1998	4,718	4,654	4,641		
3. 1999	XXX	4,872	5,172	5,179	
4. 2000	XXX	XXX	6,935	6,855	6,861
5. 2001	XXX	XXX	XXX	7,776	7,484
6. 2002	XXX	XXX	XXX	XXX	4,919

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999				0.0	0	0.0			0	0.0
4. 2000				0.0	0	0.0			0	0.0
5. 2001	8,572,621	7,484,000	2,567,655	34.3	10,051,655	117.3			10,051,655	117.3
6. 2002	6,411,918	4,919,000	5,549,690	112.8	10,468,690	163.3			10,468,690	163.3
7. Total (Lines 1 through 6)	XXX	12,403,000	8,117,345	XXX	20,520,345	XXX	0	0	20,520,345	XXX
8. Total (Lines 2 through 6)	14,984,539	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	506	1			
2. 1998	4,242	406	(6)		
3. 1999	XXX	3,886	1,289	4	
4. 2000	XXX	XXX	5,838	1,010	13
5. 2001	XXX	XXX	XXX	6,630	854
6. 2002	XXX	XXX	XXX	XXX	4,919

SECTION B - INCURRED CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	5,139				
2. 1998	4,718	4,654	4,641		
3. 1999	XXX	4,872	5,172	5,179	
4. 2000	XXX	XXX	6,935	6,855	6,861
5. 2001	XXX	XXX	XXX	7,776	7,484
6. 2002	XXX	XXX	XXX	XXX	4,919

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999				0.0	0	0.0			0	0.0
4. 2000				0.0	0	0.0			0	0.0
5. 2001	8,572,621	7,484,000	2,567,655	34.3	10,051,655	117.3			10,051,655	117.3
6. 2002	6,411,918	4,919,000	5,549,690	112.8	10,468,690	163.3			10,468,690	163.3
7. Total (Lines 1 through 6)	XXX	12,403,000	8,117,345	XXX	20,520,345	XXX	0	0	20,520,345	XXX
8. Total (Lines 2 through 6)	14,984,539	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicaid
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicaid
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicaid
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent ($.....0 for occupancy of own building)	14,084	146,030	4	160,118
2. Salaries, wages and other benefits	3,408,419	7,907,027	441	11,315,887
3. Commissions (less $.....0 ceded plus $.....0 assumed)		158,654		158,654
4. Legal fees and expenses		186,796		186,796
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services	11,372	128,758		140,130
7. Traveling expenses	19,322	225,948	(13)	245,258
8. Marketing and advertising	715	43,154		43,869
9. Postage, express and telephone	437,701	358,401		796,101
10. Printing and office supplies	97,214	439,244	47	536,505
11. Occupancy, depreciation and amortization		480		480
12. Equipment	480,214	944,183	57	1,424,455
13. Cost or depreciation of EDP equipment and software	35,083	36,511		71,594
14. Outsourced services including EDP, claims, and other services	359,144	184,990	6,502	550,636
15. Boards, bureaus and association fees		7,413		7,413
16. Insurance, except on real estate	18,366	65,646		84,012
17. Collection and bank service charges		34,709	603	35,312
18. Group service and administration fees	61,119	876,468		937,587
19. Reimbursements by uninsured accident and health plans		(18,181,879)		(18,181,879)
20. Reimbursements from fiscal intermediaries				0
21. Real estate expenses	126,072	221,304		347,376
22. Real estate taxes	9,137	11,853		20,990
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes	7,539	28,421		35,959
23.2 State premium taxes		15,261		15,261
23.3 Regulatory authority licenses and fees		193,842		193,842
23.4 Payroll taxes	195,805	430,142		625,947
23.5 Other (excluding federal income and real estate taxes)		720		720
24. Investment expenses not included elsewhere		1,969		1,969
25. Aggregate write-ins for expenses	268,387	343,829	0	612,216
26. Total expenses incurred (Lines 1 to 25)	5,549,690	(5,190,125)	7,642	(a) 367,206
27. Add expenses unpaid December 31, prior year		2,070,161		2,070,161
28. Less expenses unpaid December 31, current year		120,750		120,750
29. Amounts receivable relating to uninsured accident and health plans, prior year		885,411		885,411
30. Amounts receivable relating to uninsured accident and health plans, current year				0
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30)	5,549,690	(4,126,125)	7,642	1,431,206

