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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2003

of the Condition and Affairs of the

Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company

NAIC Group Code..... 876, 876 (Current Period) (Prior Period) NAIC Company Code..... 83470 Employer's ID Number..... 71-0226428

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

Licensed as Business Type....Life, Accident & Health [x] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [ ] Other [ ]

Is HMO Federally Qualified? Yes [ ] No [ ]

Date Incorporated or Organized..... December 10, 1948 Date Commenced Business..... March 2, 1949

Statutory Home Office	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	501-378-2000 *(Area Code) (Telephone Number)*
Mail Address	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	501-378-2000 *(Area Code) (Telephone Number)*
Internet Website Address	www.arkansasbluecross.com	
Statutory Statement Contact	Steven James Short *(Name)*	501-378-2581 *(Area Code) (Telephone Number) (Extension)*
	sjshort@arkbluecross.com *(E-Mail Address)*	*501-378-5633* *(Fax Number)*
Policyowner Relations Contact	….. .... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

Chief Executive Officer ..... Robert Lee Shoptaw
President ..... Sharon Kay Allen
Treasurer ..... Paul Mark White
Secretary ..... Robert Dudley Cabe

VICE PRESIDENTS

David Frank Bridges #
Richard Shelby Cooper
James Robert Heard
Steven James Short
James Sterling Adamson Jr., MD #
Michael Wayne Brown
Ronald Walter DeBerry
Calvin Eugene Kellogg
Joseph Steven Smith
Dennis Randle Robertson #
Robert Dudley Cabe
James Lee Douglass
Patrick Dennis O'Sullivan
Steven Aaron Spaulding #
Charles Gleaton Clem
Regina Stewart Favors
Samuel Patterson Partin III
Paul Mark White

DIRECTORS OR TRUSTEES

Carolyn Frazier Blakely PhD
Robert Vincent Brothers
Sybil Jordan Hampton EDD
Bradley Dean Jesson
James Virgil Kelley
Mahlon Ogden Maris MD
James Thomas May
Hayes Candour McClerkin
George Key Mitchell MD
Robert Donald Malcom Munro
Ben Edwin Owens
James Wesley Wyatt PhD #
Robert Lee Shoptaw
Patty Fulbright Smith

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

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

(Signature)	(Signature)	(Signature)
Robert Lee Shoptaw	Robert Dudley Cabe	Paul Mark White
(Printed Name)	(Printed Name)	(Printed Name)
Chief Executive Officer	Secretary	Treasurer

Subscribed and sworn to before me this
.....day of ....., 2004
.....

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	203,742,329		203,742,329	200,788,644
2. Stocks (Schedule D):				
2.1 Preferred stocks	762,900		762,900	508,276
2.2 Common stocks	148,413,828		148,413,828	119,834,780
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)	10,627,056		10,627,056	10,805,083
4.2 Properties held for the production of income (less $.....0 encumbrances)	15,701,912		15,701,912	8,062,865
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(11,521,182), Sch. E-Part 1), cash equivalents ($.....54,941,546, Sch. E-Part 2) and short-term investments ($.....5,485,242 Sch. DA)	48,905,606		48,905,606	35,695,636
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)			0	600,000
8. Receivable for securities	1,480,954		1,480,954	2,441,095
9. Aggregate write-ins for invested assets	341,336	0	341,336	628,354
10. Subtotals, cash and invested assets (Lines 1 to 9)	429,975,921	0	429,975,921	379,364,733
11. Investment income due and accrued	3,400,946		3,400,946	3,951,633
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in course of collection	41,153,470	119,471	41,033,999	30,362,144
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
12.3 Accrued retrospective premiums			0	
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers			0	
13.2 Funds held by or deposited with reinsured companies			0	
13.3 Other amounts receivable under reinsurance contracts			0	
14. Amounts receivable relating to uninsured plans	8,948,521		8,948,521	5,696,648
15.1 Current federal and foreign income tax recoverable and interest thereon	6,767,468		6,767,468	(271,493)
15.2 Net deferred tax asset	31,418,332	20,794,605	10,623,727	13,586,218
16. Guaranty funds receivable or on deposit	4,764,768		4,764,768	6,400,126
17. Electronic data processing equipment and software	10,040,241	5,578,965	4,461,276	4,748,805
18. Furniture and equipment, including health care delivery assets ($.....0)	17,652,794	17,652,794	0	
19. Net adjustment in assets and liabilities due to foreign exchange rates			0	
20. Receivable from parent, subsidiaries and affiliates	8,848,632	67,740	8,780,892	9,289,449
21. Health care ($.....1,525,801) and other amounts receivable	5,194,329	3,487,099	1,707,230	3,504,700
22. Other assets nonadmitted	7,458,836	7,458,836	0	
23. Aggregate write-ins for other than invested assets	53,025,623	407,650	52,617,973	39,297,512
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	628,649,881	55,567,160	573,082,721	495,930,475
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	628,649,881	55,567,160	573,082,721	495,930,475

DETAILS OF WRITE-INS

0901. Deposits with National Accounts	341,336		341,336	628,354
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0999) (Line 9 above)	341,336	0	341,336	628,354
2301. Federal Employee Program Receivable	20,036,950		20,036,950	20,620,782
2302. Miscellaneous Receivable	27,907,795	407,650	27,500,145	15,762,918
2303. Other Assets	5,080,878		5,080,878	2,913,812
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	53,025,623	407,650	52,617,973	39,297,512

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $.....0 reinsurance ceded)	105,734,039		105,734,039	104,431,202
2.	Accrued medical incentive pool and bonus amounts	465,421		465,421	
3.	Unpaid claims adjustment expenses	5,363,771		5,363,771	5,136,795
4.	Aggregate health policy reserves	53,731,804		53,731,804	43,706,741
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserve			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance	8,823,384		8,823,384	10,039,860
9.	General expenses due or accrued	49,870,085		49,870,085	42,668,947
10.1	Current federal and foreign income tax payable and interest thereon (including $.....0 on realized gains (losses))			0	
10.2	Net deferred tax liability			0	3,550,095
11.	Ceded reinsurance premiums payable			0	
12.	Amounts withheld or retained for the account of others	7,279,824		7,279,824	7,168,845
13.	Remittances and items not allocated			0	
14.	Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15.	Amounts due to parent, subsidiaries and affiliates	8,335,783		8,335,783	16,599,088
16.	Payable for securities			0	
17.	Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18.	Reinsurance in unauthorized companies			0	
19.	Net adjustments in assets and liabilities due to foreign exchange rates			0	
20.	Liability for amounts held under uninsured accident and health plans	5,000,000		5,000,000	1,452,500
21.	Aggregate write-ins for other liabilities (including $.....1,277,114 current)	1,277,114	0	1,277,114	1,593,139
22.	Total liabilities (Lines 1 to 21)	245,881,225	0	245,881,225	236,347,212
23.	Common capital stock	XXX	XXX		
24.	Preferred capital stock	XXX	XXX		
25.	Gross paid in and contributed surplus	XXX	XXX		
26.	Surplus notes	XXX	XXX		
27.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
28.	Unassigned funds (surplus)	XXX	XXX	327,201,498	259,583,264
29.	Less treasury stock at cost:				
	29.1 .....0.000 shares common (value included in Line 23 $.....0)	XXX	XXX		
	29.2 .....0.000 shares preferred (value included in Line 24 $.....0)	XXX	XXX		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29)	XXX	XXX	327,201,498	259,583,264
31.	Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	573,082,723	495,930,476

