

ANNUAL STATEMENT

OF THE

DELTA DENTAL PLAN

OF

ARKANSAS, INC.

of **SHERWOOD**

in the state of **ARKANSAS**

TO THE

Insurance Department

OF THE

STATE OF ARKANSAS

FOR THE YEAR ENDED

December 31, 2010

HEALTH

2010



47155201020100100

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

Delta Dental Plan of Arkansas, Inc.

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

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

Country of Domicile United States

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

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

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

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

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

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

Internet Website Address www.deltadentalar.com

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

OFFICERS

Name	Title
1. <u>Eddie Allen Choate</u>	<u>President and CEO</u>
2. <u>Paul David Fitzgerald</u>	<u>Secretary</u>
3. <u>Susan Jane Fletcher Smith</u>	<u>Treasurer</u>

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

<u>Ronald Paul Ownbey</u>	<u>Harold Wayne Perrin</u>	<u>Robert Joe Matlock</u>	<u>Robert Howard Gladden</u>
<u>Ebb Weldon Johnson</u>	<u>James Talbert Johnston</u>	<u>Byron Scott Southern</u>	<u>Paul David Fitzgerald</u>
<u>Susan Jane Fletcher Smith</u>	<u>Mel Taylor Collazo #</u>	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

State of Arkansas
County of Pulaski ss

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

_____ (Signature) <u>Eddie Choate</u> (Printed Name) 1. President and CEO (Title)	_____ (Signature) <u>Paul Fitzgerald</u> (Printed Name) 2. Secretary (Title)	_____ (Signature) <u>Susan Jane Fletcher Smith</u> (Printed Name) 3. Treasurer (Title)
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Subscribed and sworn to before me this _____ day of _____, 2011

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	28,414,718		28,414,718	19,077,963
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	14,786,552	755,465	14,031,087	12,689,515
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	9,556,900		9,556,900	10,141,295
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)	382,059		382,059	
5. Cash (\$ 13,361,350, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 173,625, Schedule DA)	13,534,975		13,534,975	12,612,891
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)				1,000,000
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	66,675,204	755,465	65,919,739	55,521,664
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	138,103		138,103	168,103
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	568,461		568,461	286,809
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	61,274		61,274	27,947
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	6,140,541		6,140,541	7,251,579
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	2,211,960	1,668,476	543,484	1,090,021
21. Furniture and equipment, including health care delivery assets (\$ 0)	472,326	472,326		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	667,020		667,020	204,881
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	853,458	697,559	155,899	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	77,788,347	3,593,826	74,194,521	64,551,004
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	77,788,347	3,593,826	74,194,521	64,551,004

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid Expenses	697,559	697,559		
2502. Miscellaneous Receivable	155,899		155,899	
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	853,458	697,559	155,899	

NONE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	2,467,869		2,467,869	2,381,317
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	98,748		98,748	85,421
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	1,595,010		1,595,010	1,489,657
9. General expenses due or accrued	1,364,500		1,364,500	1,076,181
10.1. Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))				
10.2. Net deferred tax liability				
11. Ceded reinsurance premiums payable	70,332		70,332	
12. Amounts withheld or retained for the account of others	2,921,515		2,921,515	2,548,154
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	2,186,810		2,186,810	1,421,077
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
20. Reinsurance in unauthorized companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans	2,058,041		2,058,041	2,197,865
23. Aggregate write-ins for other liabilities (including \$ 0 current)				
24. Total liabilities (Lines 1 to 23)	12,762,825		12,762,825	11,199,672
25. Aggregate write-ins for special surplus funds	X X X	X X X	50,000	
26. Common capital stock	X X X	X X X		
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X		
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		50,000
31. Unassigned funds (surplus)	X X X	X X X	61,381,696	53,301,332
32. Less treasury stock, at cost:				
32.1 0 shares common (value included in Line 26 \$ 0)	X X X	X X X		
32.2 0 shares preferred (value included in Line 27 \$ 0)	X X X	X X X		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	61,431,696	53,351,332
34. Total liabilities, capital and surplus (Lines 24 and 33)	X X X	X X X	74,194,521	64,551,004

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

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,964,168	1,848,061
2. Net premium income (including \$ 0 non-health premium income)	X X X	80,143,634	73,311,680
3. Change in unearned premium reserves and reserve for rate credits	X X X	(108,042)	
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	13,350	33,890
8. Total revenues (Lines 2 to 7)	X X X	80,048,942	73,345,570
Hospital and Medical:			
9. Hospital/medical benefits		58,123,268	55,961,019
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		58,123,268	55,961,019
Less:			
17. Net reinsurance recoveries		(3,111,396)	7,538
18. Total hospital and medical (Lines 16 minus 17)		61,234,664	55,953,481
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 828,262 cost containment expenses		5,720,160	3,678,411
21. General administrative expenses		11,669,787	10,115,634
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)		78,624,611	69,747,526
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	1,424,331	3,598,044
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		3,115,967	2,671,831
26. Net realized capital gains (losses) less capital gains tax of \$ 0		4,381,816	
27. Net investment gains (losses) (Lines 25 plus 26)		7,497,783	2,671,831
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 0) (amount charged off \$ 0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	8,922,114	6,269,875
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	8,922,114	6,269,875

DETAILS OF WRITE-IN LINES			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 06 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	X X X		
0701. Miscellaneous Income	X X X	13,350	33,890
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 07 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X	13,350	33,890
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	53,351,332	46,108,881
34. Net income or (loss) from Line 32	8,922,114	6,269,875
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	(2,171,849)	2,090,020
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	1,330,099	(1,117,444)
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		
48. Net change in capital and surplus (Lines 34 to 47)	8,080,364	7,242,451
49. Capital and surplus end of reporting period (Line 33 plus 48)	61,431,696	53,351,332

