



ANNUAL STATEMENT

For the Year Ended December 31, 2011
of the Condition and Affairs of the

HMO Partners, Inc

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

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

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

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 501-221-1800
(Street and Number) (City or Town, State and Zip Code) (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 501-378-2000
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address healthadvantage-hmo.com

Statutory Statement Contact Scott Bradley Winter 501-399-3951
(Name) (Area Code) (Telephone Number) (Extension)

sbwinter@arkbluecross.com 501-378-3258
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
1. David Frank Bridges	President	2. Gray Donald Dillard	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	Gray Donald Dillard	Treasurer
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.	Nikita Jean Wilson RN	Sherman Ellis Tate #
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	Randy Allan Jordan MD	Jim Loyd English MD
John Charles Glassford, Jr. #			

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) David Frank Bridges	(Signature) Gray Donald Dillard	(Signature) Scott Bradley Winter
1. (Printed Name) President	2. (Printed Name) Vice President/CFO	3. (Printed Name) Assistant Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me This _____ day of _____ 2012

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			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	56,553,170		56,553,170	54,251,182
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	22,046,615		22,046,615	24,414,555
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 (\$....325,736, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$....40,645,977, Sch. DA).....	40,971,713		40,971,713	51,642,135
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	119,571,498	.0	119,571,498	130,307,872
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	627,965		627,965	622,431
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection.....	1,980,353	111,847	1,868,506	2,221,948
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	148,069		148,069	388,267
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	
17. Amounts receivable relating to uninsured plans.....	18,040,823	47,493	17,993,330	6,194,694
18.1 Current federal and foreign income tax recoverable and interest thereon.....	2,131,991		2,131,991	50,176
18.2 Net deferred tax asset.....	883,481	883,481	.0	
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	40,003		40,003	13,337
24. Health care (\$....867,726) and other amounts receivable.....	1,352,713	213,300	1,139,413	772,148
25. Aggregate write-ins for other than invested assets.....	2,488,217	.0	2,488,217	2,186,788
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	147,265,113	1,256,121	146,008,992	142,757,661
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	147,265,113	1,256,121	146,008,992	142,757,661

DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Supplemental Savings Plan.....	2,488,217		2,488,217	2,186,788
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,488,217	.0	2,488,217	2,186,788

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....5,897,416 reinsurance ceded).....	20,416,210		20,416,210	20,513,700
2. Accrued medical incentive pool and bonus amounts.....			0	
3. Unpaid claims adjustment expenses.....	791,986		791,986	778,504
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....			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.....	2,873,366		2,873,366	2,655,315
9. General expenses due or accrued.....	126,992		126,992	108,877
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	157,640
10.2 Net deferred tax liability.....	1,720,983		1,720,983	3,510,301
11. Ceded reinsurance premiums payable.....	183,363		183,363	136,825
12. Amounts withheld or retained for the account of others.....	5,359,714		5,359,714	5,334,831
13. Remittances and items not allocated.....	309,920		309,920	104,161
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	6,790,772		6,790,772	7,539,549
16. Derivatives.....			0	
17. Payable for securities.....			0	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
20. Reinsurance in unauthorized companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	5,029,368		5,029,368	6,264,692
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	401,791	0	401,791	26,959
24. Total liabilities (Lines 1 to 23).....	44,004,465	0	44,004,465	47,131,354
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX	10,000	10,000
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	1,919,153	1,919,153
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	100,075,374	93,697,154
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	102,004,527	95,626,307
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	146,008,992	142,757,661

DETAILS OF WRITE-INS

2301. Unclaimed property.....	152,862		152,862	182,535
2302. Miscellaneous payables.....	248,929		248,929	(155,576)
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).....	401,791	0	401,791	26,959
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	549,064	537,703
2. Net premium income (including \$.....0 non-health premium income).....	XXX	143,801,757	136,176,181
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	143,801,757	136,176,181
Hospital and Medical:			
9. Hospital/medical benefits.....		118,631,694	116,829,179
10. Other professional services.....			
11. Outside referrals.....		2,660,618	1,786,068
12. Emergency room and out-of-area.....		12,592,975	10,903,088
13. Prescription drugs.....		37,487,654	32,097,597
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	171,372,941	161,615,932
Less:			
17. Net reinsurance recoveries.....		55,674,812	54,963,842
18. Total hospital and medical (Lines 16 minus 17).....	.0	115,698,129	106,652,090
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....2,401,242 cost containment expenses.....		4,065,181	3,985,644
21. General administrative expenses.....		14,033,271	13,559,373
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	133,796,581	124,197,107
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	10,005,176	11,979,074
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		2,333,353	2,114,263
26. Net realized capital gains or (losses) less capital gains tax of \$.....736,663.....		594,492	(7,726)
27. Net investment gains or (losses) (Lines 25 plus 26).....	.0	2,927,845	2,106,537
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	257,780	329,585
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	13,190,801	14,415,196
31. Federal and foreign income taxes incurred.....	XXX	4,473,706	4,715,208
32. Net income (loss) (Lines 30 minus 31).....	XXX	8,717,095	9,699,988

