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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2003

of the Condition and Affairs of the

HMO Partners, Inc

NAIC Group Code..... 876, 876 (Current Period) (Prior Period) NAIC Company Code..... 95442 Employer's ID Number..... 71-0747497

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

Licensed as Business Type Health Maintenance Organization

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

Date Incorporated or Organized..... November 8, 1993 Date Commenced Business..... January 1, 1994

Statutory Home Office	26 Corporate Hill Drive ..... Little Rock ..... AR ..... 72205-4538 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	26 Corporate Hill Drive ..... Little Rock ..... AR ..... 72205-4538 *(Street and Number) (City or Town, State and Zip Code)*	501-221-1800 *(Area Code) (Telephone Number)*
Mail Address	26 Corporate Hill Drive ..... Little Rock ..... AR ..... 72205-4538 *(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	healthadvantage-hmo.com	
Statutory Statement Contact	Gray Donald DIllard *(Name)*	501-399-3953 *(Area Code) (Telephone Number) (Extension)*
	gddillard@arkbluecross.com *(E-Mail Address)*	*501-378-3258* *(Fax Number)*
Policyowner Relations Contact	.... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... David Frank Bridges Vice President/CFO ..... Steven James Short Assistant Treasurer ..... Gray Donald Dillard #
Treasurer.....Robert Lee Shoptaw Secretary.....Russell Doyne Harrington Jr.

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

James Sterling Adamson Jr. MD	Sharon Kay Allen	Richard Allen Calhoun Jr. MD	David Warren Cobb R.PH.
Richard Loyd Gore DDS	Russell Doyne Harrington Jr.	Randal Freeland Hundley MD	Nikita Jean Wilson RN #
William Patton Phillips MD	Robert Lee Shoptaw	Allen Frances Smith	Michael David Voss
Paul Mark White	James Robert Bailey	David Frank Bridges	Michael Wayne Brown
James Bruce Hazlewood MD #	Merlin Moody Hagan	Clement Wade Fox MD	Robert Lee Trammel

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
David Frank Bridges	Gray Donald Dillard	Steven James Short
(Printed Name)	(Printed Name)	(Printed Name)
President	Assistant Treasurer	Vice President/CFO

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)	31,604,662		31,604,662	29,426,552
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	9,876,259		9,876,259	6,374,308
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)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....9,318,434, Sch. E-Part 1), cash equivalents ($.....15,489,338, Sch. E-Part 2) and short-term investments ($.....1,691,325 Sch. DA)	26,499,097		26,499,097	21,331,547
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)			0	
8. Receivable for securities			0	
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	67,980,018	0	67,980,018	57,132,407
11. Investment income due and accrued	434,441		434,441	558,826
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in course of collection	366,337		366,337	558,378
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
12.3 Accrued retrospective premiums			0	
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	707,779		707,779	1,172,005
13.2 Funds held by or deposited with reinsured companies			0	
13.3 Other amounts receivable under reinsurance contracts			0	
14. Amounts receivable relating to uninsured plans	6,310,394		6,310,394	5,301,827
15.1 Current federal and foreign income tax recoverable and interest thereon	516,179		516,179	994,067
15.2 Net deferred tax asset			0	538,741
16. Guaranty funds receivable or on deposit			0	
17. Electronic data processing equipment and software			0	
18. Furniture and equipment, including health care delivery assets ($.....0)			0	
19. Net adjustment in assets and liabilities due to foreign exchange rates			0	
20. Receivable from parent, subsidiaries and affiliates	4,781,802		4,781,802	3,696,799
21. Health care ($.....1,312,009) and other amounts receivable	1,339,572	994,113	345,459	242,646
22. Other assets nonadmitted	67,500	67,500	0	
23. Aggregate write-ins for other than invested assets	0	0	0	450,808
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	82,504,022	1,061,613	81,442,409	70,646,504
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	82,504,022	1,061,613	81,442,409	70,646,504

DETAILS OF WRITE-INS

0901.			0	
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)	0	0	0	0
2301. A/R Other			0	450,808
2302.			0	
2303.			0	
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)	0	0	0	450,808