DETAILS OF WRITE-INS

2101.	Miscellaneous Liabilities	1,277,114		1,277,114	1,593,139
2102.				0	
2103.				0	
2198.	Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199.	Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	1,277,114	0	1,277,114	1,593,139
2701.		XXX	XXX		
2702.		XXX	XXX		
2703.		XXX	XXX		
2798.	Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799.	Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	5,297,289	5,215,273
2. Net premium income (including $.....0 non-health premium income)	XXX	901,717,448	856,517,316
3. Change in unearned premium reserves and reserve for rate credits	XXX	(9,539,994)	(13,842,778)
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	892,177,454	842,674,538
Hospital and Medical:			
9. Hospital/medical benefits		515,247,349	469,574,572
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		104,687,839	85,538,096
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	0	619,935,188	555,112,668
Less:			
17. Net reinsurance recoveries		(71,782,236)	(74,955,514)
18. Total hospital and medical (Lines 16 minus 17)	0	691,717,424	630,068,182
19. Non-health claims			
20. Claims adjustment expenses		43,861,830	14,156,799
21. General administrative expenses		77,878,522	109,129,516
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)		485,069	173,434
23. Total underwriting deductions (Lines 18 through 22)	0	813,942,846	753,527,931
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	78,234,608	89,146,607
25. Net investment income earned		11,791,067	14,157,139
26. Net realized capital gains or (losses)		(478,909)	(1,867,191)
27. Net investment gains or (losses) (Lines 25 plus 26)	0	11,312,158	12,289,948
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	0	(5,900,234)	(20,348,376)
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	83,646,532	81,088,179
31. Federal and foreign income taxes incurred	XXX	31,283,500	32,933,018
32. Net income (loss) (Lines 30 minus 31)	XXX	52,363,032	48,155,161

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Miscellaneous Income		5,678,580	8,241,210
2902. Regional Management Fees		(11,578,814)	(28,589,586)
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(5,900,234)	(20,348,376)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	259,583,264	202,249,323
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	52,363,032	48,155,161
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses	17,699,121	5,672,038
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	1,445,540	3,763,222
39. Change in nonadmitted assets	(3,783,541)	(1,185,368)
40. Change in unauthorized reinsurance		
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	(105,918)	928,888
48. Net change in capital and surplus (Lines 34 to 47)	67,618,235	57,333,942
49. Capital and surplus end of reporting period (Line 33 plus 48)	327,201,499	259,583,264

DETAILS OF WRITE-INS

4701. Unfunded Accumulated PBO		
4702. Change in Subsidiary Equity		928,888
4703. Capital Lease Adjustment	(105,918)	
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	(105,918)	928,888

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	889,728,088	838,885,960
2. Net investment income	15,026,894	15,138,730
3. Miscellaneous income	(316,025)	1,555,730
4. Total (Lines 1 through 3)	904,438,957	855,580,420
5. Benefit and loss related payments	689,949,166	667,745,247
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	106,481,020	107,895,673
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net tax on capital gains (losses)	59,117,066	53,908,203
10. Total (Lines 5 through 9)	855,547,252	829,549,123
11. Net cash from operations (Line 4 minus Line 10)	48,891,705	26,031,297
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	41,623,040	32,293,674
12.2 Stocks	2,029,951	3,702,748
12.3 Mortgage loans		
12.4 Real estate	341,967	
12.5 Other invested assets	800,000	
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds	1,247,159	68,528
12.8 Total investment proceeds (Lines 12.1 to 12.7)	46,042,117	36,064,950
13. Cost of investments acquired (long-term only):		
13.1 Bonds	46,275,228	78,746,260
13.2 Stocks	7,356,238	7,066,642
13.3 Mortgage loans		
13.4 Real estate	9,177,483	926,503
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	62,808,949	86,739,405
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(16,766,832)	(50,674,455)
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 received		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(18,914,904)	12,189,109
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(18,914,904)	12,189,109
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	13,209,970	(12,454,049)
19. Cash and short-term investments:		
19.1 Beginning of year	35,695,636	48,149,685
19.2 End of year (Line 18 plus Line 19.1)	48,905,605	35,695,636

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

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Net premium income	901,717,448	591,246,396	157,727,977	9,695,761		143,047,314							
2. Change in unearned premium reserves and reserve for rate credit	(9,539,994)	(9,539,994)											
3. Fee-for-service (net of $.....0 medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	892,177,454	581,706,402	157,727,977	9,695,761	0	143,047,314	0	0	0	0	0	0	0
8. Hospital/medical benefits	515,247,349	294,889,486	122,034,602	7,593,639		90,729,622							XXX
9. Other professional services	0												XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	0												XXX
12. Prescription drugs	104,687,839	63,175,266				41,512,573							XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0												XXX
15. Subtotal (Lines 8 to 14)	619,935,188	358,064,752	122,034,602	7,593,639	0	132,242,195	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	(71,782,236)	(71,782,236)											XXX
17. Total hospital and medical (Lines 15 minus 16)	691,717,424	429,846,988	122,034,602	7,593,639	0	132,242,195	0	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses	43,861,829	34,967,254	5,201,128	574,385		3,119,062							
20. General administrative expenses	77,878,522	62,065,944	9,246,450	1,021,129		5,544,999							
21. Increase in reserves for accident and health contracts	485,069	386,624	57,566	6,357		34,522							XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	813,942,844	527,266,810	136,539,746	9,195,510	0	140,940,778	0	0	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	78,234,610	54,439,592	21,188,231	500,251	0	2,106,536	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0												XXX
0502.	0												XXX
0503.	0												XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0												XXX
1302.	0												XXX
1303.	0												XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

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)	495,054,236	96,192,160		591,246,396
2. Medicare supplement	157,728,251	(274)		157,727,977
3. Dental only	9,695,761			9,695,761
4. Vision only				0
5. Federal employees health benefits plan	143,047,314			143,047,314
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid				0
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	805,525,562	96,191,886	0	901,717,448
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	805,525,562	96,191,886	0	901,717,448

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Payments during the year:													
1.1 Direct	615,752,047	352,124,463	123,386,065	7,593,639		132,647,880							
1.2 Reinsurance assumed	74,662,541	74,662,754	(213)										
1.3 Reinsurance ceded	0												
1.4 Net	690,414,588	426,787,217	123,385,852	7,593,639	0	132,647,880	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	98,121,014	64,474,277	16,744,000	690,000		16,212,737							
3.2 Reinsurance assumed	7,613,024	7,613,024											
3.3 Reinsurance ceded	0												
3.4 Net	105,734,038	72,087,301	16,744,000	690,000	0	16,212,737	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	465,421	465,421											
6. Amounts recoverable from reinsurers December 31, current year	0												
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct	93,937,873	58,534,201	18,095,250	690,000		16,618,422							
7.2 Reinsurance assumed	10,493,329	10,493,329											
7.3 Reinsurance ceded	0												
7.4 Net	104,431,202	69,027,530	18,095,250	690,000	0	16,618,422	0	0	0	0	0	0	0
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct	0												
8.2 Reinsurance assumed	0												
8.3 Reinsurance ceded	0												
8.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	0												
10. Amounts recoverable from reinsurers December 31, prior year	0												
11. Incurred benefits:													
11.1 Direct	619,935,188	358,064,539	122,034,815	7,593,639	0	132,242,195	0	0	0	0	0	0	0
11.2 Reinsurance assumed	71,782,236	71,782,449	(213)	0	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
11.4 Net	691,717,424	429,846,988	122,034,602	7,593,639	0	132,242,195	0	0	0	0	0	0	0
12. Incurred medical incentive pools and bonuses	465,421	465,421	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct	18,355,509	17,163,781	1,191,728										
1.2 Reinsurance assumed	1,859,172	1,859,172											
1.3 Reinsurance ceded	0												
1.4 Net	20,214,681	19,022,953	1,191,728	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	79,765,505	47,310,496	15,552,272	690,000		16,212,737							
2.2 Reinsurance assumed	5,039,070	5,039,070											
2.3 Reinsurance ceded	0												
2.4 Net	84,804,575	52,349,566	15,552,272	690,000	0	16,212,737	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	714,782	714,782											
3.3 Reinsurance ceded	0												
3.4 Net	714,782	714,782	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct	98,121,014	64,474,277	16,744,000	690,000	0	16,212,737	0	0	0	0	0	0	0
4.2 Reinsurance assumed	7,613,024	7,613,024	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	105,734,038	72,087,301	16,744,000	690,000	0	16,212,737	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	58,690,569	369,406,640	1,025,392	70,596,488	59,715,961	69,027,530
2. Medicare supplement	12,589,135	110,706,910	49,938	16,694,062	12,639,073	18,095,250
3. Dental only	606,185	5,816,877	6,146	683,854	612,331	690,000
4. Vision only					0	
5. Federal employees health benefits plan	12,817,255	119,781,016	421,531	15,791,206	13,238,786	16,618,422
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	84,703,144	605,711,443	1,503,007	103,765,610	86,206,151	104,431,202
10. Other non-health					0	
11. Medical incentive pools, accruals and disbursements				465,421	0	
12. Totals (Lines 9 to 11)	84,703,144	605,711,443	1,503,007	104,231,031	86,206,151	104,431,202