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.....		97,780	169,585
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	257,780	329,585

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	95,626,307	84,095,681
34. Net income or (loss) from Line 32.....	8,717,095	9,699,988
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.....	(2,339,936)	2,270,884
37. Change in net unrealized foreign exchange capital gain or (loss).....	(101,460)	509,177
38. Change in net deferred income tax.....	487,735	(75,382)
39. Change in nonadmitted assets.....	584,788	(334,612)
40. Change in unauthorized reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....	(969,999)	(539,429)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	6,378,223	11,530,626
49. Capital and surplus end of reporting period (Line 33 plus 48).....	102,004,530	95,626,307

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.....	144,606,886	135,945,526
2. Net investment income.....	2,718,016	2,270,079
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	147,324,902	138,215,605
5. Benefit and loss related payments.....	115,555,421	107,871,653
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	30,349,537	17,740,784
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	7,449,824	4,100,000
10. Total (Lines 5 through 9).....	153,354,782	129,712,437
11. Net cash from operations (Line 4 minus Line 10).....	(6,029,880)	8,503,168
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	9,958,959	6,533,353
12.2 Stocks.....	3,596,274	1,976,992
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).....	13,555,233	8,510,345
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	12,451,614	20,085,802
13.2 Stocks.....	3,829,685	1,668,497
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).....	16,281,299	21,754,299
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).....	(2,726,066)	(13,243,954)
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.....	969,999	539,429
16.6 Other cash provided (applied).....	(944,477)	2,206,012
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(1,914,476)	1,666,583
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).....	(10,670,422)	(3,074,203)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	51,642,135	54,716,338
19.2 End of year (Line 18 plus Line 19.1).....	40,971,713	51,642,135

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

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	215,127,659		71,325,902	143,801,757
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).....	215,127,659	0	71,325,902	143,801,757
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	215,127,659	0	71,325,902	143,801,757

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	171,359,457	171,359,457								
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	55,872,142	55,872,142								
1.4 Net.....	115,487,315	115,487,315	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.....	26,313,626	26,313,626								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	5,897,416	5,897,416								
3.4 Net.....	20,416,210	20,416,210	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).....	(68,107)	(68,107)								
7. Amounts recoverable from reinsurers December 31, current year.....	148,069	148,069								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	26,368,250	26,368,250								
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	5,854,548	5,854,548								
8.4 Net.....	20,513,702	20,513,702	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.....	388,267	388,267								
12. Incurred benefits:										
12.1 Direct.....	171,372,940	171,372,940	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.....	55,674,812	55,674,812	0	0	0	0	0	0	0	0
12.4 Net.....	115,698,128	115,698,128	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 \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	1,429,003	1,429,003								
1.2 Reinsurance assumed.....	.0									
1.3 Reinsurance ceded.....	331,229	331,229								
1.4 Net.....	1,097,774	1,097,774	.0	.0	.0	.0	.0	.0	.0	.0
2. Incurred but unreported:										
2.1 Direct.....	13,970,083	13,970,083								
2.2 Reinsurance assumed.....	.0									
2.3 Reinsurance ceded.....	5,566,187	5,566,187								
2.4 Net.....	8,403,896	8,403,896	.0	.0	.0	.0	.0	.0	.0	.0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	10,914,540	10,914,540								
3.2 Reinsurance assumed.....	.0									
3.3 Reinsurance ceded.....	.0									
3.4 Net.....	10,914,540	10,914,540	.0	.0	.0	.0	.0	.0	.0	.0
4. Totals:										
4.1 Direct.....	26,313,626	26,313,626	.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.....	5,897,416	5,897,416	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net.....	20,416,210	20,416,210	.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 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	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		
1. Comprehensive (hospital and medical).....	17,411,999	98,985,718	(818,430)	21,234,641	16,593,569	20,513,702
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).....	17,411,999	98,985,718	(818,430)	21,234,641	16,593,569	20,513,702
10. Healthcare receivables (a).....		602,097			.0	
11. Other non-health.....					.0	
12. Medical incentive pools and bonus amounts.....					.0	
13. Totals (Lines 9 - 10 + 11 + 12).....	17,411,999	98,383,621	(818,430)	21,234,641	16,593,569	20,513,702