DETAILS OF WRITE-INS

2501. CONTRACT LABOR	220,666	320,414		541,079
2502. MEDICAL RECORDS	180	16		196
2503. ALLOWANCE FOR CUST RPTING		1,910		1,910
2598. Summary of remaining write-ins for Line 25 from overflow page	47,542	21,489	0	69,031
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	268,387	343,829	0	612,216

(a) Includes management fees of $.....0 to affiliates and $.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 188,082	196,243
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 209,925	158,989
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term investments	(e) 88,779	88,904
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	486,785	444,136
11.	Investment expenses		(g) 7,642
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		7,642
17.	Net investment income (Line 10 minus Line 16)		436,494

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....0 accrual of discount less $.....5,922 amortization of premium and less $.....5,922 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1.	U.S. government bonds	(230)				(230)
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)					0
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)					0
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/short-term investments					0
7.	Derivative instruments					0
8.	Other invested assets					0
9.	Aggregate write-ins for capital gains (losses)	10,167	0	0	0	10,167
10.	Total capital gains (losses)	9,937	0	0	0	9,937

DETAILS OF WRITE-INS

0901.	Gain on Sale of Fixed Assets	10,167				10,167
0902.						0
0903.						0
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	10,167	0	0	0	10,167

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 10 to 16 and 19 to 20, Column 2			0
2. Other nonadmitted assets:			
2.1 Bills receivable			0
2.2 Leasehold improvements			0
2.3 Cash advanced to or in hands of officers and agents			0
2.4 Loans on personal security, endorsed or not			0
2.5 Commuted commissions			0
3. Total (Lines 2.1 to 2.5)	0	0	0
4. Aggregate write-ins for other than invested assets	0	71,488	71,488
5. Total (Line 1 plus Lines 3 and 4)	0	71,488	71,488

DETAILS OF WRITE-INS

0401. Split Dollar Life		63,996	63,996
0402. Prepaid Expense		7,492	7,492
0403.			0
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	0	71,488	71,488

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations	4,291	3,761	3,653	3,677		33,525
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	4,291	3,761	3,653	3,677	0	33,525

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of the company are presented on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department.

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Arkansas Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2002, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Arkansas.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or polices. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

Short-term investments are stated at amortized cost.
Bonds not backed by other loans are stated at amortized cost using the interest method.
Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
Preferred stocks are stated at cost.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. Effective January 1, 2001, the State of Arkansas adopted regulations requiring insurance companies domiciled in the State of Arkansas prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Arkansas insurance commissioner.

3. Business Combinations and Goodwill
The Company had no business combinations or goodwill as of December 31, 2002.

4. Discontinued Operations
All operations of the Company transferred to Affiliates as of September 31, 2002.

5. Investments

A. The Company has no mortgage loans at this time.
B. The Company has no debt restructuring at this time.
C. The Company has no reverse mortgages at this time.
D. The Company has no loan-backed securities at this time.
E. The Company has no repurchase agreements at this time.

6. Joint Ventures, Partnerships, and Limited Liability Companies

A. The Company had a 50 % interest in four Joint Ventures:
Southwest Health Link, LLC
Hot Springs Health Partners, LLC
Health Partners of Northwest Arkansas, LLC
Fort Smith Health Partners, LLC

The Company's equity in the combined gains/losses of the Joint Ventures was $0 and $(443,171) for the years ended December 31, 2002 and 2001, respectively. Ownership of the four Joint Ventures was transferred to USAble Corporation at September 31, 2002.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

All investment income due and accrued is included in investment income.

