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ANNUAL STATEMENT

For the Year Ended December 31, 2010

of the Condition and Affairs of the

USAble Mutual Insurance Company

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

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

Licensed as Business Type.....Life, Accident & Health Is HMO Federally Qualified? Yes [ ] No [ ]

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

Statutory Home Office	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	501-378-2000 *(Area Code) (Telephone Number)*
Mail Address	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	601 S. Gaines….. Little Rock ..... AR ..... 72201 *(Street and Number) (City or Town, State and Zip Code)*	501-378-2000 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.arkansasbluecross.com	
Statutory Statement Contact	Gray Donald Dillard *(Name)*	501-378-2436 *(Area Code) (Telephone Number) (Extension)*
	gddillard@arkbluecross.com *(E-Mail Address)*	501-378-5633 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. Paul Mark White	Chief Executive Officer	2. James Lee Douglass	Secretary
3. Steven James Short	Treasurer	4. Michael Wayne Brown	Chief Operating Officer

OTHER

Stephen William Abell
James Robert Bailey
Michael Wayne Brown
Ronald Walter DeBerry
James Lee Douglass
Calvin Eugene Kellogg
Karen Cox Raley
Joseph Steven Smith
Toni Lairry Starks
James Sterling Adamson Jr., MD
David Frank Bridges
Richard Shelby Cooper
Gray Donald Dillard
James Robert Heard III
Samuel Patterson Partin III
Steven James Short
Steven Aaron Spaulding

DIRECTORS OR TRUSTEES

Carolyn Frazier Blakely PhD
Bradley Dean Jesson
Hayes Candour McClerkin
Ben Edwin Owens
Paul Mark White
Susan Glover Brittain
James Virgil Kelley
George Key Mitchell MD
Robert Lee Shoptaw
James Leslie Wyatt PhD
Robert Vincent Brothers
Mahlon Ogden Maris MD
Robert Daniel Nabholz
Patty Fulbright Smith
Mark William Greenway
James Thomas May
Marla Johnson Norris
Sherman Ellis Tate

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

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. 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)	(Signature)	(Signature)
Paul Mark White	James Lee Douglass	Steven James Short
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
Chief Executive Officer	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This _____ day of _____ 2011

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	294,426,101		294,426,101	240,178,637
2. Stocks (Schedule D):				
2.1 Preferred stocks	367,642		367,642	256,400
2.2 Common stocks	312,577,299	18,872,556	293,704,743	261,748,171
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)	26,425,504		26,425,504	27,947,479
4.2 Properties held for the production of income (less $.....0 encumbrances)	14,864,832		14,864,832	15,337,436
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....23,753,137, Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....179,780,428, Sch. DA)	203,533,563		203,533,563	138,425,259
6. Contract loans (including $.....0 premium notes)			0	
7. Derivatives			0	
8. Other invested assets (Schedule BA)	67,804,330		67,804,330	56,004,467
9. Receivables for securities	46,920		46,920	46,920
10. Securities lending reinvested collateral assets			0	
11. Aggregate write-ins for invested assets	2,833,543	0	2,833,543	616,712
12. Subtotals, cash and invested assets (Lines 1 to 11)	922,879,734	18,872,556	904,007,178	740,561,480
13. Title plants less $.....0 charged off (for Title insurers only)			0	
14. Investment income due and accrued	3,464,944		3,464,944	3,138,053
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection	88,230,169	335,296	87,894,873	72,133,471
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,622,181		1,622,181	1,517,346
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans	31,046,232		31,046,232	11,788,601
18.1 Current federal and foreign income tax recoverable and interest thereon	10,941,074		10,941,074	629,960
18.2 Net deferred tax asset	74,029,098	74,029,098	0	9,154,428
19. Guaranty funds receivable or on deposit	614,873		614,873	922,310
20. Electronic data processing equipment and software	13,625,834	6,664,695	6,961,139	8,142,800
21. Furniture and equipment, including health care delivery assets ($.....0)	8,496,165	8,496,165	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates	15,881,907		15,881,907	35,724,034
24. Health care ($.....4,603,869) and other amounts receivable	30,986,351	3,866,690	27,119,661	28,864,103
25. Aggregate write-ins for other than invested assets	57,449,383	8,021,796	49,427,587	39,296,785
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,259,267,945	120,286,296	1,138,981,649	951,873,371
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTALS (Lines 26 and 27)	1,259,267,945	120,286,296	1,138,981,649	951,873,371

DETAILS OF WRITE-INS

1101. Deposits with National Accounts	2,833,543		2,833,543	616,712
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	2,833,543	0	2,833,543	616,712
2501. Supplemental Savings Plan	37,044,795		37,044,795	32,140,094
2502. Other Assets	12,382,792		12,382,792	6,865,696
2503. Other Nonadmitted Assets	8,021,796	8,021,796	0	
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	290,995
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	57,449,383	8,021,796	49,427,587	39,296,785

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $.....2,723,350 reinsurance ceded)	116,588,421	362,459	116,950,880	115,782,612
2. Accrued medical incentive pool and bonus amounts	39,993		39,993	46,987
3. Unpaid claims adjustment expenses	4,369,835		4,369,835	5,266,357
4. Aggregate health policy reserves	104,928,168		104,928,168	83,290,635
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	12,305,766		12,305,766	13,487,462
9. General expenses due or accrued	209,722,566		209,722,566	186,574,758
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses))			0	
10.2 Net deferred tax liability	13,484,580		13,484,580	
11. Ceded reinsurance premiums payable	2,977,091		2,977,091	2,416,232
12. Amounts withheld or retained for the account of others	45,766,758		45,766,758	39,006,401
13. Remittances and items not allocated	367,402		367,402	
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	1,735,098		1,735,098	734,828
16. Derivatives			0	
17. Payable for securities			0	30,000
18. Payable for securities lending			0	
19. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
20. Reinsurance in unauthorized companies			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	
22. Liability for amounts held under uninsured plans	33,627,186		33,627,186	1,145,243
23. Aggregate write-ins for other liabilities (including $.....0 current)	20,659,460	0	20,659,460	21,587,489
24. Total liabilities (Lines 1 to 23)	566,572,324	362,459	566,934,783	469,369,004
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX		
27. Preferred capital stock	XXX	XXX		
28. Gross paid in and contributed surplus	XXX	XXX		
29. Surplus notes	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	572,046,866	482,504,370
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 $.....0)	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 $.....0)	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	572,046,866	482,504,370
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,138,981,649	951,873,374

DETAILS OF WRITE-INS

2301. Miscellaneous Liabilities	1,041,775		1,041,775	519,804
2302. Claims Payable for Self-Insured Plans			0	1,450,000
2303. Deferred Gain on Capitalization of Joint Venture	19,617,685		19,617,685	19,617,685
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	20,659,460	0	20,659,460	21,587,489
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	5,093,797	5,094,780
2. Net premium income (including $.....0 non-health premium income)	XXX	1,213,714,171	1,148,299,223
3. Change in unearned premium reserves and reserve for rate credits	XXX	(15,779,865)	(13,920,334)
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,197,934,306	1,134,378,889
Hospital and Medical:			
9. Hospital/medical benefits		595,063,967	582,811,364
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area		125,696,495	122,264,747
13. Prescription drugs		201,632,518	187,594,942
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	0	922,392,980	892,671,053
Less:			
17. Net reinsurance recoveries		(48,425,631)	(56,017,901)
18. Total hospital and medical (Lines 16 minus 17)	0	970,818,611	948,688,954
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....(46,081,921) cost containment expenses		62,760,548	35,978,955
21. General administrative expenses		88,306,721	131,434,276
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)		5,857,668	
23. Total underwriting deductions (Lines 18 through 22)	0	1,127,743,548	1,116,102,185
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	70,190,758	18,276,704
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		11,967,496	11,184,470
26. Net realized capital gains or (losses) less capital gains tax of $.....1,194,182		2,847,015	7,667,460
27. Net investment gains or (losses) (Lines 25 plus 26)	0	14,814,511	18,851,930
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29. Aggregate write-ins for other income or expenses	0	(3,465,085)	(1,050,235)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	81,540,184	36,078,399
31. Federal and foreign income taxes incurred	XXX	18,197,370	12,027,631
32. Net income (loss) (Lines 30 minus 31)	XXX	63,342,814	24,050,768

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Miscellaneous Income/Expense		(420,074)	10,568
2902. Regional Management Fees		(3,045,011)	(1,060,803)
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(3,465,085)	(1,050,235)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	482,504,368	463,396,783
34. Net income or (loss) from Line 32	63,342,814	24,050,768
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.....0	28,774,571	(1,421,039)
37. Change in net unrealized foreign exchange capital gain or (loss)	3,398,086	
38. Change in net deferred income tax	7,096	8,689,766
39. Change in nonadmitted assets	(7,404,827)	(10,899,995)
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	1,424,761	(1,311,916)
48. Net change in capital and surplus (Lines 34 to 47)	89,542,501	19,107,584
49. Capital and surplus end of reporting period (Line 33 plus 48)	572,046,869	482,504,368

DETAILS OF WRITE-INS

4701. Change in Unrecognized OPEB liability		(2,793,248)
4702. Capital Lease Adjustment	1,424,761	1,481,332
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	1,424,761	(1,311,916)

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	1,197,223,423	1,134,549,139
2. Net investment income	14,674,439	12,994,959
3. Miscellaneous income		
4. Total (Lines 1 through 3)	1,211,897,862	1,147,544,098
5. Benefit and loss related payments	969,762,172	944,388,184
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	111,921,348	145,136,978
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)	29,702,668	8,221,631
10. Total (Lines 5 through 9)	1,111,386,188	1,097,746,792
11. Net cash from operations (Line 4 minus Line 10)	100,511,674	49,797,306
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	40,596,127	70,413,778
12.2 Stocks	14,857,585	23,773,355
12.3 Mortgage loans		
12.4 Real estate	180,713	
12.5 Other invested assets		1,117,605
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		558,390
12.8 Total investment proceeds (Lines 12.1 to 12.7)	55,634,425	95,863,128
13. Cost of investments acquired (long-term only):		
13.1 Bonds	92,648,310	77,261,143
13.2 Stocks	14,569,688	17,616,136
13.3 Mortgage loans		
13.4 Real estate	441,647	1,047,135
13.5 Other invested assets	9,400,000	3,832,750
13.6 Miscellaneous applications	2,246,831	25,641,038
13.7 Total investments acquired (Lines 13.1 to 13.6)	119,306,476	125,398,202
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(63,672,051)	(29,535,074)
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)	28,268,682	(14,030,936)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	28,268,682	(14,030,936)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	65,108,305	6,231,296
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	138,425,257	132,193,962
19.2 End of year (Line 18 plus Line 19.1)	203,533,562	138,425,257

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

20.0001		

ANALYSIS OF OPERATION BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	1,213,714,171	655,002,097	208,622,789		614,848	221,920,027	73,261,351		54,293,060	
2. Change in unearned premium reserves and reserve for rate credit	(15,779,865)	223,876				(16,003,741)				
3. Fee-for-service (net of $.....0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,197,934,306	655,225,973	208,622,789	0	614,848	205,916,286	73,261,351	0	54,293,060	0
8. Hospital/medical benefits	595,063,967	215,347,048	159,396,043	19,707,380	428,317	142,082,769	57,740,787		361,623	XXX
9. Other professional services	0									XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	125,696,495	125,696,495								XXX
12. Prescription drugs	201,632,518	84,435,121				66,237,489	3,118,630		47,841,278	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0									XXX
15. Subtotal (Lines 8 to 14)	922,392,980	425,478,664	159,396,043	19,707,380	428,317	208,320,258	60,859,417	0	48,202,901	XXX
16. Net reinsurance recoveries	(48,425,631)	(68,494,634)		19,707,380					361,623	XXX
17. Total hospital and medical (Lines 15 minus 16)	970,818,611	493,973,298	159,396,043	0	428,317	208,320,258	60,859,417	0	47,841,278	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....(46,081,921) cost containment expenses	62,760,548	6,453,535	3,775,056	70,809	(40)	5,395,526	2,096,602		44,969,060	
20. General administrative expenses	88,306,721	90,405,579	22,343,755	1,141,809	11,866	7,108,775	8,430,205		(41,135,268)	
21. Increase in reserves for accident and health contracts	5,857,668	5,857,668								XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,127,743,548	596,690,080	185,514,854	1,212,618	440,143	220,824,559	71,386,224	0	51,675,070	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	70,190,758	58,535,892	23,107,935	(1,212,618)	174,705	(14,908,273)	1,875,127	0	2,617,990	0

DETAILS OF WRITE-INS

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	564,805,145	90,196,952		655,002,097
2. Medicare supplement	208,622,789			208,622,789
3. Dental only	25,819,903		25,819,903	0
4. Vision only	614,848			614,848
5. Federal employees health benefits plan	221,920,027			221,920,027
6. Title XVIII - Medicare	73,261,351			73,261,351
7. Title XIX - Medicaid				0
8. Other health	54,784,824		491,764	54,293,060
9. Health subtotal (Lines 1 through 8)	1,149,828,887	90,196,952	26,311,667	1,213,714,171
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	1,149,828,887	90,196,952	26,311,667	1,213,714,171

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	919,054,352	439,481,146	155,910,097	19,444,380	427,372	206,446,515	49,506,375		47,838,468	
1.2 Reinsurance assumed	68,827,408	68,827,408								
1.3 Reinsurance ceded	19,447,680			19,444,380					3,300	
1.4 Net	968,434,080	508,308,554	155,910,097	0	427,372	206,446,515	49,506,375	0	47,835,168	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	111,690,055	57,785,899	21,279,897	1,494,000	24,167	18,402,340	11,357,883		1,345,870	
3.2 Reinsurance assumed	7,984,176	7,984,176								
3.3 Reinsurance ceded	2,723,350			1,494,000					1,229,350	
3.4 Net	116,950,880	65,770,074	21,279,897	0	24,167	18,402,340	11,357,883	0	116,520	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	39,993	39,993								
6. Net healthcare receivables (a)	(1,216,265)	(2,359,413)					1,143,147			
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	109,567,690	73,003,368	17,793,950	1,231,000	23,222	16,528,597	4,841		982,712	
8.2 Reinsurance assumed	8,316,949	8,316,949								
8.3 Reinsurance ceded	2,102,027			1,231,000					871,027	
8.4 Net	115,782,612	81,320,317	17,793,950	0	23,222	16,528,597	4,841	0	111,685	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	46,987	46,987								
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	922,392,982	426,623,089	159,396,043	19,707,380	428,317	208,320,258	59,716,269	0	48,201,625	0
12.2 Reinsurance assumed	68,494,634	68,494,634	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	20,069,003	0	0	19,707,380	0	0	0	0	361,623	0
12.4 Net	970,818,613	495,117,723	159,396,043	0	428,317	208,320,258	59,716,269	0	47,840,002	0
13. Incurred medical incentive pools and bonuses	(6,994)	(6,994)	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	16,335,993	10,202,099	3,614,172			1,978,500	541,223			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	16,335,993	10,202,099	3,614,172	0	0	1,978,500	541,223	0	0	0
2. Incurred but unreported:										
2.1 Direct	95,354,062	47,583,800	17,665,725	1,494,000	24,167	16,423,840	10,816,660		1,345,870	
2.2 Reinsurance assumed	7,984,176	7,984,176								
2.3 Reinsurance ceded	2,723,350			1,494,000					1,229,350	
2.4 Net	100,614,887	55,567,976	17,665,725	0	24,167	16,423,840	10,816,660	0	116,520	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	111,690,055	57,785,899	21,279,897	1,494,000	24,167	18,402,340	11,357,883	0	1,345,870	0
4.2 Reinsurance assumed	7,984,176	7,984,176	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	2,723,350	0	0	1,494,000	0	0	0	0	1,229,350	0
4.4 Net	116,950,880	65,770,074	21,279,897	0	24,167	18,402,340	11,357,883	0	116,520	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	50,347,926	441,833,234	624,576	69,785,393	50,972,502	80,089,317
2. Medicare supplement	13,407,269	146,116,999	(180,917)	17,846,642	13,226,352	17,793,950
3. Dental only	1,263,216	18,181,164	20,880	1,473,120	1,284,096	1,231,000
4. Vision only		427,372		24,167	0	23,222
5. Federal employees health benefits plan	14,314,766	194,110,249	186,642	16,237,198	14,501,408	16,528,597
6. Title XVIII - Medicare	6,531,117	43,516,482	186,139	10,630,521	6,717,256	4,841
7. Title XIX - Medicaid					0	
8. Other health		47,836,443		116,520	0	111,685
9. Health subtotal (Lines 1 to 8)	85,864,294	892,021,943	837,320	116,113,561	86,701,614	115,782,612
10. Healthcare receivables (a)	722,547	7,506,351			722,547	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts				39,993	0	46,987
13. Totals (Lines 9 - 10 + 11 + 12)	85,141,747	884,515,592	837,320	116,153,554	85,979,067	115,829,599

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	80,954	1,146			
2. 2006	687,795	96,675	976		
3. 2007	XXX	740,922	79,495	1,509	
4. 2008	XXX	XXX	810,719	86,289	475
5. 2009	XXX	XXX	XXX	866,815	85,387
6. 2010	XXX	XXX	XXX	XXX	892,019

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

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	727,033	727,516			
2. 2006	790,971	785,437	785,447		
3. 2007	XXX	848,693	823,146	821,931	
4. 2008	XXX	XXX	920,377	898,022	897,485
5. 2009	XXX	XXX	XXX	980,500	951,419
6. 2010	XXX	XXX	XXX	XXX	1,008,132

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006	961,885	785,446	35,967	4.6	821,413	85.4			821,413	85.4
2. 2007	981,829	821,922	38,142	4.6	860,064	87.6			860,064	87.6
3. 2008	1,070,657	897,533	38,210	4.3	935,743	87.4			935,743	87.4
4. 2009	1,148,300	952,206	35,979	3.8	988,185	86.1	837	32	989,054	86.1
5. 2010	1,213,713	892,020	34,645	3.9	926,665	76.3	116,153	4,339	1,047,157	86.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	53,415	876			
2. 2006	379,935	63,383	986		
3. 2007	XXX	404,598	50,550	1,098	
4. 2008	XXX	XXX	446,001	55,745	499
5. 2009	XXX	XXX	XXX	476,327	49,848
6. 2010	XXX	XXX	XXX	XXX	441,833

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

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	414,393	414,754			
2. 2006	449,848	444,123	444,305		
3. 2007	XXX	473,127	457,991	456,248	
4. 2008	XXX	XXX	520,068	501,992	502,246
5. 2009	XXX	XXX	XXX	554,997	525,880
6. 2010	XXX	XXX	XXX	XXX	511,618

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006	598,737	444,304	20,454	4.6	464,758	77.6			464,758	77.6
2. 2007	588,637	456,246	20,793	4.6	477,039	81.0			477,039	81.0
3. 2008	648,334	502,245	21,021	4.2	523,266	80.7			523,266	80.7
4. 2009	683,101	526,175	19,770	3.8	545,945	79.9	624	23	546,592	80.0
5. 2010	638,998	441,833	17,159	3.9	458,992	71.8	69,825	2,608	531,425	83.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	15,197	267			
2. 2006	125,566	18,617	(10)		
3. 2007	XXX	133,572	14,688	404	
4. 2008	XXX	XXX	136,550	15,330	(49)
5. 2009	XXX	XXX	XXX	140,856	13,456
6. 2010	XXX	XXX	XXX	XXX	146,116

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

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	144,632	144,669			
2. 2006	143,662	144,271	144,173		
3. 2007	XXX	153,288	148,181	148,665	
4. 2008	XXX	XXX	154,985	152,200	151,831
5. 2009	XXX	XXX	XXX	158,548	153,980
6. 2010	XXX	XXX	XXX	XXX	163,963

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006	173,182	144,173	6,532	4.5	150,705	87.0			150,705	87.0
2. 2007	174,920	148,665	6,876	4.6	155,541	88.9			155,541	88.9
3. 2008	183,430	151,881	6,435	4.2	158,316	86.3			158,316	86.3
4. 2009	197,831	154,313	5,847	3.8	160,160	81.0	(181)	(6)	159,973	80.9
5. 2010	208,623	146,117	5,675	3.9	151,792	72.8	17,846	667	170,305	81.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	1,008	3			
2. 2006	13,386	1,089			
3. 2007	XXX	12,056	1,024	7	
4. 2008	XXX	XXX	14,696	1,115	10
5. 2009	XXX	XXX	XXX	16,100	1,253
6. 2010	XXX	XXX	XXX	XXX	18,181

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

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	10,740	10,924			
2. 2006	14,885	14,481	14,475		
3. 2007	XXX	13,073	13,080	13,088	
4. 2008	XXX	XXX	16,130	15,829	15,822
5. 2009	XXX	XXX	XXX	17,317	17,370
6. 2010	XXX	XXX	XXX	XXX	19,654

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006	54	14,475	676	4.7	15,151	28,057.4			15,151	28,057.4
2. 2007		13,080	621	4.7	13,701	0.0			13,701	0.0
3. 2008		15,821	692	4.4	16,513	0.0			16,513	0.0
4. 2009		17,353	669	3.9	18,022	0.0	21	1	18,044	0.0
5. 2010		18,181	707	3.9	18,888	0.0	1,473	55	20,416	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

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	294		
5. 2009	XXX	XXX	XXX	433	
6. 2010	XXX	XXX	XXX	XXX	427

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

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	322	294	294
5. 2009	XXX	XXX	XXX	456	433
6. 2010	XXX	XXX	XXX	XXX	451

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006				0.0	0	0.0			0	0.0
2. 2007	402		16	0.0	16	4.0			16	4.0
3. 2008	470	294	14	4.8	308	65.5			308	65.5
4. 2009	565	434	18	4.1	452	80.0			452	80.0
5. 2010	615	427	17	4.0	444	72.2	24	1	469	76.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	11,334				
2. 2006	159,172	13,586			
3. 2007	XXX	180,552	13,233		
4. 2008	XXX	XXX	185,082	14,099	
5. 2009	XXX	XXX	XXX	188,936	14,314
6. 2010	XXX	XXX	XXX	XXX	194,110

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, 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	157,268	157,169			
2. 2006	173,747	172,826	172,758		
3. 2007	XXX	198,011	193,750	193,786	
4. 2008	XXX	XXX	200,474	199,611	199,181
5. 2009	XXX	XXX	XXX	204,903	202,876
6. 2010	XXX	XXX	XXX	XXX	210,347

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006	182,461	172,758	7,902	4.6	180,660	99.0			180,660	99.0
2. 2007	208,882	193,786	9,295	4.8	203,081	97.2			203,081	97.2
3. 2008	208,162	199,181	8,724	4.4	207,905	99.9			207,905	99.9
4. 2009	218,118	203,252	7,843	3.9	211,095	96.8	187	7	211,289	96.9
5. 2010	237,923	194,110	7,539	3.9	201,649	84.8	16,237	607	218,493	91.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

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	599		15
5. 2009	XXX	XXX	XXX	2,874	6,516
6. 2010	XXX	XXX	XXX	XXX	43,516

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

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	600	599	614
5. 2009	XXX	XXX	XXX	2,879	9,591
6. 2010	XXX	XXX	XXX	XXX	54,147

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006				0.0	0	0.0			0	0.0
2. 2007	353		20	0.0	20	5.7			20	5.7
3. 2008	750	614	28	4.6	642	85.6			642	85.6
4. 2009	4,172	9,390	119	1.3	9,509	227.9	186	7	9,702	232.6
5. 2010	73,261	43,516	1,691	3.9	45,207	61.7	10,631	397	56,235	76.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

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 - TITLE XIX - MEDICAID

NONE

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 CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006					0	0.0			0	0.0
2. 2007				0.0	0	0.0			0	0.0
3. 2008				0.0	0	0.0			0	0.0
4. 2009				0.0	0	0.0			0	0.0
5. 2010				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior					
2. 2006	9,736				
3. 2007	XXX	10,144			
4. 2008	XXX	XXX	27,497		
5. 2009	XXX	XXX	XXX	41,289	
6. 2010	XXX	XXX	XXX	XXX	47,836

SECTION B - INCURRED HEALTH CLAIMS - OTHER

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	8,829	9,736	9,736		
3. 2007	XXX	11,194	10,144	10,144	
4. 2008	XXX	XXX	27,798	27,497	27,497
5. 2009	XXX	XXX	XXX	41,400	41,289
6. 2010	XXX	XXX	XXX	XXX	47,952

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2006	7,451	9,736	403	4.1	10,139	136.1			10,139	136.1
2. 2007	8,635	10,145	521	5.1	10,666	123.5			10,666	123.5
3. 2008	29,511	27,497	1,296	4.7	28,793	97.6			28,793	97.6
4. 2009	44,513	41,289	1,713	4.1	43,002	96.6			43,002	96.6
5. 2010	54,293	47,836	1,857	3.9	49,693	91.5	117	4	49,814	91.8

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
POLICY RESERVE									
1. Unearned premium reserves	99,070,500	15,792,726				82,882,285	391,216		4,274
2. Additional policy reserves (a)	5,857,668	5,857,668							
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $.....0) for investment income	0								
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	104,928,168	21,650,394	0	0	0	82,882,285	391,216	0	4,274
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	104,928,168	21,650,394	0	0	0	82,882,285	391,216	0	4,274
CLAIM RESERVE									
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($.....8,963,232 for occupancy of own building)	125,315	922,436	1,280,538	8,105,778	10,434,067
2. Salaries, wages and other benefits	19,398,457	32,670,463	114,151,938		166,220,858
3. Commissions (less $.....0 ceded plus $.....0 assumed)			25,454,234		25,454,234
4. Legal fees and expenses	1,235	1,794	825,598		828,627
5. Certifications and accreditation fees	11,187				11,187
6. Auditing, actuarial and other consulting services	843,523	310,231	3,660,430		4,814,184
7. Traveling expenses	304,761	85,339	1,779,771		2,169,871
8. Marketing and advertising	68,461	2,783	3,709,038		3,780,282
9. Postage, express and telephone	573,026	5,713,825	5,099,783		11,386,634
10. Printing and office supplies	584,708	862,187	1,514,102		2,960,997
11. Occupancy, depreciation and amortization					0
12. Equipment	1,856,751	885,019	8,825,368		11,567,138
13. Cost or depreciation of EDP equipment and software	857,916	141,994	19,405,012		20,404,922
14. Outsourced services including EDP, claims, and other services	5,069,355	7,065,981	10,164,311	748,656	23,048,303
15. Boards, bureaus and association fees	85,693	2,783	2,678,056		2,766,532
16. Insurance, except on real estate	80,412	203,447	1,125,242		1,409,101
17. Collection and bank service charges		1,030	714,039		715,069
18. Group service and administration fees	(7,469,620)	55,323,705	2,481,201		50,335,286
19. Reimbursements by uninsured plans	(71,358,142)	(91,073)	(133,325,078)		(204,774,293)
20. Reimbursements from fiscal intermediaries		1,254,536	(1)		1,254,535
21. Real estate expenses	378,853	1,123,230	2,329,105	765,166	4,596,354
22. Real estate taxes	11,915	39,870	144,189	24,167	220,141
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes		42	39,990		40,032
23.2 State premium taxes			1,132,099		1,132,099
23.3 Regulatory authority licenses and fees	193	84	146,040		146,317
23.4 Payroll taxes	1,031,276	1,898,335	4,993,639		7,923,250
23.5 Other (excluding federal income and real estate taxes)	11,815	71,440	4,029,211		4,112,466
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	1,450,989	352,986	5,948,870	0	7,752,845
26. Total expenses incurred (Lines 1 to 25)	(46,081,921)	108,842,467	88,306,725	9,643,767	(a)...160,711,038
27. Less expenses unpaid December 31, current year		4,369,835	209,722,566		214,092,401
28. Add expenses unpaid December 31, prior year		5,266,357	186,574,758		191,841,115
29. Amounts receivable relating to uninsured plans, prior year			24,540		24,540
30. Amounts receivable relating to uninsured plans, current year			9,073,383		9,073,383
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	(46,081,921)	109,738,989	74,207,760	9,643,767	147,508,595

DETAILS OF WRITE-INS

2501. Administrative Expenses Assumed	1,636,195	1,425,155	7,918,002		10,979,353
2502. Administrative Expenses Ceded	(111,346)	(3,069)	(1,911,052)		(2,025,468)
2503. HMOP ASA Agreement	(293,679)	(219,788)	(1,431,334)		(1,944,800)
2598. Summary of remaining write-ins for Line 25 from overflow page	219,819	(849,312)	1,373,253	0	743,760
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	1,450,989	352,986	5,948,870	0	7,752,845

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

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 5,675,888	5,890,918
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 5,015,547	5,055,695
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 27,157	27,157
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	2,756,989	2,804,402
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d) 8,963,232	9,802,320
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 307,080	329,635
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	7,147	7,147
10.	Total gross investment income	22,753,040	23,917,274
11.	Investment expenses		(g) 9,643,767
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) 2,306,011
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		11,949,778
17.	Net investment income (Line 10 minus Line 16)		11,967,496

DETAILS OF WRITE-INS

0901.	FEP Investment Service Charge	7,147	7,147
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	7,147	7,147
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....469,967 accrual of discount less $.....1,710,146 amortization of premium and less $.....1,001,359 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....2,306,011 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	11,407		11,407		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	25,964		25,964		3,398,086
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)		(285,742)	(285,742)		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	4,733,461	(512,356)	4,221,105	28,774,571	
2.21	Common stocks of affiliates			0		
3.	Mortgage loans			0		
4.	Real estate	68,464		68,464		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0		
7.	Derivative instruments			0		
8.	Other invested assets			0		
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	4,839,296	(798,098)	4,041,198	28,774,571	3,398,086

DETAILS OF WRITE-INS

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

EXHIBIT 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)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks	18,872,556	19,160,817	288,261
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets			0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	18,872,556	19,160,817	288,261
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	335,296	226,787	(108,509)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans			0
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset	74,029,098	57,554,777	(16,474,321)
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software	6,664,695	9,479,572	2,814,877
21. Furniture and equipment, including health care delivery assets	8,496,165	11,007,353	2,511,188
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivables from parent, subsidiaries and affiliates			0
24. Health care and other amounts receivable	3,866,690	5,989,517	2,122,827
25. Aggregate write-ins for other than invested assets	8,021,796	9,462,646	1,440,850
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)	120,286,296	112,881,469	(7,404,827)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. TOTALS (Lines 26 and 27)	120,286,296	112,881,469	(7,404,827)

DETAILS OF WRITE-INS

1101. Deposits with National Accounts			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0
2501. Federal Employee Program Receivable			0
2502. Miscellaneous Receivable			0
2503. Other Assets	8,021,796	9,462,646	1,440,850
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	8,021,796	9,462,646	1,440,850

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations	281,392	285,732	284,455	285,441	292,602	3,450,522
4. Point of service						
5. Indemnity only	133,226	133,347	133,061	133,112	132,722	1,583,553
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	414,618	419,079	417,516	418,553	425,324	5,034,075

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Arkansas Blue Cross and Blue Shield are presented on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department.

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

For reporting periods ending on December 31, 2004 and later, Arkansas Blue Cross and Blue Shield is reporting its post-employment liabilities and expenses using accounting principles generally accepted in the United States of America. These principles are governed primarily by Financial Accounting Standard 106. This departure from statutory accounting principles was approved by the Arkansas Insurance Department in a letter dated December 30, 2004 in accordance with ACA Sec 23-61-108.
Arkansas Blue Cross and Blue Shield adopted Financial Accounting Standard 158 for its 2007 fiscal year end. FAS 158 improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. For postretirement benefit plans other than pension, the benefit obligation is the accumulated postretirement benefit obligation (APBO).

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

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

C. Accounting Policy

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

In addition, the company uses the following accounting policies:

Short-term investments are stated at amortized cost.
Bonds not backed by other loans are stated at amortized cost using the interest method.
Common Stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
Preferred stocks are carried at cost.
The company's capitalization policy threshold changed from $500 to $1500 in 2010. After a review of the policy the company determined that the threshold was too low, and it was not necessary to capitalize at a threshold lower than $1500.

2. Accounting Changes and Corrections of Errors

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

A. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87,88,106, and 132R,* effective December 31, 2007. The Statement requires recognition of the funded status of a defined benefit plan in the statement of admitted assets, liabilities and surplus as an asset or liability if the plan is overfunded or underfunded, respectively. Changes in the funded status of a plan are required to be recognized in the year in which the changes occur, and reported in the statement of operations and changes in surplus as a separate component of surplus for SAP purposes. Further, certain gains and losses that were not previously recognized in the financial statements are required to be reported in surplus for SAP purposes; and certain disclosure requirements were changed. These changes are effective for fiscal years ending after December 15, 2006, with no retroactive restatement of prior periods. SFAS No. 158 also requires companies to measure a plan's assets and obligations that determine its funded status as of the end of the employers's fiscal year instead of the November 30 early measurement date the Company currently uses. This change is effective for fiscal years ending after December 15, 2008. The Company will adopt the measurement date provisions in 2008.

B. The Company received approval from the Department to include the other postretirement benefit obligation in accordance with *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans,* which requires accrual for non-vested employees. Statutory accounting practices prescribed by the NAIC and the Department require that other postretirement decreased surplus by approximately $51.4 million and $48.8 million for the years ended December 31, 2010 and 2009, respectively.

3. Business Combinations and Goodwill

The Company had no business combinations or goodwill as of December 31, 2010.

4. Discontinued Operations

NOTES TO FINANCIAL STATEMENTS

The Company had no discontinued operations as of December 31, 2010.

5. Investments

A. The Company has no mortgage loans at this time.
B. The Company has no debt restructuring at this time.
C. The Company has no reverse mortgages at this time.
D. The Company has no loan-backed securities at this time.
E. The Company has no repurchase agreements and/or security lending transactions at this time.
F. N/A
G. The Company has no investment in low-income housing tax credits.

6. Joint Ventures, Partnerships, and Limited Liability Companies

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

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

7. Investment Income

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

8. Derivative Instruments

The Company does not own any derivative instruments.

9. Income Taxes

USAble Mutual Insurance Company files a consolidated federal income tax return with its other eligible domestic subsidiaries, USAble Corporation, Pinnacle Business Solutions, Inc. and Group Service Underwriters, Inc. The company is party to a federal income tax allocation agreement. Under the tax sharing agreement, the Company pays to or receives from each subsidiary the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the subsidiary in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

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

When available, the Company utilizes net operating loss carry forwards to offset taxable income under the terms of the tax sharing agreement. At December 31, 2010, the Company had $0 of operating loss carry forwards.

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

	Ordinary	Capital	Total
2010	20,046,906	698,082	20,744,989
2009	0	2,257,032	2,257,032
2008	12,358,971	2,925,360	15,284,331

The components of current income tax expense are as follows:

	2010	2009
Federal	$ 18,197,370	$ 10,806,135
Foreign	$ -	$ -
Federal Income Tax on net capital gains	$ 1,194,182	$ 5,350,128
Utilization of capital loss carry-forwards		
Federal & Foreign income tax incurred	$ 19,391,552	$ 16,156,263

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

Dec 31, 2010	Effective Tax Rate	
Provision computed at statutory rate	$ 28,990,654	35.0%
Tax exempt income deduction	(342,748)	(0)
Dividends received deduction	(401,566)	-0.5%
Tax differentials on foreign earnings	0	0
Nondeductible expenses	508,735	0.6%
Tax Credits	(190,000)	-0.2%

NOTES TO FINANCIAL STATEMENTS

Rate Differential	(14,787,619)	-17.9%
Other	5,715,887	6.9%
Total	$ 19,493,343	23.5%
Federal and foreign income taxes incurred	$ 19,487,632	23.5%
Change in net deferred income taxes	5,711	0.0%
Total statutory income taxes	$ 19,493,343	23.5%

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

	December 31, 2010			December 31, 2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total of all deferred tax assets (admitted and nonadmitted)	87,062,233	11,871,040	98,933,273	70,996,231	22,600,860	93,597,091	16,066,002	(10,729,820)	5,336,182
Total of all deferred tax liabilities	457,386	37,931,370	38,388,756	290,567	26,597,319	26,887,886	166,819	11,334,051	11,500,870
Net deferred tax asset (liability)	86,604,847	(26,060,330)	60,544,518	70,705,664	(3,996,459)	66,709,205	15,899,183	(22,063,871)	(6,164,687)
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	74,029,098	0	74,029,098	57,554,777	0	57,554,777	16,474,321	0	16,474,321
Net admitted deferred tax asset/(liability)	12,575,749	(26,060,330)	(13,484,580)	13,150,887	(3,996,459)	9,154,428	(575,138)	(22,063,871)	(22,639,008)

The Company has elected to admit DTAs pursuant to paragraph 10.e. in the current year. This election is consistent with the prior year. The components of the calculation are as follows:

Admission Calculation Components:
SSAP No. 10R, Paragraphs 10a., 10b., and 10.c:

	December 31, 2010			December 31, 2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10.a	8,305,641	0	8,305,641	9,154,428	0	9,154,428	(848,787)	0	(848,787)
SSAP No. 10R, Paragraph 10.b (the lesser of paragraph 10.b.i and 10.b.ii. below)	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.b.i.	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.b.ii.	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.c.	457,386	11,871,040	12,328,426	290,567	26,597,319	26,887,886	166,819	(14,726,279)	(14,559,460)
Total	8,763,027	11,871,040	20,634,067	9,444,995	26,597,319	36,042,314	(681,968)	(14,726,279)	(15,408,247)

Admission Calculation Components:
SSAP No. 10R, Paragraphs 10.e.:

	December 31, 2010			December 31, 2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10.e.i.	12,575,749	0	12,575,749	9,154,428	0	9,154,428	3,421,321	0	3,421,321
SSAP No. 10R, Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a and 10.e.ii.b. below)	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.e.ii.a	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.e.ii.b	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.e.iii.	457,386	11,871,040	12,328,426	290,567	26,597,319	26,887,886	166,819	(14,726,279)	(14,559,460)
Total	13,033,135	11,871,040	24,904,175	9,444,995	26,597,319	36,042,314	3,588,140	(14,726,279)	(11,138,139)

Used in SSAP No. 10R, Paragraph 10.d.

	December 31, 2010			December 31, 2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total Adjusted Capital	XXXX	XXXX	482,504,370	XXXX	XXXX	463,396,783	XXXX	XXXX	19,107,587
Authorized Control Level	XXXX	XXXX	55,306,593	XXXX	XXXX	57,150,730	XXXX	XXXX	(1,844,137)

Increase in Admitted Deferred Tax Asset due to SSAP No. 10R, Paragraph 10.e.

	December 31, 2010			December 31, 2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted DTA under paragraph 10.a., 10.b., and 10.c.	8,763,027	11,871,040	20,634,067	9,444,995	26,597,319	36,042,314	(681,968)	(14,726,279)	(15,408,247)
Admitted DTA under paragraph 10.e	13,033,135	11,871,040	24,904,175	9,444,995	26,597,319	36,042,314	3,588,140	(14,726,279)	(11,138,139)
Increase	4,270,109	0	4,270,109	0	0	0	4,270,109	0	4,270,109

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

	December 31, 2010	December 31, 2009	Change
Deferred Tax Assets:			
(a) ***Ordinary***			

NOTES TO FINANCIAL STATEMENTS

Tax basis discount on unpaid losses	726,179	714,576	11,603
Adjustment for deferred acquisition costs	6,367,277	6,173,226	194,051
Accrued deferred compensation	18,746,567	17,413,334	1,333,233
Other Post Employment Benefits	52,090,502	46,902,455	5,188,047
Depreciable assets	7,921,766	8,217,260	(295,494)
Other	1,209,942	792,287	417,655
Total ordinary deferred tax assets	87,062,233	80,213,139	6,849,095
Total deferred ordinary tax assets non-admitted	74,029,098	57,554,777	16,474,321
Admitted ordinary deferred tax assets	13,033,135	22,658,362	(9,625,226)
(b) ***Capital***			
Intangibles	3,326,559	3,359,790	(33,231)
Basis difference in partnership investments	1,820,257	2,304,583	(484,326)
Basis difference in partnership investments-LSV	-	577,174	(577,174)
Unrealized Gain/Loss on partnerships-LSV	-	214,431	(214,431)
Other than Temp Investment Impairments	4,457,531	4,653,806	(196,275)
Other	2,266,693	2,274,169	(7,475)
Total capital deferred tax assets	11,871,040	13,383,953	(1,512,913)
Total deferred capital tax assets non-admitted	-	-	-
Admitted capital deferred tax assets	11,871,040	13,383,953	(1,512,913)
Total admitted deferred tax assets	24,904,175	36,042,314	(11,138,139)
Deferred Tax Liabilities:			
(a) ***Ordinary***			
Accrued dividends	104,992	29,924	75,067
Discount Amortization	352,394	260,642	91,752
Total ordinary deferred tax liabilities	457,386	290,567	166,819
(b) ***Capital***			
Unrealized Capital Gains	20,608,269	13,093,068	7,515,202
Basis difference in partnership investments-LSV	3,453,470		3,453,470
Unrealized Gain/Loss on partnerships-LSV	9,599		9,599
Basis diff in Unconsolidated Subs	13,608,956	13,372,280	236,676
Unrealized Gain/Loss on Unconsolid Subs	251,075	131,972	119,103
Total capital deferred tax liabilities	37,931,370	26,597,319	11,334,051
Total deferred tax liabilities	38,388,756	26,887,886	11,500,870
Net admitted deferred tax asset/(liability)	(13,484,580)	9,154,429	(22,639,009)

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

	December 31, 2010		December 31, 2009	Change
Total deferred tax assets	$ 98,933,273		$ 93,597,091	$ 5,336,182
Total deferred tax liabilities	38,388,756		26,887,886	11,500,870
Net deferred tax asset (liability)	$ 60,544,518		$ 66,709,206	$ (6,164,688)
Tax effect of unreal gains (losses)-portfolio				7,515,202
Tax effect of unreal gains (losses)-other inv				343,134
Tax effect of unreal gains (losses)-SSP	763,447	(246,194)		1,009,641
Tax effect of unreal gains (losses)-FAS 158	11,916,800	14,625,800		(2,709,000)
Tax effect of transfer of subsidiary liability				-
Change in net deferred income tax				$ (5,711)

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Arkansas Blue Cross Blue Shield owns 100% of USAble Corporation and Pinnacle Business Solutions, Inc, and owns 50% of HMO Partners, Inc and LSV Partners, LLC. On October 1, 2006, USAble Corporation, a wholly owned subsidiary of Arkansas Blue Cross and Blue Shield (ABCBS), sold its ownership interest in HMO Partners, Inc. and Life & Specialty Ventures, LLC to ABCBS. In November 2006, Ideal Medicare Services was dissolved. As of December 31, 2008, USAble Corporation owns 100% of AHIN, LLC, 50% of Novitas Health, LLC, 50% of Southwest Health Link, LLC and 100% of Group Service Underwriters. Hot Springs Health Partners, LLC, Health Partners of Northwest Arkansas, LLC, and Fort Smith Health Partners, LLC were dissolved effective with the close of business on 12/31/04. On January 1, 2008, Life and Specialty Ventures, LLC became LSV Partners, LLC and a new Life and Specialty Ventures, LLC was formed. LSV Partners owns 100% of Florida Combined Life Insurance Company and 41.5% of Life and Specialty Ventures, LLC. On August 22, 2007, Arkansas Blue Cross Blue Shield invested $3.7 million in B.P. Informatics LLC, a Delaware LLC. Additional capital contributions made in 2009 and 2010 totaling $1,400,000 in B.P. Informatics, LLC brought the percentage ownership to 19.00%. On March 31, 2009, ABCBS invested $10,000 in Shareware, LLC for percentage ownership of 12.5%. On January 1, 2010, Arkansas Blue Cross assumed the role of third party administrator of those employee health benefit plans that were formerly administered by its subsidiary, USAble Corporation. State laws in almost every state require that a third party administrator that administers health benefit plans that cover citizens of the state be registered with or be licensed by state regulatory authorities. Because of a concern that using a legal name that includes the Blue Cross® or Blue Shield® brands in these TPA filings would result in confusion with the local Blue Cross or Blue Shield Plan in those respective states, the Board of Directors recommended and the members of the company at their Annual Meeting on March 15, 2010 voted to approve an amendment to the Articles of Incorporation changing the legal name of the company to "USAble Mutual Insurance Company." The new name became effective on March 23, 2010 when the Arkansas Insurance Commissioner approved the amendment to the Articles of Incorporation.

B. N/A

C. N/A

D. At December 31, 2010 the Company reported the following amounts due from Affiliates:

HMO Partners, Inc.	7,449,636
USAble Life	87,669
USAble Corporation	314,926
AHIN, LLC	223,404
Life and Specialty Ventures	466
Pinnacle Business Solutions	7,807,261
Southwest Health Link	-
Blue & You Foundation	83,412
USAble Life Group Health	(84,866)
Total	$ 15,881,908

At December 31, 2010 the Company reported the following amounts due to Affiliates:

Southwest Health Link	1,184,493
USAble Life	376,999
USAble Corporation	129,133
Life and Specialty Ventures	794
Pinnacle Business Solutions	(23)
USAble Life Group Health	30,366
HMO Arkansas	13,337
Total	$ 1,735,099

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

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

11. Debt

L. As of December 31, 2010, the Company has no capital notes.
A. As of December 31, 2010, the Company's liability for borrowed money was zero ($-0-).

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

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

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

NOTES TO FINANCIAL STATEMENTS

Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plu$. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plu$ portion of the plan. Under the 401(k) Plu$ the Company makes a contribution from 2% to 6% of the eligible compensation of all eligible employees. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. At no time will the contribution be less than 2% nor more than 6%. For 2009, 4% was used to calculate the Company's contribution of $2,004,080, and for 2010, 6% was used to calculate the contribution of $6,120,125.

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

C. Multi-employer Plans
The Company does not participate in multi-employer plans.
D. Consolidated/Holding Company Plans
The Company participates in a deferred compensation plan with its subsidiaries and affiliates.
E. Postemployment Benefits and Compensated Absences
F. N/A

Medical Indemnity and Life Plans

The Company provides unfunded medical indemnity and life insurance plans for eligible retirees and/or their spouses. The medical plan is available to all employees hired before January 1, 1995, who retire on or after age 55 with 15 or more years of service with the Company. For currently eligible retirees and individuals employed by the Company as of January 1, 1995, who retired before January 1, 1996, the entire cost of coverage is paid by the employer. For individuals employed by the Company before January 1, 1995, who retire after January 1, 1996, the cost of coverage to be funded by the Company will be limited. The maximum annual amount to be funded is based on the individual's years of service and marital status and will be adjusted annually by a fixed percentage.

The life insurance program covers the lives of retirees age 55 or older who are eligible for a pension benefit or become disabled. Life insurance amounts, which are based on the employee's basic annual earnings at retirement, range from $20,000 for a minimum salary of $10,000 to $150,000 for a salary of $75,000 or more. Benefits are reduced by 50% at age 65, 75% at age 70 and limited to $5,000 at age 75 and beyond.

Following is a summary of amounts in accumulated other comprehensive income as of December 31, 2007 that have not yet been recognized in the consolidated statements of income as components of net periodic benefit cost (in thousands):

Net actuarial loss	47,375
Prior service cost	(8,665)

Following is a summary of the unfunded benefit obligation, employee postretirement benefit obligation and the weighted average assumptions used in the determination of the Company's net periodic postretirement benefit cost at December 31 (in thousands):

	2010
Unfunded benefit obligation	145,785
Employee postretirement benefits other than pension	145,785
Weighted average assumptions:	
Discount rate	5.45%
Expected return on plan assets	N/A
Rate of compensation increase	5.00%
Benefit cost	11,752
Employer contribution	4,891
Benefits paid	4,891

For the years ended December 31, 2010 and 2009, the plan did not assume an expected return on plan assets since the plan was unfunded. The health care cost trend rate used to measure the expected cost of benefits is assumed to be the following for each year:

December 31, 2010	8.00%
December 31, 2009	8.00%

Increasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	% Incr	From	To
Aggregate Service & Interest cost	2.33%	10,413,000	10,658,000
APBO	1.09%	145,785,000	148,530,000

Decreasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	% Decr	From	To
Aggregate Service & Interest cost	2.15%	10,413,000	10,188,000
APBO	2.01%	145,785,000	142,885,000

The following expected benefit payments by year, which reflect expected future service, as appropriate, are expected to be paid:

2011	3,081,000
2012	3,735,000

2013	4,320,000
2014	5,003,000
2015	5,738,000
2016 - 2020	38,100,000

Prior service costs and gains/losses are amortized on a straight-line basis over the average remaining service period of active participants. The estimated net actuarial loss and prior service credit that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are 3,028,000 and 1,185,000, respectively.

Disability Medical Benefits Plan

The Company provides certain disability medical benefits to all employees who are eligible for long-term disability insurance under the Company's long-term disability insurance program, which applies to employees that have been employed for at least 12 months and have been absent due to disability for a period of at least 180 days.

Any employee hired before January 1, 1995, who becomes disabled after age 55 and with 15 years of service with the Company shall be eligible for retiree coverage under the terms of the Company's retiree medical plan. Any employee who is hired after January 1, 1995, or is less than age 55 at the time of disability or has less than 15 years of service with the Company at the time of the disabiltiy is a participant under this long-term disability medical benefits plan. Employees who have 15 years of service with the Company at the time of disability shall be allowed to continue coverage under the Company's group health and dental plan. The employee will be required to pay the difference between the total premium and the disabled employee's premium allowance. The premium allowance is an annual allowance based on years of service up to 25, which is increased by 5% each year. Any employee on long-term disability shall be required to apply for Social Security disability and Medicare disability benefits. Both coverage under the Company's health plan and the allowance will end on the earlier of (1) the date the employee fails to pay the applicable premium, net of any allowance; (2) the date the employee is no longer disabled under the long-term disability insurance program; or (3) attainment of age 65.
Employees who have less than 15 years of service at the time of disability shall be allowed 36 months of health coverage, inclusive of any COBRA coverage. The Company will pay 100% of the single premium for such period. Coverage under this plan ends on the earlier of the end of the 36-month period or the date the employee is no longer disabled under the long-term disability insurance program.

Following is a summary of the employee postretirement benefit obligation and the weighted average assumptions used in the dertermination of the Company's net periodic postretirement benefit cost at December 31, 2007 (in thousands):

Employee postretirement benefits other than pension	3,172,000
Weighted average assumptions:	
Discount rate	5.45%
Rate of compensation increase	5.00%
Prior service cost	999,000

For the years ended December 31, 2010 and 2009, the plan did not assume an expected return on plan assets since the plan was unfunded. The health care cost trend rate used to measure the expected cost of benefits is assumed to be the following for each year:

December 31, 2010	8.00%
December 31, 2009	8.00%

Increasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	% Incr	From	To
Aggregate Service & Interest Cost	7.46%	142,000	152,000
APBO	8.53%	3,172,000	3,450,000

Decreasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	% Incr	From	To
Aggregate Service & Interest cost	8.06%	142,000	131,000
APBO	7.04%	3,172,000	2,944,000

The following expected benefit payments by year, which reflect expected future service, as appropriate, are expected to be paid:

2011	128,000
2012	169,000
2013	171,000
2014	147,000
2014	126,000
2016 - 2020	816,000

Prior service costs and gains/losses are amortized on a straight-line basis over the average remaining service period of active participants.

The estimated net actuarial loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is 93,000.

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

NOTES TO FINANCIAL STATEMENTS

1) As of December 31, 2010, the Company had no common capital shares authorized, issued or outstanding.
2) The Company has no preferred stock outstanding.
3) The Company has no dividend restrictions.
4) As a Mutual Insurer, the Company can only pay dividends on participating polices and the Company does not issue participating polices.
5)The Company had no restrictions on its unassigned surplus.
3) The Company does not have any advances to surplus.
4) As of December 31, 2010, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
5) The Company has no special surplus funds.
6) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
   a. unrealized gains and losses: $ 40,871,249
   b. nonadmitted asset values: $120,286,296
   c. provision for reinsurance: $ 0

10) The Company has no Surplus Notes as of December 31, 2010.
11) The Company was not involved in a quasi-reorganization.
12) The Company was not involved in a quasi-reorganization.
13) The Company was not involved in a quasi-reorganization.

14. Contingencies

The Company is not aware of any contingent liabilities as of December 31, 2010.

In the normal course of business, the Company is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2010. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

15. Leases

The Company has no material lease obligations at this time.

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

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

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

The Company has not been involved in any sale, transfer and servicing of financial assets and extinguishments of liabilities as December 31, 2010.

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

A. ASO Plans

	Uninsured Plans
Net Reimbursement for Administrative expenses (including Administrative fees) in excess of actual expenses	$ 1,614,574
Other Income	0
Net gain or (loss) from operations	$ 1,614,574
Total claim payment volume	$189,922,996

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans was as follows during 2010:

		ASC Uninsured Plans
a.	Gross reimbursement for medical cost incurred	$3,002,393,808
b.	Gross administrative fees accrued	$ 201,239,466
c.	Other income or expenses	$ 0
d.	Gross expenses incurred (claims and adminstrative)	$3,183,894,576
e.	Total net gain or loss from operations	$ 19,738,698

NOTES TO FINANCIAL STATEMENTS

C. The gain (loss) from operation for uninsured accident and health plans was as follows during 2010:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	NONE	$ 479,574	$ 479,574
Other Income	NONE	NONE	NONE
Net gain or (loss) from operations	NONE	$ 479,574	$ 479,574

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

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

20. Fair Value Measurement

A.

1. Fair Value Measurements at Reporting Date

Description	Level 1	Level 2	Level 3	Total
a. Assets at Fair Value				
Common Stock	$ 76,704,511	$44,194,499	$5,119,098	$126,018,108
Preferred Stock	$ 367,642			367,642
Supplemental Savings Plan	$ 37,044,795	-0-	-0-	$ 37,044,795
Total Assets at Fair Value	$114,116,948	-0-	-0-	$163,430,545

2.

Balance at 1/1/2010	Gain/Losses Included in Net Income or Surplus	Purchases (Sales)	Balance at 12/31/10
$512,082	$ 7,532	$4,607,016	$5,126,630

3. The company does not have any transfers between levels of fair value measurement.

4. As of December 31, 2010, the reported fair value of the reporting entities investments in Level 2 common stock was $44,194,499. Of these securities, $42,602,426 are foreign common stock. To measure their fair value the reporting entity used current market prices in U.S. dollars. As of December 31, 2010, the reported fair value of the reporting entities investments in Level 3 common stock was $5,119,098. The valuation for the Level 3 stock is determined by the investment custodian and is calculated by dividing equity by the total shares outstanding.

21. Other Items

A. The Company had no extraordinary items as of December 31, 2010.
B. The Company had no troubled debt restructuring as of December 31, 2010.
C. The Company did not have any other disclosures covered by SSAP No. 1 in the 2010 Annual Statement.
D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2010.
E. The Company did not have any Business Interruption Insurance Recoveries as of December 31, 2010.
F. The Company has no business interruption insurance recoveries.
G. The Company does not engage in sub-prime residential mortgage lending nor does it have any material direct investments in collateralized debt obligations or debt securities that are directly backed by residential mortgages. The Company's exposure to sub-prime lending is limited to its ownership of the general obligation debt and/or equity securities of both governmental and commercial entities whose business activities include residential mortgage lending.

As of December 31, 2010, the Company held no debt securities described in the previous paragraph.

The market value of the Company's investment in the equity securities of commercial enterprises that engage in residential mortgage lending accumulates to $1,408,283. This represents 1.16% of the Company's non related investments in equity securities of $120,899,009.

H. N/A
I. N/A

22. Events Subsequent

There were no known events subsequent as of December 31, 2010.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1

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

Section 2

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

Section 3

1. The estimated reduction in surplus if the reinsurance agreement was terminated would be $-0-.
2. No new agreements have been executed during 2010.

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

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination
The Company did not have any retrospectively rated contracts or contracts subject to redetermination.

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

26. Intercompany Pooling Arrangements
The Company did not have any intercompany pooling arrangements

27. Structured Settlements
The Company did not have any structured settlements as of December 31, 2010.

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

				---Rebates collected within days of qtr---		
Qtr	Est Rebates on F/S	Admitted	Invoiced	0-90	91-180	over 180
12/31/10	$ 8,228,898	$4,603,869				
09/30/10	$ 8,078,562	$4,462,126		810,042		
06/30/10	$ 8,010,452	$4,123,450		1,039,803	231,842	2,959,236
03/31/10	$ 7,512,021	$4,805,641		354,837	692,158	2,990,602
12/31/09	$ 9,445,163	$4,791,612		1,902,001	217,952	2,433,121
09/30/09	$ 7,068,148	$4,457,948		153,216	2,099,481	2,574,913
06/30/09	$ 5,336,153	$3,501,386		1,898,056	242,572	2,608,188
03/31/09	$ 8,641,749	$3,501,387		1,748,896	288,324	2,418,918
12/31/08	$ 5,974,253	$3,649,712		159,636	1,847,135	1,570,121
09/30/08	$10,029,711	$7,710,236		1,028,520	847,824	1,659,045
06/30/08	$ 8,314,994	$6,320,398		1,140,803	2,289,239	122,961
03/31/08	$ 7,487,199	$4,530,370		7,476	1,603,884	1,689,158

B. The company has no risk-sharing receivables.

29. Participating Policies
The Company did not have any participating policies.

30. Premium Deficiency Reserves
The Company did not have any premium deficiency reserves as of December 31, 2010.

31. Salvage and Subrogation

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

Line of Business	Year Incurred	December 31 2010	December 31 2009
Accident and Health	2006	$ 2,263	$ 63,955
	2007	$ 12,717	$ 70,575
	2008	$ 18,024	$ 357,478
	2009	$ 302,305	$ 1,481,550

NOTES TO FINANCIAL STATEMENTS

	2010	$ 859,142	
Total		$ 1,194,450	$ 2,062,945

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State regulating? Arkansas

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

2.2 If yes, date of change: 03/23/2010

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005

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. 12/31/2005

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/09/2007

3.4 By what department or departments? Arkansas Insurance Department

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

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 Co. 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]

6.2 If yes, give full information:

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

7.2 If yes,

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

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

1 Nationality	2 Type of Entity

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 Little Rock, Arkansas

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

10.6 If the 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 laws? Yes [X] No [ ]

10.8 If the answer 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?
Samuel P. Partin, Sr. Vice President - Actuary & Risk Management, Arkansas Blue Cross and Blue Shield Little Rock, Arkansas

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 [ ]

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

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.

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

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [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 $.....0

19.12 To stockholders not officers $.....0

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

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 $.....0

19.22 To stockholders not officers $.....0

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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 [X] No [ ]

21.2 If answer is yes:

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

21.22 Amount paid as expenses $.....3,497,640

21.23 Other amounts paid $.....0

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. $.....0

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 [X] 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 [X]

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 [X]

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

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

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 [X]

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 .....

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 [X]

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

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 [X]

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

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 [X] 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
USBank Institutional Trust & Custody	PO Box 387 St. Louis, MO 63166-0387

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 [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
116359	Foundation Resource Management	401 W. Capitol, Suite 501, Little Rock, AR 72201

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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 [X] No [ ]

28.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
88018T 10 1	Templeton Dragon Fund	1,592,073
28.2999. TOTAL		1,592,073

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Templeton Dragon	Dairy Farm Intl Hldgs Ltd	291,349	06/30/2010
Templeton Dragon	Sinopec (China Petroleum & Chemical Corp)	119,405	06/30/2010
Templeton Dragon	CNOOC Ltd.	100,301	06/30/2010
Templeton Dragon	Petrochina Co. Ltd.	89,156	06/30/2010
Templeton Dragon	China Mobile Ltd.	79,604	06/30/2010
Templeton Dragon	China Construction Bank Corp	54,130	06/30/2010
Templeton Dragon	TSMC (Taiwan Semiconductor Mfg Co Ltd)	46,170	06/30/2010
Templeton Dragon	Yanzhou Coal Mining Co. Ltd	44,578	06/30/2010
Templeton Dragon	Cheung Kong Infrastructure Hldgs Ltd	41,394	06/30/2010
Templeton Dragon	Bank of China Ltd	41,394	06/30/2010

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	474,206,527	304,084,901	(170,121,626)
29.2 Preferred stocks	367,642	367,642	0
29.3 Totals	474,574,169	304,452,543	(170,121,626)

29.4 Describe the sources or methods utilized in determining the fair values:
Fair value pricing obtained, where applicable from market prices provided by US Bank, Institutional Trust and Custody, custodian for investment assets, or, where applicable, from the NAIC Valuation of Securities database, for assets not priced by US Bank.

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 [X] No [ ]

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 [X] No [ ]

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? $2,595,523

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
Blue Cross Blue Shield Association	1,923,025

33.1 Amount of payments for legal expenses, if any? $828,627

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
Foley & Lardner LLP	515,269

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $383,295

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
Blue Cross Blue Shield Association	281,660

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only $.....208,622,789

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

1.31 Reason for excluding

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

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.....159,396,043

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....31,866,002

1.62 Total incurred claims $.....24,858,895

1.63 Number of covered lives 22,161

All years prior to most current three years:

1.64 Total premium earned $.....176,407,293

1.65 Total incurred claims $.....134,343,427

1.66 Number of covered lives 80,835

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	1,213,714,171	1,148,299,223
2.2 Premium Denominator	1,213,714,171	1,148,299,223
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	221,914,768	199,079,435
2.5 Reserve Denominator	221,919,041	199,120,234
2.6 Reserve Ratio (2.4/2.5)	100.0	100.0

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

3.2 If yes, give particulars:

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

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

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

5.2 If no, explain:

Sufficient Capital & Surplus, 50 plus year history of managing business without a stop loss reinsurance policy. Most of the Company's policies contain a $2,000,000 lifetime maximum benefit level.

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....0

5.32 Medical only $.....0

5.33 Medicare supplement $.....0

5.34 Dental and vision $.....0

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

5.36 Other $.....0

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

Hold Harmless Agreements

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

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 12,923

8.2 Number of providers at end of reporting year 13,571

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months .....

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 [X]

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 .....

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

11.1 Is the reporting entity organized as:

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

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

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

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

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

11.4 If yes, show the amount required. $.....500,000

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

11.6 If the amount is calculated, show the calculation:

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

1 Name of Service Area
State of Arkansas

13.1 Do you act as a custodian for health savings account? Yes [ ] No [X]

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 [X]

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

FIVE-YEAR HISTORICAL DATA

	1 2010	2 2009	3 2008	4 2007	5 2006
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	1,138,981,649	951,873,372	891,778,311	957,741,648	891,799,112
2. Total liabilities (Page 3, Line 24)	566,934,783	469,369,004	428,381,528	446,410,184	396,753,324
3. Statutory surplus	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 33)	572,046,866	482,504,370	463,396,783	511,331,465	495,045,788
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	1,197,934,306	1,134,378,889	1,059,270,619	995,986,312	954,121,311
6. Total medical and hospital expenses (Line 18)	970,818,611	948,688,954	888,868,874	837,626,941	766,195,270
7. Claims adjustment expenses (Line 20)	62,760,548	35,978,955	38,212,884	38,142,540	35,967,229
8. Total administrative expenses (Line 21)	88,306,721	131,434,276	107,563,886	105,064,734	96,334,569
9. Net underwriting gain (loss) (Line 24)	70,190,758	18,276,704	31,242,777	14,895,686	55,856,142
10. Net investment gain (loss) (Line 27)	14,814,511	18,851,930	12,039,017	30,727,689	22,665,185
11. Total other income (Lines 28 plus 29)	(3,465,085)	(1,050,235)	(1,458,618)	(285,943)	(3,145,815)
12. Net income or (loss) (Line 32)	63,342,814	24,050,768	22,192,047	28,278,642	43,239,910
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	100,511,674	49,797,306	882,030	33,067,985	71,270,487
Risk-Based Capital Analysis					
14. Total adjusted capital	572,046,866	482,504,370	463,396,783	511,331,465	495,045,788
15. Authorized control level risk-based capital	64,583,475	55,306,593	57,150,730	59,431,915	54,334,862
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	425,324	414,618	416,197	413,480	425,159
17. Total member months (Column 6, Line 7)	5,034,075	4,993,075	5,006,775	4,988,795	5,069,901
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 (Line 18 plus Line 19)	81.0	83.6	83.9	100.0	100.0
20. Cost containment expenses	(3.8)	0.6	1.1	1.8	1.4
21. Other claims adjustment expenses	9.1	2.5	2.5	2.0	2.3
22. Total underwriting deductions (Line 23)	94.1	98.4	97.1	98.5	94.1
23. Total underwriting gain (loss) (Line 24)	5.9	1.6	2.9	1.5	5.9
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	85,979,067	89,029,213	82,528,319	98,033,938	81,999,095
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	115,829,599	112,306,570	108,658,126	104,348,590	104,588,570
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)	186,926,822	176,905,237	192,794,620	202,528,554	193,266,544
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated		56,004,467	55,318,314	56,387,542	56,416,481
32. Total of above Lines 26 to 31	186,926,822	232,909,704	248,112,934	258,916,096	249,683,025

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 [ ]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama AL	N							0	
2. Alaska AK	N							0	
3. Arizona AZ	N							0	
4. Arkansas AR	L	922,553,604	5,355,256		221,920,027			1,149,828,887	
5. California CA	N							0	
6. Colorado CO	N							0	
7. Connecticut CT	N							0	
8. Delaware DE	N							0	
9. District of Columbia DC	N							0	
10. Florida FL	N							0	
11. Georgia GA	N							0	
12. Hawaii HI	N							0	
13. Idaho ID	N							0	
14. Illinois IL	N							0	
15. Indiana IN	N							0	
16. Iowa IA	N							0	
17. Kansas KS	N							0	
18. Kentucky KY	N							0	
19. Louisiana LA	N							0	
20. Maine ME	N							0	
21. Maryland MD	N							0	
22. Massachusetts MA	N							0	
23. Michigan MI	N							0	
24. Minnesota MN	N							0	
25. Mississippi MS	N							0	
26. Missouri MO	N							0	
27. Montana MT	N							0	
28. Nebraska NE	N							0	
29. Nevada NV	N							0	
30. New Hampshire NH	N							0	
31. New Jersey NJ	N							0	
32. New Mexico NM	N							0	
33. New York NY	N							0	
34. North Carolina NC	N							0	
35. North Dakota ND	N							0	
36. Ohio OH	N							0	
37. Oklahoma OK	N							0	
38. Oregon OR	N							0	
39. Pennsylvania PA	N							0	
40. Rhode Island RI	N							0	
41. South Carolina SC	N							0	
42. South Dakota SD	N							0	
43. Tennessee TN	N							0	
44. Texas TX	N							0	
45. Utah UT	N							0	
46. Vermont VT	N							0	
47. Virginia VA	N							0	
48. Washington WA	N							0	
49. West Virginia WV	N							0	
50. Wisconsin WI	N							0	
51. Wyoming WY	N							0	
52. American Samoa AS	N							0	
53. Guam GU	N							0	
54. Puerto Rico PR	N							0	
55. U.S. Virgin Islands VI	N							0	
56. Northern Mariana Islands MP	N							0	
57. Canada CN	N							0	
58. Aggregate Other alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	922,553,604	5,355,256	0	221,920,027	0	0	1,149,828,887	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	922,553,604	5,355,256	0	221,920,027	0	0	1,149,828,887	0

DETAILS OF WRITE-INS

5801.								0	
5802.								0	
5803.								0	
5898. Summary of remaining write-ins for line 58		0	0	0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 + 5898) (Line 58 above		0	0	0	0	0	0	0	0

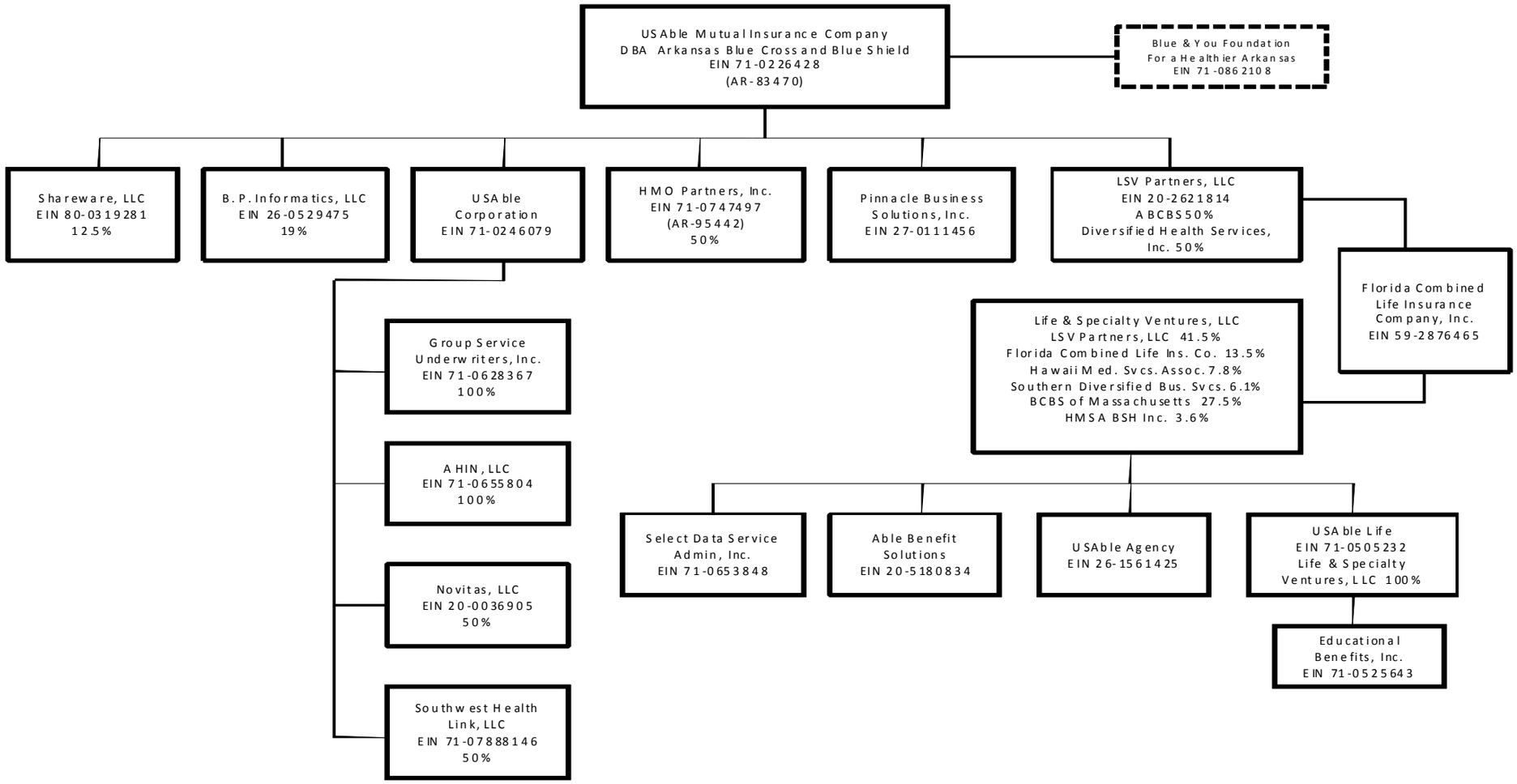
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to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

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

(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



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

PART 1 - ORGANIZATIONAL CHART

2010 ALPHABETICAL INDEX
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