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	72,120	622			
2. 1999	468,268	81,908	790		
3. 2000	XXX	570,497	103,346	253	
4. 2001	XXX	XXX	642,920	96,569	240
5. 2002	XXX	XXX	XXX	556,569	84,460
6. 2003	XXX	XXX	XXX	XXX	605,709

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	483,697	483,696			
2. 1999	567,450	550,801	550,970		
3. 2000	XXX	687,295	671,807	674,102	
4. 2001	XXX	XXX	768,203	738,444	739,734
5. 2002	XXX	XXX	XXX	659,827	641,601
6. 2003	XXX	XXX	XXX	XXX	709,940

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	0.0			0	0.0
2. 1999				0.0	0	0.0			0	0.0
3. 2000				0.0	0	0.0			0	0.0
4. 2001	853,110	739,489	9,538	1.3	749,027	87.8			749,027	87.8
5. 2002	856,516	556,569	14,154	2.5	570,723	66.6	1,501	74	572,298	66.8
6. 2003	901,715	605,709	31,050	5.1	636,759	70.6	104,698	5,289	746,746	82.8
7. Total (Lines 1 through 6)	XXX	1,901,767	54,742	XXX	1,956,509	XXX	106,199	5,363	2,068,071	XXX
8. Total (Lines 2 through 6)	2,611,341	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	41,075	342			
2. 1999	244,491	54,457	533		
3. 2000	XXX	375,824	75,581	87	
4. 2001	XXX	XXX	385,197	67,826	367
5. 2002	XXX	XXX	XXX	336,296	58,322
6. 2003	XXX	XXX	XXX	XXX	369,406

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	297,361	294,327			
2. 1999	309,884	298,671	299,483		
3. 2000	XXX	415,352	409,222	451,494	
4. 2001	XXX	XXX	468,829	452,509	453,392
5. 2002	XXX	XXX	XXX	404,607	395,295
6. 2003	XXX	XXX	XXX	XXX	440,468

12.HM

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000				0.0	0	0.0			0	0.0
4. 2001	555,275	453,020	5,844	1.3	458,864	82.6			458,864	82.6
5. 2002	554,952	336,296	8,553	2.5	344,849	62.1	1,025	51	345,925	62.3
6. 2003	591,246	369,406	18,937	5.1	388,343	65.7	71,530	3,609	463,482	78.4
7. Total (Lines 1 through 6)	XXX	1,158,722	33,334	XXX	1,192,056	XXX	72,555	3,660	1,268,271	XXX
8. Total (Lines 2 through 6)	1,701,473	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	18,215	271			
2. 1999	132,604	16,922	249		
3. 2000	XXX	94,621	11,731	163	
4. 2001	XXX	XXX	144,721	14,448	(136)
5. 2002	XXX	XXX	XXX	106,246	12,725
6. 2003	XXX	XXX	XXX	XXX	110,706

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	103,052	102,922			
2. 1999	153,010	151,392	149,775		
3. 2000	XXX	159,690	147,163	106,517	
4. 2001	XXX	XXX	168,773	158,788	159,034
5. 2002	XXX	XXX	XXX	124,080	118,623
6. 2003	XXX	XXX	XXX	XXX	127,400

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000				0.0	0	0.0			0	0.0
4. 2001	153,219	159,170	2,053	1.3	161,223	105.2			161,223	105.2
5. 2002	159,500	106,246	2,702	2.5	108,948	68.3	49	2	108,999	68.3
6. 2003	157,727	110,706	5,675	5.1	116,381	73.8	16,694	846	133,921	84.9
7. Total (Lines 1 through 6)	XXX	376,122	10,430	XXX	386,552	XXX	16,743	848	404,143	XXX
8. Total (Lines 2 through 6)	470,446	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	665	9			
2. 1999	5,426	598	8		
3. 2000	XXX	6,159	736	3	
4. 2001	XXX	XXX	6,994	727	9
5. 2002	XXX	XXX	XXX	5,724	596
6. 2003	XXX	XXX	XXX	XXX	5,816

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	5,768	5,304			
2. 1999	7,364	6,698	6,033		
3. 2000	XXX	8,289	8,260	6,900	
4. 2001	XXX	XXX	7,861	7,717	7,731
5. 2002	XXX	XXX	XXX	6,410	6,332
6. 2003	XXX	XXX	XXX	XXX	6,500

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000				0.0	0	0.0			0	0.0
4. 2001	11,649	7,722	99	1.3	7,821	67.1			7,821	67.1
5. 2002	9,713	5,724	145	2.5	5,869	60.4	6		5,875	60.5
6. 2003	9,695	5,816	298	5.1	6,114	63.1	683	34	6,831	70.5
7. Total (Lines 1 through 6)	XXX	19,262	542	XXX	19,804	XXX	689	34	20,527	XXX
8. Total (Lines 2 through 6)	31,057	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

NONE

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX				
4. 2001	XXX	XXX			
5. 2002	XXX	XXX	XXX		
6. 2003	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX				
4. 2001	XXX	XXX			
5. 2002	XXX	XXX	XXX		
6. 2003	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000				0.0	0	0.0			0	0.0
4. 2001				0.0	0	0.0			0	0.0
5. 2002				0.0	0	0.0			0	0.0
6. 2003				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	12,165				
2. 1999	85,747	9,931			
3. 2000	XXX	93,893	15,298		
4. 2001	XXX	XXX	106,008	13,568	
5. 2002	XXX	XXX	XXX	108,303	12,817
6. 2003	XXX	XXX	XXX	XXX	119,781

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	77,516	81,143			
2. 1999	97,192	94,040	95,679		
3. 2000	XXX	103,964	107,162	109,191	
4. 2001	XXX	XXX	122,740	119,430	119,577
5. 2002	XXX	XXX	XXX	124,730	121,351
6. 2003	XXX	XXX	XXX	XXX	135,572