8. Derivative Instruments

The Company does not own any derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

The Company joins Arkansas Blue Cross Blue Shield and its other eligible domestic subsidiaries in the filing of a consolidated federal income tax return and is party to a federal income tax allocation agreement. Under the tax sharing agreement, the Company pays to or receives from Arkansas Blue Cross Blue Shield the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the Company in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

When available, the Company utilizes net operating loss carry forwards to offset taxable income under the terms of the tax sharing agreement with Arkansas Blue Cross Blue Shield. At December 31, 2002, the Company had $0 of operating loss carry forwards.

The following are income taxes incurred in the current and prior year that will be available for recoupment in the event of future net losses:

2002	$2,902,821
2001	$ 775,283
2000	$ -

The components of current income tax expense are as follows:

	2001	2002
Federal	$ 995,358	$3,332,664
Foreign	-	
Federal Income Tax on net capital gains	$ (32)	$ (80)
Utilization of capital loss carry-forwards	-	
Federal income tax incurred	$ 995,326	$3,332,584

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	December 31, 2002
Provision computed at statutory rate	$ 194,188
Nondeductible expense	$ 10,076
Other	$ 2,530,988
Total	$ 2,735,252
Federal and foreign income taxes incurred	$ 3,332,584
Change in net deferred incomes taxes	$ (597,331)
Total statutory incomes taxes	$ 2,735,253

The components of the net deferred tax asset/(liability) [at December 31] are as follows:

	December 31,2001	December 31, 2002
Total of all deferred tax asset (admitted and nonadmitted)	$ 1,300,317	$ 0
Total of all deferred tax liabilities	(1,897,648)	0
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	0	0
Net admitted deferred tax asset/(liability)	(597,331)	0
Increase (decrease) in deferred tax assets nonadmitted	$	

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at [December 31] are as follows:

	December 31, 2001	December 31, 2002
Deferred Tax Assets:		
Tax basis discount on unpaid losses	$ 838,847	$ 0
Accrued deferred compensation	365,573	0
Other Post Employment Benefits	50,400	0
Depreciation	45,497	0
Other		
Total deferred tax assets	1,300,317	
Total deferred tax assets non-admitted	0	0
Admitted deferred tax assets	1,300,317	0
Deferred Tax Liabilities:		
Unrealized Capital Gains	0	0
Investment in joint ventures	1,897,648	0
Other		
Total deferred tax liabilities	1,897,648	0
Net admitted deferred tax asset/(liability)	(597,331)	0

NOTES TO FINANCIAL STATEMENTS

The change in net deferred income taxes is comprised of the following [at December 31]:

	December 31, 2001	December 31, 2002	Change
Total deferred tax assets	$ 1,300,317	$ 0	$(1,300,317)
Total deferred tax liabilities	1,897,648	0	(1,876,255)
Net deferred tax asset (liability)	$ (597,331)	$ 0	$ 597.331
Tax effect of unrealized gains (losses)			0
Change in net deferred income tax			$ 597,331

The Company's federal Income Tax return is consolidated with the following entities:
Arkansas Blue Cross Blue Shield
USAble Corporation
USAble Life
Educational Benefits, Inc.
Group Service Underwriters
Ideal Medicare Services, Inc.

The method of allocation of consolidated tax liability between the companies has been approved by the required authorized officers. The method of allocation chosen is in accordance with Internal Revenue Service Regulation 1.1502-33 (d) (2) (I) whereby profitable companies pay tax according to their separate return liabilities, and loss companies are credited with the tax benefit realized due to the utilization of their losses and investment tax credit. Intercompany tax balances are paid quarterly based on estimates and settled annually upon the completion of the consolidated tax return.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. On November 20, 1987, the Company became a wholly owned subsidiary of USAble Corporation, which is a subsidiary of Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company.