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $.....5,989,793 reinsurance ceded)	22,530,305		22,530,305	15,812,024
2. Accrued medical incentive pool and bonus amounts	3,773,664		3,773,664	4,809,404
3. Unpaid claims adjustment expenses	753,531		753,531	618,842
4. Aggregate health policy reserves			0	
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	1,347,249		1,347,249	4,852,568
9. General expenses due or accrued	916,358		916,358	
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized gains (losses))			0	614,880
10.2 Net deferred tax liability	903,975		903,975	168,135
11. Ceded reinsurance premiums payable	121,374		121,374	
12. Amounts withheld or retained for the account of others	1,938,429		1,938,429	1,780,581
13. Remittances and items not allocated	233,706		233,706	
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	7,188,481		7,188,481	6,117,249
16. Payable for securities			0	
17. Funds held under reinsurance treaties with ($.....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	6,092,906		6,092,906	6,270,371
21. Aggregate write-ins for other liabilities (including $.....105,183 current)	105,183	0	105,183	453,976
22. Total liabilities (Lines 1 to 21)	45,905,161	0	45,905,161	41,498,030
23. Common capital stock	XXX	XXX	10,000	10,000
24. Preferred capital stock	XXX	XXX		
25. Gross paid in and contributed surplus	XXX	XXX	1,919,153	1,919,153
26. Surplus notes	XXX	XXX		4,000,000
27. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
28. Unassigned funds (surplus)	XXX	XXX	33,608,095	23,219,321
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	35,537,248	29,148,474
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	81,442,409	70,646,504

DETAILS OF WRITE-INS

2101. Unclaimed property	138,958		138,958	235,017
2102. Miscellaneous payables	(33,775)		(33,775)	(25,633)
2103. Claims refunds clearing acct.			0	244,592
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)	105,183	0	105,183	453,976
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	1,142,220	556,106
2. Net premium income (including $..... non-health premium income)	XXX	130,775,791	106,775,393
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	130,775,791	106,775,393
Hospital and Medical:			
9. Hospital/medical benefits		135,980,901	123,134,271
10. Other professional services			
11. Outside referrals		8,327,851	10,093,913
12. Emergency room and out-of-area		6,446,428	5,790,481
13. Prescription drugs		19,584,439	15,912,487
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		3,196,706	4,809,404
16. Subtotal (Lines 9 to 15)	0	173,536,325	159,740,556
Less:			
17. Net reinsurance recoveries		66,259,739	72,303,659
18. Total hospital and medical (Lines 16 minus 17)	0	107,276,586	87,436,897
19. Non-health claims			
20. Claims adjustment expenses		4,895,749	2,412,041
21. General administrative expenses		6,831,659	7,801,118
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)	0	119,003,994	97,650,056
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	11,771,797	9,125,337
25. Net investment income earned		1,643,489	2,003,238
26. Net realized capital gains or (losses)		(284,619)	272,798
27. Net investment gains or (losses) (Lines 25 plus 26)	0	1,358,870	2,276,036
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	208,726	185,408
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	13,339,393	11,586,781
31. Federal and foreign income taxes incurred	XXX	4,598,774	4,111,676
32. Net income (loss) (Lines 30 minus 31)	XXX	8,740,619	7,475,105

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. Licensing fee income		159,996	159,996
2902. Miscellaneous Income		48,730	25,412
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	208,726	185,408

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	29,148,474	27,317,150
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	8,740,619	7,475,105
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses	2,337,853	(835,487)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	(234,559)	165,396
39. Change in nonadmitted assets	292,371	(1,261,258)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes	(4,000,000)	(3,000,000)
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	(747,510)	(712,432)
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	6,388,774	1,831,324
49. Capital and surplus end of reporting period (Line 33 plus 48)	35,537,248	29,148,474

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
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)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	127,583,887	110,391,756
2. Net investment income	1,767,874	2,166,424
3. Miscellaneous income	(348,793)	
4. Total (Lines 1 through 3)	129,002,968	112,558,180
5. Benefit and loss related payments	101,129,819	100,045,339
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	11,740,953	3,011,870
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net tax on capital gains (losses)	4,685,077	3,208,648
10. Total (Lines 5 through 9)	117,555,849	106,265,857
11. Net cash from operations (Line 4 minus Line 10)	11,447,119	6,292,323
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	11,090,993	12,550,000
12.2 Stocks	137,001	372,317
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	11,227,994	12,922,317
13. Cost of investments acquired (long-term only):		
13.1 Bonds	13,100,763	5,382,038
13.2 Stocks	626,750	1,732,704
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	13,727,513	7,114,742
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(2,499,519)	5,807,575
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(4,000,000)	(3,000,000)
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	747,510	712,432
16.6 Other cash provided (applied)	967,460	(3,341,140)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(3,780,050)	(7,053,572)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	5,167,550	5,046,326
19. Cash and short-term investments:		
19.1 Beginning of year	21,331,547	16,285,221
19.2 End of year (Line 18 plus Line 19.1)	26,499,097	21,331,547

