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ANNUAL STATEMENT

For the Year Ended December 31, 2008

of the Condition and Affairs of the

HMO Partners, Inc

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

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

Licensed as Business Type..... Is HMO Federally Qualified? Yes [X] No [ ]

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

Statutory Home Office	320 West Capitol….. Little Rock ..... AR ..... 72203-8069 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	320 West Capitol….. Little Rock ..... AR ..... 72203-8069 *(Street and Number) (City or Town, State and Zip Code)*	501-221-1800 *(Area Code) (Telephone Number)*
Mail Address	320 West Capitol….. Little Rock ..... AR ..... 72203-8069 *(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	healthadvantage-hmo.com	
Statutory Statement Contact	Scott Bradley Winter *(Name)*	501-399-3951 *(Area Code) (Telephone Number) (Extension)*
	sbwinter@arkbluecross.com *(E-Mail Address)*	501-378-3258 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. David Frank Bridges	President	2. Steven James Short	Vice President/CFO
3. Scott Bradley Winter	Assistant Treasurer	4. Kathleen O'Dea Ryan	Vice President

OTHER

James Sterling Adamson Jr. MD	Chairman	Robert Cecil Roberts #	Vice Chairman
Russell Doyne Harrington Jr.	Secretary	Robert Lee Shoptaw	Treasurer
James Robert Bailey	Vice President	Clement Wade Fox MD	Assistant Secretary

DIRECTORS OR TRUSTEES

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

State of..Arkansas
County of...Pulaski

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

Subscribed and sworn to before me
This _____ day of _____ 2009

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)	26,053,000		26,053,000	35,783,952
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	13,553,769		13,553,769	17,393,655
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....14,058,275, Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....50,681,483, Sch. DA)	64,739,758		64,739,758	46,954,787
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)			0	
8. Receivables for securities			0	
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	104,346,527	0	104,346,527	100,132,394
11. Title plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	542,857		542,857	789,258
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	1,125,708		1,125,708	1,970,341
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	14,597		14,597	330,924
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans	6,683,198	293,561	6,389,637	9,583,029
16.1 Current federal and foreign income tax recoverable and interest thereon	452,952		452,952	674,506
16.2 Net deferred tax asset	859,176	206,162	653,014	
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software			0	
19. Furniture and equipment, including health care delivery assets ($.....0)			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates	1,057,435		1,057,435	2,019,648
22. Health care ($.....1,280,304) and other amounts receivable	2,111,421	686,817	1,424,604	604,334
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	117,193,871	1,186,540	116,007,331	116,104,434
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	117,193,871	1,186,540	116,007,331	116,104,434

DETAILS OF WRITE-INS

0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0
2301.			0	
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $.....8,134,662 reinsurance ceded)	21,177,672		21,177,672	17,269,292
2. Accrued medical incentive pool and bonus amounts			0	
3. Unpaid claims adjustment expenses	843,725		843,725	1,034,961
4. Aggregate health policy reserves			0	
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	2,883,959		2,883,959	2,160,879
9. General expenses due or accrued	126,281		126,281	141,691
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			0	2,554,321
11. Ceded reinsurance premiums payable	125,750		125,750	112,058
12. Amounts withheld or retained for the account of others	2,816,668		2,816,668	2,078,690
13. Remittances and items not allocated	219,099		219,099	638,933
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	6,317,236		6,317,236	6,913,378
16. Payable for securities	314,890		314,890	180,653
17. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18. Reinsurance in unauthorized companies			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	
20. Liability for amounts held under uninsured plans	6,228,155		6,228,155	8,411,586
21. Aggregate write-ins for other liabilities (including $.....0 current)	51,654	0	51,654	(236,634)
22. Total liabilities (Lines 1 to 21)	41,105,089	0	41,105,089	41,259,808
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	10,000
25. Preferred capital stock	XXX	XXX		
26. Gross paid in and contributed surplus	XXX	XXX	1,919,153	1,919,153
27. Surplus notes	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	72,973,089	72,915,473
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 $.....0)	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 $.....0)	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	74,902,242	74,844,626
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	116,007,331	116,104,434