(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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	70,161	70,153			
2. 2007.....	68,158	82,832	83,066		
3. 2008.....	.XXX	78,101	95,062	95,235	
4. 2009.....	.XXX	.XXX	84,453	100,911	100,960
5. 2010.....	.XXX	.XXX	.XXX	91,779	109,142
6. 2011.....	.XXX	.XXX	.XXX	.XXX	98,986

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	70,130	70,153			
2. 2007.....	84,405	83,581	83,066		
3. 2008.....	.XXX	98,500	94,590	95,235	
4. 2009.....	.XXX	.XXX	105,949	100,959	100,960
5. 2010.....	.XXX	.XXX	.XXX	112,344	108,424
6. 2011.....	.XXX	.XXX	.XXX	.XXX	120,220

12.GT

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. 2007.....	100,895	83,066	6,870	8.3	89,936	89.1			89,936	89.1
2. 2008.....	116,487	95,235	3,560	3.7	98,795	84.8			98,795	84.8
3. 2009.....	122,799	100,960	3,636	3.6	104,596	85.2			104,596	85.2
4. 2010.....	136,034	109,142	4,081	3.7	113,223	83.2	(818)		112,405	82.6
5. 2011.....	143,846	98,986	4,065	4.1	103,051	71.6	21,235	792	125,078	87.0

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	70,161	70,153			
2. 2007.....	68,158	82,832	83,066		
3. 2008.....	XXX	78,101	95,062	95,235	
4. 2009.....	XXX	XXX	84,453	100,911	100,960
5. 2010.....	XXX	XXX	XXX	91,779	109,142
6. 2011.....	XXX	XXX	XXX	XXX	98,986

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior.....	70,130	70,153			
2. 2007.....	84,405	83,581	83,066		
3. 2008.....	XXX	98,500	94,590	95,235	
4. 2009.....	XXX	XXX	105,949	100,959	100,960
5. 2010.....	XXX	XXX	XXX	112,344	108,424
6. 2011.....	XXX	XXX	XXX	XXX	120,220

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. 2007.....	100,895	83,066	6,870	8.3	89,936	89.1			89,936	89.1
2. 2008.....	116,487	95,235	3,560	3.7	98,795	84.8			98,795	84.8
3. 2009.....	122,799	100,960	3,636	3.6	104,596	85.2			104,596	85.2
4. 2010.....	136,034	109,142	4,081	3.7	113,223	83.2	(818)		112,405	82.6
5. 2011.....	143,846	98,986	4,052	4.1	103,038	71.6	21,235	792	125,065	86.9