DETAILS OF WRITE-IN LINES		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	76,085,430	73,834,810
2. Net investment income	3,169,431	3,599,542
3. Miscellaneous income	13,350	6,041
4. Total (Lines 1 through 3)	79,268,211	77,440,393
5. Benefit and loss related payments	61,181,439	56,098,814
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	9,792,926	10,977,959
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	70,974,365	67,076,773
11. Net cash from operations (Line 4 minus Line 10)	8,293,846	10,363,620
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	7,456,214	2,220,000
12.2 Stocks	18,447,762	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	2,456,313	
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	274,429	
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	28,634,718	2,220,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	16,713,857	2,939,488
13.2 Stocks	17,926,102	2,000,000
13.3 Mortgage loans		
13.4 Real estate	18,987	854,346
13.5 Other invested assets	1,000,000	1,000,000
13.6 Miscellaneous applications	1,005,362	3,137,794
13.7 Total investments acquired (Lines 13.1 to 13.6)	36,664,308	9,931,628
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(8,029,590)	(7,711,628)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	657,828	
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	657,828	
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	922,084	2,651,992
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	12,612,891	9,960,899
19.2 End of year (Line 18 plus Line 19.1)	13,534,975	12,612,891

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

20.0001		
20.0002		
20.0003		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	80,143,634			78,453,546	1,690,088					
2. Change in unearned premium reserves and reserve for rate credit	(108,042)			(108,042)						
3. Fee-for-service (net of \$ 0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues	13,350	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,350
7. Total revenues (Lines 1 to 6)	80,048,942			78,345,504	1,690,088					13,350
8. Hospital/medical benefits	58,123,269			56,311,927	1,811,342					X X X
9. Other professional services										X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area										X X X
12. Prescription drugs										X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	58,123,269			56,311,927	1,811,342					X X X
16. Net reinsurance recoveries	(3,111,396)			(4,027,670)	916,274					X X X
17. Total hospital and medical (Lines 15 minus 16)	61,234,665			60,339,597	895,068					X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$ 0 cost containment expenses	5,720,160			5,720,160						
20. General administrative expenses	11,669,787			11,246,241	423,546					
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. Total underwriting deductions (Lines 17 to 22)	78,624,612			77,305,998	1,318,614					
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	1,424,330			1,039,506	371,474					13,350

DETAILS OF WRITE-IN LINES										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 05 from overflow page										X X X
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)										X X X
0601. Miscellaneous Income	13,350	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,350
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	13,350	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,350
1301.										X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)										X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only	73,854,107	4,599,438		78,453,545
4. Vision only	3,380,176		1,690,088	1,690,088
5. Federal Employees Health Benefits Plan				
6. Title XVIII – Medicare				
7. Title XIX – Medicaid				
8. Other health				
9. Health subtotal (Lines 1 through 8)	77,234,283	4,599,438	1,690,088	80,143,633
10. Life				
11. Property/casualty				
12. Totals (Lines 9 to 11)	77,234,283	4,599,438	1,690,088	80,143,633

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	58,036,716			56,177,509	1,859,207					
1.2 Reinsurance assumed	4,027,671			4,027,671						
1.3 Reinsurance ceded	916,274				916,274					
1.4 Net	61,148,113			60,205,180	942,933					
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	2,467,869			2,354,347	113,522					
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	2,467,869			2,354,347	113,522					
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	2,381,318			2,219,883	161,435					
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	2,381,318			2,219,883	161,435					
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	58,123,267			56,311,973	1,811,294					
12.2 Reinsurance assumed	4,027,671			4,027,671						
12.3 Reinsurance ceded	916,274				916,274					
12.4 Net	61,234,664			60,339,644	895,020					
13. Incurred medical incentive pools and bonuses										

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct	2,467,869			2,354,347	113,522					
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	2,467,869			2,354,347	113,522					
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	2,467,869			2,354,347	113,522					
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	2,467,869			2,354,347	113,522					

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only	2,008,719	58,196,413		2,354,347	2,008,719	2,219,883
4. Vision only	47,958	895,022	2,245	111,277	50,203	161,434
5. Federal Employees Health Benefits Plan						
6. Title XVIII – Medicare						
7. Title XIX – Medicaid						
8. Other health						
9. Health subtotal (Lines 1 through 8)	2,056,677	59,091,435	2,245	2,465,624	2,058,922	2,381,317
10. Health care receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)	2,056,677	59,091,435	2,245	2,465,624	2,058,922	2,381,317

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

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX	NONE			
4. 2008	XXX				
5. 2009	XXX		XXX		
6. 2010	XXX		XXX	XXX	
					XXX

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX	NONE			
4. 2008	XXX				
5. 2009	XXX		XXX		
6. 2010	XXX		XXX	XXX	
					XXX

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007										
3. 2008				NONE						
4. 2009										
5. 2010										

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007										
3. 2008										
4. 2009										
5. 2010										

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	44,780	44,780	44,780	44,780	44,780
2. 2006	43,225	45,108	45,108	45,108	45,108
3. 2007	X X X	45,836	47,961	47,961	47,961
4. 2008	X X X	X X X	51,161	53,128	53,128
5. 2009	X X X	X X X	X X X	52,979	54,953
6. 2010	X X X	X X X	X X X	X X X	54,204

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	44,780	44,780	44,780	44,780	44,780
2. 2006	45,302	45,108	45,108	45,108	45,108
3. 2007	X X X	47,897	47,961	47,961	47,961
4. 2008	X X X	X X X	53,640	53,128	53,128
5. 2009	X X X	X X X	X X X	55,199	54,953
6. 2010	X X X	X X X	X X X	X X X	56,558

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006	59,062	44,780	1,101	2.459	45,881	77.683			45,881	77.683
2. 2007	64,941	47,719	2,661	5.576	50,380	77.578			50,380	77.578
3. 2008	69,684	53,286	2,846	5.341	56,132	80.552			56,132	80.552
4. 2009	71,423	54,946	3,669	6.677	58,615	82.067			58,615	82.067
5. 2010	73,854	56,178	5,720	10.182	61,898	83.811	2,354	99	64,351	87.133

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	X X X	53	70	70	70
4. 2008	X X X	X X X	464	501	501
5. 2009	X X X	X X X	X X X	1,115	1,210
6. 2010	X X X	X X X	X X X	X X X	1,765