B. N/A

C. N/A

D. At December 31, 2002 the Company reported the following amounts due from Affiliates:
Arkansas Blue Cross and Blue Shield $ 747,838

At December 31, 2002 the Company reported the following amounts do to Affiliates:
Arkansas Blue Cross and Blue Shield $ 113,000

E. N/A

F. The Company reimburses Arkansas Blue Cross and Blue Shield and other affiliates for various administrative, employee benefit and marketing shared expenses which are provided to the Company. These expenses are allocated to the Company in accordance with generally accepted accounting principles. In addition, the Company leases office space from Arkansas Blue Cross and Blue Shield, its ultimate parent.

G. N/A
H. N/A
I. N/A
J. N/A

11. Debt

A. As of December 31, 2002, the Company has no capital notes.
B. As of December 31, 2002, the Company's liability for borrowed money was zero ($-0-).

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan
The Company no longer offers a defined benefit plan.

B. Defined Contribution Plan
All employees transferred to an affiliated company at September 31, 2002.

C. Consolidated/Holding Company Plans
All employees transferred to an affiliated company at September 31, 2002.
D. Postemployment Benefits and Compensated Absences
All employees transferred to an affiliated company at September 31, 2002.

NOTES TO FINANCIAL STATEMENTS

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganization

1) As of December 31, 2002, the Company had 15,000,000 common capital shares authorized, 1,269,874 issued and outstanding at $2 Par value.
2) The Company has no preferred stock outstanding.
3) The Company has no dividend restrictions.
4) Dividends are paid based on earned surplus and can not fall below state net worth requirements.
5) All unassigned surplus is being held for the stockholder.
6) The Company does not have any advances to surplus.
7) As of December 31, 2002, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
8) The Company has no special surplus funds.
9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
   a. unrealized gains and losses: $ 11,532,869
   b. nonadmitted asset values: $ 71,487
   c. provision for reinsurance: $ 0

10) The Company has no Surplus Notes as of December 31, 2002.
11) The Company was not involved in a quasi-reorganization.
12) The Company was not involved in a quasi-reorganization.

14. Contingencies

The Company is not aware of any contingent liabilities as of December 31, 2002.

In the normal course of business, the Company is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2002. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

15. Leases

The Company has no material lease obligations at this time.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any off-balance sheet risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

The Company has not been involved in any sale, transfer and servicing of financial assets and extinguishments of liabilites as December 31, 2002.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The gain (loss) from operations for uninsured accident and health plans was as follows during 2002:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	$ (2,614,687)	NONE	$ (2,614,687)
Other Income	$ 2,339,648	NONE	$ 2,339,648
Net gain or (loss) from operations	$ (275,039)	NONE	$ (275,039)

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company does not currently have any direct premium written/produced by managing general agents/third party administrators.

NOTES TO FINANCIAL STATEMENTS

20. Other Items

A. The Company had no extraordinary items as of December 31, 2002.
B. The Company had no troubled debt restructuring as of December 31, 2002.
C. During November 2002, the Board of Directors of the Company approved a resolution to transfer the operations of the Company to its parent, USAble Corporation. After the transfer of operations, management of the Company intends to sell the insurance licenses and corporate shell of the Company. Completion of this transfer was effective September 31, 2002. Subsequent sale of the Company is expected to occur during the year ended December 31, 2003. The Company's current principal business activities of providing health insurance policies and third-party servicing of self-insured health plans will continue with USAble Corporation. Ownership of the four joint ventures was transferred to USAble Corporation.
D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2002.
A. The Company has no reinsurance agreements that have been accounted for as deposits.
B. The Company has no unearned premium reserve.
C. The Company has no mortgage loans.
D. The Company has no pharmacy rebates as of December 31, 2002.
E. The Company did not recognize any losses related to the September 11 events.
F. The Company has no investments in real estate.
G. The Company has no participating contracts.
H. The Company has no premium deficiency reserves.
I. The Company has no intercompany pooling arrangements.
J. The Company has no goodwill resulting from assumption reinsurance.
K. The Company has no noncash transactions.

21. Events Subsequent

There were no known events subsequent as of December 31, 2002.