**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 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	6,930		212,023		218,953
2. Salaries, wages and other benefits.....	4,874,460	2,195,609	22,290,452		29,360,521
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			5,592,256		5,592,256
4. Legal fees and expenses.....			61,857		61,857
5. Certifications and accreditation fees.....	2,404				2,404
6. Auditing, actuarial and other consulting services.....	277,428	705	693,007		971,140
7. Traveling expenses.....	104,844	4,408	340,117		449,369
8. Marketing and advertising.....	1,378	12	81,851		83,241
9. Postage, express and telephone.....	97,671	651,882	1,146,441		1,895,994
10. Printing and office supplies.....	95,412	19,715	497,459		612,586
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	230,122	143,521	1,502,199		1,875,842
13. Cost or depreciation of EDP equipment and software.....	73,897	9,829	1,873,229		1,956,955
14. Outsourced services including EDP, claims, and other services.....	1,603,763	264,734	529,333		2,397,830
15. Boards, bureaus and association fees.....	20,911		446,188		467,099
16. Insurance, except on real estate.....	95,088	12,880	128,023		235,991
17. Collection and bank service charges.....			142,970		142,970
18. Group service and administration fees.....	17,824	1,944,809	(196)		1,962,437
19. Reimbursements by uninsured plans.....	(2,189,035)	(1,603,695)	(11,117,917)		(14,910,647)
20. Reimbursements from fiscal intermediaries.....		214,953	5		214,958
21. Real estate expenses.....	114,038	61,402	659,206		834,646
22. Real estate taxes.....	4,427	4,129	36,490		45,046
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	772	107,219	1,136		109,127
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....	93		49,905		49,998
23.4 Payroll taxes.....	253,790	124,596	975,405		1,353,791
23.5 Other (excluding federal income and real estate taxes).....	3,578	2,551	1,151,242		1,157,371
24. Investment expenses not included elsewhere.....				87,681	87,681
25. Aggregate write-ins for expenses.....	(3,288,553)	(2,495,320)	(13,259,410)	0	(19,043,283)
26. Total expenses incurred (Lines 1 to 25).....	2,401,242	1,663,939	14,033,271	87,681	(a).... 18,186,133
27. Less expenses unpaid December 31, current year.....		791,986	126,992		918,978
28. Add expenses unpaid December 31, prior year.....		778,504	108,877		887,381
29. Amounts receivable relating to uninsured plans, prior year.....			181,146		181,146
30. Amounts receivable relating to uninsured plans, current year.....			157,270		157,270
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	2,401,242	1,650,457	13,991,280	87,681	18,130,660

DETAILS OF WRITE-INS

2501. Administrative Service Agreement.....			2,053,162		2,053,162
2502. Unpaid Claims Processing.....		(80,587)			(80,587)
2503. Ceded Administrative Expense.....	(3,296,336)	(2,414,909)	(16,741,805)		(22,453,050)
2598. Summary of remaining write-ins for Line 25 from overflow page.....	7,783	176	1,429,233	0	1,437,192
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(3,288,553)	(2,495,320)	(13,259,410)	0	(19,043,283)

(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).....440,032	.....442,743
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....1,354,202	.....1,384,292
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....570,429	.....544,729
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).....52,823	.....49,270
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....2,417,486	.....2,421,034
11. Investment expenses.....	.....	(g).....87,681
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).....	.....	.....87,681
17. Net investment income (Line 10 minus Line 16).....	.....	.....2,333,353

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	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0	.....0

- (a) Includes \$.....41,696 accrual of discount less \$.....431,893 amortization of premium and less \$.....94,734 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).....	.....80,457	.....224,902	.....305,359		.....(101,460)
1.3 Bonds of affiliates.....			.....0		
2.1 Preferred stocks (unaffiliated).....			.....0		
2.11 Preferred stocks of affiliates.....			.....0		
2.2 Common stocks (unaffiliated).....	.....2,389,986	.....(1,364,189)	.....1,025,797	.....(2,339,936)	
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).....	.....2,470,443	.....(1,139,287)	.....1,331,156	.....(2,339,936)	.....(101,460)

DETAILS OF WRITE-INS

0901.					
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. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	111,847	298,945	187,098
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....	47,493	166,159	118,666
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	883,481	870,468	(13,013)
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....			.0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....	213,300	505,338	292,038
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	1,256,121	1,840,910	584,789
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	1,256,121	1,840,910	584,789

DETAILS OF WRITE-INS

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. A/R Other.....			.0
2502.....			.0
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	14,725	12,438	12,226	11,922	11,780	145,710
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....	50,823	53,970	53,928	54,501	55,387	650,278
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	65,548	66,408	66,154	66,423	67,167	795,988

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.

	State of Domicile - AR	2011	2010
NET INCOME			
(1) HMO Partner's state basis (Page 4, Line 32, Columns 2 & 3)		8,717,095	9,699,988
(2) State Prescribed Practices that increase/(decrease) NAIC SAP:		0	0
(3) State Permitted Practices that increase/(decrease) NAIC SAP:		0	0
(4) NAIC SAP (1-2-3=4)		8,717,095	9,699,988
SURPLUS			
(5) HMO Partner's state basis (Page 3, Line 33, Columns 3&4)		102,004,527	95,626,307
(6) State Prescribed Practices that increase/(decrease) NAIC SAP:		0	0
(7) State Permitted Practices that increase/(decrease) NAIC SAP:		0	0
(8) NAIC SAP (5-6-7=8)		102,004,527	95,626,307