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	X X X	69	70	70	70
4. 2008	X X X	X X X	504	501	501
5. 2009	X X X	X X X	X X X	1,277	1,210
6. 2010	X X X	X X X	X X X	X X X	1,878

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007	140	53			53	37.857			53	37.857
3. 2008	970	481			481	49.588			481	49.588
4. 2009	2,267	1,152			1,152	50.816			1,152	50.816
5. 2010	3,380	1,859			1,859	55.000	114		1,973	58.373

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

Federal Employee Health Benefits Plan

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007										
3. 2008										
4. 2009										
5. 2010										

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007										
3. 2008										
4. 2009										
5. 2010										

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007										
3. 2008										
4. 2009										
5. 2010										

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006					
3. 2007	XXX				
4. 2008	XXX	XXX			
5. 2009	XXX	XXX	XXX		
6. 2010	XXX	XXX	XXX	XXX	

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006										
2. 2007										
3. 2008										
4. 2009										
5. 2010										

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

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	44,780	44,780	44,780	44,780	44,780
2. 2006	43,225	45,108	45,108	45,108	45,108
3. 2007	X X X	45,889	48,031	48,031	48,031
4. 2008	X X X	X X X	51,625	53,629	53,629
5. 2009	X X X	X X X	X X X	54,094	56,163
6. 2010	X X X	X X X	X X X	X X X	55,969

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	44,780	44,780	44,780	44,780	44,780
2. 2006	45,302	45,108	45,108	45,108	45,108
3. 2007	X X X	47,966	48,031	48,031	48,031
4. 2008	X X X	X X X	54,144	53,629	53,629
5. 2009	X X X	X X X	X X X	56,476	56,163
6. 2010	X X X	X X X	X X X	X X X	58,436

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2006	59,062	44,780	1,101	2.459	45,881	77.683			45,881	77.683
2. 2007	65,081	47,772	2,661	5.570	50,433	77.493			50,433	77.493
3. 2008	70,654	53,767	2,846	5.293	56,613	80.127			56,613	80.127
4. 2009	73,690	56,098	3,669	6.540	59,767	81.106			59,767	81.106
5. 2010	77,234	58,037	5,720	9.856	63,757	82.550	2,468	99	66,324	85.874

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UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ _____ 0) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)									

NONE

DETAILS OF WRITE-IN LINES									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 05 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)									

NONE

NONE

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 – ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ 0 for occupancy of own building)		114,300	76,200		190,500
2. Salaries, wages and other benefits			1,139		1,139
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			5,031,855		5,031,855
4. Legal fees and expenses			50,287		50,287
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			247,734		247,734
7. Traveling expenses		6,243	161,837		168,080
8. Marketing and advertising			442,546		442,546
9. Postage, express and telephone		1,314,225	149,433		1,463,658
10. Printing and office supplies		86,868	57,912		144,780
11. Occupancy, depreciation and amortization		142,916	95,277		238,193
12. Equipment		1,517	1,011		2,528
13. Cost or depreciation of EDP equipment and software		1,352,302	914,414		2,266,716
14. Outsourced services including EDP, claims, and other services	828,262	8,824,411	7,502,290		17,154,963
15. Boards, bureaus and association fees			368,108		368,108
16. Insurance, except on real estate		27,894	18,596		46,490
17. Collection and bank service charges		95,238	63,492		158,730
18. Group service and administration fees					
19. Reimbursements by uninsured plans		(7,642,038)	(5,094,692)		(12,736,730)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses		96,720	64,480		161,200
22. Real estate taxes			87,579		87,579
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes		386,332			386,332
23.3 Regulatory authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)			134,041	137,177	271,218
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses		84,970	1,296,247		1,381,217
26. Total expenses incurred (Lines 1 to 25)	828,262	4,891,898	11,669,786	137,177	(a) 17,527,123
27. Less expenses unpaid December 31, current year		98,748	1,364,500		1,463,248
28. Add expenses unpaid December 31, prior year		85,421	1,076,181		1,161,602
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	828,262	4,878,571	11,381,467	137,177	17,225,477

DETAILS OF WRITE-IN LINES					
2501. Seminars		5,833	3,888		9,721
2502. Record Storage		21,500	14,333		35,833
2503. Subscriptions			27,623		27,623
2598. Summary of remaining write-ins for Line 25 from overflow page		57,637	1,250,403		1,308,040
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		84,970	1,296,247		1,381,217

(a) Includes management fees of \$ 14,108,420 to affiliates and \$ 3,046,543 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 141,891	122,281
1.1 Bonds exempt from U.S. tax	(a) 644,348	575,458
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	164,216	164,216
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 2,765,023	2,481,720
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 124,833	130,793
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	3,840,311	3,474,468
11. Investment expenses		(g) 137,177
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) 221,324
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		358,501
17. Net investment income (Line 10 minus Line 16)		3,115,967

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

(a)	Includes \$ 25,218 accrual of discount less \$ 48,680 amortization of premium and less \$ 0 paid for accrued interest on purchases.
(b)	Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
(c)	Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
(d)	Includes \$ 190,500 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
(e)	Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
(f)	Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
(g)	Includes \$ 137,177 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h)	Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
(i)	Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax	102,576		102,576		
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	3,822,930		3,822,930	(875,884)	
2.21 Common stocks of affiliates				1,116,184	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets	456,313		456,313		
9. Aggregate write-ins for capital gains (losses)				(2,412,149)	
10. Total capital gains (losses)	4,381,819		4,381,819	(2,171,849)	

DETAILS OF WRITE-IN LINES			
0901. OTTI Realized Gain for 2010 Included in Realized Gain (Loss) o			(2,412,149)
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)			(2,412,149)

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks	755,465	967,615	212,150
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)	755,465	967,615	212,150
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	1,668,476	2,557,729	889,253
21. Furniture and equipment, including health care delivery assets	472,326	655,345	183,019
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	697,559	743,235	45,676
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,593,826	4,923,924	1,330,098
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	3,593,826	4,923,924	1,330,098

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expenses	697,559	743,235	45,676
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	697,559	743,235	45,676

EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	160,553	161,205	165,548	166,081	169,649	1,964,168
7. Total	160,553	161,205	165,548	166,081	169,649	1,964,168

DETAILS OF WRITE-IN LINES						
0601. Dental Only	136,845	136,904	138,412	139,021	141,194	1,657,302
0602. Vision Only	23,708	24,301	27,136	27,060	28,455	306,866
0603.						
0698. Summary of remaining write-ins for Line 06 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	160,553	161,205	165,548	166,081	169,649	1,964,168

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policy

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

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

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost or fair (market) value based on the issuers NAIC Securities Valuation Office designation.
- (3) Common Stocks are stated at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- (4) N/A
- (5) N/A
- (6) N/A
- (7) The Company carries Omega Administrators, Inc. and Delta Dental of Arkansas Foundation (both are wholly-owned non-insurance subsidiaries) at GAAP equity value adjusted to statutory accounting principles.
- (8) N/A

NOTES TO FINANCIAL STATEMENTS

- (9) N/A
- (10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.
- (11) Claims incurred and unpaid include both claims in process and a provision for incurred but not reported claims. A provision for incurred but not reported claims is an actuarially determined and certified estimate based on claims experience and accumulated statistical data. The methods for making such actuarially determined and certified estimates and for establishing the resulting liability are continually reviewed. Provision is also made for estimated claims processing costs to be incurred in paying such claims and is included in unpaid claims adjustment expenses. Management believes the amounts reflected for these liabilities are adequate; however, the ultimate liabilities may differ from the amounts recorded. Any adjustments are reflected in the period they are recorded.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) N/A

Note 2: Accounting Changes and Corrections of Errors

- A. None.

Note 3: Business Combinations and Goodwill

- A. None.
- B. None.
- C. None.
- D. None.

Note 4: Discontinued Operations

- None.

Note 5: Investments

- A. N/A
- B. N/A

NOTES TO FINANCIAL STATEMENTS

C. N/A

D. Loan-Backed Securities

(1) N/A

(2) N/A

(3) N/A

(4) All debt securities held as of December 31, 2010 were reported in the statutory financial statements at a book adjusted carrying value lower than fair market value. There were no unrealized loss positions at December 31, 2010 or December 31, 2009.

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

E. N/A

F. Real Estate

(1) No impairment loss was recognized in 2010 for investments in real estate.

(2) The company has a property in Cabot, Arkansas and one in Sherwood, Arkansas which are classified as held for sale. One of the properties is a 10,000 square foot building which was purchased for a disaster recovery location with no intent for anyone to permanently work at that location. After purchasing the building, the need for additional office space for regular staff was apparent after growth in business. A new building was purchased to meet these needs and this property was no longer needed. This property is actively listed and shown by our listing agent. We have not receive any offers but several very interested parties have viewed the building. The area surrounding the building continues to develop, and the company feels the building will eventually sell. The second property is a lot behind a restaurant (our old location). When the company sold the building to the restaurant we understood the lot was included in the plat. We later learned it did not and we still owned this lot. The lot is currently listed and the company feels the surrounding businesses represent our best prospects.

(3) N/A

(4) N/A

(5) N/A

G. N/A

Note 6: Joint Ventures, Partnerships and Limited Liability Companies

None.

NOTES TO FINANCIAL STATEMENTS

Note 7: Investment Income

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

Note 8: Derivative Instruments

None.

Note 9: Income Taxes

The Company's primary activities are tax exempt under IRS Section 501(c)(4). Omega Ventures, Inc. and Omega Administrators, Inc. (the taxable entities) are subject to both federal and state income taxes.

- A. N/A
- B. N/A
- C. N/A
- D. N/A
- E. N/A
- F. N/A

Note 10: Information Concerning Parent, Subsidiaries and Affiliates

A, B, C & F.

Omega Ventures, Inc.

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

Omega Administrators, Inc.

NOTES TO FINANCIAL STATEMENTS

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

Effective January 1, 2007, the Organization and Omega entered into an administrative services agreement, where Omega "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by the Organization." Simultaneous to this contract, the Organization moved all of its employees and related benefit plans to Omega. For administering its services, the Organization reimburses Omega monthly at the rate \$1.26 and \$1.16 per dental subscriber per month for 2010 and 2009, respectively. In addition, the Organization reimburses Omega monthly at a rate of \$0.34 and \$0.23 per vision subscriber per month for these administrative services for 2010 and 2009, respectively. The initial term of this agreement is for a period of three years and will expire on December 31, 2010. The agreement will be renewed annually thereafter. The Organization paid administration fees of \$14,108,420 and \$13,377,537 during the years ended December 31, 2009 and 2008, respectively.

In addition to the administrative services contract, the Organization also entered into a rental agreement with Omega, effective January 1, 2007, to lease its office facilities and equipment. During the years ended December 31, 2010 and 2009, the Organization earned \$2,291,220 and \$1,774,344 in rental income, respectively.

The Incorporated PAC of Delta Dental Plan of Arkansas, Inc.

On October 27, 2004, the Organization incorporated The Incorporated PAC of Delta Dental Plan of Arkansas, Inc. (the PAC) as a wholly owned subsidiary. The PAC was incorporated to serve as a political committee that may make contributions to and expenditures on behalf of state candidates, other committees and all matters thereto. During the years ended December 31, 2010 and 2009, the PAC received \$10,000 and \$5,000 in donations, respectively. For 2010, \$5,000 in donations was received from both OAI and OVI. For 2009, all donations were received from OAI. During the years ended December 31, 2010 and 2009, the PAC made \$6,500 and \$1,250, respectively, in campaign contributions. The PAC was dissolved in 2010.

Delta Dental of Arkansas Political Action Committee

Only July 30, 2010, the Organization formed the Delta Dental of Arkansas Political Action Committee (the PAC) as a non-profit corporation. The PAC was intended to serve as a political action committee that may make contributions to and expenditures on behalf of state candidates, other committees and all matters thereto. The retained earnings of the dissolved Incorporated PAC of Delta Dental Plan of Arkansas, Inc. of \$19,255 were contributed to this newly formed PAC at the time of its creation, and then refunded to the original donors, \$9,440 and \$5,000 to OAI and OVI respectively. During

NOTES TO FINANCIAL STATEMENTS

2010, the PAC made a \$500 contribution to a candidate who then refunded the contribution in 2010.