22. Reinsurance

A. The Company does not have any unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.
B. The Company does not have any reinsurance recoverable that is in dispute.
C. The Company does not have any return commission which would have been due if the Company had cancelled the reinsurance.

D. The Company did not have any uncollectible reinsurance written off during the year.
E. There was no commutation of reinsurance during the year.
F. The Company does not have any retroactive reinsurance agreements.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination
The Company does not have any retrospectively rated contracts or contract subject to redetermination.

24. Salvage and Subrogation

Anticipated Salvage and Subrogation included as a reduction to Loss Reserves and Loss Adjustment Reserves as reported in the Underwriting and Investment Exhibit and Page 3 – Liabilites, Capital and Surplus, Line1. This disclosure is presented by annual statement line of business. Amounts presented are as of December 31 of the prior year and December 31 of the year for which this annual statement is being filed.

Line of Business	Year Incurred	December 31 2001	December 31 2002
Accident and Health	1999	$ -0-	$ -0-
	2000	$ -0-	$ -0-
	2001	$ -0-	$ -0-
	Total	$ -0-	$ -0-

25. Change in Incurred Claims and Claim Adjustment Expenses
The Company does not have any changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years.

26. Organization and Operation
Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company, is incorporated in Arkansas and is subject to regulation as a mutual insurance company by the Arkansas Insurance Department. Through its operating divisions and subsidiary, the Company is engaged in a variety of activities including providing hospitalization, health care, life, and accident and health coverage to subscribers, substantially all of whom are residents of the state of Arkansas; administrative services and claims processing for other Blue Cross and Blue Shield plans' subscribers, and for programs such as Medicare and the Federal Employee Health Benefits Program.

NOTES TO FINANCIAL STATEMENTS

27. Minimum Net Worth

Under the laws of the State of Arkansas, the Companies domiciled state, the Plan is required to provide a minimum paid-in capital and surplus fund of $500,000. The Plan is also required to maintain a minimum special surplus of not less than fifteen percent of the paid-in capital of $75,000.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	3,645,190	25.9	3,645,190	25.9
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies	250,257	1.8	250,257	1.8
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	285,238	2.0	285,238	2.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations		0.0		0.0
1.44 Industrial development and similar obligations		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.0		0.0
1.512 Issued by FNMA and FHLMC		0.0		0.0
1.513 Privately issued		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC		0.0		0.0
1.523 All other privately issued		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.0		0.0
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated		0.0		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		0.0		0.0
5.2 Property held for production of income (includes $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash and short-term investments	9,912,100	70.3	9,912,100	70.3
9. Other invested assets		0.0	0	0.0
10. Total invested assets	14,092,786	100.0	14,092,785	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? Arkansas

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 04/12/2001

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2000

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 11/30/2001

3.4 By what department or departments? Arkansas Insurance Commissioner

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. .....0.000 %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche
111 Center Street, Suite 1800, Little Rock, AR 72201

9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Scott Warrior, MAAA, ASA
320 W. Capitol, Suite 800, Little Rock, AR 72203

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

10.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

13. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11 To directors or other officers $.....0

14.12 To stockholders not officers $.....0

14.13 Trustees, supreme or grand (Fraternal only) $.....0

14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21 To directors or other officers $.....0

14.22 To stockholders not officers $.....0

14.23 Trustees, supreme or grand (Fraternal only) $.....0

15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

15.2 If yes, state the amount thereof at December 31 of the current year:

15.21 Rented from others $.....0

15.22 Borrowed from others $.....0

15.23 Leased from others $.....0

15.24 Other $.....0

Disclose in the Notes to Financial the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No [ ]

16.2 If answer is yes:

16.21 Amount paid as losses or risk adjustment $.....0

16.22 Amount paid as expenses $.....39,218

16.23 Other amounts paid $.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes [ ] No [ ]	Yes [ ] No [ ]
Common	15,000,000.000	1,269,874.000	2.00	XXX	XXX XXX	XXX XXX

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 2-Special Deposits? Yes [ ] No [X]