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 policies. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) 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.
- (4) The Company does not have preferred stock
- (5) The Company does not have mortgage loans
- (6) The Company does not have loan-backed securities
- (7) The Company does not any investments in subsidiaries
- (8) The Company does not have any investments in joint ventures, partnerships, or limited liability companies.
- (9) The Company does have any derivatives.
- (10) The Company does not anticipate investment income as a factor in the premium deficiency calculation

NOTES TO FINANCIAL STATEMENTS

(11) The Company's largest estimate for loss liabilities in the annual statement is claims cost unpaid. The Company sets the claims liability at the regional level, but also has reasonableness checks using a reserve set on an overall basis. When setting liability, four methods are employed that are described below. Based on the estimates of these methods and retrospective considerations, the Company sets a best estimate and then adds an explicit margin to ensure that the estimate is good and sufficient. Historically the method relied on the most is the Lag Method.

Lag (Development) Method: A claims triangle is constructed for each block of business. Based on the claims payment patterns, the Company complete the last three months of data manually by adjusting the completion factors. This, in turn, gives an estimate of incurred claims and incurred per member numbers. For the months prior to the most recent three, the completion factors used to complete the data are based on the historical claims payment patterns.

Three Month Average Method: As the base liability estimate, the Company uses the three month average liability of the third, fourth and fifth month prior to the current month. Adjustments are made for trend, membership change, and backlog to get to the estimate.

IBNR Method: As the base liability estimate, the Company uses the liability from one year ago and trend it forward with adjustments for trend, membership and backlog.

Aggregate Method: Here, the Company subtracts twelve months of paid claims from twelve months of estimated incurred claims to get the liability estimate.

(12) Expenditures for assets are capitalized at \$1500, and all other costs are expensed.

(13) 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

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

4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2011.

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 or securities lending transactions at this time.
- F. The Company has no investments in real estate at this time.
- G. The Company has no investments in low-income housing tax credits

6. Joint Ventures, Partnerships, and Limited Liability Companies

- A. None
- B. None

7. Investment Income

- A. None
- B. None

8. Derivative Instruments

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None

NOTES TO FINANCIAL STATEMENTS**9. Income Taxes**

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

When available, the Company utilizes net operating loss carry forwards to offset taxable income

At December 31, 2011, the Company had \$0 of operating loss carry forwards.

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

	Ordinary	Capital	Total
2011	4,355,949	722,437	5,078,385
2010	4,945,756	5,309	4,951,065
2009	3,181,600	-	3,181,600

The components of current income tax expense are as follows:

	2011	2010
Federal	\$ 4,473,706	\$ 4,715,208
Foreign	\$ -	\$ -
Federal Income Tax on net capital gains	\$ 736,663	\$ 5,416
Utilization of capital loss carry-forwards		
Federal income tax incurred	\$ 5,210,369	\$ 4,720,624

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

	Dec 31, 2011	Effective Tax Rate
Provision computed at statutory rate	\$ 4,874,612	35.0%
Tax exempt income deduction		
Dividends received deduction	(96,522)	-0.7%
Tax differentials on foreign earnings		
Nondeductible expenses	72,701	0.5%
Benefit of Surtax Bracket	(100,000)	
Other	(28,156)	-0.2%
Total	\$ 4,722,635	33.9%
Federal and foreign income taxes incurred	\$ 5,210,369	37.4%
Change in net deferred income taxes	(487,734)	-3.5%
Total statutory income taxes	\$ 4,722,635	33.9%

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

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total of all deferred tax assets (admitted and nonadmitted)	1,624,165	1,064,575	2,688,740	1,487,900	715,101	2,203,001	136,265	349,474	485,739
Total of all deferred tax liabilities	93,066	3,433,175	3,526,241	104,645	4,738,189	4,842,834	(11,579)	(1,305,014)	(1,316,593)
Net deferred tax asset (liability)	1,531,099	(2,368,600)	(837,501)	1,383,255	(4,023,088)	(2,639,833)	147,845	1,654,488	1,802,332
Total deferred tax assets nonadmitted in accordance with									
SSAP No. 10, Income Taxes	883,481	-	883,481	870,468		870,468	13,013	-	13,013
Net admitted deferred tax asset/(liab)	647,618	(2,368,600)	(1,720,982)	512,787	(4,023,088)	(3,510,301)	134,831	1,654,488	1,789,319

The Company has elected to admit DTAs pursuant to paragraph 10.e. in the current year. This election is consistent with the