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000				0.0	0	0.0			0	0.0
4. 2001	132,967	119,577	1,542	1.3	121,119	91.1			121,119	91.1
5. 2002	132,351	108,303	2,754	2.5	111,057	83.9	421	21	111,499	84.2
6. 2003	143,047	119,781	6,140	5.1	125,921	88.0	15,791	800	142,512	99.6
7. Total (Lines 1 through 6)	XXX	347,661	10,436	XXX	358,097	XXX	16,212	821	375,130	XXX
8. Total (Lines 2 through 6)	408,365	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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

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

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

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

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

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other
POLICY RESERVE												
1. Unearned premium reserves	46,736,600	13,154,432				33,582,168						
2. Additional policy reserves (a)	6,995,204	6,995,204										
3. Reserve for future contingent benefits	0											
4. Reserve for rate credits or experience rating refunds (including $.....0) for investment income	0											
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0	0	0	0
6. Totals (gross)	53,731,804	20,149,636	0	0	0	33,582,168	0	0	0	0	0	0
7. Reinsurance ceded	0											
8. Totals (net) (Page 3, Line 4)	53,731,804	20,149,636	0	0	0	33,582,168	0	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims	0											
10. Reserve for future contingent benefits	0											
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0											
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.	0											
0502.	0											
0503.	0											
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.	0											
1102.	0											
1103.	0											
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes $.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent ($.....1,513,651 for occupancy of own building)	406,074	3,186,367	1,513,651	5,106,093
2. Salaries, wages and other benefits	36,279,443	70,115,151		106,394,594
3. Commissions (less $.....0 ceded plus $.....0 assumed)		14,886,207		14,886,207
4. Legal fees and expenses	260,076	629,700		889,776
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services	522,357	2,349,387		2,871,744
7. Traveling expenses	874,740	1,904,853		2,779,593
8. Marketing and advertising	13,144	854,062		867,206
9. Postage, express and telephone	2,731,544	9,805,427		12,536,971
10. Printing and office supplies	1,369,816	3,045,031		4,414,847
11. Occupancy, depreciation and amortization				0
12. Equipment	5,845,736	8,892,341		14,738,077
13. Cost or depreciation of EDP equipment and software	1,721,163	1,161,876		2,883,039
14. Outsourced services including EDP, claims, and other services	1,635,309	7,925,359	383,165	9,943,832
15. Boards, bureaus and association fees	57,172	916,456		973,628
16. Insurance, except on real estate	252,483	496,432		748,915
17. Collection and bank service charges	121,403	409,809		531,212
18. Group service and administration fees	(5,726,042)	(12,948,991)		(18,675,033)
19. Reimbursements by uninsured accident and health plans	(501,111)	(889,744)		(1,390,855)
20. Reimbursements from fiscal intermediaries	(18,833,176)	(47,474,563)		(66,307,739)
21. Real estate expenses	1,033,399	2,052,037	463,063	3,548,498
22. Real estate taxes	74,936	113,610	4,053	192,599
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes	73,616	3,088,117		3,161,733
23.2 State premium taxes		758,405		758,405
23.3 Regulatory authority licenses and fees	922	64,626		65,548
23.4 Payroll taxes	2,011,298	3,431,287		5,442,585
23.5 Other (excluding federal income and real estate taxes)		76,163		76,163
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	13,637,528	3,029,117	0	16,666,645
26. Total expenses incurred (Lines 1 to 25)	43,861,830	77,878,522	2,363,932	(a) 124,104,284
27. Less expenses unpaid December 31, current year	5,363,771	49,870,085		55,233,856
28. Add expenses unpaid December 31, prior year	5,158,789	39,240,891		44,399,680
29. Amounts receivable relating to uninsured accident and health plans, prior year		5,696,648		5,696,648
30. Amounts receivable relating to uninsured accident and health plans, current year		8,948,521		8,948,521
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	43,656,848	70,501,201	2,363,932	116,521,981

DETAILS OF WRITE-INS

2501. Administrative Expenses Assumed	3,299,759	5,858,861		9,158,621
2502. Contract Labor	18,611,867	1,756,048		20,367,915
2503. Medical Records	13	1,024,064		1,024,077
2598. Summary of remaining write-ins for Line 25 from overflow page	(8,274,111)	(5,609,856)	0	(13,883,967)
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	13,637,528	3,029,117	0	16,666,645

(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) 3,044,411	2,847,526
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 7,158,796	7,083,387
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 17,500	13,125
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	1,404,683	1,465,002
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d) 2,161,462	2,173,495
5.	Contract loans		
6.	Cash/short-term investments	(e) 945,719	922,326
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	10,043	10,043
10.	Total gross investment income	14,742,614	14,514,904
11.	Investment expenses		(g) 2,363,932
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) 360,305
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		2,724,237
17.	Net investment income (Line 10 minus Line 16)		11,790,667

DETAILS OF WRITE-INS

0901.	FEP Investment Service Charge	10,043	10,043
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	10,043	10,043
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....30,870 accrual of discount less $.....2,355,705 amortization of premium and less $.....405,815 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 $.....1,513,651 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....360,305 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1.	U.S. government bonds					0
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)	315,191			(187,960)	127,231
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)	(58,500)			251,684	193,184
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)	630,426	(1,295,333)		12,578,260	11,913,353
2.21	Common stocks of affiliates				5,057,136	5,057,136
3.	Mortgage loans					0
4.	Real estate	124,239				124,239
5.	Contract loans					0
6.	Cash/short-term investments					0
7.	Derivative instruments					0
8.	Other invested assets	(110,943)				(110,943)
9.	Aggregate write-ins for capital gains (losses)	(83,989)	0	0	0	(83,989)
10.	Total capital gains (losses)	816,423	(1,295,333)	0	17,699,121	17,220,211

DETAILS OF WRITE-INS

0901.	Loss on Sale of Fixed Assets	(83,989)				(83,989)
0902.						0
0903.						0
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	(83,989)	0	0	0	(83,989)

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 12 to 20, Column 2	44,213,575	40,696,032	(3,517,543)
2. Other nonadmitted assets:			
2.1 Bills receivable	3,487,099	3,119,781	(367,318)
2.2 Leasehold improvements			0
2.3 Cash advanced to or in hands of officers and agents			0
2.4 Loans on personal security, endorsed or not			0
2.5 Commuted commissions			0
3. Total (Lines 2.1 to 2.5)	3,487,099	3,119,781	(367,318)
4. Aggregate write-ins for other than invested assets	7,866,486	7,967,805	101,319
5. Total (Line 1 plus Lines 3 and 4)	55,567,160	51,783,618	(3,783,542)

DETAILS OF WRITE-INS

0401. Prepaid Expenses	5,165,420	4,159,786	(1,005,634)
0402. Life Insurance Receivable	832,279	2,191,472	1,359,193
0403. Employee Travel Advance	112,948	52,166	(60,782)
0498. Summary of remaining write-ins for Line 4 from overflow page	1,755,839	1,564,381	(191,458)
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	7,866,486	7,967,805	101,319

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations	240,747	254,183	261,157	263,514	256,472	3,093,362
4. Point of service						
5. Indemnity only	153,176	145,222	143,384	141,027	139,821	1,715,385
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	393,923	399,405	404,541	404,541	396,293	4,808,747

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under Arkansas Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the Arkansas Insurance Department.

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

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

C. Accounting Policy

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

In addition, the company uses the following accounting policies:

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

2. Accounting Changes and Corrections of Errors

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

3. Business Combinations and Goodwill
The Company had no business combinations or goodwill as of December 31, 2003.

4. Discontinued Operations
The Company had no discontinued operations as of December 31, 2003.

5. Investments

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

6. Joint Ventures, Partnerships, and Limited Liability Companies

A. The Company 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.

7. Investment Income

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

8. Derivative Instruments

The Company does not own any derivative instruments.

