

ANNUAL STATEMENT

OF THE

DELTA DENTAL PLAN

OF

ARKANSAS, INC.

of **SHERWOOD**

in the state of **ARKANSAS**

TO THE

Insurance Department

OF THE

STATE OF ARKANSAS

FOR THE YEAR ENDED

December 31, 2012

HEALTH

2012



47155201220100100

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2012
OF THE CONDITION AND AFFAIRS OF THE

Delta Dental Plan of Arkansas, Inc.

NAIC Group Code 0000 (Current Period) 0000 (Prior Period) NAIC Company Code 47155 Employer's ID Number 71-0561140

Organized under the Laws of Arkansas, State of Domicile or Port of Entry Arkansas
Country of Domicile Unites States

Licensed as business type: Life, Accident & Health Property/Casualty Hospital, Medical & Dental Service or Indemnity
Dental Service Corporation Vision Service Corporation Health Maintenance Organization
Other Is HMO Federally Qualified? Yes No

Incorporated/Organized March 15, 1982 Commenced Business: August 1, 1982

Statutory Home Office 1513 Country Club Road, Sherwood, AR, US 72120
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 1513 Country Club Road
(Street and Number)
Sherwood, AR, US 72120 501-835-3400
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 1513 Country Club Road, Sherwood, AR, US 72120
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 1513 Country Club Road Sherwood, AR, US 72120 501-835-3400
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.deltadentalar.com

Statutory Statement Contact Phyllis L Rogers 501-992-1616
(Name) (Area Code) (Telephone Number) (Extension)
progers@ddpar.com 501-992-1617
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title
1. <u>Eddie Allen Choate</u>	<u>President and CEO</u>
2. <u>Mel Taylor Collazo</u>	<u>Secretary</u>
3. <u>Susan Jane Fletcher Smith</u>	<u>Vice Chair and Treasurer</u>

VICE-PRESIDENTS

Name	Title	Name	Title
<u>Ina Lynn Harbert</u>	<u>Senior Vice President and COO</u>	<u>Phyllis Lynn Rogers</u>	<u>Senior Vice President and CFO</u>
<u>Herman Eldon Hurd</u>	<u>Vice President of Provider Relations</u>	<u>Allen Dale Moore</u>	<u>Vice President of Information Technology</u>
<u>James Durette Johnson</u>	<u>Senior Vice President of Sales and Marketi</u>		

DIRECTORS OR TRUSTEES

<u>Harold Wayne Perrin</u>	<u>Robert Howard Gladden</u>	<u>Ebb Weldon Johnson</u>	<u>James Talbert Johnston</u>
<u>Susan Jane Fletcher Smith</u>	<u>Mel Taylor Collazo</u>	<u>Ronald Paul Ownbey</u>	<u>Terri Anderson Miller #</u>
<u>Troy John Dryden Bartels #</u>	<u>Sarah Clark #</u>	<u>Granville Wayne Callahan, Sr. #</u>	

State of Arkansas
County of Pulaski ss

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. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

<u>(Signature)</u> <u>Eddie Choate</u> <u>(Printed Name)</u> 1. <u>President and CEO</u> <u>(Title)</u>	<u>(Signature)</u> <u>Mel Collazo</u> <u>(Printed Name)</u> 2. <u>Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>Susan Jane Fletcher Smith</u> <u>(Printed Name)</u> 3. <u>Vice Chair and Treasurer</u> <u>(Title)</u>
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Subscribed and sworn to before me this _____ day of _____, 2013

a. Is this an original filing? Yes No
b. If no: 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	21,592,455		21,592,455	29,214,822
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	22,108,615	5,896,207	16,212,408	12,732,657
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	9,101,172		9,101,172	9,349,486
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)	36,807		36,807	373,164
5. Cash (\$ 11,867,709, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 173,081, Schedule DA)	12,040,790		12,040,790	11,849,580
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	5,000,000		5,000,000	
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	69,879,839	5,896,207	63,983,632	63,519,709
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	80,745		80,745	141,172
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	367,482		367,482	436,983
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts	5,357,058		5,357,058	3,728,963
17. Amounts receivable relating to uninsured plans	10,768,670		10,768,670	8,911,772
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	1,397,728	1,023,986	373,742	527,279
21. Furniture and equipment, including health care delivery assets (\$ 0)	212,757	212,757		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	116,973		116,973	1,178,558
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	1,177,185	1,163,446	13,739	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	89,358,437	8,296,396	81,062,041	78,444,436
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	89,358,437	8,296,396	81,062,041	78,444,436

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid Expenses & Deposits	1,163,446	1,163,446		
2502. Miscellaneous Receivable	13,739		13,739	
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,177,185	1,163,446	13,739	

NONE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 106,765 reinsurance ceded)	4,729,388		4,729,388	4,016,860
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	148,853		148,853	113,456
4. Aggregate health policy reserves, including the liability of \$ 0 for medical loss ratio rebate per the Public Health Services Act				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	1,899,670		1,899,670	2,917,374
9. General expenses due or accrued	5,079,733		5,079,733	4,188,253
10.1. Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))				
10.2. Net deferred tax liability				
11. Ceded reinsurance premiums payable	807,909		807,909	68,828
12. Amounts withheld or retained for the account of others	2,476,101		2,476,101	1,998,502
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	1,278,407		1,278,407	1,153,022
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers, \$ 0 unauthorized reinsurers and \$ 0 certified reinsurers)				
20. Reinsurance in unauthorized and certified \$ (0) companies	106,765		106,765	79,762
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans	1,839,721		1,839,721	1,839,721
23. Aggregate write-ins for other liabilities (including \$ 0 current)				
24. Total liabilities (Lines 1 to 23)	18,366,547		18,366,547	16,375,778
25. Aggregate write-ins for special surplus funds	X X X	X X X	50,000	50,000
26. Common capital stock	X X X	X X X		
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X		
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	62,645,496	62,018,658
32. Less treasury stock, at cost:				
32.1 0 shares common (value included in Line 26 \$ 0)	X X X	X X X		
32.2 0 shares preferred (value included in Line 27 \$ 0)	X X X	X X X		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	62,695,496	62,068,658
34. Total liabilities, capital and surplus (Lines 24 and 33)	X X X	X X X	81,062,043	78,444,436

DETAILS OF WRITE-IN LINES				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				
2501. Surplus required by the Arkansas Insurance Department	X X X	X X X	50,000	50,000
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X	50,000	50,000
3001. Surplus required by the Arkansas Insurance Department	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

NONE

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	2,669,838	2,135,410
2. Net premium income (including \$ 0 non-health premium income)	X X X	116,251,255	92,445,720
3. Change in unearned premium reserves and reserve for rate credits	X X X	(7,521)	(773)
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	166,582	4,443
8. Total revenues (Lines 2 to 7)	X X X	116,410,316	92,449,390
Hospital and Medical:			
9. Hospital/medical benefits		80,608,864	61,393,128
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		80,608,864	61,393,128
Less:			
17. Net reinsurance recoveries		(10,960,610)	(10,560,321)
18. Total hospital and medical (Lines 16 minus 17)		91,569,474	71,953,449
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 833,217 cost containment expenses		7,207,469	6,525,304
21. General administrative expenses		14,336,547	14,639,712
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		113,113,490	93,118,465
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	3,296,826	(669,075)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,046,964	2,035,384
26. Net realized capital gains (losses) less capital gains tax of \$ 0		629,863	722,568
27. Net investment gains (losses) (Lines 25 plus 26)		2,676,827	2,757,952
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 0) (amount charged off \$ 0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	5,973,653	2,088,877
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	5,973,653	2,088,877