NOTES TO FINANCIAL STATEMENTS

prior year. The components of the calculation are as follows:

Admission Calculation

Components:

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

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10.a	647,618	0	647,618	512,787	0	512,787	134,831	0	134,831
SSAP No. 10R, Paragraph 10.b (the lesser of paragraph 10.b.i and 10.b.ii. below)	0	0	-	0	0	-	0	0	0
SSAP No. 10R, Paragraph 10.b.i.	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.b.ii.	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.c.	93,066	1,064,575	1,157,641	104,645	715,101	819,746	(11,579)	349,474	337,895
Total	740,684	1,064,575	1,805,259	617,432	715,101	1,332,533	123,252	349,474	472,726

Admission Calculation

Components:

SSAP No. 10R, Paragraphs 10.e.

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10.e.i.	647,618	0	647,618	512,787	0	512,787	134,831	0	134,831
SSAP No. 10R, Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a and 10.e.ii.b. below)	0	0	-	0	0	-	0	0	0
SSAP No. 10R, Paragraph 10.e.ii.a	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.e.ii.b	0	0	0	0	0	0	0	0	0
SSAP No. 10R, Paragraph 10.e.iii.	93,066	1,064,575	1,157,641	104,645	715,101	819,746	(11,579)	349,474	337,895
Total	740,684	1,064,575	1,805,259	617,432	715,101	1,332,533	123,252	349,474	472,726

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

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total Adjusted Capital	XXXX	XXXX	95,626,307	XXXX	XXXX	95,626,307	XXXX	XXXX	0
Authorized Control Level	XXXX	XXXX	5,424,026	XXXX	XXXX	5,424,026	XXXX	XXXX	0

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

	December 31, 2011			December 31, 2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted DTA under paragraph 10.a., 10.b., and 10.c.	740,684	1,064,575	1,805,259	617,432	715,101	1,332,533	123,252	349,474	472,726
Admitted DTA under paragraph 10.e	740,684	1,064,575	1,805,259	617,432	715,101	1,332,533	123,252	349,474	472,726
Increase	0	0	0	0	0	0	0	0	0

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, 2011	December 31, 2010	Change
Deferred Tax Assets:				
(a)	Ordinary			
	Tax basis discount on unpaid losses	118,659	132,546	(13,887)
	Unearned premium discounting	201,136	-	201,136
	Accrued deferred compensation	1,265,225	1,250,723	14,502
	Bad debts	39,145	104,631	(65,485)
	Total ordinary deferred tax assets	1,624,165	1,487,900	136,265

NOTES TO FINANCIAL STATEMENTS

	Total ordinary deferred tax assets non-admitted	883,481	870,468	13,013
	Admitted ordinary deferred tax assets	740,684	617,432	123,252
(b)	Capital			
	Impairment of Assets	1,064,575	715,101	349,474
	Total capital deferred tax assets	1,064,575	715,101	349,474
	Total deferred capital tax assets non-admitted	-	-	-
	Admitted capital deferred tax assets	1,064,575	715,101	349,474
	Total admitted deferred tax assets	1,805,259	1,332,533	472,726
	Deferred Tax Liabilities:			
(a)	Ordinary			
	Accrued dividends	16,830	25,824	(8,995)
	Unrealized Gains/(Losses)-SSP	76,236	78,821	(2,585)
	Total ordinary deferred tax liabilities	93,066	104,645	(11,579)
(b)	Capital			
	Unrealized Capital Gains	3,433,175	4,738,189	(1,305,014)
	Total capital deferred tax liabilities	3,433,175	4,738,189	(1,305,014)
	Total deferred tax liabilities	3,526,241	4,842,834	(1,316,593)
	Net admitted deferred tax asset/(liability)	(1,720,982)	(3,510,301)	1,789,319

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

	December 31, 2011	December 31, 2010	Change
Total deferred tax assets	2,688,740	2,203,001	485,739
Total deferred tax liabilities	3,526,241	4,842,834	(1,316,593)
Net deferred tax asset (liability)	(837,501)	(2,639,833)	1,802,332
Tax effect of unrealized gains (losses)			(1,314,598)
Change in net deferred income tax			487,734

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company was formed on January 1, 1994. The Company's shareholders as of December 31, 2011 were Arkansas Blue Cross and Blue Shield (50%) and Baptist Medical System HMO, Inc. (50%). Effective October 1st, 2006, USable Corporation, a wholly owned subsidiary 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, 2011, receivables of \$3,900,855 and \$900,804 were due respectively from Baptist Health and ABCBS. Payable balances of \$3,437,043 and \$792,340 are recorded respectively for Baptist Health and ABCBS. The Company paid dividends to Arkansas Blue and Blue Shield and BMS HMO on March 24, 2011, totaling \$484,999 to each.