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	130,775,791	130,775,791											
2. Change in unearned premium reserves and reserve for rate credit	0												
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)	130,775,791	130,775,791	0	0	0	0	0	0	0	0	0	0	0
8. Hospital/medical benefits	135,980,901	135,980,901											XXX
9. Other professional services	0												XXX
10. Outside referrals	8,327,851	8,327,851											XXX
11. Emergency room and out-of-area	6,446,428	6,446,428											XXX
12. Prescription drugs	19,584,439	19,584,439											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	3,196,706	3,196,706											XXX
15. Subtotal (Lines 8 to 14)	173,536,325	173,536,325	0	0	0	0	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	66,259,739	66,259,739											XXX
17. Total hospital and medical (Lines 15 minus 16)	107,276,586	107,276,586	0	0	0	0	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	4,895,749	4,895,749											
20. General administrative expenses	6,831,659	6,831,659											
21. Increase in reserves for accident and health contracts	0												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)	119,003,994	119,003,994	0	0	0	0	0	0	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	11,771,797	11,771,797	0	0	0	0	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)	221,422,791		90,647,000	130,775,791
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
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)	221,422,791	0	90,647,000	130,775,791
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	221,422,791	0	90,647,000	130,775,791

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	166,569,005	166,569,005											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	69,671,632	69,671,632											
1.4 Net	96,897,373	96,897,373	0	0	0	0	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	4,232,450	4,232,450											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	28,520,098	28,520,098											
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	5,989,793	5,989,793											
3.4 Net	22,530,305	22,530,305	0	0	0	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	3,773,664	3,773,664											
6. Amounts recoverable from reinsurers December 31, current year	707,779	707,779											
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct	24,749,484	24,749,484											
7.2 Reinsurance assumed	0												
7.3 Reinsurance ceded	8,937,460	8,937,460											
7.4 Net	15,812,024	15,812,024	0	0	0	0	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	4,809,404	4,809,404											
10. Amounts recoverable from reinsurers December 31, prior year	1,172,005	1,172,005											
11. Incurred benefits:													
11.1 Direct	170,339,619	170,339,619	0	0	0	0	0	0	0	0	0	0	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	66,259,739	66,259,739	0	0	0	0	0	0	0	0	0	0	0
11.4 Net	104,079,880	104,079,880	0	0	0	0	0	0	0	0	0	0	0
12. Incurred medical incentive pools and bonuses	3,196,710	3,196,710	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	3,386,448	3,386,448											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	1,151,393	1,151,393											
1.4 Net	2,235,055	2,235,055	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	12,379,725	12,379,725											
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	4,128,203	4,128,203											
2.4 Net	8,251,522	8,251,522	0	0	0	0	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct	12,753,925	12,753,925											
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	710,197	710,197											
3.4 Net	12,043,728	12,043,728	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct	28,520,098	28,520,098	0	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	5,989,793	5,989,793	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	22,530,305	22,530,305	0	0	0	0	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)	12,347,270	85,014,325	621,985	21,908,320	12,969,255	15,812,024
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	12,347,270	85,014,325	621,985	21,908,320	12,969,255	15,812,024
10. Other non-health					0	
11. Medical incentive pools, accruals and disbursements	4,232,450			3,773,664	4,232,450	4,809,404
12. Totals (Lines 9 to 11)	16,579,720	85,014,325	621,985	25,681,984	17,201,705	20,621,428

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	10,008	121			
2. 1999	104,021	11,225	136		
3. 2000	XXX	91,508	11,308	134	
4. 2001	XXX	XXX	117,253	17,930	(120)
5. 2002	XXX	XXX	XXX	75,425	12,467
6. 2003	XXX	XXX	XXX	XXX	85,014

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	99,203	99,836			
2. 1999	117,914	115,412	115,383		
3. 2000	XXX	104,714	103,165	102,949	
4. 2001	XXX	XXX	138,505	134,948	135,063
5. 2002	XXX	XXX	XXX	91,219	88,376
6. 2003	XXX	XXX	XXX	XXX	106,923

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	121,863	115,382		0.0	115,382	94.7			115,382	94.7
3. 2000	119,365	102,949		0.0	102,949	86.2			102,949	86.2
4. 2001	158,273	135,183	2,133	1.6	137,316	86.8			137,316	86.8
5. 2002	106,775	75,199	3,790	5.0	78,989	74.0	622	17	79,628	74.6
6. 2003	130,776	85,014	4,761	5.6	89,775	68.6	25,682	737	116,194	88.8
7. Total (Lines 1 through 6)	XXX	513,727	10,684	XXX	524,411	XXX	26,304	754	551,469	XXX
8. Total (Lines 2 through 6)	637,052	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	10,008	121			
2. 1999	104,021	11,225	136		
3. 2000	XXX	91,508	11,308	134	
4. 2001	XXX	XXX	117,253	17,930	(120)
5. 2002	XXX	XXX	XXX	75,425	12,467
6. 2003	XXX	XXX	XXX	XXX	85,014

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	99,203	99,836			
2. 1999	117,914	115,412	115,383		
3. 2000	XXX	104,714	103,165	102,949	
4. 2001	XXX	XXX	138,505	134,948	135,063
5. 2002	XXX	XXX	XXX	91,219	88,376
6. 2003	XXX	XXX	XXX	XXX	106,923