DETAILS OF WRITE-IN LINES			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 06 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	X X X		
0701. Miscellaneous Income	X X X	166,582	4,443
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 07 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X	166,582	4,443
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	62,068,658	61,431,696
34. Net income or (loss) from Line 32	5,973,653	2,088,877
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	(332,390)	(1,111,599)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(4,987,420)	284,851
40. Change in unauthorized and certified reinsurance	(27,003)	(79,762)
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		(545,405)
48. Net change in capital and surplus (Lines 34 to 47)	626,840	636,962
49. Capital and surplus end of reporting year (Line 33 plus 48)	62,695,498	62,068,658

DETAILS OF WRITE-IN LINES		
4701. Delta Dental of AR Foundation Ending Balance - Non-admitted - Disposal		(545,405)
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		(545,405)

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	115,787,359	90,398,345
2. Net investment income	2,353,342	2,285,626
3. Miscellaneous income	167,327	(455)
4. Total (Lines 1 through 3)	118,308,028	92,683,516
5. Benefit and loss related payments	90,856,946	70,343,184
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	22,566,793	20,014,703
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	113,423,739	90,357,887
11. Net cash from operations (Line 4 minus Line 10)	4,884,289	2,325,629
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	27,494,488	8,540,153
12.2 Stocks	29,535,225	32,185,007
12.3 Mortgage loans		
12.4 Real estate	182,597	
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		(4)
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	57,212,310	40,725,156
13. Cost of investments acquired (long-term only):		
13.1 Bonds	19,341,558	9,131,438
13.2 Stocks	38,768,705	30,981,779
13.3 Mortgage loans		
13.4 Real estate		4,448
13.5 Other invested assets	5,000,000	
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	63,110,263	40,117,665
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(5,897,953)	607,491
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,204,874	(4,618,515)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	1,204,874	(4,618,515)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	191,210	(1,685,395)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	11,849,580	13,534,975
19.2 End of year (Line 18 plus Line 19.1)	12,040,790	11,849,580

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	116,251,255			113,549,044	2,702,211					
2. Change in unearned premium reserves and reserve for rate credit	(7,521)			(7,521)						
3. Fee-for-service (net of \$ 0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues	166,582	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	166,582
7. Total revenues (Lines 1 to 6)	116,410,316			113,541,523	2,702,211					166,582
8. Hospital/medical benefits	80,608,864			77,701,400	2,907,464					X X X
9. Other professional services										X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area										X X X
12. Prescription drugs										X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	80,608,864			77,701,400	2,907,464					X X X
16. Net reinsurance recoveries	(10,960,610)			(12,414,342)	1,453,732					X X X
17. Total hospital and medical (Lines 15 minus 16)	91,569,474			90,115,742	1,453,732					X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$ 833,217 cost containment expenses	7,207,469			6,992,166	215,303					
20. General administrative expenses	14,336,547			14,055,255	281,292					
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. Total underwriting deductions (Lines 17 to 22)	113,113,490			111,163,163	1,950,327					
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	3,296,826			2,378,360	751,884					166,582

DETAILS OF WRITE-IN LINES										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 05 from overflow page										X X X
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)										X X X
0601. Miscellaneous Income	166,582	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	166,582
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	166,582	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	166,582
1301.										X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)										X X X

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 (hospital and medical)				
2. Medicare Supplement				
3. Dental only	98,227,651	15,313,872		113,541,523
4. Vision only	5,403,769		2,701,558	2,702,211
5. Federal Employees Health Benefits Plan				
6. Title XVIII – Medicare				
7. Title XIX – Medicaid				
8. Other health				
9. Health subtotal (Lines 1 through 8)	103,631,420	15,313,872	2,701,558	116,243,734
10. Life				
11. Property/casualty				
12. Totals (Lines 9 to 11)	103,631,420	15,313,872	2,701,558	116,243,734

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	79,469,988			76,616,529	2,853,459					
1.2 Reinsurance assumed	12,731,612			12,731,612						
1.3 Reinsurance ceded	1,426,729				1,426,729					
1.4 Net	90,774,871			89,348,141	1,426,730					
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	3,811,153			3,597,623	213,530					
3.2 Reinsurance assumed	1,025,000			1,025,000						
3.3 Reinsurance ceded	106,765				106,765					
3.4 Net	4,729,388			4,622,623	106,765					
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	2,752,040			2,592,514	159,526					
8.2 Reinsurance assumed	1,344,583			1,344,583						
8.3 Reinsurance ceded	79,762				79,762					
8.4 Net	4,016,861			3,937,097	79,764					
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	80,529,101			77,621,638	2,907,463					
12.2 Reinsurance assumed	12,412,029			12,412,029						
12.3 Reinsurance ceded	1,453,732				1,453,732					
12.4 Net	91,487,398			90,033,667	1,453,731					
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	267,778			258,164	9,614					
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	267,778			258,164	9,614					
2. Incurred but Unreported:										
2.1 Direct	3,543,375			3,339,459	203,916					
2.2 Reinsurance assumed	1,025,000			1,025,000						
2.3 Reinsurance ceded	106,765				106,765					
2.4 Net	4,461,610			4,364,459	97,151					
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	3,811,153			3,597,623	213,530					
4.2 Reinsurance assumed	1,025,000			1,025,000						
4.3 Reinsurance ceded	106,765				106,765					
4.4 Net	4,729,388			4,622,623	106,765					

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	2	3	4	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only	3,288,891	86,141,326		4,622,623	3,288,891	3,937,097
4. Vision only	85,016	1,341,713		106,765	85,016	79,762
5. Federal Employees Health Benefits Plan						
6. Title XVIII – Medicare						
7. Title XIX – Medicaid						
8. Other health						
9. Health subtotal (Lines 1 through 8)	3,373,907	87,483,039		4,729,388	3,373,907	4,016,859
10. Health care receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)	3,373,907	87,483,039		4,729,388	3,373,907	4,016,859

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
Hospital & Medical

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

12.HM

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
Medicare Supplement

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Dental Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	47,961	47,961	47,961	47,961	47,961
2. 2008	51,161	53,128	53,128	53,128	53,128
3. 2009	X X X	52,979	54,953	54,953	54,953
4. 2010	X X X	X X X	54,204	56,758	56,758
5. 2011	X X X	X X X	X X X	65,199	68,488
6. 2012	X X X	X X X	X X X	X X X	86,141

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	47,961	47,961	47,961	47,961	47,961
2. 2008	53,640	53,128	53,128	53,128	53,128
3. 2009	X X X	55,199	54,953	54,953	54,953
4. 2010	X X X	X X X	54,204	56,758	56,758
5. 2011	X X X	X X X	X X X	65,199	68,488
6. 2012	X X X	X X X	X X X	X X X	90,764

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008	69,684	51,161	2,846	5.563	54,007	77.503			54,007	77.503
2. 2009	71,423	54,946	3,669	6.677	58,615	82.067			58,615	82.067
3. 2010	73,854	56,178	5,720	10.182	61,898	83.811			61,898	83.811
4. 2011	90,177	58,819	6,525	11.093	65,344	72.462			65,344	72.462
5. 2012	113,542	89,430	6,992	7.818	96,422	84.922	4,623	148	101,193	89.124

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Vision Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	70	70	70	70	70
2. 2008	464	501	501	501	501
3. 2009	X X X	1,115	1,210	1,210	1,210
4. 2010	X X X	X X X	1,765	1,880	1,880
5. 2011	X X X	X X X	X X X	1,126	1,211
6. 2012	X X X	X X X	X X X	X X X	1,342

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	70	70	70	70	70
2. 2008	504	501	501	501	501
3. 2009	X X X	1,277	1,210	1,210	1,210
4. 2010	X X X	X X X	1,765	1,880	1,880
5. 2011	X X X	X X X	X X X	1,126	1,211
6. 2012	X X X	X X X	X X X	X X X	1,448