Delta Dental of Arkansas Foundation, Inc.

On December 7, 2007, the Organization incorporated Delta Dental of Arkansas Foundation, Inc. (the Dental Foundation) as a 501(c)(3) Organization to promote oral health in the State of Arkansas. In addition to its promotion of oral health, the Foundation will make gifts, grants and contributions to other charitable Organizations as well as promote educational endeavors as permitted by the Internal Revenue Code. For the years ended December 31, 2010 and 2009, the Dental Foundation received donations in the amount of \$512,795 and \$339,390, respectively. The Dental Foundation made contributions of \$590,317 and \$396,978 to qualified organizations in 2010 and 2009, respectively.

At December 31, 2010, the Company reported \$667,020 and \$2,186,810 as amounts due from and to the subsidiary, OAI, respectively. These amounts will be settled within thirty days of the report date.

G. N/A

H. See sections above.

I. N/A

J. N/A

K. N/A

L. N/A

M. N/A

N. N/A

Note 11: Debt

None.

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

A Nonqualified 457(b) Retirement Plan was established by the Organization on April 1, 2003, "as an inducement and motivation to its key managerial and highly compensated employees and its Board of Directors." Participation in the plan is determined at the sole discretion of the Organization's Board of Directors. At December 31, 2010 and 2009, plan assets totaled \$843,163 and \$717,417, respectively, and plan liabilities totaled \$838,251 and \$713,922, respectively, resulting in gains (losses) reported

NOTES TO FINANCIAL STATEMENTS

in the GAAP statements of activities of \$1,417 and \$1,360, respectively. The plan assets and liabilities and related gains (losses) on plan assets are omitted from statutory reporting.

- A. N/A
- B. N/A
- C. N/A
- D. N/A
- E. N/A
- F. N/A

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

- (1) N/A
- (2) N/A
- (3) N/A
- (4) N/A
- (5) N/A
- (6) Under the laws of the state of Arkansas, the Organization is required to provide a minimum contingency reserve of \$50,000. Pursuant to the Arkansas Statutory Deposit Requirements, the Organization has pledged a certificate of deposit in the amount of \$50,000 to the Insurance Department of Arkansas.
- (7) N/A
- (8) N/A
- (9) N/A
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$2,171,849.
- (11) N/A
- (12) N/A
- (13) N/A

Note 14: Contingencies

NOTES TO FINANCIAL STATEMENTS

- A. N/A
- B. N/A
- C. N/A
- D. N/A
- E. The Organization is subject to claims and lawsuits in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect of the Organizations results of operation or financial condition. The Organization has no assets that it considers to be impaired.

On October 19, 2006, the Organization entered into a vision marketing and third-party claims administration agreement with Avesis Third Party Administrators, Inc. (Avesis). The agreement calls for Avesis to provide vision plan designs, group underwriting, claim processing and payment and customer service. The Organization has exclusive rights to market in Arkansas through December 31, 2007, and will extend the agreement if certain sales goals are met. Avesis will be the Organization's exclusive vision insurance partner as long as network goals are achieved. Administration fees incurred with Avesis during 2010 and 2009 totaled \$506,188 and \$335,537, respectively.

In early 2005, the Organization made the decision to convert its claims processing systems. The new claims processing system is owned by Delta Dental Plan of Virginia, Inc. (Virginia) and is licensed to the Organization for its use. A maintenance fee is calculated based on a percentage of the total licensing fee and will be paid annually to Virginia for technical support and servicing upgrades. Total fees incurred were approximately \$318,172 and \$300,354 for the years ended December 31, 2010 and 2009, respectively.

Note 15: Leases

None.

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

None.

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

None.

NOTES TO FINANCIAL STATEMENTS

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

A. N/A

B. The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans were as follows for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Gross reimbursement for medical costs incurred	\$ 262,678,011	\$ 262,683,401
Gross administrative fees accrued	12,736,730	13,395,562
Gross expenses incurred (claims and administrative)	<u>(275,414,741)</u>	<u>(276,078,963)</u>
Total net gain or loss from operations	<u>\$ 0</u>	<u>\$ 0</u>

C. N/A

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

None.

Note 20: Fair Value Measurements

A. Fair Value Measurements at Reporting Date

(1) Description	(2) Level 1	(3) Level 2	(4) Level 3	(5) Total
Assets at Fair Value				
Common Stock				
Industrial and Misc	\$13,146,907	\$ 0	\$ 0	\$13,146,907
Total Common	<u>\$13,146,907</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$13,146,907</u>
Stock				
Total Assets at Fair Value	<u>\$13,146,907</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$13,146,907</u>

B. Removed by Statutory Accounting Principles Working Group

C. N/A

D. N/A

NOTES TO FINANCIAL STATEMENTS

Note 21: Other Items

- A. N/A
- B. N/A
- C. Other Disclosures

The \$2 million collateral loan to DocSite, LLC was repaid in 2010 with a gain of \$456,313. This gain is reflected in the investment income section of the income statement.

- D. N/A
- E. N/A
- F. N/A
- G. N/A
- H. N/A

Note 22: Events Subsequent

Effective January 1, 2011 the Organization established a Supplemental Executive Retirement Plan intended to be an arrangement that is unfunded and is maintained by the Organization primarily for the purpose of providing deferred compensation for one or more persons who are part of a select group of management or highly compensated employees within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), and shall be interpreted and administered to the extent possible in a manner consistent with that intent. The plan shall terminate on December 31, 2015, or such earlier date as shall be determined by the Board.

Effective January 1, 2011, the Organization established a Stock Appreciation Rights Plan to further its growth, development and financial success by providing additional incentives to certain non-employee directors and certain officers and key employees to enable the Organization to obtain and retain the services of those considered essential to its long-range success.

Note 23: Reinsurance

- A. Ceded Reinsurance Report
 - Section 1 – General Interrogatories
 - (1) No

NOTES TO FINANCIAL STATEMENTS

(2) No

Section 2 – Ceded Reinsurance Report – Part A

(1) No

(2) No

Section 3 – Ceded Reinsurance Report – Part B

(1) N/A

(2) No

B. N/A

C. N/A

Note 24: Retrospectively Rated Contracts and Contracts Subject to Redetermination

None.

Note 25: Change in Incurred Claims and Claims Adjustment Expenses

The reserve for incurred claims and claim adjustment expenses attributable to insured events increased \$86,552, from \$2,381,317 at December 31, 2009, to \$2,467,869 at December 31, 2010. This increase is a result of the re-estimation of unpaid claims and claim adjustment expenses related to dental and vision insurance. Original estimates are increased and decreased as additional information becomes available regarding individual claims and as a result of the ongoing analysis of recent loss development trends.

The incurred amounts related to prior years represent the variations between the Organization's estimated losses and loss adjustment expense for prior years' claims and the actual amounts required to satisfy claims. These variations resulted primarily from loss development on the business.

Note 26: Intercompany Pooling Arrangements

None.

Note 27: Structured Settlements

None.

NOTES TO FINANCIAL STATEMENTS

Note 28: Health Care Receivables

None.

Note 29: Participating Policies

None.

Note 30: Premium Deficiency Reserves

As of December 31, 2010, the Company had no liabilities related to premium deficiency reserves.

Note 31: Anticipated Salvage and Subrogation

None.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No [X]
- 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? 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:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007
- 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. 12/31/2007
- 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). 06/11/2009
- 3.4 By what department or departments?
 Arkansas Insurance Department

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [X] No [] N/A []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [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? Yes [] No [X]

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

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

7.2 If yes,

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

1 Nationality	2 Type of Entity
.....

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

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

.....

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

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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?

BKD, LLP, 400 West Capitol Avenue, Little Rock, AR 72201

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

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

.....

10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

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

.....

GENERAL INTERROGATORIES

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

10.6 If response to 10.5 is "yes," provide information related to this exemption:
.....
.....
.....

10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance law? Yes [X] No [] N/A []

10.8 If the response to 10.7 is no or n/a, please explain:
.....
.....
.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Actuarial Worksite Marketing, 14010 Old Mill Circle, Carmel, IN 46032 - William Jeffrey DeCapua
.....
.....

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

12.11 Name of real estate holding company _____
12.12 Number of parcels involved _____
12.13 Total book/adjusted carrying value \$ _____

12.2 If yes, provide explanation:
.....
.....
.....

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.
Yes [X] No []

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

GENERAL INTERROGATORIES

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

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

.....

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

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

.....

BOARD OF DIRECTORS

15. 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 []

16. 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 []

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

FINANCIAL

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

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

	19.11 To directors or other officers	\$	
	19.12 To stockholders not officers	\$	
	19.13 Trustees, supreme or grand (Fraternal only)	\$	

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

	19.21 To directors or other officers	\$	
	19.22 To stockholders not officers	\$	
	19.23 Trustees, supreme or grand (Fraternal only)	\$	

20.1 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]

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

	20.21 Rented from others	\$	
	20.22 Borrowed from others	\$	
	20.23 Leased from others	\$	
	20.24 Other	\$	

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

21.2 If answer is yes:

	21.21 Amount paid as losses or risk adjustment	\$	
	21.22 Amount paid as expenses	\$	
	21.23 Other amounts paid	\$	

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

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

GENERAL INTERROGATORIES

INVESTMENT

- 23.1 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? (other than securities lending programs addressed in 23.3) Yes No
- 23.2 If no, give full and complete information relating thereto:

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

- 23.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs. \$ _____
- 23.6 If answer to 23.4 is no, report amount of collateral for other programs. \$ _____
- 23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A
- 23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A
- 23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MLSA) to conduct securities lending? Yes No N/A
- 24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3) Yes No
- 24.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|-------|--|-----------------|
| | 24.21 | Subject to repurchase agreements | \$ _____ |
| | 24.22 | Subject to reverse repurchase agreements | \$ _____ |
| | 24.23 | Subject to dollar repurchase agreements | \$ _____ |
| | 24.24 | Subject to reverse dollar repurchase agreements | \$ _____ |
| | 24.25 | Pledged as collateral | \$ _____ |
| | 24.26 | Placed under option agreements | \$ _____ |
| | 24.27 | Letter stock or securities restricted as to sale | \$ _____ |
| | 24.28 | On deposit with state or other regulatory body | \$ _____ 50,000 |
| | 24.29 | Other | \$ _____ |
- 24.3 For category (24.27) provide the following:
- | 1
Nature of Restriction | 2
Description | 3
Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
- 25.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
- 25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes No N/A
- 26.1 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
- 26.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

GENERAL INTERROGATORIES

27. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes No

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

1 Name of Custodian(s)	2 Custodian's Address
Stephens Capital Management	111 Center Street, Little Rock, AR 72201
Intrust Wealth Management	5314 S. Yale Avenue, Suite 206, Tulsa, OK 74135
Wells Fargo Advisors	100 North Main Street NC 6012, Winston-Salem, NC 27150

27.02 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)

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year?

Yes No

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
N/A	Intrust Wealth Management	06/23/2010	Diversification
N/A	Wells Fargo Advisors	06/18/2010	Diversification

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Stephens Capital Management	111 Center Street, Little Rock, AR 72201
N/A	Intrust Wealth Management	5314 S. Yale Avenue, Suite 206, Tulsa, OK 74135
N/A	Floyd Capital Management	4612 Summerhill Road, Texarkana, TX 75503

28.1 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

28.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
00142F-14-7	Invesco US Csmall Cap Value Fund	1,057,365
026762-70-8	American Independence Stock FD Srv	2,124,801
38141W-39-8	Goldman Sachs Mid Cap Value	1,332,688
411511-30-6	Harbor International Instl CL	1,746,960
464287-65-5	Ishares Trust Russell 2000 Index	154,758
552981-85-4	MFS intl New Discovery Fund Instl	676,504
552983-52-0	MFS New Discovery Fund	1,076,324
617440-50-8	Morgan Stanley Mid Cap Growth Fund	1,457,690
683974-50-5	Oppenheimer Developing Markets Fund	817,889
73935A-10-4	Powershares QQQ	148,567
741479-10-9	T. Rowe Price Growth Stk Fnd Ind Cm	2,402,587
78462F-10-3	SPDR S&P 500 Trust ETF	150,775
28.2999 TOTAL		13,146,908

GENERAL INTERROGATORIES

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
Invesco US Small Cap Value Fu	AAR CORP	30,346	12/31/2010
Invesco US Small Cap Value Fu	WABCO HOLDINGS INC	28,972	12/31/2010
Invesco US Small Cap Value Fu	AERCAP HOLDINGS NV	28,232	12/31/2010
Invesco US Small Cap Value Fu	JABIL CIRCUIT INC	28,020	12/31/2010
Invesco US Small Cap Value Fu	HARMAN INTL INDUSTRIES I	27,597	12/31/2010
American Independence Stock	Federated Govt Oblig Instl	154,473	12/31/2010
American Independence Stock	Occidental Petroleum Corporati	100,928	12/31/2010
American Independence Stock	Omnicom Group, Inc.	91,366	12/31/2010
American Independence Stock	Oracle Corporation	83,717	12/31/2010
American Independence Stock	Walt Disney Company	82,655	12/31/2010
Goldman Sachs Mid Cap Value	Newfield Exploration Company	35,316	12/31/2010
Goldman Sachs Mid Cap Value	Principal Financial Group	25,854	12/31/2010
Goldman Sachs Mid Cap Value	Everest Re Group, Ltd.	24,788	12/31/2010
Goldman Sachs Mid Cap Value	Range Resources Corporation	24,788	12/31/2010
Goldman Sachs Mid Cap Value	Biogen Idec, Inc.	23,455	12/31/2010
Harbor International Instl CL	Novo Nordisk AS [NOVO B]	52,933	12/31/2010
Harbor International Instl CL	Atlas Copco AB	52,584	12/31/2010
Harbor International Instl CL	Compagnie Financiere Richemo	40,529	12/31/2010
Harbor International Instl CL	Xstrata plc [XTA]	40,180	12/31/2010
Harbor International Instl CL	Linde AG [LIN]	39,481	12/31/2010
Ishares Trust Russell 2000 Inde	RIVERBED TECHNOLOGY IN	604	01/31/2011
Ishares Trust Russell 2000 Inde	TIBCO SOFTWARE INC	480	01/31/2011
Ishares Trust Russell 2000 Inde	BRIGHAM EXPLORATION CO	449	01/31/2011
Ishares Trust Russell 2000 Inde	VeriFone Systems Inc	449	01/31/2011
Ishares Trust Russell 2000 Inde	RACKSPACE HOSTING INC	433	01/31/2011
MFS Intl New Discovery Fund I	Croda International PLC	8,727	12/31/2010
MFS Intl New Discovery Fund I	Swedish Match AB	7,915	12/31/2010
MFS Intl New Discovery Fund I	Bunzl PLC	7,509	12/31/2010
MFS Intl New Discovery Fund I	Amadeus IT Holding SA	7,509	12/31/2010
MFS Intl New Discovery Fund I	Christian Dior	7,442	12/31/2010
MFS New Discovery Fund	Citi Trends, Inc.	18,836	12/31/2010
MFS New Discovery Fund	Brookdale Senior Living, Inc.	18,513	12/31/2010
MFS New Discovery Fund	Urban Outfitters Inc.	17,436	12/31/2010
MFS New Discovery Fund	Forest Oil Corporation	17,006	12/31/2010
MFS New Discovery Fund	NetLogic Microsystems, Inc.	16,791	12/31/2010
Morgan Stanley Mid Cap Growt	Msiif Money Market Portfolio Ms	91,106	12/31/2010
Morgan Stanley Mid Cap Growt	Priceline.com, Inc.	46,063	12/31/2010
Morgan Stanley Mid Cap Growt	Ctrip.com International, Ltd. AD	44,897	12/31/2010
Morgan Stanley Mid Cap Growt	Las Vegas Sands, Inc.	41,981	12/31/2010
Morgan Stanley Mid Cap Growt	Salesforce.com, Inc.	41,836	12/31/2010
Oppenheimer Developing Mark	Infosys Technologies, Ltd.	33,206	12/31/2010
Oppenheimer Developing Mark	America Movil S.A.B. de C.V. A	27,726	12/31/2010
Oppenheimer Developing Mark	Petroleo Brasileiro S.A. ADR	26,172	12/31/2010
Oppenheimer Developing Mark	Nhn Corp	23,310	12/31/2010
Oppenheimer Developing Mark	Oppenheimer Institutional Mone	21,592	12/31/2010
Powershares QQQ	Apple Inc.	29,803	12/31/2010
Powershares QQQ	QUALCOMM Inc.	6,968	12/31/2010
Powershares QQQ	Google Inc. (Cl A)	6,478	12/31/2010
Powershares QQQ	Microsoft Corp.	5,943	12/31/2010
Powershares QQQ	Oracle Corp.	4,739	12/31/2010
T. Rowe Price Growth Stk Fnd I	Apple, Inc.	178,512	12/31/2010
T. Rowe Price Growth Stk Fnd I	Google, Inc.	124,454	12/31/2010
T. Rowe Price Growth Stk Fnd I	Amazon.com, Inc.	100,428	12/31/2010
T. Rowe Price Growth Stk Fnd I	Danaher Corporation	71,357	12/31/2010
T. Rowe Price Growth Stk Fnd I	Praxair, Inc.	52,857	12/31/2010
SPDR S&P 500 Trust ETF	ExxonMobil Corporation	5,141	12/31/2010
SPDR S&P 500 Trust ETF	Apple, Inc.	3,980	12/31/2010
SPDR S&P 500 Trust ETF	General Electric Company	2,774	12/31/2010
SPDR S&P 500 Trust ETF	Microsoft Corporation	2,699	12/31/2010
SPDR S&P 500 Trust ETF	International Business Machine	2,548	12/31/2010

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1 Bonds	28,588,343	29,423,384	835,041
29.2 Preferred stocks			
29.3 Totals	28,588,343	29,423,384	835,041

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

Brokerage statements - FV taken from stock exchanges

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

30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [X]

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

31.2 If no, list exceptions:

OTHER

32.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 13,800

32.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
A.M. Best	13,800
.....	

33.1 Amount of payments for legal expenses, if any? \$ 50,287

33.2 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
Southern and Allen	38,280
.....	

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 36,500

GENERAL INTERROGATORIES

34.2 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
Phillips Management Consulting	16,500
DBH Management Consultants	20,000

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

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

2. Health Test:

	1 Current Year	2 Prior Year	
2.1 Premium Numerator	\$ 80,143,634	\$ 73,311,680	
2.2 Premium Denominator	\$ 80,143,634	\$ 73,311,680	
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.000	
2.4 Reserve Numerator	\$ 2,467,869	\$ 2,381,317	
2.5 Reserve Denominator	\$ 2,467,869	\$ 2,381,317	
2.6 Reserve Ratio (2.4 / 2.5)	1.000	1.000	

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 3.2 If yes, give particulars:
.....
.....
.....
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
Dental and Vision insurance is a short-tailed insurance product with very predictable experience. In addition, the maximum policy exposure is limited. Stop-loss reinsurance is not considered necessary.
.....
.....
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$ _____
- 5.32 Medical Only \$ _____
- 5.33 Medicare Supplement \$ _____
- 5.34 Dental and vision \$ 2,500
- 5.35 Other Limited Benefit Plan \$ _____
- 5.36 Other \$ _____

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

N/A

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

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

7.2 If no, give details

.....

.....

.....

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year	1,042
8.2 Number of providers at end of reporting year	1,060

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months	6,356,402
9.22 Business with rate guarantees over 36 months	

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

10.2 If yes:

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

11.1 Is the reporting entity organized as:

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

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

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

Arkansas

.....

.....

.....

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

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

11.6 If the amount is calculated, show the calculation

.....

.....

.....

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

1		
Name of Service Area		
Arkansas		
.....

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

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

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

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

FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2010	2009	2008	2007	2006
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	74,194,521	64,551,004	57,876,668	50,152,131	44,701,865
2. Total liabilities (Page 3, Line 24)	12,762,826	11,199,672	11,767,787	8,028,396	7,928,954
3. Statutory surplus	50,000	50,000	50,000	50,000	50,000
4. Total capital and surplus (Page 3, Line 33)	61,381,695	53,351,332	46,108,881	42,123,735	36,772,911
Income Statement (Page 4)					
5. Total revenues (Line 8)	80,048,942	73,345,570	70,820,947	65,194,439	59,110,682
6. Total medical and hospital expenses (Line 18)	61,234,664	55,953,481	54,118,675	47,862,962	45,079,351
7. Claims adjustment expenses (Line 20)	5,720,160	3,678,411	2,864,796	2,655,009	1,074,879
8. Total administrative expenses (Line 21)	11,669,787	10,115,634	10,109,497	8,121,714	7,281,644
9. Net underwriting gain (loss) (Line 24)	1,424,331	3,598,044	3,727,979	6,554,754	5,674,808
10. Net investment gain (loss) (Line 27)	7,497,783	2,671,831	(3,140,817)	1,475,370	1,017,965
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	8,922,114	6,269,875	587,162	8,030,124	6,692,773
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	8,293,846	10,363,620	7,289,298	8,729,817	5,695,517
Risk-Based Capital Analysis					
14. Total adjusted capital	61,431,696	53,351,332	46,108,881	42,123,735	36,772,911
15. Authorized control level risk-based capital	3,142,527	3,462,342	3,528,161	3,513,793	3,156,471
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	169,649	160,553	145,020	132,689	122,776
17. Total members months (Column 6, Line 7)	1,964,168	1,848,061	1,682,828	1,537,199	1,460,891
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	76.5	76.3	76.6	73.2	76.3
20. Cost containment expenses					
21. Other claims adjustment expenses	6.8	5.0	4.0	4.1	1.8
22. Total underwriting deductions (Line 23)	98.2	95.1	95.0	89.6	90.5
23. Total underwriting gain (loss) (Line 24)	1.8	4.9	5.3	10.4	9.5
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	2,058,923	2,004,298	2,141,597	1,882,685	2,241,028
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	2,381,317	2,519,114	2,167,570	2,076,800	2,463,000
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	1,639,646	2,515,530	837,659	918,880	1,908,387
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	1,639,646	2,515,530	837,659	918,880	1,908,387

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

Yes [] No [X]

If no, please explain:

.....

.....

.....

.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	Active Status	Direct Business Only								
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts	
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	N								
4. Arkansas	AR	L	77,234,283						77,234,283	
5. California	CA	N								
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	N								
15. Indiana	IN	N								
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	N								
22. Massachusetts	MA	N								
23. Michigan	MI	N								
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	N								
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate other alien	OT	X X X								
59. Subtotal		X X X	77,234,283						77,234,283	
60. Reporting entity contributions for Employee Benefit Plans		X X X								
61. Totals (Direct Business)	(a) 1		77,234,283						77,234,283	

DETAILS OF WRITE-INS										
5801.		X X X								
5802.		X X X								
5803.		X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page		X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		X X X								

NONE

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

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

Arkansas only.

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

NONE

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation

	Claim Adjustment Expenses		3	4	5
	1	2			
WRITE-INS AGGREGATED AT LINE FOR UNDERWRITING AND INVESTMENT EXHIBIT	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. Charitable Contributions			1,161,979		1,161,979
2505. Federal Marketing Group			50,000		50,000
2506. Consulting		57,637	38,424		96,061
2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598)		57,637	1,250,403		1,308,040

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