DETAILS OF WRITE-INS

2101. Unclaimed property	97,489		97,489	143,697
2102. Miscellaneous payables	(45,835)		(45,835)	(380,331)
2103.			0	
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	51,654	0	51,654	(236,634)
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 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	513,453	457,488
2. Net premium income (including $.....0 non-health premium income)	XXX	116,486,603	100,895,391
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	116,486,603	100,895,391
Hospital and Medical:			
9. Hospital/medical benefits		119,441,344	102,634,681
10. Other professional services			
11. Outside referrals		1,424,626	1,878,410
12. Emergency room and out-of-area		8,629,208	6,759,672
13. Prescription drugs		27,222,958	22,531,751
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	156,718,136	133,804,514
Less:			
17. Net reinsurance recoveries		60,883,690	50,772,337
18. Total hospital and medical (Lines 16 minus 17)	0	95,834,446	83,032,177
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....2,055,862 cost containment expenses		3,368,731	6,869,937
21. General administrative expenses		10,716,637	5,236,718
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)	0	109,919,814	95,138,832
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	6,566,789	5,756,559
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,863,699	3,678,565
26. Net realized capital gains or (losses) less capital gains tax of $.....(82,391)		(153,012)	2,024,615
27. Net investment gains or (losses) (Lines 25 plus 26)	0	2,710,687	5,703,180
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	293,282	283,257
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	9,570,758	11,742,996
31. Federal and foreign income taxes incurred	XXX	4,121,714	3,396,268
32. Net income (loss) (Lines 30 minus 31)	XXX	5,449,044	8,346,728

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Licensing fee income		160,000	160,000
2902. Miscellaneous Income		133,282	123,257
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	293,282	283,257

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	74,844,626	66,185,240
34. Net income or (loss) from Line 32	5,449,044	8,346,728
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	(4,656,270)	1,268,712
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	871,870	154,510
39. Change in nonadmitted assets	(708,454)	(135,850)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles	(63,898)	
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	(834,674)	(974,714)
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	57,618	8,659,386
49. Capital and surplus end of reporting period (Line 33 plus 48)	74,902,244	74,844,626

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	118,068,008	100,205,659
2. Net investment income	3,081,579	4,015,046
3. Miscellaneous income		
4. Total (Lines 1 through 3)	121,149,587	104,220,705
5. Benefit and loss related payments	91,609,739	79,972,163
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	12,825,529	14,037,652
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $.....(82,391) tax on capital gains (losses)	3,817,769	4,410,961
10. Total (Lines 5 through 9)	108,253,037	98,420,776
11. Net cash from operations (Line 4 minus Line 10)	12,896,550	5,799,929
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	11,140,000	9,915,000
12.2 Stocks	2,366,164	4,545,849
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		53,886
12.7 Miscellaneous proceeds	134,237	180,653
12.8 Total investment proceeds (Lines 12.1 to 12.7)	13,640,401	14,695,388
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,687,221	3,177,427
13.2 Stocks	5,716,784	2,384,623
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	7,404,005	5,562,050
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)	6,236,396	9,133,338
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	834,674	974,714
16.6 Other cash provided (applied)	(513,301)	909,742
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,347,975)	(64,972)
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)	17,784,971	14,868,295
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	46,954,787	32,086,492
19.2 End of year (Line 18 plus Line 19.1)	64,739,758	46,954,787

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	116,486,603	116,486,603								
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of $.....0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	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)	116,486,603	116,486,603	0	0	0	0	0	0	0	0
8. Hospital/medical benefits	119,441,344	119,441,344								XXX
9. Other professional services	0									XXX
10. Outside referrals	1,424,626	1,424,626								XXX
11. Emergency room and out-of-area	8,629,208	8,629,208								XXX
12. Prescription drugs	27,222,958	27,222,958								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)	156,718,136	156,718,136	0	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	60,883,690	60,883,690								XXX
17. Total hospital and medical (Lines 15 minus 16)	95,834,446	95,834,446	0	0	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....2,055,862 cost containment expenses	3,368,731	3,368,731								
20. General administrative expenses	10,716,637	10,716,637								
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	109,919,814	109,919,814	0	0	0	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	6,566,789	6,566,789	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	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)	187,418,159		70,931,556	116,486,603
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid				0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	187,418,159	0	70,931,556	116,486,603
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	187,418,159	0	70,931,556	116,486,603

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	152,990,912	152,990,912								
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	60,327,958	60,327,958								
1.4 Net	92,662,954	92,662,954	0	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	29,312,334	29,312,334								
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	8,134,662	8,134,662								
3.4 Net	21,177,672	21,177,672	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	1,053,216	1,053,216								
7. Amounts recoverable from reinsurers December 31, current year	14,597	14,597								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	24,531,894	24,531,894								
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	7,262,603	7,262,603								
8.4 Net	17,269,291	17,269,291	0	0	0	0	0	0	0	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	0									
11. Amounts recoverable from reinsurers December 31, prior year	330,924	330,924								
12. Incurred benefits:										
12.1 Direct	156,718,136	156,718,136	0	0	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	60,883,690	60,883,690	0	0	0	0	0	0	0	0
12.4 Net	95,834,446	95,834,446	0	0	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	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	4,723,496	4,723,496								
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	2,123,249	2,123,249								
1.4 Net	2,600,247	2,600,247	0	0	0	0	0	0	0	0
2. Incurred but unreported:										
2.1 Direct	14,216,002	14,216,002								
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	6,011,413	6,011,413								
2.4 Net	8,204,589	8,204,589	0	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	10,372,836	10,372,836								
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	10,372,836	10,372,836	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	29,312,334	29,312,334	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	8,134,662	8,134,662	0	0	0	0	0	0	0	0
4.4 Net	21,177,672	21,177,672	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	14,665,710	78,101,231	779,306	20,398,366	15,445,016	17,269,291
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	14,665,710	78,101,231	779,306	20,398,366	15,445,016	17,269,291
10. Healthcare receivables (a)		840,875			0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts					0	
13. Totals (Lines 9 - 10 + 11 + 12)	14,665,710	77,260,356	779,306	20,398,366	15,445,016	17,269,291

(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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	18,307,139	25,449			
2. 2004	78,417,054	15,621,946	(55,253)		
3. 2005	XXX	78,584,895	14,180,268	(27,818)	
4. 2006	XXX	XXX	58,062,238	12,099,183	(8,516)
5. 2007	XXX	XXX	XXX	68,158,209	14,674,226
6. 2008	XXX	XXX	XXX	XXX	78,101,231

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	102,745,884	103,346,913			
2. 2004	98,178,303	94,058,569	93,983,746		
3. 2005	XXX	95,686,348	92,692,243	92,737,346	
4. 2006	XXX	XXX	72,034,065	70,129,895	70,152,905
5. 2007	XXX	XXX	XXX	85,404,913	83,580,638
6. 2008	XXX	XXX	XXX	XXX	98,499,597

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. 2004	118,191	93,984	4,052	4.3	98,036	82.9			98,036	82.9
2. 2005	113,372	92,737	5,253	5.7	97,990	86.4			97,990	86.4
3. 2006	89,579	70,153	6,127	8.7	76,280	85.2			76,280	85.2
4. 2007	100,895	82,832	6,870	8.3	89,702	88.9	779	34	90,515	89.7
5. 2008	116,487	78,101	3,560	4.6	81,661	70.1	20,398	810	102,869	88.3

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	18,307,139	25,449			
2. 2004	78,417,054	15,621,946	(55,253)		
3. 2005	XXX	78,584,895	14,180,268	(27,818)	
4. 2006	XXX	XXX	58,062,238	12,099,183	(8,516)
5. 2007	XXX	XXX	XXX	68,158,209	14,674,226
6. 2008	XXX	XXX	XXX	XXX	78,101,231

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	102,745,884	103,346,913			
2. 2004	98,178,303	94,058,569	93,983,746		
3. 2005	XXX	95,686,348	92,692,243	92,737,346	
4. 2006	XXX	XXX	72,034,065	70,129,895	70,152,905
5. 2007	XXX	XXX	XXX	85,404,913	83,580,638
6. 2008	XXX	XXX	XXX	XXX	98,499,597

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. 2004	118,191	93,984	4,052	4.3	98,036	82.9			98,036	82.9
2. 2005	113,372	92,737	5,253	5.7	97,990	86.4			97,990	86.4
3. 2006	89,579	70,153	6,127	8.7	76,280	85.2			76,280	85.2
4. 2007	100,895	82,832	6,870	8.3	89,702	88.9	779	34	90,515	89.7
5. 2008	116,487	78,101	3,560	4.6	81,661	70.1	20,398	810	102,869	88.3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($.....0 for occupancy of own building)	953	268	247,874		249,095
2. Salaries, wages and other benefits	3,955,726	3,673,131	19,389,050		27,017,907
3. Commissions (less $.....0 ceded plus $.....0 assumed)			4,414,607		4,414,607
4. Legal fees and expenses	801		43,015		43,816
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services	14,592	2,054	549,730		566,376
7. Traveling expenses	122,811	35,052	424,891		582,754
8. Marketing and advertising	9,107		274,860		283,967
9. Postage, express and telephone	127,331	641,361	698,738		1,467,430
10. Printing and office supplies	212,242	59,804	910,378		1,182,424
11. Occupancy, depreciation and amortization					0
12. Equipment	388,271	209,415	2,336,955		2,934,641
13. Cost or depreciation of EDP equipment and software		35,783	266,467		302,250
14. Outsourced services including EDP, claims, and other services	1,952,496	165,800	320,061		2,438,357
15. Boards, bureaus and association fees	9,436		233,377		242,813
16. Insurance, except on real estate	229,964	21,426	131,056		382,446
17. Collection and bank service charges		1,146	54,734		55,880
18. Group service and administration fees	403,729	131,945	803,725		1,339,399
19. Reimbursements by uninsured plans	(2,103,998)	(1,485,175)	(8,787,284)		(12,376,457)
20. Reimbursements from fiscal intermediaries		198,585			198,585
21. Real estate expenses	111,909	95,455	547,698		755,062
22. Real estate taxes	4,031	4,789	28,765		37,585
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes		122,719	27,272		149,991
23.2 State premium taxes					0
23.3 Regulator authority licenses and fees	1,154	7	55,924		57,085
23.4 Payroll taxes	227,076	190,169	935,705		1,352,950
23.5 Other (excluding federal income and real estate taxes)	3,971	8,994	980,744		993,709
24. Investment expenses not included elsewhere				126,456	126,456
25. Aggregate write-ins for expenses	(3,615,740)	(2,799,859)	(14,171,705)	0	(20,587,304)
26. Total expenses incurred (Lines 1 to 25)	2,055,862	1,312,869	10,716,637	126,456	(a) 14,211,824
27. Less expenses unpaid December 31, current year		843,725	126,281		970,006
28. Add expenses unpaid December 31, prior year		1,034,961	141,691		1,176,652
29. Amounts receivable relating to uninsured plans, prior year			749,553		749,553
30. Amounts receivable relating to uninsured plans, current year			591,681		591,681
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	2,055,862	1,504,105	10,574,175	126,456	14,260,598

DETAILS OF WRITE-INS

2501. Administrative Services Agreement			1,713,751		1,713,751
2502. Unpaid Claims Processing		(407,739)			(407,739)
2503. Ceded Administrative Expenses	(3,615,740)	(2,392,120)	(15,885,456)		(21,893,316)
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	(3,615,740)	(2,799,859)	(14,171,705)	0	(20,587,304)

(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) 814,375	617,792
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 861,856	702,466
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	396,048	415,755
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 1,422,886	1,254,142
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	3,495,165	2,990,155
11.	Investment expenses		(g) 126,456
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) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		126,456
17.	Net investment income (Line 10 minus Line 16)		2,863,699

DETAILS OF WRITE-INS

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

(a) Includes $.....57,279 accrual of discount less $.....339,802 amortization of premium and less $.....18,656 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 $.....240,551 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 $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds			0		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	(202)		(202)		
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	1,610,084	(1,845,285)	(235,201)	(4,656,270)	
2.21	Common stocks of affiliates			0		
3.	Mortgage loans			0		
4.	Real estate			0		
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)	1,609,882	(1,845,285)	(235,403)	(4,656,270)	0

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			0
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. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans	293,561	168,515	(125,046)
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset	206,162		(206,162)
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software			0
19. Furniture and equipment, including health care delivery assets			0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivables from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable	686,817	309,571	(377,246)
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	1,186,540	478,086	(708,454)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	1,186,540	478,086	(708,454)

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
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0
2301. A/R Other			0
2302.			0
2303.			0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	0	0	0

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	19,449	19,553	19,583	19,548	19,267	234,261
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service	42,640	46,857	46,997	47,325	47,048	563,369
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	62,089	66,410	66,580	66,873	66,315	797,630

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

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

C. Accounting Policy

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

In addition, the company uses the following accounting policies:

Short-term investments are stated at amortized cost.
Bonds not backed by other loans are stated at amortized cost using the interest method.
Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
Preferred stocks are stated at cost.
Expenditures for assets are capitalized at $500, and all other costs are expensed.
Pharmacy rebate receivable estimates are based upon a history of rebates billed vs. paid pharmacy claims.

2. Accounting Changes and Corrections of Errors

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

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

3. Business Combinations and Goodwill
The Company had no business combinations or goodwill as of December 31, 2008.

4. Discontinued Operations
The Company had no discontinued operations as of December 31, 2008.

5. Investments

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

6. Joint Ventures, Partnerships, and Limited Liability Companies

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

7. Investment Income

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

8. Derivative Instruments

The Company does not own any derivative instruments.

9. Income Taxes

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

When available, the Company utilizes net operating loss carry forwards to offset taxable income. At December 31, 2008, the Company had $0 of operating loss carry forwards.

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

2008	$3,817,000
2007	$4,206,000
2006	$1,795,000

The components of current income tax expense are as follows:

	2008	2007
Federal	$3,457,360	$3,384,477
Foreign	$ 18,505	11,789
Federal Income Tax on net capital gains	$ 563,459	$1,090,177
Utilization of capital loss carry-forwards	-	
Federal income tax incurred	$4,039,324	$4,486,443

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

	December 31, 2008	Effective Tax Rate
Provision computed at statutory rate	$ 3,320,929	35.0%
Dividends received deduction	$ (57,767)	-.6%
Nondeductible expenses	$ 7,629	0.1%
Benefit of Surtax Bracket	$ (100,000)	
Other	$ (3,335)	0.0%
Total	$ 3,167,456	33.4%
Federal and foreign income taxes incurred	$ 4,039,324	42.6%
Change in net deferred incomes taxes	$ (871,868)	-9.2%
Total statutory incomes taxes	$ 3,167,456	33.4%

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

	December 31, 2008	December 31, 2007
Total of all deferred tax asset (admitted and nonadmitted)	$ 1,950,558	$ 964,520
Total of all deferred tax liabilities	1,091,382	3,518,842
Net deferred tax asset/(liability)	859,175	(2,554,321)
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	206,162	
Net admitted deferred tax asset/(liability)	653,014	(2,554,321)
Increase (decrease) in deferred tax assets nonadmitted	206,162	

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, 2008	December 31, 2007
Deferred Tax Assets:		
Tax basis discount on unpaid losses	$ 145,938	$ 118,243
Unearned premium discounting	201,877	151,262
Accrued deferred compensation	776,474	641,299
Bad debts	34,167	14,737
Depreciation		
Impairment of Assets	684,830	38,980
Unrealized Capital Losses	107,272	
Total deferred tax assets	1,950,558	964,520
Total deferred tax assets non-admitted	206,162	
Admitted deferred tax assets	1,744,396	964,520
Deferred Tax Liabilities:		
Unrealized Capital Gains	1,076,206	3,510,563
Accrued dividends	15,176	8,279
Other		
Total deferred tax liabilities	1,091,382	3,518,842
Net admitted deferred tax asset/(liability)	653,014	(2,554,321)

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2008	December 31, 2007	Change
Total deferred tax assets	$ 1,950,558	$ 964,520	$986,038
Total deferred tax liabilities	1,091,382	3,518,842	(2,427,459)
Net deferred tax asset (liability)	$ 859,175	$(2,554,321)	$3,413,497
Tax effect of unrealized gains (losses)			(2,541,629)
Change in net deferred income tax			$ 871,868

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company was formed on January 1, 1994. The Company's shareholders as of December 31, 2008 were Arkansas Blue Cross and Blue Shield (50%) and Baptist Medical System HMO, Inc. (50%). Effective October 1st, 2006, USAble Corporation, a wholly owned subsidary of Arkansas Blue Cross and Blue Shield (ABCBS), sold its ownership interest in HMO Partners, Inc. to ABCBS for $27,143,396.

B. & C. The Company, d/b/a Health Advantage, serves as the Third Party Administrator for the self insured employee groups of ABCBS and Baptist Health. All receivables and payables dealing with their employee groups are classified under Uninsured Plans. At December 31, 2008, receivables of $4,317,516 and $1,268,830 were due respectively from Baptist Health and ABCBS. Payable balances of $4,118,054 and $1,310,101 are recorded respectively for Baptist Health and ABCBS. The Company paid dividends to Arkansas Blue and Blue Shield and BMS HMO on March 20, 2008, totaling $834,674.

D. At December 31, 2008 the Company reported the following amounts due from Affiliates:

Arkansas Blue Cross and Blue Shield	$1,057,435
Total	$1,057,435

At December 31, 2008 the Company reported the following amounts do to Affiliates:

Arkansas Blue Cross and Blue Shield	$6,232,682
Pinnacle Business Solutions	1,074
USAble Life	83,479
Total	$6,317,235

E. N/A

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

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

11. Debt

A. As of December 31, 2008, the Company has no capital notes.
B. As of December 31, 2008, 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.

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 2008, 4% has been used to calculate the Company's contribution of $334,943.

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

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

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

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

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

1) As of December 31, 2008, the Company had 1,000,000 common stock shares authorized, issued and outstanding at $.01 par value.
2) The Company has no preferred stock outstanding.
3) Dividends on Company stock are paid as declared by its Board of Directors. Dividends were paid in the amount of $834,674 on March 25, 2008.
4) Dividends are paid based on earned surplus and cannot fall below state net worth requirements.
5) All unassigned surplus is being held for the stockholder.
6) The Company does not have any advances to surplus.
7) As of December 31, 2008, the Company held no stock for special purposes such as employee stock options or conversion of preferred stock.
8) The Company has no special surplus funds.
9) The portion of unassigned funds (surplus) represented or reduced by cummulative unrealized gains and losses is $ 6,385,090.
10) Surplus Notes

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

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

11) The Company was not involved in a quasi-reorganization.
12) The Company was not involved in a quasi-reorganization.

14. Contingencies

The Company is not aware of any contingent liabilities as of December 31, 2008.

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, 2008. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

15. Leases

The Company has no material lease obligations at this time.

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

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

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

The Company has not been involved in any sale, transfer and servicing of financial assets and extinguishments of liabilities as of December 31, 2008.

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

The gain (loss) from operations for uninsured accident and health plans was as follows during 2008:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	$ 217,490	$-0-	$ 217,490
Other Income	$-0-	$-0-	$-0-
Net gain or (loss) from operations	$ 217,490	$-0-	$ 217,490
Total claim payment volume	$162,632,764	$-0-	$162,632,764

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. Other Items

A. The Company had no extraordinary items as of December 31, 2008.
B. The Company had no troubled debt restructuring as of December 31, 2008.
C. The Company has no other disclosures as of December 31, 2008.
D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2008.
E. The Company has no noncash transactions.
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, 2008 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 $304,096. This represents 2.24% of the Company's investments in equity securities of $13,553,768.44.

21. Events Subsequent

There were no known events subsequent as of December 31, 2008.

22. Reinsurance

A. Ceded Reinsurance Report

Section 1

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

Section 2

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

Section 3

1. The estimated reduction in surplus if the reinsurance agreement was terminated would be $-0-.
2. No new agreements have been executed since January 1, 2004.

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

NOTES TO FINANCIAL STATEMENTS

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

25. Change in Incurred Claims and Claim Adjustment Expenses

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

26. Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

27. Structured Settlements

This note is not applicable to health entities.

28. Health Care Receivables

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

				---Rebates collected within days of qtr---		
Qtr	Est Rebates on F/S	Admitted	Invoiced	0-90	91-180	over 180
12/31/08	$1,364,395	$677,578				
09/30/08	$1,386,459	$648,306		$ 47,521		
06/30/08	$1,125,345	$556,394			$ 703,591	
03/31/08	$1,359,187	$551,496			$ 491,188	$130,461
12/31/07	$ 773,100	$463,529			$ 428,043	$ 62,769
09/30/07	$ 683,232	$412,520		$ 3,540		$456,064
06/30/07	$ 676,920	$442,494		$	$ 470,278	
03/31/07	$ 627,090	$415,037		$	$ 405,570	$ 27,092
12/31/06	$ 592,949	$394,791		$ 9,485	$ 364,631	$ 12,627
09/30/06	$ 611,653	$373,091		$ 38	$ 340,776	$ 37,038
06/30/06	$ 585,664	$354,891		$ 561	$ 352,242	$ 9,038
03/31/06	$ 710,997	$339,148			$ 294,879	$ 41,846

B. The Company has no risk sharing receivables.

29. Participating Policies

The Company has no participating contracts.

30. Premium Deficiency Reserves

The Company has no premium deficiency reserves.

31. Anticipated Salvage and Subrogation

The Company has no estimates of anticipated salvage and subrogation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State regulating?

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

2.2 If yes, date of change:

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). 04/25/2007

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

10. 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 Vorderstrasse Employee of Arkansas Blue Cross and Blue Shield

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

11.11 Name of real estate holding company

11.12 Number of parcels involved .....

11.13 Total book/adjusted carrying value .....

11.2 If yes, provide explanation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [X] No [ ]
12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]
12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

13.1 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.
13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. 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 [ ]

15. 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 [ ]

16. 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

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

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
18.11 To directors or other officers $.....0
18.12 To stockholders not officers $.....0
18.13 Trustees, supreme or grand (Fraternal only) $.....0
18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
18.21 To directors or other officers $.....0
18.22 To stockholders not officers $.....0
18.23 Trustees, supreme or grand (Fraternal only) $.....0

19.1 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]
19.2 If yes, state the amount thereof at December 31 of the current year:
19.21 Rented from others .....
19.22 Borrowed from others .....
19.23 Leased from others .....
19.24 Other .....

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
20.2 If answer is yes:
20.21 Amount paid as losses or risk adjustment .....
20.22 Amount paid as expenses .....
20.23 Other amounts paid .....

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. $.....2,019,648

INVESTMENT

22.1 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 22.3)? Yes [X] No [ ]
22.2 If no, give full and complete information relating thereto.

22.3 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 16 where this information is also provided).

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ]
22.5 If answer to 22.4 is yes, report amount of collateral. $.....0
22.6 If answer to 22.4 is no, report amount of collateral. .....

23.1 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 19.1 and 22.3) Yes [ ] No [X]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

23.2 If yes, state the amount thereof at December 31 of the current year:
23.21 Subject to repurchase agreements .....
23.22 Subject to reverse repurchase agreements .....
23.23 Subject to dollar repurchase agreements .....
23.24 Subject to reverse dollar repurchase agreements .....
23.25 Pledged as collateral .....
23.26 Placed under option agreements .....
23.27 Letter stock or securities restricted as to sale .....
23.28 On deposit with state or other regulatory body .....
23.29 Other .....

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
24.2 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.

25.1 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]
25.2 If yes, state the amount thereof at December 31 of the current year: .....

26. 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 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
Regions Bank Trust Department	Little Rock, Arkansas

26.02 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)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]
26.04 If yes, give full and complete information relating thereto:

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

26.05 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	Little Rock, Arkansas

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [X]
27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
27.2999. TOTAL		0

27.3 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

28. 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 (+)
28.1 Bonds	76,734,483	77,184,095	449,612
28.2 Preferred stocks			0
28.3 Totals	76,734,483	77,184,095	449,612

28.4 Describe the sources or methods utilized in determining the fair values:
Fair value pricing obtained, where applicable, from NAIC 4th Quarter 2206 Valuation of Securities database, or from market prices provided by Regions Morgan Keegan Trust Company, custodian for investment assets, for issues which were not priced by NAIC at year-end

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]
29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $.....347,036
30.2 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	302,178

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

31.1 Amount of payments for legal expenses, if any? $.....41,354

31.2 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 and Lardner	29,694

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $.....92,070

32.2 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	92,070

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned .....

1.62 Total incurred claims .....

1.63 Number of covered lives .....

All years prior to most current three years:

1.64 Total premium earned .....

1.65 Total incurred claims .....

1.66 Number of covered lives .....

1.7 Group policies:

Most current three years:

1.71 Total premium earned .....

1.72 Total incurred claims .....

1.73 Number of covered lives .....

All years prior to most current three years:

1.74 Total premium earned .....

1.75 Total incurred claims .....

1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	116,486,603	100,895,391
2.2 Premium Denominator	116,486,603	100,895,391
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	21,177,672	17,269,291
2.5 Reserve Denominator	21,177,672	17,269,292
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 [X] No [ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

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

5.32 Medical only $.....0

5.33 Medicare supplement $.....0

5.34 Dental 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 Agreement

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 7,988

8.2 Number of providers at end of reporting year 9,003

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 [X] No [ ]

10.2 If yes:

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

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

10.23 Maximum amount payable withholds $.....8,981,085

10.24 Amount actually paid for year withholds $.....8,981,003

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 [X]	No [ ]
11.14 A Mixed Model (combination of above)?	Yes [ ]	No [X]
11.2 Is the reporting entity subject to Minimum Net Worth Requirements?	Yes [X]	No [ ]

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

11.4 If yes, show the amount required. $.....100,000

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

11.6 If the amount is calculated, show the calculation:

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

1 Name of Service Area
Arkansas

FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	116,007,331	116,104,434	106,786,478	95,139,933	88,451,093
2. Total liabilities (Page 3, Line 22)	41,105,089	41,259,808	40,601,238	38,557,463	41,569,799
3. Statutory surplus	100,000	100,000	100,000	100,000	100,000
4. Total capital and surplus (Page 3, Line 31)	74,902,242	74,844,626	66,185,240	56,582,470	46,881,294
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	116,486,603	100,895,391	89,579,403	113,372,429	118,191,401
6. Total medical and hospital expenses (Line 18)	95,834,446	83,032,177	68,713,548	91,006,413	94,001,539
7. Claims adjustment expenses (Line 20)	3,368,731	6,869,937	6,127,236	5,252,991	4,056,215
8. Total administrative expenses (Line 21)	10,716,637	5,236,718	5,138,709	6,195,022	6,441,877
9. Net underwriting gain (loss) (Line 24)	6,566,789	5,756,559	9,599,910	10,918,003	13,691,770
10. Net investment gain (loss) (Line 27)	2,710,687	5,703,180	4,297,469	2,734,401	2,363,728
11. Total other income (Lines 28 plus 29)	293,282	283,257	286,973	190,881	171,100
12. Net income or (loss) (Line 32)	5,449,044	8,346,728	9,747,146	9,128,177	10,893,143
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	12,896,550	5,799,929	5,253,776	6,287,871	4,172,349
Risk-Based Capital Analysis					
14. Total adjusted capital	74,902,242	74,844,626	66,185,240	56,582,470	46,881,294
15. Authorized control level risk-based capital	4,546,132	4,352,158	3,664,061	4,363,660	4,366,744
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	66,315	62,089	57,522	51,965	70,708
17. Total member months (Column 6, Line 7)	797,630	718,343	657,413	764,801	846,147
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)	82.3	100.0	100.0	100.0	100.0
20. Cost containment expenses	1.8	4.3	4.6	3.2	2.3
21. Other claims adjustment expenses	1.1	2.5	2.2	1.5	3.4
22. Total underwriting deductions (Line 23)	94.4	94.3	89.3	90.4	88.4
23. Total underwriting gain (loss) (Line 24)	5.6	5.7	10.7	9.6	11.6
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	15,445,016	12,093,954	14,151,311	15,691,358	22,127,208
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	17,269,291	13,998,123	17,145,415	19,811,088	26,303,969
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 53, Col. 1)					
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					
32. Total of above Lines 26 to 31	0	0	0	0	0