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	121,863	115,382		0.0	115,382	94.7			115,382	94.7
3. 2000	119,365	102,949		0.0	102,949	86.2			102,949	86.2
4. 2001	158,273	135,183	2,133	1.6	137,316	86.8			137,316	86.8
5. 2002	106,775	75,199	3,790	5.0	78,989	74.0	622	17	79,628	74.6
6. 2003	130,776	85,014	4,761	5.6	89,775	68.6	25,682	737	116,194	88.8
7. Total (Lines 1 through 6)	XXX	513,727	10,684	XXX	524,411	XXX	26,304	754	551,469	XXX
8. Total (Lines 2 through 6)	637,052	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent ($.....0 for occupancy of own building)	18,347	283,047		301,394
2. Salaries, wages and other benefits	6,065,872	11,106,856		17,172,728
3. Commissions (less $.....0 ceded plus $.....0 assumed)		865,017		865,017
4. Legal fees and expenses		206,831		206,831
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services	48,660	605,059		653,719
7. Traveling expenses	100,218	324,622		424,840
8. Marketing and advertising	3,663	121,116		124,779
9. Postage, express and telephone	478,756	649,100		1,127,856
10. Printing and office supplies	135,899	641,902		777,801
11. Occupancy, depreciation and amortization				0
12. Equipment	953,562	1,273,453		2,227,015
13. Cost or depreciation of EDP equipment and software	58,751	44,628		103,379
14. Outsourced services including EDP, claims, and other services	476,343	324,936		801,279
15. Boards, bureaus and association fees	589	226,092		226,681
16. Insurance, except on real estate	103,937	136,752		240,689
17. Collection and bank service charges		46,914		46,914
18. Group service and administration fees	27,921	151,174		179,095
19. Reimbursements by uninsured accident and health plans		(3,913,558)		(3,913,558)
20. Reimbursements from fiscal intermediaries	11			11
21. Real estate expenses	186,659	307,451		494,110
22. Real estate taxes	14,898	20,714		35,612
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes	17,265	230,431		247,696
23.2 State premium taxes		981,994		981,994
23.3 Regulatory authority licenses and fees	191	35,706		35,897
23.4 Payroll taxes	349,597	520,659		870,256
23.5 Other (excluding federal income and real estate taxes)		1,522		1,522
24. Investment expenses not included elsewhere			55,522	55,522
25. Aggregate write-ins for expenses	(4,145,390)	(8,360,759)	0	(12,506,149)
26. Total expenses incurred (Lines 1 to 25)	4,895,749	6,831,659	55,522	(a) 11,782,930
27. Less expenses unpaid December 31, current year	753,531	916,358		1,669,889
28. Add expenses unpaid December 31, prior year	618,842			618,842
29. Amounts receivable relating to uninsured accident and health plans, prior year				0
30. Amounts receivable relating to uninsured accident and health plans, current year				0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	4,761,060	5,915,301	55,522	10,731,883

DETAILS OF WRITE-INS

2501. Administrative Services Agreement		1,013,043		1,013,043
2502. Contract Labor	363,410	253,472		616,882
2503. Unpaid Claims Processing	189,910			189,910
2598. Summary of remaining write-ins for Line 25 from overflow page	(4,698,710)	(9,627,274)	0	(14,325,984)
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	(4,145,390)	(8,360,759)	0	(12,506,149)

(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) 59,375	31,304
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 1,819,346	1,508,118
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	141,602	151,884
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term investments	(e) 237,415	250,945
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	2,257,738	1,942,251
11.	Investment expenses		(g) 55,522
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 243,240
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		298,762
17.	Net investment income (Line 10 minus Line 16)		1,643,489

DETAILS OF WRITE-INS

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

(a) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....67,719 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....243,240 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1.	U.S. government bonds					0
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)	97,927			385,241	483,168
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)	8,185	(390,731)		1,952,612	1,570,066
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/short-term investments					0
7.	Derivative instruments					0
8.	Other invested assets					0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	106,112	(390,731)	0	2,337,853	2,053,234

DETAILS OF WRITE-INS

0901.						0
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)	0	0	0	0	0

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		1,286,484	1,286,484
2. Other nonadmitted assets:			
2.1 Bills receivable	994,113		(994,113)
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)	994,113	0	(994,113)
4. Aggregate write-ins for other than invested assets	67,500	67,500	0
5. Total (Line 1 plus Lines 3 and 4)	1,061,613	1,353,984	292,371

DETAILS OF WRITE-INS

0401. Prepaid Expenses	67,500	67,500	0
0402.			0
0403.			0
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	67,500	67,500	0

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	69,705	70,462	70,866	69,762	37,025	744,322
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service	26,853	32,858	34,507	35,226	31,286	397,898
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	96,558	103,320	105,373	104,988	68,311	1,142,220

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

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

C. Accounting Policy

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

In addition, the company uses the following accounting policies:

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

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. Effective January 1, 2001, the State of Arkansas adopted that 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.