18.2 If no, give full and complete information relating thereto.
Regions Trust Company, Little Rock, AR

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Loaned to others	$ 0
19.22 Subject to repurchase agreements	$ 0
19.23 Subject to reverse repurchase agreements	$ 0
19.24 Subject to dollar repurchase agreements	$ 0
19.25 Subject to reverse dollar repurchase agreements	$ 0
19.26 Pledged as collateral	$ 0
19.27 Placed under option agreements	$ 0
19.28 Letter stock or securities restricted as to sale	$ 0
19.29 Other	$ 0

19.3 For each category above, if any of these assets are held by others, identify by whom held:
19.31
19.32
19.33
19.34
19.35
19.36
19.37
19.38
19.39

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year: $ 0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Regions Trust Company	400 West Capitol, Little Rock, AR 72201

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [ ] No [X]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
116359	Foundation Resource Management	401 West Capitol, Suite 503, Little Rock, AR 72201

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....28,174

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Blue Cross Blue Shield Association	23,064

24.1 Amount of payments for legal expenses, if any? $.....231,419

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Paul Weiss Rifkind Wharton & Garrison	140,996

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $.....0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
N/A	

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only $.....0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $.....0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $.....0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.....0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....0

1.62 Total incurred claims $.....0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $.....0

1.65 Total incurred claims $.....0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

2.2 If yes, give particulars:

3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No [ ]

3.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]

4.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

4.2 If no, explain:

4.3 Maximum retained risk (see instructions):

4.31 Comprehensive medical $.....2,000,000

4.32 Medical only $.....0

4.33 Medicare supplement $.....0

4.34 Dental $.....0

4.35 Other limited benefit plan $.....0

4.36 Other $.....0

5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Hold Harmless

6.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No [ ]

6.2 If no, give details:

7. Provide the following information regarding participating providers:

7.1 Number of providers at start of reporting year 5,075

7.2 Number of providers at end of reporting year 0

8.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

8.2 If yes, direct premium earned:

8.21 Business with the rate guarantees between 15-36 months $.....0

8.22 Business with rate guarantees over 36 months $.....0

9.1 Does the reporting entity have Bonus/withhold arrangements in its provider contracts? Yes [ ] No [X]

9.2 If yes:

9.21 Maximum amount payable bonuses $.....0

9.22 Amount actually paid for year bonuses $.....0

9.23 Maximum amount payable withholds $.....0

9.24 Amount actually paid for year withholds $.....0

10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
See Sshedule T

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	15,022,487	21,724,833	16,954,400	22,470,048	13,275,810
2. Total liabilities (Page 3, Line 18)	113,975	15,448,525	9,790,176	19,851,901	5,678,148
3. Statutory surplus		3,736,560	4,628,476	98,399	5,580,020
4. Total capital and surplus (Page 3, Line 26)	14,908,512	6,276,308	2,535,748	2,519,748	2,017,642
Income Statement Items (Page 4)					
5. Total revenues (Line 7)	6,411,918	8,572,621	6,831,834	5,021,256	4,640,327
6. Total medical and hospital expenses (Line 17)	4,627,426	7,763,008	7,234,894	4,808,009	4,734,968
7. Total administrative expenses (Line 19)	(5,190,125)	1,711,757	6,613,041	10,176,506	6,923,623
8. Net underwriting gain (loss) (Line 22)	1,422,905	(4,425,282)	(7,178,468)	(9,932,368)	(7,012,249)
9. Net investment gain (loss) (Line 25)	446,431	418,971	862,076	432,722	428,521
10. Total other income (Lines 26 plus 27)	(1,314,513)	(473,162)	1,988,050	244,448	1,751,946
11. Net income or (loss) (Line 30)	(2,777,760)	(4,479,473)	(2,907,365)	(6,325,644)	(1,874,722)
Risk-Based Capital Analysis					
12. Total adjusted capital	14,908,512	6,276,308	7,174,188	2,626,743	7,461,803
13. Authorized control level risk-based capital	750,464	1,146,681	868,561	934,575	863,374
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)		4,124	4,383		
15. Total member months (Column 6, Line 7)	33,525	53,027	49,963		
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5)**					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	72.2	90.6	7,234,894.0	4,808,009.0	4,734,968.0
18. Total underwriting deductions (Line 21)	77.8	151.6	14,010,302.0	14,953,624.0	11,652,576.0
19. Total underwriting gain (loss) (Line 22)	22.2	(51.6)	(7,178,468.0)	(9,932,368.0)	(7,012,249.0)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	866,599	1,026,516			
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	1,158,350	1,106,820			