D. At December 31, 2011 the Company reported the following amounts due to Affiliates:

Arkansas Blue Cross and Blue Shield	\$6,693,890
USable Life	<u>96,885</u>
Total	\$6,790,775

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.

NOTES TO FINANCIAL STATEMENTS

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

11. Debt

- A. As of December 31, 2011, the Company has no capital notes. As of December 31, 2011, the Company's liability for borrowed money was zero (\$-0-).
B. As of December 31, 2011, the Company has no FHLB agreements.

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 2011, 6% has been used to calculate the Company's contribution of \$1,077,306.

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.

F. N/A**13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganization**

- 1) As of December 31, 2011, 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 are paid based on earned surplus and cannot fall below state net worth requirements.
- 4) Ordinary dividends on Company stock are paid as declared by its Board of Directors. Dividends were paid in the amount of \$969,999 on

March 24, 2011.

- 5) All unassigned surplus is being held for the stockholder.
- 6) As of December 31, 2011, the Company held no stock for special purposes such as employee stock options or conversion of preferred stock.
- 7) The Company does not have any advances to surplus.
- 8) N/A
- 9) The Company has no special surplus funds.
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$ 6,421,929.

11) 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-Management 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				

NOTES TO FINANCIAL STATEMENTS

- 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 have been paid.
 - m. There are no repayment conditions or restrictions.
 - n. There are no affiliates currently holding any portion of a surplus debenture or similar obligation.
- 12) The Company was not involved in a quasi-reorganization.
- 13) The Company was not involved in a quasi-reorganization.

14. Contingencies

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None

The Company is not aware of any contingent liabilities as of December 31, 2011.

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, 2011. 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

- A. None
- B. None

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

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

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 2011:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	\$ 1,122,025	\$-0-	\$ 1,122,025
Other Income	\$-0-	\$-0-	\$-0-
Net gain or (loss) from operations	\$ 1,122,025	\$-0-	\$ 1,122,025
Total claim payment volume	\$190,621,709	\$-0-	\$190,621,709

- B. None
- C. None

NOTES TO FINANCIAL STATEMENTS**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

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

20. Fair Value Measurement

- A.
1. Fair Value Measurements at Reporting Date

Description	Level 1	Level 2	Level 3	Total
a. Assets at Fair Value				
Common Stock	\$12,482,491	\$9,564,124	-0-	\$22,046,615
Supplemental Savings Plan	\$ 2,488,217	-0-	-0-	\$ 2,488,217
Total Assets at Fair Value	\$14,970,708	\$9,564,124	-0-	\$24,534,832
 2. The company does not have fair value measures in Level 3.
 3. The company does not have any transfers between levels of fair value measurement.
 4. As of December 31, 2011, the reported fair value of the reporting entities investments in Level 2 common stock was \$9,564,124. These securities are foreign common stock. To measure their fair value the reporting entity used current market prices in U.S. dollars.
 5. The company does not have any derivatives.

21. Other Items

- A. The Company had no extraordinary items as of December 31, 2011.
- B. The Company had no troubled debt restructuring as of December 31, 2011.
- C. The Company has no other disclosures as of December 31, 2011.
- D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2011.
- E. The Company has no business interruption insurance recoveries.
- F. The Company has no state transferable tax credits
- 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.
- H. The Company has no retained assets.

As of December 31, 2011 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 \$271,900. This represents 1.23% of the Company's non related investments in equity securities of \$22,046,615.

22. Events Subsequent

There were no known events subsequent as of December 31, 2011.

23. Reinsurance**A. Ceded Reinsurance Report****Section 1**

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

Section 2

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

Section 3

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

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

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.