9. Income Taxes

Arkansas Blue Cross Blue Shield files a consolidated federal income tax return with its other eligible subsidiaries as follow: USAble Corporation, First Pyramid Life Insurance Company, Ideal Medicare Services, Inc. The Company is party to a federal income tax allocation agreement. Under the tax sharing agreement, the Company pays to or receives from each subsidiary the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the subsidiary in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

NOTES TO FINANCIAL STATEMENTS

When available, the Company utilizes net operating loss carry forwards to offset taxable income under the terms of the tax sharing agreement. At December 31, 2003, the Company had $0 of operating loss carry forwards.

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

2003	$ 26,249,400
2002	$ 35,872,371
2001	$ 19,482,758
2000	$ 5,248,496

The components of current income tax expense are as follows:

	2003	2002
Federal	$ 31,495,081	$ 32,923,086
Foreign	17,197	9,932
Federal Income Tax on net capital gains	$ (228,777)	$ -
Utilization of capital loss carry-forwards	-	
Federal income tax incurred	$ 31,283,501	$ 32,933,018

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

	December 31, 2003	Effective Tax Rate
Provision computed at statutory rate	$ 29,276,286	35.0%
Tax exempt income deduction	$ (13,467)	0
Dividends received deduction	$ (166,190)	-0.2%
Tax differentials on foreign earnings	$ 0	0
Nondeductible expense	$ 481,082	0.6%
Other	$ 260,248	0.3%
Total	$ 29,837,959	35.7%
Federal and foreign income taxes incurred	$ 31,283,501	37.4%
Change in net deferred incomes taxes	$ (1,445,541)	-1.7%
Total statutory incomes taxes	$ 29,837,959	35.7%

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

	December 31, 2003	December 31, 2002
Total of all deferred tax asset (admitted and nonadmitted)	$41,591,124	$ 40,053,516
Total of all deferred tax liabilities	10,172,791	3,550,095
Net deferred tax asset (liability)	31,418,333	36,503,421
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	20,794,605	26,467,298
Net admitted deferred tax asset/(liability)	10,623,728	10,036,123
Increase (decrease) in deferred tax assets nonadmitted	$ (5,672,693)	$ 578,872

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

	December 31, 2003	December 31, 2002
Deferred Tax Assets:		
Tax basis discount on unpaid losses	$ 966,644	$ 1,044,931
Adjustment for deferred acquisitions costs	3,887,241	3,255,615
Accrued deferred compensation	9,172,925	7,229,854
Other Post Employment Benefits	4,851,700	4,499,950
Basis difference in investments	3,116,814	2,996,390
Depreciation	4,957,259	5,558,250
Intangibles	12,171,007	12,301,514
Other	2,467,535	3,167,012
Credits	0	0
Total deferred tax assets	41,591,124	40,053,516
Total deferred tax assets non-admitted	20,794,605	26,467,298
Admitted deferred tax assets	20,796,519	13,586,219
Deferred Tax Liabilities:		
Unrealized Capital Gains	9,850,152	3,319,523
Accrued dividends	44,824	32,093
Other	277,815	198,479
Total deferred tax liabilities	10,172,791	3,550,095
Net admitted deferred tax asset/(liability)	10,623,728	10,036,123

NOTES TO FINANCIAL STATEMENTS

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

	December 32, 2003	December 31, 2002	Change
Total deferred tax assets	$ 41,591,124	$ 40,053,516	$1,537,608
Total deferred tax liabilities	10,172,791	3,550,095	6,662,695
Net deferred tax asset (liability)	$ 31,418,333	$ 36,503,421	$(5,085,087)
Tax effect of unrealized gains (losses)			6,530,629
Change in net deferred income tax			$ 1,445,541

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

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Arkansas Blue Cross Blue Shield owns 100% of Ideal Medicare Services and USAble Corporation. Through its holding company, USAble Corporation, it owns 100% of The First Pyramid Life Insurance Company of America, 79.8% of USAble Life, 61.4% of AHIN, LLC, 50% of HMO Partners, Inc., and 50% of Novitas Health, LLC.

B. N/A

C. N/A

D. At December 31, 2003 the Company reported the following amounts due from Affiliates:

Health Advantage	7,143,353
Ideal Medicare Services	156,548
USAble Life	474,165
USAble Corporation	734,755
AHIN, LLC	339,811
Total	$ 8,848,632

At December 31, 2002 the Company reported the following amounts do to Affiliates:

Health Advantage	2,207,710
USAble Corp	168,577
USAble Life	344,693
Joint Ventures	5,402,974
AHIN, LLC	211,829
Total	$ 8,335,783

E. N/A
F. The Company and certain subsidiary affiliates, including unconsolidated subsidiaries, participate in a vendor payment system administered and maintained by the Company. Costs from this system as well as other costs, which have multi-company benefit, are allocated to the Company and its affiliates based on allocation formulas.

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

11. Debt

A. As of December 31, 2003, the Company has no capital notes.
B. As of December 31, 2003, the Company's liability for borrowed money was zero ($-0-).

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

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

B. Defined Contribution Plan
The Company offers an optional 401(k) plan to all eligible employees. To be eligible, an employee must have completed one year of employment with the Company. The employee has the option of deferring up to 15% of his or her salary. The Company matches the amount deferred by the employee based upon years of service from a minimum of 50% to a maximum of 100% of a 6% contribution.

Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plu$. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plu$ portion of the plan. Under the 401(k) Plu$ the Company makes a contribution from 2% to 6% of the eligible compensation of all eligible employees. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. At no time will the contribution be less than 2% nor more than 6%. For 2003, 4% has been used to calculate the Company's contribution of $3,540,109.

All funds under the 401(k) Plu$ portions of the plan are held by an outside trustee.

NOTES TO FINANCIAL STATEMENTS

C. Multi-employer Plans
The Company does not participate in multi-employer plans.

D. Consolidated/Holding Company Plans
The Company participates in a deferred compensation plan with its subsidiaries and affiliates.

E. Postemployment Benefits and Compensated Absences
The Company provides unfunded medical indemnity and life insurance plans for eligible employees and/or their spouses. The medical plan is available to all employees who have 15 years of service and retire at age 55 or later, become disabled, or die while in active service. The plan is a PPO plan with an HMO option for those who retired before January 1, 1996. Current employees who retire with 15 years of service as of December 31, 1993, will receive an annual allowance based upon 1994 medical cost adjusted for the health care cost trend rate until retirement, after retirement a 5% inflation rate is applied. Current employees who retire with less than 15 years of service, as of December 31, 1993, will receive an annual allowance adjusted by a 5% inflation rate. The annual allowance is based upon years of service to a maximum of 25. The life insurance program covers the lives of retirees 55 or older who are eligible for a pension benefit or become disabled. Life insurance amounts are based on the employee's basic annual earnings at retirement . Postretirement benefit cost for the year ended December 31, 2002, was $1,005,000; it included the expected cost of postretirement benefits for newly eligible or vested employees, interest costs, and gains and losses arising from the difference between actuarial assumptions and actual experience. Arkansas Blue Cross Blue Shield made contributions to the plan of $781,000 in 2003 as claims were incurred.