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	0	0	0	0	0

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	3,645,190	3,892,193	3,790,000	3,500,000
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	3,645,190	3,892,193	3,790,000	3,500,000
	5. United States				
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States				
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	0	0	0	0
	17. United States				
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States	250,258	250,725	254,253	250,000
Credit Tenant Loans	22. Canada	285,238	297,171	295,273	275,000
(Unaffiliated)	23. Other Countries				
	24. Totals	535,496	547,896	549,526	525,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	4,180,686	4,440,089	4,339,526	4,025,000
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States				
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	0	0	0	
	55. **Total Stocks**	0	0	0	
	56. **Total Bonds and Stocks**	4,180,686	4,440,089	4,339,526	

(a) The aggregate value of bonds which are valued at other than actual fair value is $.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year		6,396,659
2. Cost of bonds and stocks acquired, Column 6, Part 3		1,606,054
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	(74,537)	
3.2 Column 12, Part 2, Section 1		
3.3 Column 10, Part 2, Section 2		
3.4 Column 10, Part 4	(12,232)	(86,769)
4. Total gain (loss), Column 14, Part 4		(230)
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		3,735,029
6. Foreign exchange adjustment:		
6.1 Column 17, Part 1		
6.2 Column 13, Part 2, Section 1		
6.3 Column 11, Part 2, Section 2		
6.4 Column 11, Part 4		0
7. Book/adjusted carrying value at end of current period		4,180,685
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		4,180,685
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		4,180,685