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008	970	464			464	47.835			464	47.835
2. 2009	2,267	1,152			1,152	50.816			1,152	50.816
3. 2010	3,380	1,860			1,860	55.030			1,860	55.030
4. 2011	2,268	1,242			1,242	54.762			1,242	54.762
5. 2012	2,702	1,427	215	15.067	1,642	60.770	107	1	1,750	64.767

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
Fed Emp Health Benefits Plan

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
 Title XVIII - Medicare

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
 Title XIX - Medicaid

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
 Other

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior					
2. 2008					
3. 2009	XXX				
4. 2010	XXX	XXX			
5. 2011	XXX	XXX	XXX		
6. 2012	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008										
2. 2009										
3. 2010										
4. 2011										
5. 2012										

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Grand Total

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	48,031	48,031	48,031	48,031	48,031
2. 2008	51,625	53,629	53,629	53,629	53,629
3. 2009	X X X	54,094	56,163	56,163	56,163
4. 2010	X X X	X X X	55,969	58,638	58,638
5. 2011	X X X	X X X	X X X	66,325	69,699
6. 2012	X X X	X X X	X X X	X X X	87,483

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	48,031	48,031	48,031	48,031	48,031
2. 2008	54,144	53,629	53,629	53,629	53,629
3. 2009	X X X	56,476	56,163	56,163	56,163
4. 2010	X X X	X X X	55,969	58,638	58,638
5. 2011	X X X	X X X	X X X	66,325	69,699
6. 2012	X X X	X X X	X X X	X X X	92,212

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2008	70,654	51,625	2,846	5.513	54,471	77.095			54,471	77.095
2. 2009	73,690	56,098	3,669	6.540	59,767	81.106			59,767	81.106
3. 2010	77,234	58,038	5,720	9.856	63,758	82.552			63,758	82.552
4. 2011	92,445	60,061	6,525	10.864	66,586	72.028			66,586	72.028
5. 2012	116,244	90,857	7,207	7.932	98,064	84.360	4,730	149	102,943	88.558

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NONE Underwriting and Investment Exhibit - Part 2D

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 – ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ 0 for occupancy of own building)		114,300	76,200		190,500
2. Salaries, wages and other benefits			44,689		44,689
3. Commissions (less \$ 281,292 ceded plus \$ 1,008,810 assumed)			6,371,820		6,371,820
4. Legal fees and expenses			101,590		101,590
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			557,547		557,547
7. Traveling expenses		10,326	90,075		100,401
8. Marketing and advertising			315,652		315,652
9. Postage, express and telephone		1,477,830	168,816		1,646,646
10. Printing and office supplies		122,392	81,595		203,987
11. Occupancy, depreciation and amortization		147,439	98,293		245,732
12. Equipment		28,806	19,204		48,010
13. Cost or depreciation of EDP equipment and software		768,652	512,435		1,281,087
14. Outsourced services including EDP, claims, and other services	833,217	9,881,877	7,661,089		18,376,183
15. Boards, bureaus and association fees			474,772		474,772
16. Insurance, except on real estate		37,947	25,295		63,242
17. Collection and bank service charges		85,104	56,736		141,840
18. Group service and administration fees					
19. Reimbursements by uninsured plans		(7,330,238)	(4,886,825)		(12,217,063)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses		118,182	78,788		196,970
22. Real estate taxes			84,176		84,176
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes		760,817			760,817
23.3 Regulatory authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)			80,645		80,645
24. Investment expenses not included elsewhere				153,800	153,800
25. Aggregate write-ins for expenses		150,818	2,323,955		2,474,773
26. Total expenses incurred (Lines 1 to 25)	833,217	6,374,252	14,336,547	153,800	(a) 21,697,816
27. Less expenses unpaid December 31, current year		148,853	5,079,733		5,228,586
28. Add expenses unpaid December 31, prior year		98,748	1,364,500		1,463,248
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	833,217	6,324,147	10,621,314	153,800	17,932,478

DETAILS OF WRITE-IN LINES					
2501. Charitable Contributions			2,193,809		2,193,809
2502. Records Storage		11,098	7,398		18,496
2503. Seminars		1,779	1,186		2,965
2598. Summary of remaining write-ins for Line 25 from overflow page		137,941	121,562		259,503
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		150,818	2,323,955		2,474,773

(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) 265,110	225,891
1.1 Bonds exempt from U.S. tax	(a) 405,606	384,402
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	271,352	271,352
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 1,904,397	1,548,672
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 23,566	23,566
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	2,870,031	2,453,883
11. Investment expenses		(g) 153,800
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) 253,120
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		406,920
17. Net investment income (Line 10 minus Line 16)		2,046,963

DETAILS OF WRITE-IN LINES			
0901.	NONE		
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)			
1501.	NONE		
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow page			
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)			

- (a) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 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 \$ 190,500 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 \$ 153,800 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 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	210,132		210,132		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	321,006		321,006		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	247,645		247,645	1,591,306	
2.21 Common stocks of affiliates				(1,923,699)	
3. Mortgage loans					
4. Real estate	(148,954)		(148,954)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	629,829		629,829	(332,393)	

DETAILS OF WRITE-IN LINES					
0901.	NONE				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks	5,896,207	227,192	(5,669,015)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)	5,896,207	227,192	(5,669,015)
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	1,023,986	1,691,273	667,287
21. Furniture and equipment, including health care delivery assets	212,757	362,173	149,416
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	1,163,445	1,028,337	(135,108)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	8,296,395	3,308,975	(4,987,420)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	8,296,395	3,308,975	(4,987,420)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expenses & Deposits	1,163,445	1,028,337	(135,108)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,163,445	1,028,337	(135,108)

EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	181,566	218,445	223,973	223,293	226,449	2,669,838
7. Total	181,566	218,445	223,973	223,293	226,449	2,669,838

DETAILS OF WRITE-IN LINES						
0601. Dental Only	145,891	180,652	182,046	181,229	183,479	2,180,234
0602. Vision Only	35,675	37,793	41,927	42,064	42,970	489,604
0603.						
0698. Summary of remaining write-ins for Line 06 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	181,566	218,445	223,973	223,293	226,449	2,669,838

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Delta Dental Plan of Arkansas, Inc. (the “Company”) have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual as required by the Arkansas Insurance Department.

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

The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practices and Procedures Manual requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The actual results could differ from these estimates.

C. Accounting Policy

Dental and vision premiums are billed in advance and are included in income ratably over the period to which they apply; accordingly, the portion of dental and vision premiums applicable to future periods is included in the statements of admitted assets, liabilities, capital and surplus – statutory basis as unearned premiums. Dental and vision care costs are accrued as services are rendered, including estimates of costs incurred but not yet reported.

The Company maintains deposits from certain employer groups with administrative service contracts. These deposits represent a prefunding of expected costs under the contract.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost or fair (market) value based on the issuers NAIC Securities Valuation Office designation.
- (3) Common Stocks are stated 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.
- (4) Preferred Stocks - N/A
- (5) Mortgage Loans - N/A
- (6) Loan-Backed Securities - N/A
- (7) The Company carries Omega Administrators, Inc. (wholly-owned non-insurance subsidiary) and Renaissance Holding Company (non-insurance affiliate) at GAAP equity value adjusted to statutory accounting principles.
- (8) Joint Ventures, Partnerships, Limited Liability Companies - N/A

NOTES TO FINANCIAL STATEMENTS

- (9) Derivatives - N/A
- (10) The Company does not anticipate investment income as a factor in the premium deficiency calculation.
- (11) Claims incurred and unpaid include both claims in process and a provision for incurred but not reported claims. A provision for incurred but not reported claims is an actuarially determined and certified estimate based on claims experience and accumulated statistical data. The methods for making such actuarially determined and certified estimates and for establishing the resulting liability are continually reviewed. Provision is also made for estimated claims processing costs to be incurred in paying such claims and is included in unpaid claims adjustment expenses. Management believes the amounts reflected for these liabilities are adequate; however, the ultimate liabilities may differ from the amounts recorded. Any adjustments are reflected in the period they are recorded.
- (12) The Company has modified its capitalization policy from the prior annual period, changing the capitalization minimum from \$1,000 to \$10,000.
- (13) Pharmaceutical rebate receivables - N/A

Note 2: Accounting Changes and Corrections of Errors

- A. None.