At December 31, 2003, the unfunded postretirement benefit obligation for retirees and other fully eligible or vested plan participants was $20,215,000. The estimated cost of the benefit obligation for active non-vested employees was $44,890,000. The discount rate used in determining the accumulated postretirement benefit was 6.0% and the health care cost trend rate was 7%. The measurement date of the plan is November 30, 2003.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point each year would increase the total postretirement benefit obligation as of December 31, 2003, by $2,375,000 and the estimated eligibility cost and interest cost components of net periodic postretirement benefit cost for 2003 by $206,000.

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

1) As of December 31, 2003, the Company had no common capital shares authorized, issued or outstanding.
2) The Company has no preferred stock outstanding.
3) The Company has no dividend restrictions.
4) As a Mutual Insurer, the Company can only pay dividends on participating polices and the Company does not issue participating polices.
5) The Company had no restrictions on its unassigned surplus.
6) The Company does not have any advances to surplus.
7) As of December 31, 2003, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
8) The Company has no special surplus funds.
9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
   a. unrealized gains and losses: $ 17,699,121
   b. nonadmitted asset values: $ 55,567,160
   c. provision for reinsurance: $ 0

10) The Company has no Surplus Notes as of December 31, 2003.
11) The Company was not involved in a quasi-reorganization.
12) The Company was not involved in a quasi-reorganization.

14. Contingencies

The Company is not aware of any contingent liabilities as of December 31, 2003.

In the normal course of business, the Company is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2003. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

15. Leases

The Company has no material lease obligations at this time.

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

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

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

The Company has not been involved in any sale, transfer and servicing of financial assets and extinguishments of liabilites as December 31, 2003.

NOTES TO FINANCIAL STATEMENTS

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

Cost Plus Risk Premium	$ 1,147,016
Cost Plus Large Claim & Aggregate Expense	416,119
Difference	730,897
Assume Cost Plus Retention Charges = Actual Admin	
Then Gain/(Loss) on Cost Plus is	$ 730,897

The gain (loss) from operations for uninsured accident and health plans was as follows during 2003:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	NONE	$ 730,897	$ 730,897
Other Income	NONE	NONE	NONE
Net gain or (loss) from operations	NONE	$ 730,897	$ 730,897

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

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

20. September 11 Events

The Company did not recognize any losses as a result of the September 11 events.

21. Other Items

A. The Company had no extraordinary items as of December 31, 2003.
B. The Company had no troubled debt restructuring as of December 31, 2003.
C. The Company did not have any other disclosures covered by SSAP No. 1 in the 2003 Annual Statement.
D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2003.
E. The Company has no non-cash investing or financing transactions as of December 31, 2003.
F. The Company did not have any Business Interruption Insurance Recoveries as of December 31, 2003.

22. Events Subsequent

There were no known events subsequent as of December 31, 2003.

23. Reinsurance

A. The Company does not have any unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.
B. The Company does not have any reinsurance recoverable that is in dispute.
C. The Company does not have any return commission which would have been due if the Company had cancelled the reinsurance.
D. The Company did not have any uncollectible reinsurance written off during the year.
E. There was no commutation of reinsurance during the year.
F. The Company does not have any retroactive reinsurance agreements.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company did not have any retrospectively rated contracts or contracts subject to redetermination.

25. Change in Incurred Claims and Claim Adjustment Expenses

The Company does not have any changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years.

26. Intercompany Pooling Arrangements

The Company did not have any intercompany pooling arrangements

27. Structured Settlements

The Company did not have any structured settlements as of December 31, 2003.

NOTES TO FINANCIAL STATEMENTS

28. Health Care Receivable

The Company, in accordance with SSAP No. 84, has estimated pharmaceutical rebate receivables recorded on its financial statements. In determining its estimate, the Company utilizes historical information relative to pharmaceutical rebates received as well as considering contractual changes in rebate amounts and changes in membership. While the Company records the total estimated pharmaceutical rebate receivable, it only admits as an asset the estimate for the last quarter of the reporting date. The detail of the estimated amounts on the financial statements and the related collections are as follows:

				---Rebates collected within days of qtr---		
Qtr	Est Rebates on F/S	Admitted	Invoiced	0-90	91-180	over 180
12/31/03	$3,116,975	$716,517	-0-		-	-
09/30/03	$3,590,935	$598,000	-0-		-	-
06/30/03	$3,726,911	$598,000	-0-		-	-
03/31/03	$3,809,373	$598,000	-0-		-	228,491.05
12/31/02	$3,869,580	$749,800	-0-		-	585,176.69
09/30/02	$4,105,032	$749,800	-0-		-	524,326.74
06/30/02	$3,927,449	$735,980	-0-		13,819.31	647,786.95
03/31/02	$3,692,260	$460,197	-0-		233.92	443,618.98
12/31/01	$3,705,370	$331,682	-0-		705.73	688,725.63
09/30/01	$2,710,333	$150,588	-0-		174.21	663,441.76
06/30/01	$2,463,132	$164,646	-0-		-	735,070.83
03/31/01	$1,893,359	$241,115	-0-		2,439.86	788,439.83

29. Participating Policies

The Company did not have any participating policies.

30. Premium Deficiency Reserves

The Company did not have any premium deficiency reserves as of December 31, 2003.

31. Salvage and Subrogation

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

Line of Business	Year Incurred	December 31 2002	December 31 2003
Accident and Health	1999	$ 4,056	$ 1,357
	2000	$ 74,189	$ 35,970
	2001	$ 1,746,729	$ 107,695
	2002	$ 3,777,970	$ 1,397,459
	2003		$ 4,202,991
Total		$ 5,602,944	$ 5,745,471

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	62,214,968	14.5	62,214,968	14.5
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	29,611,975	6.9	29,611,975	6.9
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	17,967,232	4.2	17,967,232	4.2
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	4,413,245	1.0	4,413,245	1.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations	1,478,843	0.3	1,478,843	0.3
1.44 Industrial development and similar obligations	88,056,067	20.5	88,056,067	20.5
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.0		0.0
1.512 Issued by FNMA and FHLMC		0.0		0.0
1.513 Privately issued		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC		0.0		0.0
1.523 All other privately issued		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.0		0.0
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated	762,900	0.2	762,900	0.2
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated	61,407,223	14.3	61,407,223	14.3
3.4 Other equity securities:				
3.41 Affiliated	87,006,605	20.2	87,006,605	20.2
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company	10,627,056	2.5	10,627,056	2.5
5.2 Property held for production of income (includes $.....0 of property acquired in satisfaction of debt)	15,701,912	3.7	15,701,912	3.7
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities	1,480,954	0.3	1,480,954	0.3
8. Cash and short-term investments	48,905,606	11.4	48,905,606	11.4
9. Other invested assets	341,336	0.1	341,336	0.1
10. Total invested assets	429,975,922	100.0	429,975,922	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State regulating? Arkansas

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

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

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2000

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

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 07/03/2002

3.4 By what department or departments? Arkansas Insurance Department

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

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

4.12 renewals? Yes [ ] No [X]

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

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

4.22 renewals? Yes [ ] No [X]

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

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

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

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

6.2 If yes, give full information:

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

7.2 If yes,

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

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

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8.1 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 location (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 Office of Thrift Supervision (OTS), 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 OTS	6 FDIC	7 SEC

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

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Samuel P. Partin
Vice President and Corporate Actuary, Little Rock, AR

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

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

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

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

11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

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

13. 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 [ ]

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

FINANCIAL

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

15.11 To directors or other officers .....

15.12 To stockholders not officers .....

15.13 Trustees, supreme or grand (Fraternal only) .....

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

15.21 To directors or other officers .....

15.22 To stockholders not officers .....

15.23 Trustees, supreme or grand (Fraternal only) .....

16.1 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]

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

16.21 Rented from others .....

16.22 Borrowed from others .....

16.23 Leased from others .....

16.24 Other .....

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

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

17.2 If answer is yes:

17.21 Amount paid as losses or risk adjustment .....

17.22 Amount paid as expenses $.....598,268

17.23 Other amounts paid .....

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

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

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits? Yes [ ] No [X]

19.2 If no, give full and complete information relating thereto.
Regions Bank
Little Rock, AR

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1) Yes [ ] No [X]

20.2 If yes, state the amount thereof at December 31 of the current year:
20.21 Loaned to others .....
20.22 Subject to repurchase agreements .....
20.23 Subject to reverse repurchase agreements .....
20.24 Subject to dollar repurchase agreements .....
20.25 Subject to reverse dollar repurchase agreements .....
20.26 Pledged as collateral .....
20.27 Placed under option agreements .....
20.28 Letter stock or securities restricted as to sale .....
20.29 Other .....