Accounting changes adopted to conform to the provisions of the *NAIC Accounting Practices and Procedures* manual – Version effective January 1, 2001 are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle.

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.
F. The Company has no investments in real estate at this time.

6. Joint Ventures, Partnerships, and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships, or Limited Liability Companies

7. Investment Income

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

8. Derivative Instruments

The Company does not own any derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

The Company files a stand-alone federal income tax return.

When available, the Company utilizes net operating loss carry forwards to offset taxable income. 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	$4,900,000
2002	$4,126,352
2001	$3,692,182
2000	$2,855,413

The components of current income tax expense are as follows:

	2003	2002
Federal	$4,694,492	$4,011,249
Foreign	$ 3,899	2,824
Federal Income Tax on net capital gains	$ (99,617)	$ 94,779
Utilization of capital loss carry-forwards	-	
Federal income tax incurred	$4,598,774	$4,108,852

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
Provision computed at statutory rate	$ 4,668,788
Dividends received deduction	$ (22,259)
Nondeductible expense	$ 14,529
Other	$ 186,806
Total	$ 4,833,335
Federal and foreign income taxes incurred	$ 4,598,774
Change in net deferred incomes taxes	$ 234,561
Total statutory incomes taxes	$ 4,833,335

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)	$ 476,278	$ 757,565
Total of all deferred tax liabilities	1,380,252	168,135
Net deferred tax asset/(liability)	(903,975)	589,430
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes		50,689
Net admitted deferred tax asset/(liability)	(903,975)	538,741
Increase (decrease) in deferred tax assets nonadmitted	$ (50,689)	-

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	$ 199,998	$ 85,494
Unearned premium discounting	94,308	339,680
Accrued deferred compensation		218,825
Bad debts	45,217	45,587
Depreciation		67,980
Impairment of Assets	136,756	
Total deferred tax assets	476,278	757,565
Total deferred tax assets non-admitted		50,689
Admitted deferred tax assets	476,278	706,876
Deferred Tax Liabilities:		
Unrealized Capital Gains	1,371,876	113,032
Accrued dividends	8,377	4,778
Other		50,326
Total deferred tax liabilities	1,380,252	168,135
Net admitted deferred tax asset/(liability)	(903,975)	538,741

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2003	December 31, 2002	Change
Total deferred tax assets	$ 476,278	$ 757,565	$ (281,288)
Total deferred tax liabilities	1,380,252	168,135	1,212,117
Net deferred tax asset (liability)	$ (903,975)	$ 589,430	$ (1,493,405)
Tax effect of unrealized gains (losses)			1,258,844
Change in net deferred income tax			$ (234,561)

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company's shareholders are USAble Corporation, a subsidiary of Arkansas Blue Cross and Blue Shield (50%) and Baptist Medical System HMO, Inc. (50%). The Company was formed on January 1, 1994.

B. & C. The Company, d/b/a Health Advantage, serves as the employee health insurance carrier for Arkansas Blue Cross and Blue Shield. For the years ending December 31, 2003 and December 31, 2002 premiums of $9,700,859 and $9,505,418 were received respectively from Arkansas Blue Cross and Blue Shield. The Company paid dividends to USAble Corporation and BMS HMO on April 8, 2003, totaling $747,510.

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

Baptist Health	$2,574,092
Arkansas Blue Cross and Blue Shield	$ 2,207,710
Total	$4,781,802

At December 31, 2003 the Company reported the following amounts do to Affiliates:

Arkansas Blue Cross and Blue Shield	$7,143,353
AHIN	22,747
USAble Life	22,381
Total	$7,188,481

E. N/A

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

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 $276,798.

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

C. Multiemployer Plans
The Company does not participate in multiemployer plans.

D. Consolidated/Holding Company Plans
The Company's employees participate in the deferred compensation plans of the Company's co-owner, Arkansas Blue Cross and Blue Shield.

E. Postemployment Benefits and Compensated Absences
The Company does not offer a postretirement benefit plan.

NOTES TO FINANCIAL STATEMENTS

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

1) As of December 31, 2003, the Company had 1,000,000 common stock shares authorized, issued and outstanding at $.01 par value.
2) The Company has no preferred stock outstanding.
3) Dividends on Company stock are paid as declared by its Board of Directors.
4) Dividends are paid based on earned surplus and can not fall below state net worth requirements.
5) All unassigned surplus is being held for the stockholder.
6) The Company does not have any advances to surplus.
7) As of December 31, 2003, the Company held no stock 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: $ 2,547,769
   b. nonadmitted asset values: $ (1,061,613)
   c. separate account business: $ 0
   d. asset valuation reserves: $ 0
   e. provision for reinsurance: $ 0

10) Surplus Notes

a.	issue date	5/2/94	5/2/94	9/19/96	9/19/96
b.	Surplus notes				
c.	Holder of Note	USAble Corp	Multi-Management Services	USAble Corp	Multi-Managemt Services
d.	Par Value	$1,500,000	$1,500,000	$2,500,000	$2,500,000
e.	Carrying Value	$ -0-	$ -0-	$-0-	$-0-
f.	Interest rate	7.75%	7.75%	5.00%	5.00%

   g. Each payment of interest on and principal of the surplus notes may be made only with the prior approval of the Commissioner of the Arkansas Insurance Department and only to the extent the Company has sufficient surplus earnings to make such payment.
   h. There has been no interest or principal paid that was unapproved.
   i. For the year ending December 31, 2003 the Company paid $243,240 of interest and made principal repayments of $4,000,000 which included the final payoff of the remaining two notes issued 9/19/96. At 12/31/03 the principle balance was $-0-.
   j. The Company has paid $3,491,107 in interest over the life of the surplus notes and $8,000,000 in principle repayments.
   k. The rights to the principle amount and to the accrued interest thereon are and shall remain subject to and subordinate to all other liabilities of the Company.
   l. Upon the dissolution or liquidation of the Company, no payment on the surplus notes shall be made until all other liabilities of the Company shall have been paid.
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 liabilities as of 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

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	$ 513,238	$ 1,332	$ 514,570
Other Income	$ -0-	-0-	$ -0-
Net gain or (loss) from operations	$ 513,238	$ 1,332	$ 514,570
Total claim payment volume	$29,998,856	-0-	$29,998,856

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 had no material impact on its business related to the terrorist attacks of September 11, 2001.

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 has no other disclosures as of December 31, 2003.
D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2003.
E. The Company has no noncash transactions.
F. The Company has no business interruption insurance recoveries.

22. Events Subsequent

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

23. Reinsurance

A. Ceded Reinsurance Report

Section 1

1. The Company had no non-affiliated reinsurers.
2. The Company had no reinsurer chartered outside the United States.

Section 2

1. The Company has no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits.
2. The Company has no reinsurance agreements in effect such that the amount of losses paid or accrued may result in a payment to the reinsurer of amounts that exceed the premium collected.

Section 3

1. The estimated reduction in surplus if the reinsurance agreement was terminated would be $-0-.
2. No new agreements have been executed since January 1, 2003.

B. The Company did not have any uncollectible reinsurance written off during the year.
C. There was no commutation of reinsurance during the year.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company does not have any retrospectively rated contracts or contract 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 has no intercompany pooling arrangements.

NOTES TO FINANCIAL STATEMENTS

27. Structured Settlements

This note is not applicable to health entities.

28. Health Care Receivables

A. 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	$1,312,009	$317,896	-0-			
09/30/03	$1,275,426	$275,423	-0-			
06/30/03	$1,275,426	$258,539	-0-			
03/31/03	$1,208,907	$ -0-	-0-			$ 97,340
12/31/02	$1,478,445	$242,646	-0-			165,529
09/30/02	$2,234,384	$263,750	-0-			154,245
06/30/02	$2,106,542	$263,750	-0-		$6,237	199,801
03/31/02	$2,092,989	$263,750	-0-		44	187,219
12/31/01	$2,036,189	$358,995	-0-			323,540
09/30/01	$1,603,173	$358,995	-0-			310,242
06/30/01	$1,604,136	$462,000	-0-			351,537
03/31/01	$1,385,520	$484,652	-0-			432,501

B. The Company has no risk sharing receivables.

29. Participating Policies

The Company has no participating contracts.

30. Premium Deficiency Reserves

The Company has no premium deficiency reserves.

31. Anticipated Salvage and Subrogation

The Company has no estimates of anticipated salvage and subrogation.

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	1,115,650	1.6	1,115,650	1.6
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	2,107,503	3.1	2,107,503	3.1
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations	8,643,537	12.7	8,643,537	12.7
1.44 Industrial development and similar obligations	19,737,973	29.0	19,737,973	29.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.0		0.0
1.512 Issued by FNMA and FHLMC		0.0		0.0
1.513 Privately issued		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC		0.0		0.0
1.523 All other privately issued		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.0		0.0
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated	9,876,258	14.5	9,876,258	14.5
3.4 Other equity securities:				
3.41 Affiliated		0.0		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		0.0		0.0
5.2 Property held for production of income (includes $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash and short-term investments	26,499,097	39.0	26,499,097	39.0
9. Other invested assets		0.0		0.0
10. Total invested assets	67,980,018	100.0	67,980,018	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 [ ] No [ ] N/A [X]

1.3 State regulating? _____

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [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. 12/31/2002

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. 12/31/2002

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). 02/04/2004

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
Little Rock, AR

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 Vorderstrasse
Employee of Arkansas Blue Cross and Blue Shield

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?
None

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

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

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

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 0

15.12 To stockholders not officers 0

15.13 Trustees, supreme or grand (Fraternal only) 0

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 0

15.22 To stockholders not officers 0

15.23 Trustees, supreme or grand (Fraternal only) 0

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 $.....201,618

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	1,000,000.000	1,000,000.000	0.01	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
Trust Department, 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 [X]
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 Department	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 [ ] No [X]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999. TOTAL		0

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

GENERAL INTERROGATORIES (continued)

OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....239,307

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 Blue Shield Association	237,579

26.1 Amount of payments for legal expenses, if any? $.....152,899

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
Mayer Brown & Platt	70,243

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

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

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....0

1.62 Total incurred claims $.....0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $.....0

1.65 Total incurred claims $.....0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	130,775,791	106,775,393
2.2 Premium Denominator	130,775,791	106,775,393
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	26,303,969	20,621,428
2.5 Reserve Denominator	26,303,969	20,621,428
2.6 Reserve Ratio (2.4/2.5)	100.0	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 [X] No [ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....2,000,000

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 4,916

8.2 Number of providers at end of reporting year 5,333

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 [X] No [ ]

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 $.....12,458,394

10.24 Amount actually paid for year withholds $.....7,498,700

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. $.....100,000

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)	81,442,409	70,646,504	62,611,470	70,215,971	68,010,676
2. Total liabilities (Page 3, Line 22)	45,905,161	41,498,030	35,294,320	48,404,242	53,250,749
3. Statutory surplus	100,000	100,000	100,000		
4. Total capital and surplus (Page 3, Line 30)	35,537,248	29,148,474	27,317,150	21,811,729	14,759,927
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	130,775,791	106,775,393	158,273,181	124,654,682	125,837,814
6. Total medical and hospital expenses (Line 18)	107,276,586	87,436,897	136,863,608	102,211,790	104,319,803
7. Total administrative expenses (Line 21)	6,831,659	7,801,118	12,125,656	12,949,624	14,413,153
8. Net underwriting gain (loss) (Line 24)	11,771,797	9,125,337	7,150,636	4,204,405	3,130,228
9. Net investment gain (loss) (Line 27)	1,358,870	2,276,036	3,470,670	3,309,012	2,010,169
10. Total other income (Lines 28 plus 29)	208,726	185,408	216,011	1,979,851	1,964,461
11. Net income or (loss) (Line 32)	8,740,619	7,475,105	7,124,325	6,256,110	4,655,630
Risk-Based Capital Analysis					
12. Total adjusted capital	35,537,248	29,148,474	27,317,150	21,811,729	14,759,927
13. Authorized control level risk-based capital	4,804,578	3,951,355	5,828,417	4,539,952	4,084,262
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	68,311	96,558	157,332	170,090	175,781
15. Total member months (Column 6, Line 7)	1,142,220	1,160,149	1,989,584	2,044,636	2,120,218
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)	82.0	81.9	86.5		
18. Total underwriting deductions (Line 23)	91.0	91.5	95.5		
19. Total underwriting gain (loss) (Line 24)	9.0	8.5	4.5		
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 12, Col. 5)	17,201,705	18,081,512	11,830,553		
21. Estimated liability of unpaid claims - [prior year (Line 12, Col. 6)]	20,621,428	21,638,369	13,379,459		
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	0	0	0	0	0

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	1,115,650	1,112,190	1,117,969	1,000,000
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	1,115,650	1,112,190	1,117,969	1,000,000
	5. United States	2,107,503	2,106,966	2,109,314	2,075,000
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	2,107,503	2,106,966	2,109,314	2,075,000
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	8,643,537	8,774,131	8,630,746	8,550,000
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	8,643,537	8,774,131	8,630,746	8,550,000
	17. United States	521,396	541,655	535,195	500,000
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	521,396	541,655	535,195	500,000
Industrial and Miscellaneous and	21. United States	19,216,578	19,929,546	19,312,957	18,775,000
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	19,216,578	19,929,546	19,312,957	18,775,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	31,604,664	32,464,488	31,706,181	30,900,000
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States	6,716,714	6,716,714	4,609,282	
Industrial and Miscellaneous	50. Canada	2,771,770	2,771,771	1,544,453	
(Unaffiliated)	51. Other Countries	387,774	387,774	178,908	
	52. Totals	9,876,258	9,876,258	6,332,643	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	9,876,258	9,876,258	6,332,643	
	55. **Total Stocks**	9,876,258	9,876,258	6,332,643	
	56. **Total Bonds and Stocks**	41,480,922	42,340,746	38,038,824	

(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		35,800,860
2. Cost of bonds and stocks acquired, Column 6, Part 3		13,727,513
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	77,962	
3.2 Column 12, Part 2, Section 1		
3.3 Column 10, Part 2, Section 2	3,018,908	
3.4 Column 10, Part 4	(22,439)	3,074,431
4. Total gain (loss), Column 14, Part 4		106,112
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		11,227,994
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		41,480,922
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		41,480,922
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		41,480,922

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	NO	YES	221,422,791					
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	221,422,791	0	0	0	0	0

DETAILS OF WRITE-INS

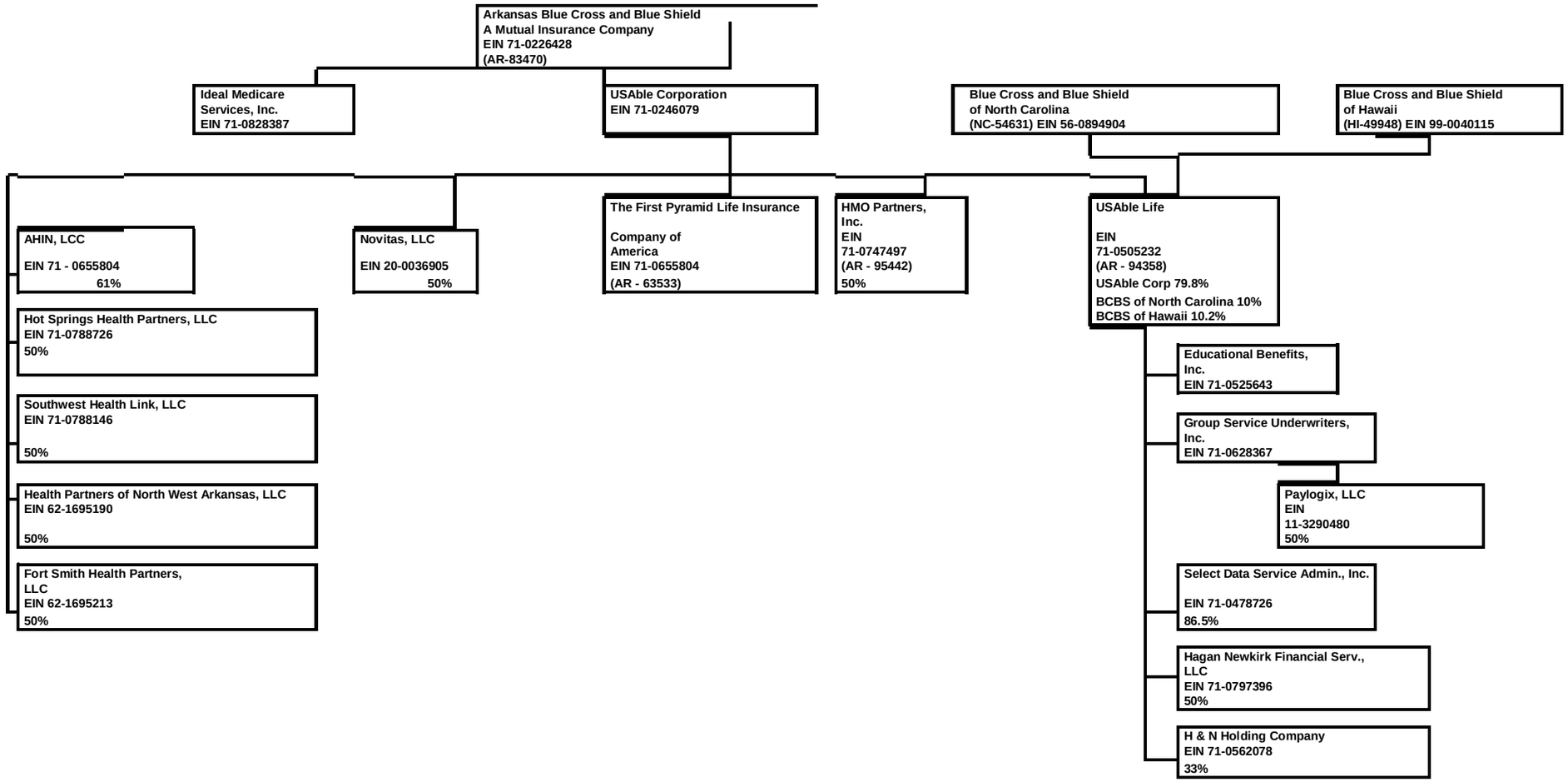
5701.						
5702.						
5703.						
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0	0	0

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