Note 3: Business Combinations and Goodwill

- A. Statutory Purchase Method - None
- B. Statutory Merger - None
- C. Assumption Reinsurance - None
- D. Impairment Loss - None

Note 4: Discontinued Operations

- None.

Note 5: Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans - N/A
- B. Debt Restructuring - N/A

NOTES TO FINANCIAL STATEMENTS

C. Reverse Mortgages - N/A

D. Loan-Backed Securities

(1) Sources of Prepayment Assumptions - N/A

(2) OTTI Securities - N/A

(3) OTTI Securities - N/A

(4) All debt securities held as of December 31, 2011 were reported in the statutory financial statements at a book adjusted carrying value lower than fair market value. There were no unrealized loss positions at December 31, 2012 or December 31, 2011.

(5) Should an impairment of any of securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

E. Repurchase Agreements and/or Securities Lending Transactions - N/A

F. Real Estate

(1) No impairment loss was recognized in 2012 for investments in real estate.

(2) On July 31, 2012 the Company sold a 10,000 square foot building in Cabot, Arkansas which was classified as held for sale and used as a storage facility. The property was actively listed and sold to a local business owner. The property was sold on July 31, 2012 for a loss of \$148,954. This loss is included in the net capital gains and losses line item on the Statement of Revenue and Expenses. The Company also has a property in Sherwood, Arkansas which was classified as held for sale in 2012. This property is a lot behind a restaurant. The lot is currently listed and the company feels the surrounding businesses represent our best prospects.

(3) The Company has had no changes in plans to sell or not to sell any investments in real estate.

(4) Retail Land Sales Operations - N/A

(5) Real Estate Investments with Participating Mortgage Loan Features - N/A

G. Low-income Housing Tax Credits (LIHTC) - N/A

Note 6: Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

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.

NOTES TO FINANCIAL STATEMENTS

Note 7: Investment Income

- A. Due and accrued investment income was excluded from surplus on the following bases: All investment income due and accrued with amounts that are over 90 days past due.
- B. The total amount excluded was \$0.

Note 8: Derivative Instruments

None.

Note 9: Income Taxes

The Company's primary activities are tax exempt under IRS Section 501(c)(4). Omega Ventures, Inc. (dissolved on December 7, 2012) and Omega Administrators, Inc. (the taxable entities) are subject to both federal and state income taxes. Delta Dental of Arkansas Foundation, Inc. and Delta Dental Arkansas Political Action Committee are tax exempt under IRS Sections 501(c)(3) and 527, respectively.

- A. Components of DTA or DTL Recognized in Financial Statements - N/A
- B. DTLs Not Recognized Due to Temporary Differences - N/A
- C. Significant Components of Income Taxes Incurred - N/A
- D. Income Tax Different from Change in DTAs and DTLs - N/A
- E. Operating Loss and Tax Credit Carry Forwards Available - N/A
- F. Federal Income Tax Return Consolidated with Others - N/A
- G. Federal or Foreign Income Tax Loss Contingencies - N/A

Note 10: Information Concerning Parent, Subsidiaries and Affiliates

A, B, C, F & H.

Renaissance Health Service Corporation

On August 1, 2012, the Organization affiliated with Renaissance Health Service Corporation, a non-profit Michigan corporation and Renaissance Holding Company (RHSC), a Michigan stock corporation. RHSC is the sole corporate member of the Organization. As part of this affiliation, the Organization contributed \$8,900,000 for 890 shares, or 11.8%, of Renaissance Holding Company, a Michigan for profit corporation.

NOTES TO FINANCIAL STATEMENTS

Omega Ventures, Inc.

On August 13, 2007, the Organization incorporated Omega Ventures, Inc. ("OVI") to serve as a subsidiary holding company. On this date, the Organization made a capital contribution of \$10,000 and transferred its ownership in Omega Administrators, Inc. ("OAI") to OVI in exchange for the issued and outstanding common stock of Omega – Ventures. On June 8, 2009, the Organization contributed \$2 million in additional paid in capital to Omega Ventures. On June 9, 2009 OVI contributed \$1.98 million in additional paid in capital to Omega Administrators. On December 7, 2012 OVI was dissolved and the assets were transferred to the Organization.

Omega Administrators, Inc.

On December 3, 2002, the Organization incorporated Omega Administrators, Inc. (Omega) as a wholly owned for-profit non-insurance subsidiary. Omega was incorporated to serve as a third-party administrator and provide the Organization with an alternative corporation that it can use to administer dental coverages for the Organization and other insurance carriers outside the boundaries of the state of Arkansas. The current Delta Dental Plans Association restrictions prevent the Organization from soliciting groups that are not headquartered within the boundaries of the State of Arkansas.

Effective January 1, 2007, the Organization and Omega entered into an administrative services agreement, where Omega "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by the Organization." Simultaneous to this contract, the Organization moved all of its employees and related benefit plans to Omega. For administering its services, the Organization reimburses Omega monthly at the rate \$1.23 and \$1.29 per dental subscriber per month for 2012 and 2011, respectively, net of rebate from Omega to the Organization. In addition, the Organization reimburses Omega monthly at a rate of \$0.24 and \$0.28 per vision subscriber per month for these administrative services for 2012 and 2011, respectively, net of rebate from Omega to the Organization. The initial term of this agreement is for a period of three years and will expire on December 31, 2010. The agreement will be renewed annually thereafter. The Organization paid administration fees of \$13,347,660 and \$13,110,842 during the years ended December 31, 2012 and 2011, respectively.

In addition to the administrative services contract, the Organization also entered into a rental agreement with Omega, effective January 1, 2007, to lease its office facilities and equipment. During the years ended December 31, 2012 and 2011, the Organization earned \$1,358,172 and \$1,422,156 in rental income, respectively.

Delta Dental of Arkansas Political Action Committee

Only July 30, 2010, the Organization formed the Delta Dental of Arkansas Political Action Committee (the PAC) as a non-profit corporation. The PAC was intended to serve as a political action committee that may make contributions to and expenditures on behalf of state candidates, other committees and all matters thereto. The retained earnings of the dissolved Incorporated PAC of Delta Dental Plan of Arkansas, Inc. of \$19,255 were contributed to this newly formed PAC at the time of its creation, and then refunded to the

NOTES TO FINANCIAL STATEMENTS

original donors, \$9,440 and \$5,000 to OAI and OVI respectively. During the years ended December 31, 2012 and 2011, the PAC received \$20,900 and \$22,800 in donations, respectively. The donations were received from both corporate and individual donors. During the years ended December 31, 2012 and 2011, the PAC made \$16,000 and \$2,500 in campaign contributions, respectively.

Delta Dental of Arkansas Foundation, Inc.

On December 7, 2007, the Organization incorporated Delta Dental of Arkansas Foundation, Inc. (the Dental Foundation) as a 501(c)(3) Organization to promote oral health in the State of Arkansas. In addition to its promotion of oral health, the Foundation will make gifts, grants and contributions to other charitable Organizations as well as promote educational endeavors as permitted by the Internal Revenue Code. For the years ended December 31, 2012 and 2011, the Dental Foundation received donations in the amount of \$1,765,956 and \$2,341,306, respectively. The Dental Foundation made contributions of \$1,380,370 and \$797,600 to qualified organizations in 2012 and 2011, respectively.

D. At December 31, 2012, the Company reported \$116,973 and \$1,191,759 as amounts due from and to the subsidiary, OAI, respectively. These amounts will be settled within thirty days of the report date. At December 31, 2012, the Company reported \$86,648 as amounts due to affiliate, RHC.

E. Guarantees - See Note 14

F. See details above

G. Control Relationship - N/A

H. See sections above.

I. Investment in a SCA that Exceeds 10% of Admitted Assets - N/A

J. Investments in Impaired SCAs - N/A

K. Investment in a Foreign Subsidiary - N/A

L. Non Audited Downstream Non-insurance Holding Companies - N/A

Note 11: Debt

None.

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

A Nonqualified 457(b) Retirement Plan was established by the Organization on April 1, 2003, "as an inducement and motivation to its key managerial and highly compensated employees and its Board of Directors." Participation in the plan is

NOTES TO FINANCIAL STATEMENTS

determined at the sole discretion of the Organization's Board of Directors. At December 31, 2012 and 2011, plan assets totaled \$974,737 and \$923,630, respectively, and plan liabilities totaled \$974,737 and \$923,630, respectively, resulting in gains (losses) reported in the GAAP statements of activities of \$0 and \$0, respectively. The plan assets and liabilities and related gains (losses) on plan assets are omitted from statutory reporting.

- A. Defined Benefit Plan - N/A
- B. Defined Contribution Plans - N/A
- C. Multiemployer Plans - N/A
- D. Consolidated/Holding Company Plans - N/A
- E. Postemployment Benefits and Compensated Absences - N/A
- F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - N/A

Note 13: Capital and Surplus, Shareholders' Dividend Restrictions and Quasi- Reorganizations

- (1) Capital Stock Authorized, Issued and Outstanding - N/A
- (2) Preferred Stock - N/A
- (3) Dividend Restrictions - N/A
- (4) Dividends Paid - N/A
- (5) Profits Paid as Ordinary Dividends - N/A
- (6) Under the laws of the state of Arkansas, the Organization is required to provide a minimum contingency reserve of \$50,000. Pursuant to the Arkansas Statutory Deposit Requirements, the Organization has pledged a certificate of deposit in the amount of \$50,000 to the Insurance Department of Arkansas.
- (7) Advances to Surplus Not Repaid - N/A
- (8) Stock Held for Special Purposes - N/A
- (9) Changes in Special Surplus Funds from Prior Year - N/A
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$1,874,666.
- (11) Surplus Notes - N/A
- (12) Impact of Restatement in Quasi-Reorganization - N/A
- (13) Effective Date of Quasi-Reorganization - N/A

NOTES TO FINANCIAL STATEMENTS

Note 14: Contingencies

- A. Contingent Commitments - N/A
- B. Assessments - N/A
- C. Gain Contingencies - N/A
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - N/A
- E. All Other Contingencies - The Organization is subject to claims and lawsuits in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect of the Organizations results of operation or financial condition. The Organization has no assets that it considers to be impaired.

On October 19, 2006, the Organization entered into a vision marketing and third-party claims administration agreement with Avesis Third Party Administrators, Inc. (Avesis). The agreement calls for Avesis to provide vision plan designs, group underwriting, claim processing and payment and customer service. The Organization has exclusive rights to market in Arkansas through December 31, 2007, and will extend the agreement if certain sales goals are met. Avesis will be the Organization's exclusive vision insurance partner as long as network goals are achieved. Administration fees incurred with Avesis during 2012 and 2011 totaled \$797,951 and \$673,475, respectively.

In early 2005, the Organization made the decision to convert its claims processing systems. The new claims processing system is owned by Delta Dental Plan of Virginia, Inc. (Virginia) and is licensed to the Organization for its use. A maintenance fee is calculated based on a percentage of the total licensing fee and will be paid annually to Virginia for technical support and servicing upgrades. Total fees incurred were approximately \$459,892 and \$440,060 for the years ended December 31, 2012 and 2011, respectively.

Note 15: Leases

None.

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

None.

NOTES TO FINANCIAL STATEMENTS

Note 17: Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

None.

Note 18: Gain or Loss to the Reporting Entity From Uninsured Plans and From the Uninsured Portion of Partially Insured Plans

A. ASO Plans - N/A

B. The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans were as follows for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Gross reimbursement for medical costs incurred	\$ 269,969,079	\$ 269,430,469
Gross administrative fees accrued	12,217,064	12,467,318
Gross expenses incurred (claims and administrative)	<u>(282,186,143)</u>	<u>(281,897,787)</u>
Total net gain or loss from operations	<u>\$ 0</u>	<u>\$ 0</u>

C. Medicare or Similarly Structured Cost Based Reimbursement Contract - N/A

Note 19: Direct Premiums Written/Produced by Managing General Agents/Third Party Administrators

None.

Note 20: Fair Value Measurements

A. Fair Value Measurements at Reporting Date

(1) Description	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Common Stock				
Industrial and Misc	<u>\$13,817,201</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$13,817,201</u>
Total Common Stock	<u>\$13,817,201</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$13,817,201</u>
Real Estate – Unaff LLP	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,000,000</u>	<u>\$ 5,000,000</u>
Total Assets at Fair Value	<u>\$18,817,201</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$18,817,201</u>

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

(2) Description	Beg Bal at 12/31/2012	Transfer s into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Total
Assets at Fair Value										
Real Estate – Unaff LLP	<u>\$ 0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,000,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,000,000</u>
Total Assets at Fair Value	<u>\$ 0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,000,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,000,000</u>

(4) As of December 31, 2012, the reported fair value of the reporting entity's investments in Level 3, no NAIC designation, real estate investment in LP was \$5,000,000. This investment has underlying collateral in real estate properties. To measure their fair value, the reporting entity used the purchase price of the initial contribution.

B. Other Fair Value Measurements - N/A

C. Inability to Estimate Fair Value of Financial Instrument - N/A

Note 21: Other Items

A. Extraordinary Items - N/A

B. Troubled Debt Restructuring - N/A

C. Other Disclosures – N/A

D. Uncollectible Assets - N/A

E. Business Interruption Insurance Recoveries - N/A

F. State Transferable Tax Credits - N/A

G. Subprime-Mortgage-Related Risk Exposure - N/A

H. Retained Assets - N/A

Note 22: Events Subsequent

On January 1, 2013, the Organization moved all of its employees and related benefit plans back from its subsidiary, Omega Administrators. On January 2, 2013, the Organization made an additional \$7 million investment in Renaissance Holding Company, a Michigan for profit corporation.

NOTES TO FINANCIAL STATEMENTS

Note 23: Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) No

(2) No

Section 2 – Ceded Reinsurance Report – Part A

(1) Yes

(1) \$0

(2) \$0 - a non-admitted reinsurer accepts \$106,765 of the reserve

(2) No

Section 3 – Ceded Reinsurance Report – Part B

(1) N/A

(2) No

B. Uncollectible Reinsurance - N/A

C. Commutation of Ceded Reinsurance - N/A

Note 24: Retrospectively Rated Contracts and Contracts Subject to Redetermination

None.

Note 25: Change in Incurred Claims and Claims Adjustment Expenses

The reserve for incurred claims and claim adjustment expenses attributable to insured events increased \$712,528, from \$4,016,860 at December 31, 2011, to \$4,729,388 at December 31, 2012. This increase was due mainly to the large increase in dental risk premium sold. This increase is also a result of the re-estimation of unpaid claims and claim adjustment expenses related to dental and vision insurance. Original estimates are increased and decreased as additional information becomes available regarding individual claims and as a result of the ongoing analysis of recent loss development trends.

The incurred amounts related to prior years represent the variations between the Organization's estimated losses and loss adjustment expense for prior years' claims and

NOTES TO FINANCIAL STATEMENTS

the actual amounts required to satisfy claims. These variations resulted primarily from loss development on the business.

Note 26: Intercompany Pooling Arrangements

None.

Note 27: Structured Settlements

None.

Note 28: Health Care Receivables

None.

Note 29: Participating Policies

None.

Note 30: Premium Deficiency Reserves

As of December 31, 2012, the Company had no liabilities related to premium deficiency reserves.

Note 31: Anticipated Salvage and Subrogation

None.

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 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 No N/A
- 1.3 State Regulating? _____
- 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
- 2.2 If yes, date of change: _____ 08/02/2012 _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2010 _____
- 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. _____ 12/31/2010 _____
- 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). _____ 05/23/2012 _____
- 3.4 By what department or departments?
 Arkansas Insurance Department

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 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 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
- 4.12 renewals? Yes No
- 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
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 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? Yes No

GENERAL INTERROGATORIES

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

1 Nationality	2 Type of Entity
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Plante Moran, PLLC, 1111 Michigan Avenue, East Lansing, MI 48823

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:

.....

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

.....

GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes No N/A

10.6 If the response to 10.5 is no or n/a, please explain:

.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Toby L. Hall, Senior Vice President and Chief Actuary, at Delta Dental of Michigan, Ohio and Indiana; 4100 Okemos Road, Okemos, MI 48864

.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes No

12.11 Name of real estate holding company

CapRocq Core Real Estate Fun

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

\$ 5,000,000

12.2 If yes, provide explanation:

The Company has invested on 12/27/12 in CapRocq real estate fund (LLC) which will use the funds to acquire various real estate properties

.....

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

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

.....

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

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

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes No N/A

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes No

14.11 If the response to 14.1 is no, please explain:

.....

14.2 Has the code of ethics for senior managers been amended? Yes No

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

.....

GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

.....

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
.....
.....

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No []

17. 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 []

18. 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 that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]

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

20.11 To directors or other officers	\$ _____
20.12 To stockholders not officers	\$ _____
20.13 Trustees, supreme or grand (Fraternal only)	\$ _____

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

20.21 To directors or other officers	\$ _____
20.22 To stockholders not officers	\$ _____
20.23 Trustees, supreme or grand (Fraternal only)	\$ _____

21.1 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]

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

21.21 Rented from others	\$ _____
21.22 Borrowed from others	\$ _____
21.23 Leased from others	\$ _____
21.24 Other	\$ _____

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment	\$ _____
22.22 Amount paid as expenses	\$ _____
22.23 Other amounts paid	\$ _____

GENERAL INTERROGATORIES

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ _____

INVESTMENT

24.01 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? (other than securities lending programs addressed in 24.03) Yes No

24.02 If no, give full and complete information, relating thereto:

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ _____

24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ _____

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes No N/A

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ _____

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ _____

24.103 Total payable for securities lending reported on the liability page \$ _____

25.1 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 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 21.1 and 24.03). Yes No

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

	25.21	Subject to repurchase agreements	\$ _____
	25.22	Subject to reverse repurchase agreements	\$ _____
	25.23	Subject to dollar repurchase agreements	\$ _____
	25.24	Subject to reverse dollar repurchase agreements	\$ _____
	25.25	Pledged as collateral	\$ _____
	25.26	Placed under option agreements	\$ _____
	25.27	Letter stock or securities restricted as to sale	\$ _____
	25.28	On deposit with state or other regulatory body	\$ _____ 50,000
	25.29	Other	\$ _____

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....

GENERAL INTERROGATORIES

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement. Yes No N/A
- 27.1 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
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

28. Excluding items in Schedule E - Part 3 - Special Deposits, 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 Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes No

28.01 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
Stephens Capital Management	111 Center Street, Little Rock, AR 72201
Intrust Wealth Management	5314 S Yale Avenue, Suite 206, Tulsa, OK 74135
Wells Fargo Advisors	100 North Main Street NC 6012, Winston-Salem, NC 27150

28.02 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)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes No

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Wells Fargo Advisors	N/A	12/14/2012	Decision made to no longer use investment manager t

28.05 Identify all investment advisors, broker/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
N/A	Stephens Capital Management	111 Center Street, Little Rock, AR 72201
N/A	Intrust Wealth Management	5314 S Yale Avenue, Suite 206, Tulsa, OK 74135

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes No

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
00143M-49-7	Invesco Small Cap Value Fund Cl Y	830,617
19763P-19-2	Columbia Div Opportunity Fund 6087	3,462,652
38141W-39-8	Goldman Sachs Mid Cap Value	1,313,078
411511-30-6	Harbor International Instl CL	1,773,831
552981-85-4	MFS Intl New Discovery Fund Instl	443,504
552983-52-0	MFS New Discovery Fund	802,166
29.2999 TOTAL		13,817,201

GENERAL INTERROGATORIES

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
617440-50-8	Morgan Stanley Mid Cap Growth Fund	1,169,951
683974-50-5	Oppenheimer Developing Markets Fnd	590,467
741479-10-9	T Rowe Price Growth Stk Fnd Ind Cm	3,430,935
29.2999 TOTAL		13,817,201

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Invesco Small Cap Value Fund	Belden Inc Common Stock	24,919	12/30/2012
Invesco Small Cap Value Fund	Aercap Holdings N.V. Ordinary	24,835	12/30/2012
Invesco Small Cap Value Fund	Alere Inc. Common Stock	24,586	12/30/2012
Invesco Small Cap Value Fund	Zions Bancorporation	23,590	12/30/2012
Invesco Small Cap Value Fund	Abercrombie & Fitch Company	23,423	12/30/2012
Columbia Div Opportunity Fund	ENBRIDGE INC	106,303	12/30/2012
Columbia Div Opportunity Fund	General Electric Company Com	101,456	12/30/2012
Columbia Div Opportunity Fund	Pfizer, Inc. Common Stock	96,954	12/30/2012
Columbia Div Opportunity Fund	Royal Dutch Shell PLC ADR Cl	84,142	12/30/2012
Columbia Div Opportunity Fund	JP Morgan Chase & Co. Comm	80,680	12/30/2012
Goldman Sachs Mid Cap Value	M&T Bank Corporation Commo	24,292	12/30/2012
Goldman Sachs Mid Cap Value	Principal Financial Group Inc C	22,848	12/30/2012
Goldman Sachs Mid Cap Value	Cameron International Corporati	21,534	12/30/2012
Goldman Sachs Mid Cap Value	Xcel Energy Inc. Common Stoc	21,272	12/30/2012
Goldman Sachs Mid Cap Value	Everest Re Group, Ltd. Commo	21,272	12/30/2012
Harbor International Instl CL	NOVO NORDISK A/S B	57,650	12/30/2012
Harbor International Instl CL	Atlas Copco AB	48,248	12/30/2012
Harbor International Instl CL	BRIT AMER TOBACCO	47,184	12/30/2012
Harbor International Instl CL	ROCHE HLDG AG DIV RT	42,927	12/30/2012
Harbor International Instl CL	DIAGEO	41,685	12/30/2012
MFS Intl New Discovery Fund I	CRODA INTL PLC	10,422	12/30/2012
MFS Intl New Discovery Fund I	BUNZL	9,801	12/30/2012
MFS Intl New Discovery Fund I	Amadeus IT Holding SA	6,253	12/30/2012
MFS Intl New Discovery Fund I	BELLWAY	5,145	12/30/2012
MFS Intl New Discovery Fund I	ABERDEEN ASSET MGMT	5,100	12/30/2012
MFS New Discovery Fund	Cabot Oil & Gas Corporation Co	17,728	12/30/2012
MFS New Discovery Fund	Conceptus, Inc.	17,086	12/30/2012
MFS New Discovery Fund	Atwood Oceanics, Inc. Common	15,642	12/30/2012
MFS New Discovery Fund	Diana Shipping inc. common st	14,920	12/30/2012
MFS New Discovery Fund	Five Below, Inc.	14,519	12/30/2012
Morgan Stanley Mid Cap Growt	Brookfield Infrastructure Partner	46,096	12/30/2012
Morgan Stanley Mid Cap Growt	Motorola Solutions, Inc. Commo	45,628	12/30/2012
Morgan Stanley Mid Cap Growt	EDENRED	40,480	12/30/2012
Morgan Stanley Mid Cap Growt	Intuitive Surgical, Inc.	39,427	12/30/2012
Morgan Stanley Mid Cap Growt	LinkedIn Corporation Class A C	37,555	12/30/2012
Oppenheimer Developing Mark	Baidu, Inc.	19,840	12/30/2012
Oppenheimer Developing Mark	America Movil, S.A.B. de C.V. A	18,482	12/30/2012
Oppenheimer Developing Mark	INFOSYS LTD.-ORDINARY	14,762	12/30/2012
Oppenheimer Developing Mark	Magnit JSC	12,636	12/30/2012
Oppenheimer Developing Mark	Carlsberg AS	11,927	12/30/2012
T Rowe Price Growth Stk Fnd I	Apple Inc.	324,910	12/30/2012
T Rowe Price Growth Stk Fnd I	Google Inc.	168,802	12/30/2012
T Rowe Price Growth Stk Fnd I	Amazon.com, Inc.	149,932	12/30/2012
T Rowe Price Growth Stk Fnd I	Mastercard Incorporated Comm	104,300	12/30/2012
T Rowe Price Growth Stk Fnd I	Crown Castle International Corp	102,585	12/30/2012

GENERAL INTERROGATORIES

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	21,765,536	22,265,175	499,639
30.2 Preferred stocks			
30.3 Totals	21,765,536	22,265,175	499,639

30.4 Describe the sources or methods utilized in determining the fair values:

Brokerage statements - FV taken from stock exchanges

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 22,200

33.2 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
A.M. Best	\$ 22,200
.....	\$
.....	\$

34.1 Amount of payments for legal expenses, if any? \$ 101,590

34.2 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
Byron Southern	\$ 66,000
.....	\$
.....	\$

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 117,466

GENERAL INTERROGATORIES

35.2 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
DBH Management Consultants	\$ 62,466
In Verital, Inc.	\$ 55,000
	\$

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only. \$ _____
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
- 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. \$ _____
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ _____
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$ _____
- 1.62 Total incurred claims \$ _____
- 1.63 Number of covered lives _____
- All years prior to most current three years:
- 1.64 Total premium earned \$ _____
- 1.65 Total incurred claims \$ _____
- 1.66 Number of covered lives _____
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$ _____
- 1.72 Total incurred claims \$ _____
- 1.73 Number of covered lives _____
- All years prior to most current three years:
- 1.74 Total premium earned \$ _____
- 1.75 Total incurred claims \$ _____
- 1.76 Number of covered lives _____

2. Health Test:

	1 Current Year		2 Prior Year
2.1 Premium Numerator	\$ 116,251,255		\$ 92,445,720
2.2 Premium Denominator	\$ 116,251,255		\$ 92,445,720
2.3 Premium Ratio (2.1 / 2.2)	1.000		1.000
2.4 Reserve Numerator	\$ 4,729,388		\$ 4,016,860
2.5 Reserve Denominator	\$ 4,729,388		\$ 4,016,860
2.6 Reserve Ratio (2.4 / 2.5)	1.000		1.000

- 3.1 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
- 3.2 If yes, give particulars:
.....
.....
.....
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
.....
.....
.....
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$ _____
- 5.32 Medical Only \$ _____
- 5.33 Medicare Supplement \$ _____
- 5.34 Dental and vision \$ _____
- 5.35 Other Limited Benefit Plan \$ _____ 3,500
- 5.36 Other \$ _____

6. 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:

N/A

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes No

7.2 If no, give details:

.....

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year	1,078
8.2 Number of providers at end of reporting year	1,109

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes No

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months	19,411,284
9.22 Business with rate guarantees over 36 months	

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No

10.2 If yes:

10.21 Maximum amount payable bonuses	\$ _____
10.22 Amount actually paid for year bonuses	\$ _____
10.23 Maximum amount payable withholds	\$ _____
10.24 Amount actually paid for year withholds	\$ _____

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
11.13 An Individual Practice Association (IPA), or,	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
11.14 A Mixed Model (combination of above)?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No

11.3 If yes, show the name of the state requiring such net worth:

Arkansas

11.4 If yes, show the amount required. \$ _____ 50,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No

11.6 If the amount is calculated, show the calculation:

.....

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

1		
Name of Service Area		
Arkansas		

13.1 Do you act as a custodian for health savings accounts? Yes No

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ _____

13.3 Do you act as an administrator for health savings accounts? Yes No

13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ _____

FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2012	2011	2010	2009	2008
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	81,062,041	78,444,436	74,194,521	64,551,004	57,876,668
2. Total liabilities (Page 3, Line 24)	18,366,547	16,375,778	12,762,826	11,199,672	11,767,787
3. Statutory surplus	50,000	50,000	50,000	50,000	50,000
4. Total capital and surplus (Page 3, Line 33)	62,695,496	62,068,658	61,381,695	53,351,332	46,108,881
Income Statement (Page 4)					
5. Total revenues (Line 8)	116,410,316	92,449,390	80,048,942	73,345,570	70,820,947
6. Total medical and hospital expenses (Line 18)	91,569,474	71,953,449	61,234,664	55,953,481	54,118,675
7. Claims adjustment expenses (Line 20)	7,207,469	6,525,304	5,720,160	3,678,411	2,864,796
8. Total administrative expenses (Line 21)	14,336,547	14,639,712	11,669,787	10,115,634	10,109,497
9. Net underwriting gain (loss) (Line 24)	3,296,826	(669,075)	1,424,331	3,598,044	3,727,979
10. Net investment gain (loss) (Line 27)	2,676,827	2,757,952	7,497,783	2,671,831	(3,140,817)
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	5,973,653	2,088,877	8,922,114	6,269,875	587,162
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	4,884,289	2,325,629	8,293,846	10,363,620	7,289,298
Risk-Based Capital Analysis					
14. Total adjusted capital	62,695,496	62,068,658	61,431,696	53,351,332	46,108,881
15. Authorized control level risk-based capital	5,117,707	3,412,650	3,142,527	3,462,342	3,528,161
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	226,449	181,566	169,649	160,553	145,020
17. Total members months (Column 6, Line 7)	2,669,838	2,135,410	1,964,168	1,848,061	1,682,828
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	78.8	77.8	76.5	76.3	76.6
20. Cost containment expenses					
21. Other claims adjustment expenses		7.1	6.8	5.0	4.0
22. Total underwriting deductions (Line 23)	97.3	100.7	98.2	95.1	95.0
23. Total underwriting gain (loss) (Line 24)	2.8	(0.7)	1.8	4.9	5.3
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	3,373,907	3,494,126	2,058,923	2,004,298	2,141,597
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	4,016,859	2,467,869	2,381,317	2,519,114	2,167,570
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	8,291,407	1,315,106	1,639,646	2,515,530	837,659
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	8,291,407	1,315,106	1,639,646	2,515,530	837,659
33. Total investment in parent included in Lines 26 to 31 above.					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No [X]

If no, please explain:

.....

.....

.....

.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N							
2. Alaska	AK	N							
3. Arizona	AZ	N							
4. Arkansas	AR	L	103,631,421					103,631,421	
5. California	CA	N							
6. Colorado	CO	N							
7. Connecticut	CT	N							
8. Delaware	DE	N							
9. District of Columbia	DC	N							
10. Florida	FL	N							
11. Georgia	GA	N							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	N							
15. Indiana	IN	N							
16. Iowa	IA	N							
17. Kansas	KS	N							
18. Kentucky	KY	N							
19. Louisiana	LA	N							
20. Maine	ME	N							
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	N							
24. Minnesota	MN	N							
25. Mississippi	MS	N							
26. Missouri	MO	N							
27. Montana	MT	N							
28. Nebraska	NE	N							
29. Nevada	NV	N							
30. New Hampshire	NH	N							
31. New Jersey	NJ	N							
32. New Mexico	NM	N							
33. New York	NY	N							
34. North Carolina	NC	N							
35. North Dakota	ND	N							
36. Ohio	OH	N							
37. Oklahoma	OK	N							
38. Oregon	OR	N							
39. Pennsylvania	PA	N							
40. Rhode Island	RI	N							
41. South Carolina	SC	N							
42. South Dakota	SD	N							
43. Tennessee	TN	N							
44. Texas	TX	N							
45. Utah	UT	N							
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	N							
49. West Virginia	WV	N							
50. Wisconsin	WI	N							
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate other alien	OT	X X X							
59. Subtotal		X X X	103,631,421					103,631,421	
60. Reporting entity contributions for Employee Benefit Plans		X X X							
61. Totals (Direct Business)	(a) 1	X X X	103,631,421					103,631,421	

DETAILS OF WRITE-INS									
58001.		X X X							
58002.		X X X							
58003.		X X X							
58998.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X							

NONE

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

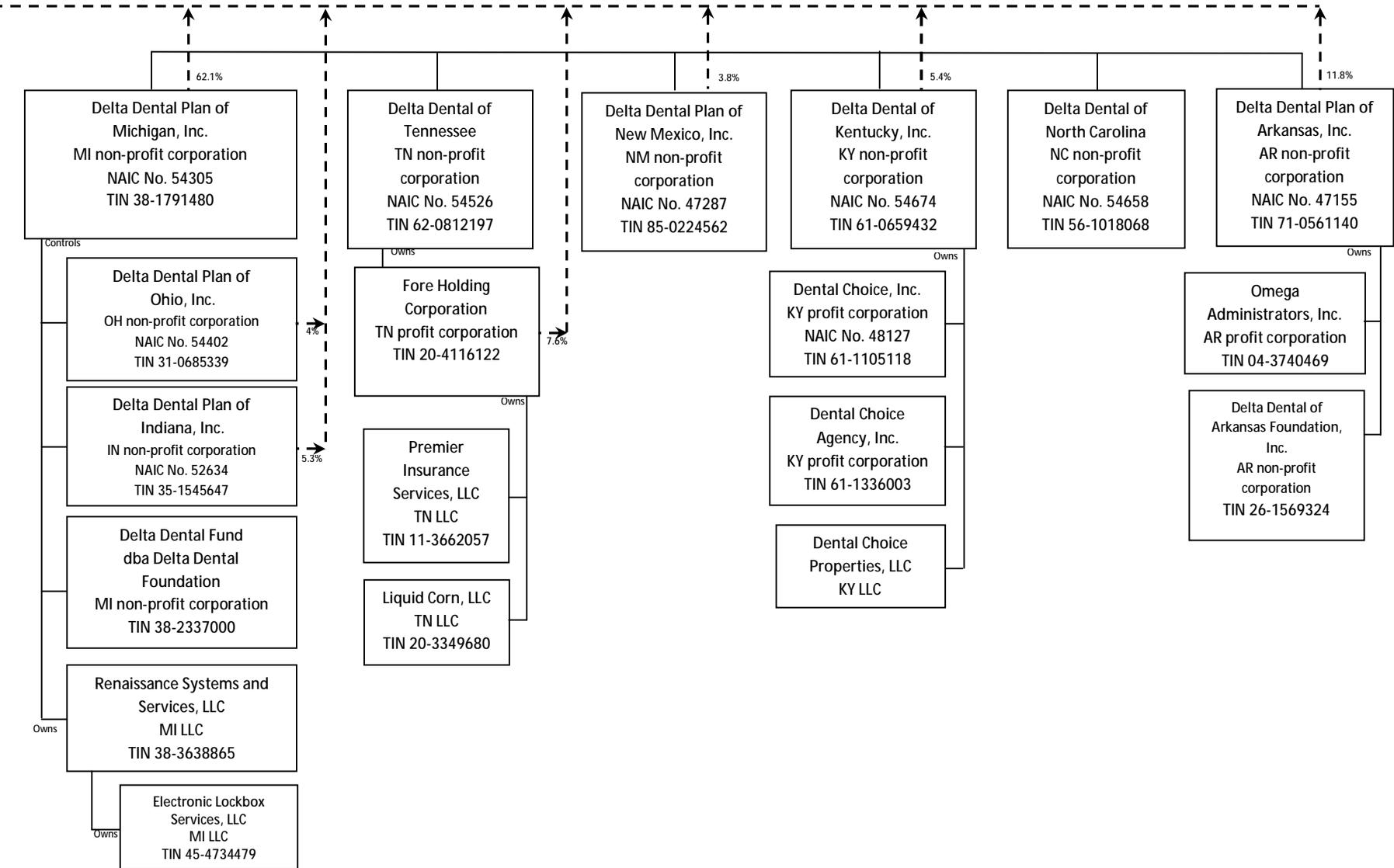
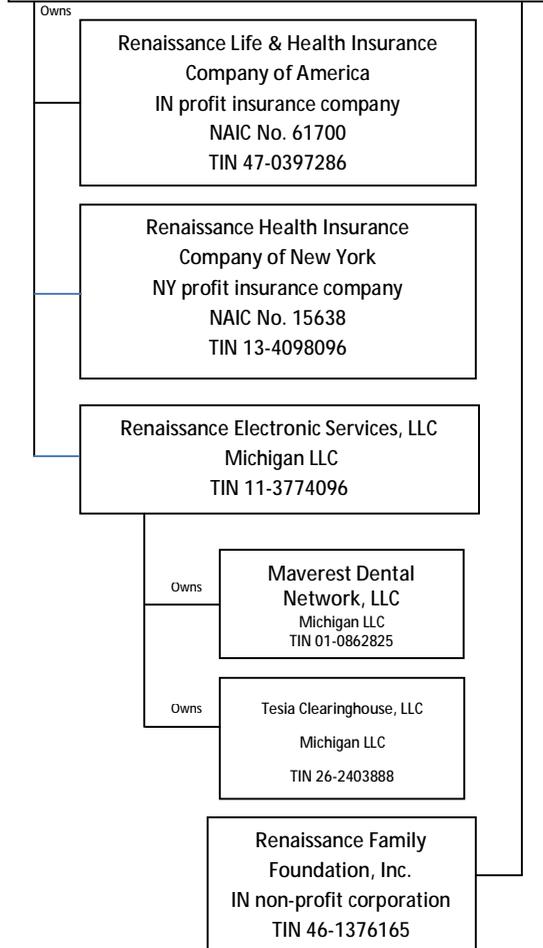
Arkansas only

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

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

PART 1 - ORGANIZATIONAL CHART

ORGANIZATIONAL
CHART
December 31, 2012



OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation

	Claim Adjustment Expenses		3	4	5
	1	2			
WRITE-INS AGGREGATED AT LINE 25 FOR UNDERWRITING AND INVESTMENT EXHIBIT	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. Subscriptions			29,601		29,601
2505. Consulting		137,941	91,961		229,902
2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598)		137,941	121,562		259,503

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