20.3 For each category above, if any of these assets are held by others, identify by whom held:
20.31
20.32
20.33
20.34
20.35
20.36
20.37
20.38
20.39
For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

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

1 Name of Custodian(s)	2 Custodian's Address
Regions Bank Trust Dept.	Little Rock, AR

23.02 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)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [ ] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
116359	Foundation Resource Management, Inc.	Little Rock, AR

24.1 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 [X] No [ ]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
88018T 10 1	Templeton Dragon Fund-Closed End	931,882
922018 10 6	Vanguard Windsor Fund	570,422
9999999. TOTAL		1,502,304

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Templeton Dragon Fund-Closed End	Dairy Farm Int Holdings, China Petroleum	327,090	12/31/2003
Vanguard Windsor Fund	Citigroup, Comcast A Shares, Washingtor	103,132	12/31/2003

GENERAL INTERROGATORIES (continued)

OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....789,768

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

1 Name	2 Amount Paid
Blue Cross and Blue Shield Association	753,824

26.1 Amount of payments for legal expenses, if any? $.....473,054

26.2 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
Foley & Lardner	163,689
Mayer, Brown & Platt	134,242

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $.....45,922

27.2 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
Mullenix and Associates	35,422

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only $.....157,728,251

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

1.31 Reason for excluding

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

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.....123,157,117

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....44,874,746

1.62 Total incurred claims $.....31,093,582

1.63 Number of covered lives 38,810

All years prior to most current three years:

1.64 Total premium earned $.....112,853,505

1.65 Total incurred claims $.....92,063,535

1.66 Number of covered lives 71,524

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	901,717,448	856,517,316
2.2 Premium Denominator	901,717,448	856,517,316
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	159,465,842	148,137,943
2.5 Reserve Denominator	159,931,264	148,137,943
2.6 Reserve Ratio (2.4/2.5)	99.7	100.0

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 [X]

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 departments been filed with the appropriate regulatory agency? Yes [X] 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 [X]

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

5.2 If no, explain:

Sufficient Capital and Surplus, 50 year history of managing business without a stop loss, $2,000,000 lifetime maximum benefit level on most policies

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....0

5.32 Medical only $.....0

5.33 Medicare supplement $.....0

5.34 Dental $.....0

5.35 Other limited benefit plan $.....0

5.36 Other $.....0

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:

Hold Harmless Arrangement

7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] 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 9,881

8.2 Number of providers at end of reporting year 10,838

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

9.2 If yes, direct premium earned:

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

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

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES (continued)

10.1 Does the reporting entity have Incentive Pool, Withhold and Bonus arrangements in its provider contracts? Yes [ ] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses $.....0

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

10.23 Maximum amount payable withholds $.....0

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

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]

11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

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

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

11.4 If yes, show the amount required. $.....575,000

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

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 Statewide

FIVE-YEAR HISTORICAL DATA

	1 2003	2 2002	3 2001	4 2000	5 1999
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	573,082,721	495,930,475	443,673,978	367,231,067	345,235,818
2. Total liabilities (Page 3, Line 22)	245,881,225	236,347,212	241,424,657	208,866,772	194,167,072
3. Statutory surplus	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 30)	327,201,498	259,583,264	202,249,321	158,364,297	151,068,746
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	892,177,454	842,674,538	909,753,142	770,846,195	668,241,391
6. Total medical and hospital expenses (Line 18)	691,717,425	630,068,182	754,955,914	672,037,694	564,900,717
7. Total administrative expenses (Line 21)	77,878,522	109,129,516	105,545,956	96,265,821	103,607,696
8. Net underwriting gain (loss) (Line 24)	78,234,607	89,146,607	37,024,393	(2,479,003)	140,328
9. Net investment gain (loss) (Line 27)	11,312,158	12,289,948	16,506,605	8,473,532	13,075,949
10. Total other income (Lines 28 plus 29)	(5,900,234)	(20,348,376)	(2,907,822)	10,454,150	7,984,023
11. Net income or (loss) (Line 32)	52,363,031	48,155,161	50,623,176	11,223,248	13,240,084
Risk-Based Capital Analysis					
12. Total adjusted capital	327,201,498	259,583,264	202,249,321	163,095,211	160,760,961
13. Authorized control level risk-based capital	33,779,003	30,105,146	35,624,729	33,975,081	24,464,531
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	396,293	393,923	454,397		
15. Total member months (Column 6, Line 7)	4,808,747	4,611,230	5,485,032		
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5)**					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total hospital and medical (Line 18)	77.5	74.8	83.0		
18. Total underwriting deductions (Line 23)	91.2	89.4	95.6		
19. Total underwriting gain (loss) (Line 24)	8.8	10.6	4.1		
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 12, Col. 5)	86,206,151	98,002,177	106,619,547		
21. Estimated liability of unpaid claims - [prior year (Line 12, Col. 6)]	104,431,202	127,762,284	122,107,552		
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)	87,006,604	81,681,225	71,799,635	65,940,433	66,325,081
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	87,006,604	81,681,225	71,799,635	65,940,433	66,325,081

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	62,214,968	64,935,900	64,597,658	60,000,000
Governments	2. Canada	1,266,604	1,332,060	1,272,365	1,250,000
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	63,481,572	66,267,960	65,870,023	61,250,000
	5. United States	4,413,245	4,409,295	4,491,852	4,080,000
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	4,413,245	4,409,295	4,491,852	4,080,000
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States	31,090,818	31,316,472	31,286,061	30,611,000
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	31,090,818	31,316,472	31,286,061	30,611,000
	17. United States	1,521,371	1,570,455	1,535,005	1,500,000
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	1,521,371	1,570,455	1,535,005	1,500,000
Industrial and Miscellaneous and	21. United States	86,534,696	90,035,956	87,667,550	83,860,000
Credit Tenant Loans	22. Canada	16,700,628	17,659,726	16,986,856	16,520,000
(Unaffiliated)	23. Other Countries				
	24. Totals	103,235,324	107,695,682	104,654,406	100,380,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	203,742,330	211,259,864	207,837,347	197,821,000
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States	762,900	762,900	521,300	
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	762,900	762,900	521,300	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	762,900	762,900	521,300	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States	45,978,863	45,978,863	25,584,921	
Industrial and Miscellaneous	50. Canada	14,162,297	14,162,297	8,073,515	
(Unaffiliated)	51. Other Countries	1,266,066	1,266,066	528,438	
	52. Totals	61,407,226	61,407,226	34,186,874	
Parent, Subsidiaries and Affiliates	53. Totals	87,006,605	87,006,604	49,687,932	
	54. **Total Common Stocks**	148,413,831	148,413,831	83,874,806	
	55. **Total Stocks**	149,176,731	149,176,731	84,396,106	
	56. **Total Bonds and Stocks**	352,919,061	360,436,595	292,233,453	