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

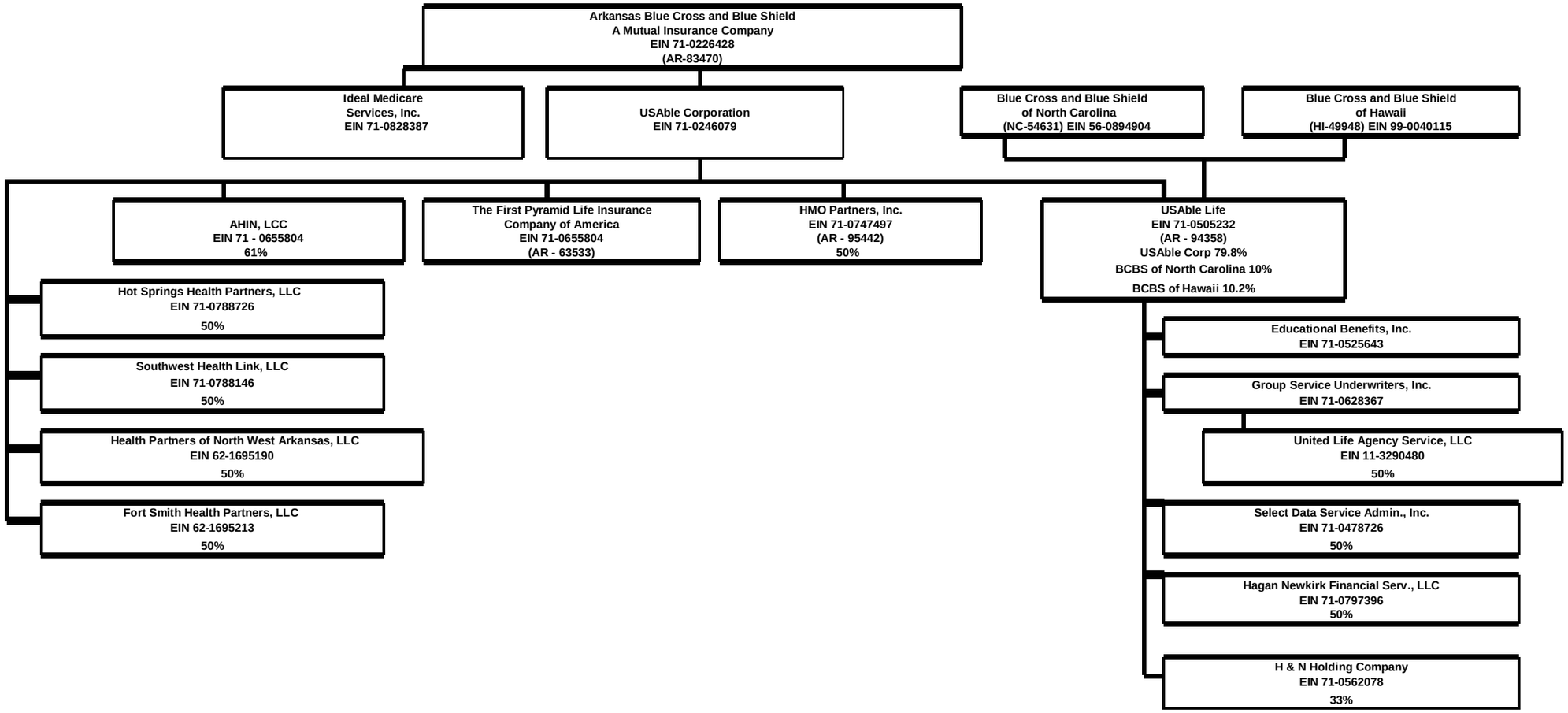
	1	2	Direct Business Only			
			3	4	5	6
State, Etc.	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1. Alabama AL		YES	7,104			
2. Alaska AK		YES				
3. Arizona AZ		YES				
4. Arkansas AR		YES	114			
5. California CA		YES				
6. Colorado CO		YES				
7. Connecticut CT		NO				
8. Delaware DE		YES				
9. District of Columbia DC		YES				
10. Florida FL		NO				
11. Georgia GA		YES				
12. Hawaii HI		YES				
13. Idaho ID		YES				
14. Illinois IL		YES				
15. Indiana IN		YES				
16. Iowa IA		NO				
17. Kansas KS		YES				
18. Kentucky KY		YES				
19. Louisiana LA		YES				
20. Maine ME		NO				
21. Maryland MD		YES				
22. Massachusetts MA		NO				
23. Michigan MI		NO				
24. Minnesota MN		NO				
25. Mississippi MS		YES				
26. Missouri MO		YES				
27. Montana MT		YES				
28. Nebraska NE		YES				
29. Nevada NV		YES				
30. New Hampshire NH		NO				
31. New Jersey NJ		NO				
32. New Mexico NM		YES				
33. New York NY		NO				
34. North Carolina NC		YES				
35. North Dakota ND		YES				
36. Ohio OH		YES				
37. Oklahoma OK		YES				
38. Oregon OR		YES				
39. Pennsylvania PA		NO				
40. Rhode Island RI		NO				
41. South Carolina SC		YES				
42. South Dakota SD		NO				
43. Tennessee TN		YES	697			
44. Texas TX		YES	6,583,443			
45. Utah UT		YES				
46. Vermont VT		NO				
47. Virginia VA		YES				
48. Washington WA		YES				
49. West Virginia WV		YES				
50. Wisconsin WI		NO				
51. Wyoming WY		YES				
52. American Samoa AS		NO				
53. Guam GU		NO				
54. Puerto Rico PR		NO				
55. U.S. Virgin Islands VI		NO				
56. Canada CN		NO				
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 36	6,591,357	0	0	0

DETAILS OF WRITE-INS

5701.				
5702.				
5703.				
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0

Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART