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ANNUAL STATEMENT

For the Year Ended December 31, 2008

of the Condition and Affairs of the

Imerica Life and Health Insurance Company

NAIC Group Code.....0000, (Current Period) (Prior Period) NAIC Company Code..... 63533 Employer's ID Number..... 71-0655804

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 [X]

Incorporated/Organized..... July 20, 1925 Commenced Business..... August 8, 1925

Statutory Home Office 400 W Capitol Ave, Ste 2000,Attn: Ragenea Hodge….. Little Rock ..... AR 72201
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 304 Inverness Way South, Ste 405….. Englewood ..... CO 80112 303-706-1200
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 304 Inverness Way South, Ste 405….. Englewood ..... CO 80112
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 304 Inverness Way South, Ste 405….. Englewood ..... CO 80112 303-706-1200
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.imerica.com

Statutory Statement Contact Robert Stewart Moss 303-706-1200
(Name) (Area Code) (Telephone Number) (Extension)
rmoss@imerica.com 303-706-1201
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Robert Stewart Moss	CEO, CFO & Secretary	2. John Clinton Herbers	COO, President & Treasurer
3.		4.	

OTHER

DIRECTORS OR TRUSTEES

Eric David Sipf

State of..... Colorado
County of..... Douglas

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)
Robert Stewart Moss	John Clinton Herbers	
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
CEO, CFO & Secretary	COO, President & 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)	2,572,488		2,572,488	2,617,242
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 (less $.....0 encumbrances)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....2,965,812, Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....0, Sch. DA)	2,965,812		2,965,812	384,595
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)	0		0	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)	5,538,300	0	5,538,300	3,001,837
11. Title plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	24,013		24,013	64,269
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	61,128	8,157	52,971	1,000
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	420,811		420,811	621,517
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon			0	
16.2 Net deferred tax asset			0	
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software			0	
19. Furniture and equipment, including health care delivery assets ($.....0)			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates	1,599,908		1,599,908	
22. Health care ($.....0) and other amounts receivable			0	
23. Aggregate write-ins for other than invested assets	2,600	2,600	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	7,646,760	10,757	7,636,003	3,688,623
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	7,646,760	10,757	7,636,003	3,688,623

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. Exp. Reimbursement			0	
2302. Prepaid Expense	2,600	2,600	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)	2,600	2,600	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)	3,292,450		3,292,450	424,645
2. Accrued medical incentive pool and bonus amounts			0	
3. Unpaid claims adjustment expenses	131,698		131,698	16,986
4. Aggregate health policy reserves	54,258		54,258	14,250
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	220,892		220,892	12,098
9. General expenses due or accrued	668,020		668,020	55,049
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	
11. Ceded reinsurance premiums payable	190,056		190,056	17,050
12. Amounts withheld or retained for the account of others			0	
13. Remittances and items not allocated			0	
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates			0	27,327
16. Payable for securities			0	
17. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18. Reinsurance in unauthorized companies			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	
20. Liability for amounts held under uninsured plans			0	
21. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	4,557,374	0	4,557,374	567,405
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	1,500,000	1,500,000
25. Preferred capital stock	XXX	XXX		
26. Gross paid in and contributed surplus	XXX	XXX	38,724,871	37,124,871
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	(37,146,242)	(35,503,653)
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	3,078,629	3,121,218
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	7,636,003	3,688,623

DETAILS OF WRITE-INS

2101.			0	
2102.			0	
2103.			0	
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
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	83,961	15,547
2. Net premium income (including $.....0 non-health premium income)	XXX	9,014,948	1,388,734
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	268,125	0
7. Aggregate write-ins for other non-health revenues	XXX	88,368	23,378
8. Total revenues (Lines 2 to 7)	XXX	9,371,441	1,412,112
Hospital and Medical:			
9. Hospital/medical benefits		5,601,661	2,376,592
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	0	5,601,661	2,376,592
Less:			
17. Net reinsurance recoveries		569,052	1,060,099
18. Total hospital and medical (Lines 16 minus 17)	0	5,032,609	1,316,493
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....292,961 cost containment expenses		575,743	147,870
21. General administrative expenses		5,544,502	769,406
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)		40,008	3,741
23. Total underwriting deductions (Lines 18 through 22)	0	11,192,862	2,237,510
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(1,821,421)	(825,398)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		132,135	121,668
26. Net realized capital gains or (losses) less capital gains tax of $.....0			
27. Net investment gains or (losses) (Lines 25 plus 26)	0	132,135	121,668
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	0	0
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	(1,689,286)	(703,730)
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	(1,689,286)	(703,730)

DETAILS OF WRITE-INS

0601. Application Fees	XXX	268,125	
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	268,125	0
0701. Miscellaneous Income (Paper Fees, Assoc Fees, Comm Inc)	XXX	88,368	23,378
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	88,368	23,378
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.			
2902.			
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	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	3,121,217	3,619,387
34. Net income or (loss) from Line 32	(1,689,286)	(703,730)
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		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	46,698	(44,440)
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	1,600,000	250,000
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	0	0
48. Net change in capital and surplus (Lines 34 to 47)	(42,588)	(498,170)
49. Capital and surplus end of reporting period (Line 33 plus 48)	3,078,629	3,121,217

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	9,336,620	1,374,173
2. Net investment income	200,806	91,247
3. Miscellaneous income	356,493	23,380
4. Total (Lines 1 through 3)	9,893,919	1,488,800
5. Benefit and loss related payments	1,964,098	1,711,645
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	5,392,562	947,647
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	7,356,660	2,659,292
11. Net cash from operations (Line 4 minus Line 10)	2,537,259	(1,170,492)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,153,000	350,000
12.2 Stocks		
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		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,153,000	350,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,136,662	459,114
13.2 Stocks		
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)	2,136,662	459,114
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)	16,338	(109,114)
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	1,600,000	250,000
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)	(1,572,381)	21,831
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	27,619	271,831
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)	2,581,216	(1,007,775)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	384,595	1,392,370
19.2 End of year (Line 18 plus Line 19.1)	2,965,811	384,595

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	9,014,948	9,014,948								
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	268,125	268,125	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	88,368	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	88,368
7. Total revenues (Lines 1 to 6)	9,371,441	9,283,073	0	0	0	0	0	0	0	88,368
8. Hospital/medical benefits	5,601,661	5,601,661								XXX
9. Other professional services	0									XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	0									XXX
12. Prescription drugs	0									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)	5,601,661	5,601,661	0	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	569,052	569,052								XXX
17. Total hospital and medical (Lines 15 minus 16)	5,032,609	5,032,609	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 $.....292,961 cost containment expenses	575,743	575,743								
20. General administrative expenses	5,544,502	5,544,502								
21. Increase in reserves for accident and health contracts	40,008	40,008								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)	11,192,862	11,192,862	0	0	0	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(1,821,421)	(1,909,789)	0	0	0	0	0	0	0	88,368

DETAILS OF WRITE-INS

0501. Application Fees	268,125	268,125								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)	268,125	268,125	0	0	0	0	0	0	0	XXX
0601. Miscellaneous Income (Paper Fees, Assoc Fees, Comm Inc)	88,368	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	88,368
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)	88,368	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	88,368
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)	10,230,536		1,215,588	9,014,948
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)	10,230,536	0	1,215,588	9,014,948
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	10,230,536	0	1,215,588	9,014,948

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	2,733,856	2,733,856								
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	769,758	769,758								
1.4 Net	1,964,098	1,964,098	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	3,292,450	3,292,450								
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	3,292,450	3,292,450	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)	0									
7. Amounts recoverable from reinsurers December 31, current year	420,811	420,811								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	424,645	424,645								
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	424,645	424,645	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	621,517	621,517								
12. Incurred benefits:										
12.1 Direct	5,601,661	5,601,661	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	569,052	569,052	0	0	0	0	0	0	0	0
12.4 Net	5,032,609	5,032,609	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	0									
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:										
2.1 Direct	3,292,450	3,292,450								
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	3,292,450	3,292,450	0	0	0	0	0	0	0	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	3,292,450	3,292,450	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	0	0	0	0	0	0	0	0	0	0
4.4 Net	3,292,450	3,292,450	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)	192,749	1,972,054	1,504	3,290,946	194,253	424,644
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)	192,749	1,972,054	1,504	3,290,946	194,253	424,644
10. Healthcare receivables (a)					0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts					0	
13. Totals (Lines 9 - 10 + 11 + 12)	192,749	1,972,054	1,504	3,290,946	194,253	424,644

(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					
2. 2004					
3. 2005	XXX	95	144	144	144
4. 2006	XXX	XXX	630	881	882
5. 2007	XXX	XXX	XXX	854	1,046
6. 2008	XXX	XXX	XXX	XXX	1,972

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					
2. 2004	8	8	8	8	8
3. 2005	XXX	202	144	144	144
4. 2006	XXX	XXX	843	879	879
5. 2007	XXX	XXX	XXX	1,244	1,246
6. 2008	XXX	XXX	XXX	XXX	5,261

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	12			0.0	0	0.0			0	0.0
2. 2005	547	144	46	31.9	190	34.7			190	34.7
3. 2006	1,872	882	146	16.6	1,028	54.9			1,028	54.9
4. 2007	1,582	1,073	148	13.8	1,221	77.2	2		1,223	77.3
5. 2008	10,231	2,127	576	27.1	2,703	26.4	3,290	132	6,125	59.9

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					
2. 2004					
3. 2005	XXX	95	144	144	144
4. 2006	XXX	XXX	630	881	882
5. 2007	XXX	XXX	XXX	854	1,073
6. 2008	XXX	XXX	XXX	XXX	2,127

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					
2. 2004	8	8	8	8	8
3. 2005	XXX	202	144	144	144
4. 2006	XXX	XXX	843	879	879
5. 2007	XXX	XXX	XXX	1,244	1,246
6. 2008	XXX	XXX	XXX	XXX	5,418

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	12			0.0	0	0.0			0	0.0
2. 2005	547	144	46	31.9	190	34.7			190	34.7
3. 2006	1,872	882	146	16.6	1,028	54.9			1,028	54.9
4. 2007	1,582	1,073	148	13.8	1,221	77.2	2		1,223	77.3
5. 2008	10,231	2,127	461	21.7	2,588	25.3	3,290	132	6,010	58.7

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - OTHER

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

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

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. 2004				0.0	0	0.0			0	0.0
2. 2005				0	0	0.0			0	0.0
3. 2006				0.0	0	0.0			0	0.0
4. 2007				0.0	0	0.0			0	0.0
5. 2008				0.0	0	0.0			0	0.0

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	0								
2. Additional policy reserves (a)	54,258	54,258							
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)	54,258	54,258	0	0	0	0	0	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	54,258	54,258	0	0	0	0	0	0	0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
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 ($.....0 for occupancy of own building)			20,116		20,116
2. Salaries, wages and other benefits			482,827		482,827
3. Commissions (less $.....0 ceded plus $.....0 assumed)			3,984,418		3,984,418
4. Legal fees and expenses			26,620		26,620
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services			65,563		65,563
7. Traveling expenses			47,507		47,507
8. Marketing and advertising			6,073		6,073
9. Postage, express and telephone			10,096		10,096
10. Printing and office supplies			24,207		24,207
11. Occupancy, depreciation and amortization					0
12. Equipment			21,566		21,566
13. Cost or depreciation of EDP equipment and software					0
14. Outsourced services including EDP, claims, and other services	292,961	282,782	374,214		949,957
15. Boards, bureaus and association fees			11,379		11,379
16. Insurance, except on real estate			13,745		13,745
17. Collection and bank service charges			55,313		55,313
18. Group service and administration fees					0
19. Reimbursements by uninsured plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			5,240		5,240
23.2 State premium taxes			240,200		240,200
23.3 Regulator authority licenses and fees			155,019		155,019
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)			399		399
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25)	292,961	282,782	5,544,502	0	(a) 6,120,245
27. Less expenses unpaid December 31, current year		131,698	668,020		799,718
28. Add expenses unpaid December 31, prior year		16,986	55,049		72,035
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	292,961	168,070	4,931,531	0	5,392,562

DETAILS OF WRITE-INS

2501.					0
2502.					0
2503.					0
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)	0	0	0	0	0

(a) Includes management fees of $.....1,272,213 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) 126,752	90,083
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
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) 42,266	42,052
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	169,018	132,135
11.	Investment expenses		(g)
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)		0
17.	Net investment income (Line 10 minus Line 16)		132,135

DETAILS OF WRITE-INS

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

(a) Includes $.....0 accrual of discount less $.....28,415 amortization of premium and less $.....1,135 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 $.....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)			0		
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)			0		
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)	0	0	0	0	0

NONE

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	8,157		(8,157)
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			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
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			0
23. Aggregate write-ins for other than invested assets	2,600	57,454	54,854
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	10,757	57,454	46,697
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	10,757	57,454	46,697

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. Exp. Reimbursement		57,454	57,454
2302. Prepaid Expense	2,600		(2,600)
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)	2,600	57,454	54,854

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	1,179	2,273	5,425	10,038	15,623	83,961
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	1,179	2,273	5,425	10,038	15,623	83,961

DETAILS OF WRITE-INS

0601. Life Premium						
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 Imerica Life and Health Insurance Company (the "Company") are presented on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department (the "Department").

The 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 and for determining its solvency under the Arkansas Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, and 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. Premiums paid by subscribers prior to the effective date are recorded on the balance sheet at premiums received in advance and are subsequently credited to income as earned during the coverage period. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. All other costs, such as premium taxes and other underwriting expenses, are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized cost using the interest method, which approximates fair value.
2. Bonds not backed by other loans are stated at amortized cost using the interest method, which approximates fair value.
3. Common stocks – Not applicable.
4. Preferred stocks – Not applicable.
5. Mortgage Loans – Not applicable.
6. Loan-backed securities – Not applicable.
7. The Company has no investments in subsidiaries.
8. The Company has no investments in joint ventures, partnerships and limited liability companies.
9. The Company has no derivative instruments.
10. The Company does not anticipate investment income as a factor in premium deficiency calculations.
11. Unpaid claims and claims adjustment expense include management's best estimate of amounts based on historical claim development patterns and certain individual case estimates. The established liability considers health benefit provisions, business practices, economic conditions and other factors that may materially affect the cost, frequency and severity of claims. Reserves for unpaid claims and claim adjustment expenses are based on assumptions and estimates, and while management believes such estimates are reasonable, the ultimate liability may be in excess of or less then the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and changes in estimates are incorporated into current period estimates.
12. The Company has not modified its capitalization policy from the prior period.
13. The Company does not have pharmacy rebates.

2. Accounting Changes and Corrections of Errors

There were no correction of errors during the years ended December 31, 2008 and 2007.

3. Business Combinations and Goodwill

The Company had no business combinations or goodwill during 2008 or 2007.

4. Discontinued Operations

The Company had no discontinued operations during 2008 or 2007.

5. Investments

A. The Company did not have investments in mortgage loans at December 31, 2008 or 2007.
B. The Company did not have invested assets that were restructured debt at December 31,2008 or 2007.
C. The Company did not have investments in reverse mortgages at December 31, 2008 or 2007.
D. The Company did not have investments in loan-backed securities at December 31, 2008 or 2007.
E. The Company did not have investments in repurchase agreements at December 31, 2008 or 2007.
F. The Company did not have investments in real estate at December 31, 2008 or 2007.
G. The Company did not have investments in low-income housing tax credits at December 31, 2008 or 2007.

6. Joint Ventures, Partnerships, and Limited Liability Companies

The Company had no ownership in Joint Ventures as of December 31, 2008 or 2007.

7. Investment Income

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

8. Derivative Instruments

The Company does not own any derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

A. The Company's net deferred tax asset account was comprised of the following as of December 31, 2008 and 2007:

	2008	2007
Deferred tax assets	$ 1,960,436	$ 4,025,461
Valuation allowance	(1,960,436)	(4,025,461)
	$ -	$ -

B. The Company has no unrecognized deferred tax liabilities at December 31, 2008 and 2007.

C. The components of current income tax expense are as follows:

	2008	2007
Federal	$ -	$ -
Foreign	-	-
Federal Income Tax on net capital gains	$ -	$ -
Utilization of capital loss carry-forwards	-	-
Federal income tax incurred	$ -	$ -

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	$ 0	$ 0
Accrued deferred compensation	0	0
Other Post Employment Benefits	0	0
Depreciation	0	0
Other		
Total deferred tax assets	0	0
Total deferred tax assets non-admitted	0	0
Admitted deferred tax assets	0	0
Deferred Tax Liabilities:		
Unrealized Capital Gains	0	0
Investment in joint ventures	0	0
Other		
Total deferred tax liabilities	0	0
Net admitted deferred tax asset/(liability)	0	0

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	$ 0	$ 0	$ 0
Total deferred tax liabilities	0	0	0
Net deferred tax asset (liability)	0	0	0
Tax effect of unrealized gains (losses)	0	0	0
Change in net deferred income tax	0	0	0

D. The Company's income tax expense and change in deferred taxes differs from the amount obtained by applying the federal statutory income tax rate of 35% for the year ended December 31 as follows:

	December 31, 2008	Effective Tax Rate
Provision computed at statutory rate	$ -	35.0%
Nondeductible expense	$ -	0.0%
Other	$ -	0.0%
Total	$ -	35.0%
Federal and foreign income taxes incurred	$ -	35.0%
Change in net deferred incomes taxes	$ -	0.0%
Total statutory incomes taxes	$ -	35.0%

E. Operating Loss and Tax Credit Carryforwards

When available, the Company will utilize its net operating loss carryforwards to offset taxable income under the terms of a tax sharing agreement with Imerica Administrative Services Corporation. At December 31, 2008, the Company had approximately $5,119,968 of operating loss carry forwards.

The Company has available as of December 31, 2008 unused operating loss carryforwards that may be applied against future taxable income and that expire as follows:

Year of Expiration	Unused Operating Loss Carryforwards
2026	2,910,680
2027	520,002
2028	1,689,286
	$5,119,968

F. Consolidated Federal Income Tax Return

The Company and Imerica Administrative Service Corporation ("IASC") join in the filing of a consolidated federal income tax return. At the present time there is no formal federal income tax allocation agreement. However, it is anticipated that the tax sharing agreement, approved by the appropriate insurance departments, will formalize with the practice of the Company paying or receiving from IASC the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the Company 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.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of the relationship

On February 1, 2007, Imerica Administrative Services Corporation ("IASC"), a Colorado corporation, in connection with its previous stock purchase agreement and its Form A approval of the Arkansas Department of Insurance, completed its purchase of 100% of the outstanding common stock of the Company. The Company is an Arkansas domiciled insurance company and is a wholly-owned subsidiary of Imerica Administrative Services Corporation ("IASC").

B. Significant transactions for each period

The Company paid a management fee of $1,272,213 in 2008 and $299,395 in 2007 to IASC in accordance with the Management Services Agreement.

C. Intercompany Management and Service Arrangements

The Management Agreement with IASC was entered into on February 1, 2007.

D. Amounts Due to or from Related Parties

The Company reported $1,599,908 and $0 as amounts due from Parent and Affiliates as of December 31, 2008 and 2007, respectively. The Company reported $0 and $27,327 as amounts due to Parent and Affiliates as of December 31, 2008 and 2007, respectively. These amounts were settled prior to the filing of the statutory financial statements.

E. Guarantees of Contingencies for Related Parties

The Company did not enter into any guarantees or undertakings for the benefit of an affiliate which would result in a material contingent exposure of the Company's assets or liabilities.

F. Management, Service Contracts, Cost Sharing Arrangements

The Company has entered into an administrative services agreement with Imerica Administrative Services Corporation. Pursuant to this agreement, various administrative, management and support services are provided to the Company. These expenses are paid by the Company in an amount equal to a percent of total revenue as set forth in the administrative services agreement.

G. Nature of Relationships that Could Affect Operations

IASC owns all outstanding shares of the Company.

H. Amount Deducted for Investment in Upstream Company

The Company does not own shares of upstream entities.

I. Detail of Investments in Affiliates Greater than 10% if Admitted Assets

The Company does not have any investments in affiliates.

J. Write-down for Impairments of Investments in Subsidiaries, Controller of Affiliated Companies

The Company does not have any investments in affiliates.

K. Investment in a Foreign Insurance Subsidiary

The Company does not have any investment in a Foreign Insurance Subsidiary

L. Investment in a Downstream Noninsurance Holding Company

The Company does not have any investment in Noninsurance Holding Company

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

The Company does not employ any employees as all services are provided by IASC.

A. Defined Benefit Plan
N/A

B. Defined Contribution Plan
N/A

C. Multi-employer Plans
N/A

D. Consolidated/Holding Company Plans
N/A

E. Post-employment Benefits and Compensated Absences
N/A

F. Impact if Medicare Modernization Act
N/A

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

1) As of December 31, 2008 and 2007, the Company had 15,000,000 shares of $2 per share par value common stock authorized and 750,000 shares issued and outstanding. The Company does not intend to pay dividends on its common stock in the forseeable future.

   The Company received a cash capital infusion in the amount of $1.6 million from Imerica Administrative Services Corporation on March 4, 2009. Having met the requirements of SSAP 72, the Company is reporting a receivable in accordance with SSAP 9 as a Type I subsequent event and as an admitted asset as of December 31, 2008. In 2007, Imerica Administrative Services Corporation, made surplus contributions to the Company in the amount of $250,000. In October 2006, Imerica Administrative Services Corporation, a newly formed entity, made a surplus contribution to the Company in the amount of $1,266,000 in connection with a stock purchase agreement. Imerica Administrative Services Corporation was established solely to negogiate and acquire 100% of the outstanding stock of the Company, which occurred in February 2007.

   During 2006, the Company's former parent, Imerica Financial Corporation, made surplus contributions to the Company in the amount of $140,000.

   The Company is subject to various regulatory requirements, including maintenance of minimum capital and surplus. At December 31, 2008, the Company is in compliance with these requirements established by the Arkansas Insurance Department.

2) The Company has no preferred stock outstanding.
3) The Company has no dividend restrictions.
4) Dividends are paid based on earned surplus, which can not fall below state net worth requirements.
5) All unassigned surplus is being held for the stockholder.
6) The Company does not have any advances to surplus.

7) As of December 31, 2008, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
8) The Company has no special surplus funds.
9) The Company has no portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses.
10) The Company has no Surplus Notes as of December 31, 2008.
11) The Company was not involved in a quasi-reorganization.
12) The Company was not involved in a quasi-reorganization.
13) The Company has not paid any dividends.

14. Contingencies

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

In the normal course of business, the Company may become involved in litigation from time to time with claimants and others, however, there was no pending litigation at December 31, 2008.

15. Leases

The Company does not have any leases.

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

The Company has deposits with State Regulatory bodies as disclosed in Schedule E - Part 3.

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, 2008.

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

The Company does not have any gain (loss) from operations for uninsured accident and health plans at this time.

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

None of the company's agents match the definition of MGA, because they do not produce and underwrite an amount of gross premium, pay claims, or negotiate reinsurance.

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. Assets in the amount of $2,572,488 and $2,834,674 at December 31, 2008 and 2007, respectively, were on deposit with government authorities as required by law.
D. At December 31, 2008 and 2007 the Company had admitted assets of $52,971 and $1,000, respectively in premium receivables due from policyholders. The Company routinely assesses the collectability of these receivables. Based upon Company experience, the potential loss is not material to the Company's financial condition.
E. The Company has no business interruption insurance recoveries received as of December 31, 2008.
F. The Company had no state transferable tax credits.
G. The Company had no deposits admitted under Section 6603 of the Internal Revenue Service Code.
H. The Company has no hybrid securities.
I. The Company has no sub prime mortgages.

21. Events Subsequent

The Company received a cash capital infusion in the amount of $1.6 million from Imerica Administrative Services Corporation on March 4, 2009. Having met the requirements of SSAP 72, the Company is reporting a receivable in accordance with SSAP 9 as a Type I subsequent event and as an admitted asset as of December 31, 2008.

22. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No (X)

If yes, give full details.

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate $_____.

b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? $_____.

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured polices?

Yes ( ) No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. $_0_____

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( ) No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? $_____

B. Uncollectible Reinsurance

The Company has no uncollectible reinsurance at December 31, 2008 and 2007.

C. Commutation of Ceded Reinsurance

The Company has not commuted ceded reinsurance during 2008 and 2007.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

NOTES TO FINANCIAL STATEMENTS

24. Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2007 were $441 thousand. As of December 31, 2008, $143 thousand has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now $2 thousand as a result of re-estimation of unpaid claims and claim adjustment expenses exclusively on the Comprehensive Hospital and Medical line of insurance. Therefore there has been a $296 thousand favorable prior year development from December 31, 2007, to December 31, 2008. The decrease is the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. The Company has no retrospectively rated business.

25. Intercompany Pooling Arrangements

The Company does not have any intercompany pooling arrangements.

26. Structured Settlements

Not applicable.

27. Health Care Receivables

The Company does not have any health care receivables as of December 31, 2008.

28. Participating Policies

The Company does not have any Participating Policies as of December 31, 2008.

29. Premium Deficiency Reserves

The Company does not have any Premium Deficiency Reserves as of December 31, 2008.

30. Salvage and Subrogation

The Company took into account estimated salvage and subrogation in its determination of the liability for unpaid claims. There was no impact on the liability recorded at December 31, 2008.

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?

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. 08/11/2005

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. 12/31/2004

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). 09/06/2005

3.4 By what department or departments? Arkansas Department of Insurance

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

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

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

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

4.12 renewals? Yes [X] No [ ]

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 [X] No [ ]

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
FirstBank Holding Company	Lakewood, CO	YES	NO	NO	NO	NO

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Rasco Winter Abston Moore & Associates LLP, 400 W Capitol, Ste 2380, Little Rock, AR 72201

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?

Thomas M Keller, FSA, MAAA, Senior Partner, Magnum Actuarial Group, LLC, 907 Kells Blue Court, Biltmore Lake, NC 28715

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 [ ] No [ ]
12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

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. $.....1,599,908

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 [ ] No [ ]
22.5 If answer to 22.4 is yes, report amount of collateral. .....
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 [X] No [ ]

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	$.....0
23.22	Subject to reverse repurchase agreements	$.....0
23.23	Subject to dollar repurchase agreements	$.....0
23.24	Subject to reverse dollar repurchase agreements	$.....0
23.25	Pledged as collateral	$.....0
23.26	Placed under option agreements	$.....0
23.27	Letter stock or securities restricted as to sale	$.....0
23.28	On deposit with state or other regulatory body	$.....2,572,488
23.29	Other	$.....0

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	400 W Capitol, Little Rock, AR 72201
US Bank	One W 4th St, Winston Salem, NC 27101
JPMorganChase	PO Box 710634, Columbus, OH 43271
Bank of Albuquerque	PO Box 1260, Tulsa, OK 74101
Bank of America	200 N College, Charlotte, NC 28255

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

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	2,572,488	2,572,488	0
28.2 Preferred stocks	.....	.....	0
28.3 Totals	2,572,488	2,572,488	0

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

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:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $.....11,379

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

31.1 Amount of payments for legal expenses, if any? $.....26,620

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
Norman Taplin & Associates	15,972

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

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

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	9,014,948	1,388,734
2.2 Premium Denominator	9,014,948	1,388,734
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	3,346,708	438,894
2.5 Reserve Denominator	3,346,708	438,895
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 $.....225,000

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 $.....10,000

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:

The company has a service agreement with it's third party administrator for continuation of claim services in the event of insolvency.

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 185,589

8.2 Number of providers at end of reporting year 275,857

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months $.....4,726,507

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

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. $.....600,000

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
See Schedule T

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)	7,636,003	3,688,623	4,007,768	5,382,281	4,429,399
2. Total liabilities (Page 3, Line 22)	4,557,374	567,405	388,380	734,305	207,701
3. Statutory surplus		500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 31)	3,078,629	3,121,218	3,619,388	4,647,976	4,221,698
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	9,371,441	1,412,112	1,732,976	66,425	55,362
6. Total medical and hospital expenses (Line 18)	5,032,609	1,316,493	776,953	202,593	
7. Claims adjustment expenses (Line 20)	575,743	147,870	146,327	46,476	
8. Total administrative expenses (Line 21)	5,544,502	769,406	3,891,108	4,203,674	3,334,029
9. Net underwriting gain (loss) (Line 24)	(1,821,421)	(825,398)	(3,076,331)	(4,401,908)	(3,286,540)
10. Net investment gain (loss) (Line 27)	132,135	121,668	134,304	147,982	178,597
11. Total other income (Lines 28 plus 29)			485,451		
12. Net income or (loss) (Line 32)	(1,689,286)	(703,730)	(2,456,576)	(4,253,926)	(3,107,943)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	2,537,259	(1,170,492)	(2,815,467)	(3,706,954)	
Risk-Based Capital Analysis					
14. Total adjusted capital	3,078,629	3,121,218	3,619,388	4,647,976	4,221,698
15. Authorized control level risk-based capital	455,190	190,688	262,817	270,542	218,496
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	15,623	1,179	1,645	521	40
17. Total member months (Column 6, Line 7)	83,961	15,547	20,026	2,733	59
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)	55.8	100.0	100.0	100.0	100.0
20. Cost containment expenses	3.2	3.5	3.9	50.5	
21. Other claims adjustment expenses	3.1	7.1	4.8	80.2	
22. Total underwriting deductions (Line 23)	124.2	161.1	284.8	12,563.8	30,628.7
23. Total underwriting gain (loss) (Line 24)	(20.2)	(59.4)	(182.2)	(12,377.1)	(30,121.3)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	194,253	286,245	49,530	7,873	
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	424,644	213,280	115,783	7,873	
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	L	82,347						82,347	
2. Alaska AK	L							0	
3. Arizona AZ	L	275,593						275,593	
4. Arkansas AR	L							0	
5. California CA	L							0	
6. Colorado CO	L	1,503,532						1,503,532	
7. Connecticut CT	N							0	
8. Delaware DE	L							0	
9. District of Columbia DC	L							0	
10. Florida FL	L							0	
11. Georgia GA	L	1,320,073						1,320,073	
12. Hawaii HI	L							0	
13. Idaho ID	L							0	
14. Illinois IL	L	17,675						17,675	
15. Indiana IN	L							0	
16. Iowa IA	N							0	
17. Kansas KS	L							0	
18. Kentucky KY	L							0	
19. Louisiana LA	L							0	
20. Maine ME	N							0	
21. Maryland MD	L							0	
22. Massachusetts MA	N							0	
23. Michigan MI	N							0	
24. Minnesota MN	N							0	
25. Mississippi MS	L							0	
26. Missouri MO	L	17,296						17,296	
27. Montana MT	L							0	
28. Nebraska NE	L							0	
29. Nevada NV	L							0	
30. New Hampshire NH	N							0	
31. New Jersey NJ	N							0	
32. New Mexico NM	L							0	
33. New York NY	N							0	
34. North Carolina NC	L							0	
35. North Dakota ND	L							0	
36. Ohio OH	N							0	
37. Oklahoma OK	L							0	
38. Oregon OR	L							0	
39. Pennsylvania PA	N							0	
40. Rhode Island RI	N							0	
41. South Carolina SC	L	1,037,416						1,037,416	
42. South Dakota SD	N							0	
43. Tennessee TN	N							0	
44. Texas TX	L	5,976,604						5,976,604	
45. Utah UT	L							0	
46. Vermont VT	N							0	
47. Virginia VA	N							0	
48. Washington WA	N							0	
49. West Virginia WV	L							0	
50. Wisconsin WI	N							0	
51. Wyoming WY	L							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	10,230,536	0	0	0	0	0	10,230,536	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 33	10,230,536	0	0	0	0	0	10,230,536	0

DETAILS OF WRITE-INS

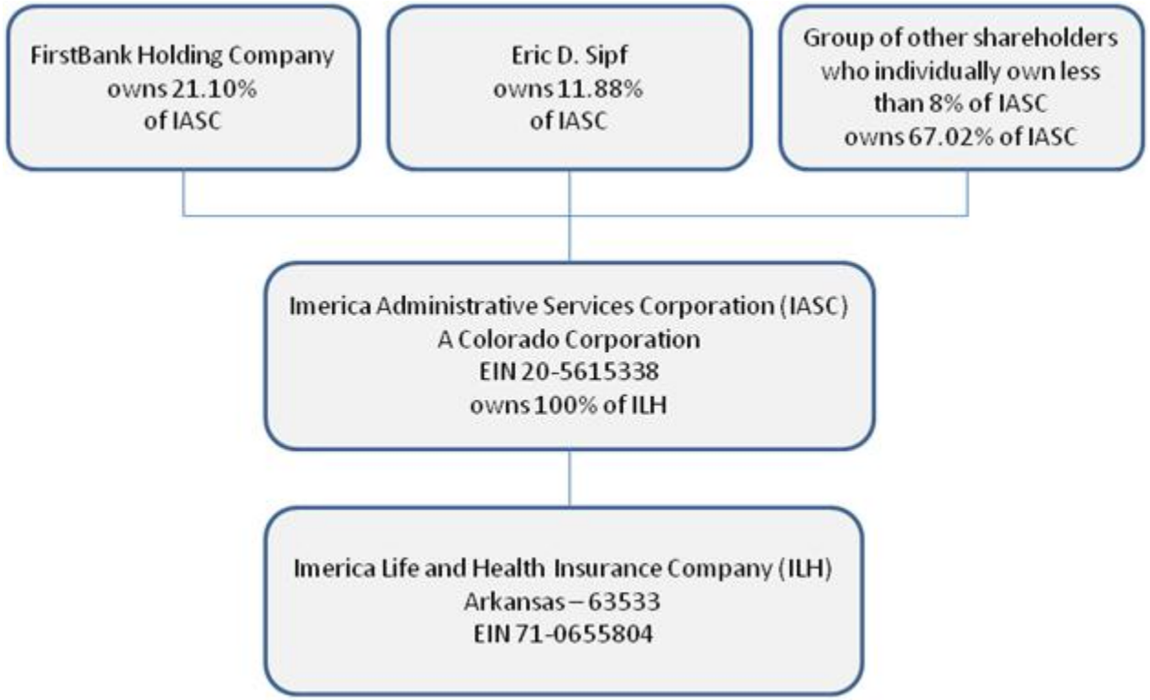
5801.							0	
5802.							0	
5803.							0	
5898. Summary of remaining write-ins for line 58	0	0	0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 + 5898) (Line 58 above)	0	0	0	0	0	0	0	0

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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