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

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year		321,131,700
2. Cost of bonds and stocks acquired, Column 6, Part 3		53,631,466
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	(2,129,750)	
3.2 Column 12, Part 2, Section 1	450,760	
3.3 Column 10, Part 2, Section 2	23,729,251	
3.4 Column 10, Part 4	(883,059)	21,167,202
4. Total gain (loss), Column 14, Part 4		641,684
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		43,652,991
6. Foreign exchange adjustment:		
6.1 Column 17, Part 1		
6.2 Column 13, Part 2, Section 1		
6.3 Column 11, Part 2, Section 2		
6.4 Column 11, Part 4		0
7. Book/adjusted carrying value at end of current period		352,919,061
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		352,919,061
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		352,919,061

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	2	Direct Business Only					
			3	4	5	6	7	8
State, Etc.	Guaranty Fund (YES or NO)	Is Insurer Licensed? (YES or NO)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty Premiums
1. Alabama AL	NO	NO						
2. Alaska AK	NO	NO						
3. Arizona AZ	NO	NO						
4. Arkansas AR	YES	YES	662,531,395			142,994,167		
5. California CA	NO	NO						
6. Colorado CO	NO	NO						
7. Connecticut CT	NO	NO						
8. Delaware DE	NO	NO						
9. District of Columbia DC	NO	NO						
10. Florida FL	NO	NO						
11. Georgia GA	NO	NO						
12. Hawaii HI	NO	NO						
13. Idaho ID	NO	NO						
14. Illinois IL	NO	NO						
15. Indiana IN	NO	NO						
16. Iowa IA	NO	NO						
17. Kansas KS	NO	NO						
18. Kentucky KY	NO	NO						
19. Louisiana LA	NO	NO						
20. Maine ME	NO	NO						
21. Maryland MD	NO	NO						
22. Massachusetts MA	NO	NO						
23. Michigan MI	NO	NO						
24. Minnesota MN	NO	NO						
25. Mississippi MS	NO	NO						
26. Missouri MO	NO	NO						
27. Montana MT	NO	NO						
28. Nebraska NE	NO	NO						
29. Nevada NV	NO	NO						
30. New Hampshire NH	NO	NO						
31. New Jersey NJ	NO	NO						
32. New Mexico NM	NO	NO						
33. New York NY	NO	NO						
34. North Carolina NC	NO	NO						
35. North Dakota ND	NO	NO						
36. Ohio OH	NO	NO						
37. Oklahoma OK	NO	NO						
38. Oregon OR	NO	NO						
39. Pennsylvania PA	NO	NO						
40. Rhode Island RI	NO	NO						
41. South Carolina SC	NO	NO						
42. South Dakota SD	NO	NO						
43. Tennessee TN	NO	NO						
44. Texas TX	NO	NO						
45. Utah UT	NO	NO						
46. Vermont VT	NO	NO						
47. Virginia VA	NO	NO						
48. Washington WA	NO	NO						
49. West Virginia WV	NO	NO						
50. Wisconsin WI	NO	NO						
51. Wyoming WY	NO	NO						
52. American Samoa AS	NO	NO						
53. Guam GU	NO	NO						
54. Puerto Rico PR	NO	NO						
55. U.S. Virgin Islands VI	NO	NO						
56. Canada CN	NO	NO						
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	662,531,395	0	0	142,994,167	0	0

DETAILS OF WRITE-INS

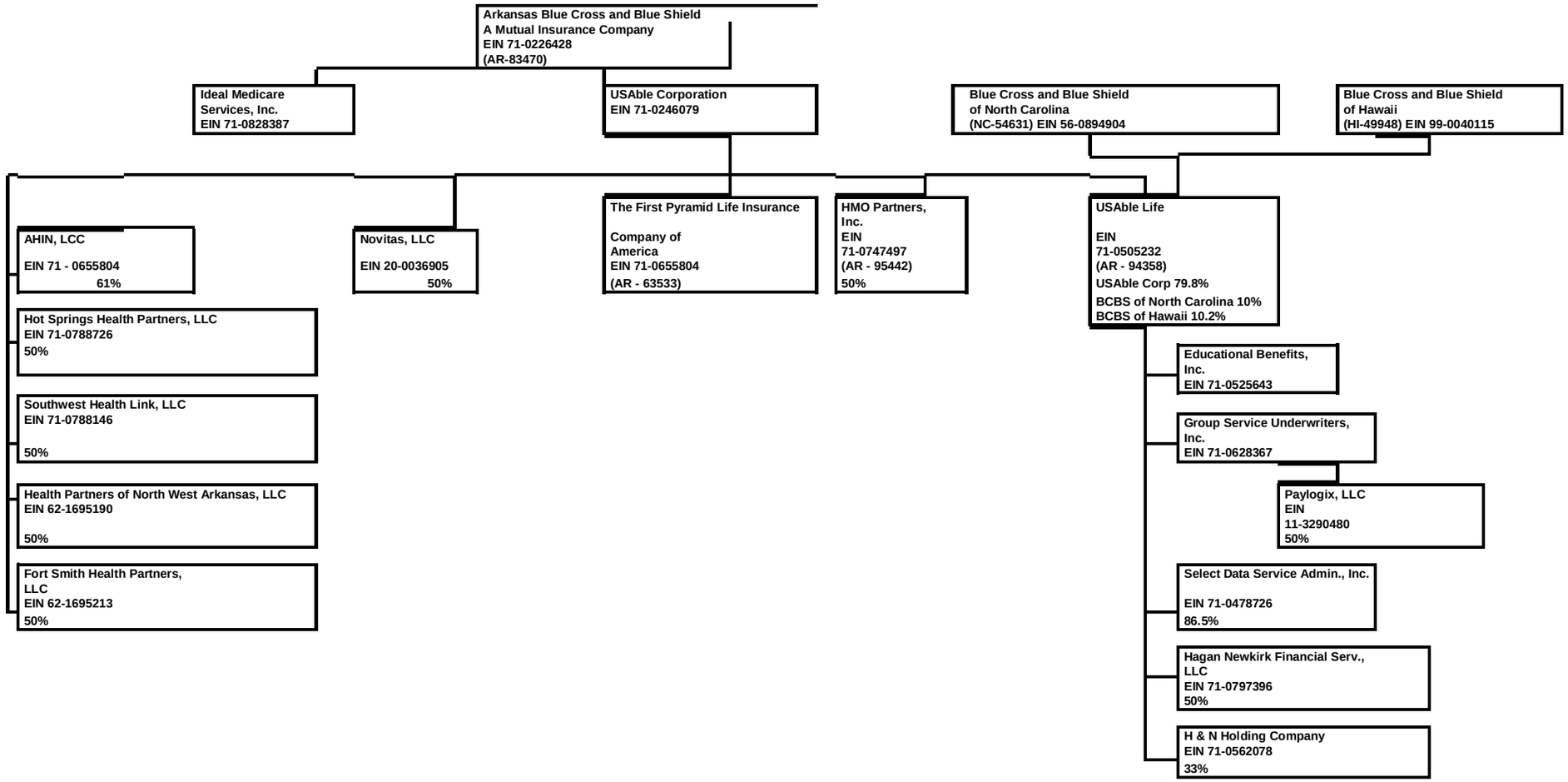
5701.						
5702.						
5703.						
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0	0	0

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

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

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

PART 1 – ORGANIZATIONAL CHART



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

PART 1 – ORGANIZATIONAL CHART