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	186,547,964						186,547,964	
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	186,547,964	0	0	0	0	0	186,547,964	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	870,195						870,195	
61. Total (Direct Business)	(a) 1	187,418,159	0	0	0	0	0	187,418,159	0

DETAILS OF WRITE-INS

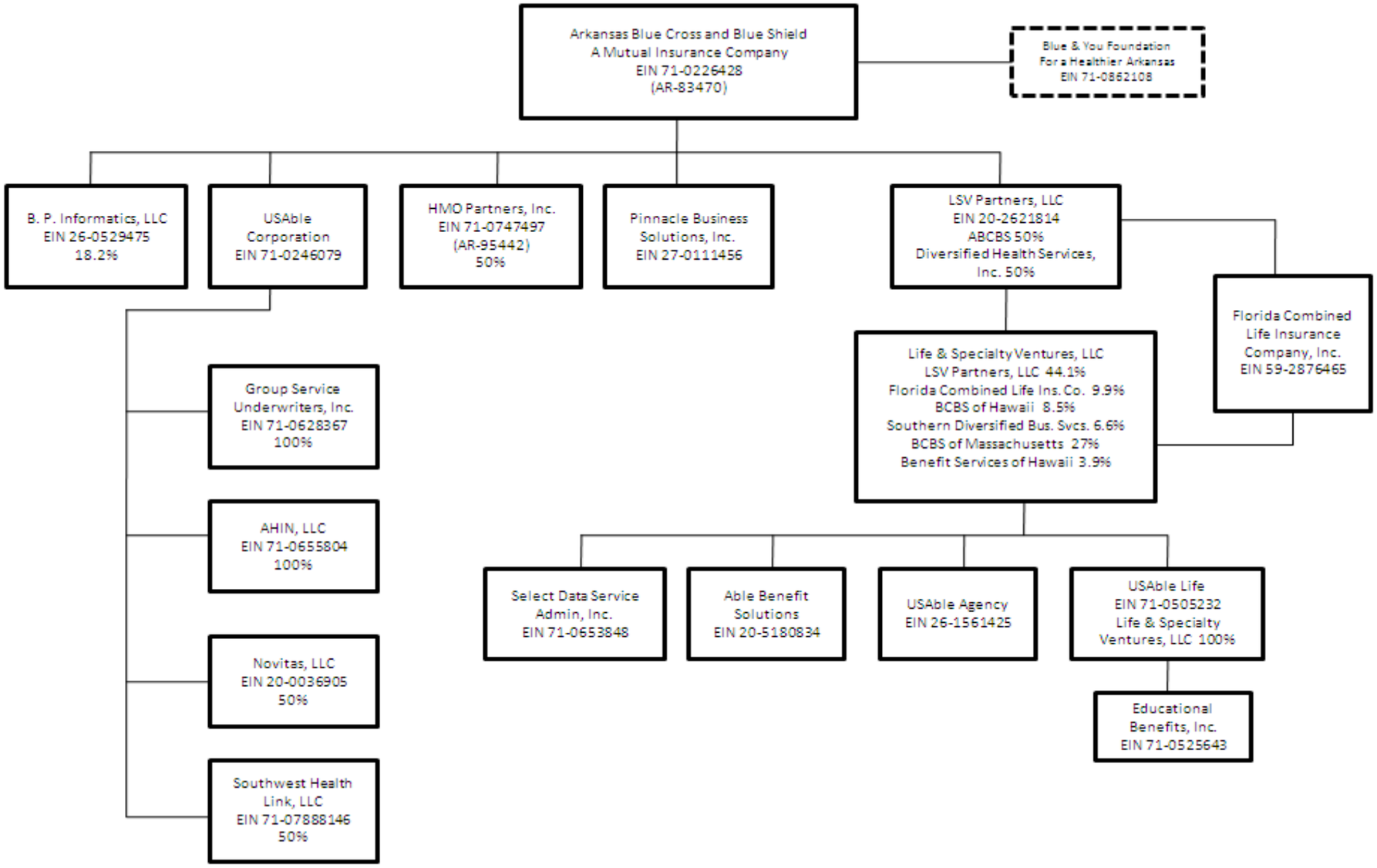
5801.							0	
5802.							0	
5803.							0	
5898. Summary of remaining write-ins for line 58	0	0	0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 + 5898) (Line 58 above)	0	0	0	0	0	0	0	0

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



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