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None
- G. None

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:

Qtr	Est Rebates on F/S	Rebates as Billed Or Confirmed	---Rebates collected within days of qtr---		
			0-90	91-180	over 180
12/31/11	\$ 646,555	\$618,869			
09/30/11	\$ 614,801	\$619,529	\$389,845		
06/30/11	\$ 574,842	\$585,704	\$ 56,772	\$ 529,431	
03/31/11	\$547,122	\$532,204	\$ 4,360	\$ 520,537	\$ 24,800
12/31/10	\$539,125	\$530,503		\$ 518,096	\$ 6,925
09/30/10	\$502,871	\$681,668	\$ 48,745	\$ 453,258	
06/30/10	\$520,498	\$502,109	\$ 282	\$ 506,469	
03/31/10	\$778,784	\$491,349	\$ 5,678	\$ 416,629	\$ 41,373
12/31/09	\$873,187	\$809,083	\$ 17,639	\$ 776,630	
09/30/09	\$812,954	\$869,279		\$ 862,902	
06/30/09	\$763,255	\$837,110		\$ 827,806	\$ 5,972
03/31/09	\$730,835	\$807,282	\$ 39,779	\$ 756,105	

B. The Company has no risk sharing receivables.

29. Participating Policies

The Company has no participating contracts.

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

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.

NOTES TO FINANCIAL STATEMENTS

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. 12/31/2008
- 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. 12/31/2008
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/30/2010
- 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
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: _____

- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: _____

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
- 10.6 If the answer to 10.5 is no or n/a, please explain. _____

- 11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Samuel Vorderstrasse, Employee of Arkansas Blue Cross and Blue Shield

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

- 12.12 Number of parcels involved
- 12.13 Total book/adjusted carrying value

- 12.2 If yes, provide explanation. _____

GENERAL INTERROGATORIES

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

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

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

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

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

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

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

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

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

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

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

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

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. 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 []

17. 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 []

18. 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 []

PART 1 - COMMON INTERROGATORIES - FINANCIAL

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

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

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

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

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

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

21.1 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]

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

21.21 Rented from others

21.22 Borrowed from others

21.23 Leased from others

21.24 Other

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....0

22.22 Amount paid as expenses \$.....0

22.23 Other amounts paid \$.....1,099,228

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

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....40,003

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.1 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 24.3)? Yes [X] No []

24.2 If no, give full and complete information relating thereto.

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

24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.

24.6 If answer to 24.4 is no, report amount of collateral for other programs.

PART 1 - COMMON INTERROGATORIES - INVESTMENT

- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] N/A [X]
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [] No [] N/A [X]
- 25.1 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 21.1 and 24.3) Yes [X] No []
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$.....0
 - 25.22 Subject to reverse repurchase agreements \$.....0
 - 25.23 Subject to dollar repurchase agreements \$.....0
 - 25.24 Subject to reverse dollar repurchase agreements \$.....0
 - 25.25 Pledged as collateral \$.....0
 - 25.26 Placed under option agreements \$.....0
 - 25.27 Letter stock or securities restricted as to sale \$.....0
 - 25.28 On deposit with state or other regulatory body \$.....300,000
 - 25.29 Other \$.....0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 26.2 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.

- 27.1 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]
- 27.2 If yes, state the amount thereof at December 31 of the current year:

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

28.01 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
US Bank Institutional Trust and Custody	St. Louis, MO

28.02 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)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

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

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

28.05 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, AR

- 29.1 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]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
29.2999. TOTAL		0

29.3 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

30. 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 (+)
30.1 Bonds.....	97,199,136	99,494,130	2,294,994
30.2 Preferred stocks.....			0
30.3 Totals.....	97,199,136	99,494,130	2,294,994

- 30.4 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 US Bank Institutional Trust & Custody, cu

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

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

PART 1 - COMMON INTERROGATORIES - OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....203,021

33.2 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	192,364

34.1 Amount of payments for legal expenses, if any? \$.....61,857

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Foley & Lardner LLP	66,308

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....283,858

35.2 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	225,935

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.....	143,801,757	136,176,181
2.2 Premium Denominator.....	143,801,757	136,176,181
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	20,416,211	20,513,702
2.5 Reserve Denominator.....	20,416,210	20,513,700
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

- 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 year11,175
- 8.2 Number of providers at end of reporting year10,848

- 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 \$.....10,914,540
- 10.24 Amount actually paid for year withholds \$.....10,408,053

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 [X] No []
- 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:
Flat Dollar Amount
-
12. List service areas in which reporting entity is licensed to operate:
- | |
|----------------------|
| 1 |
| Name of Service Area |
| Arkansas |
- 13.1. Do you act as a custodian for health savings account? Yes [] No [X]
- 13.2. If yes, please provide the amount of custodial funds held as of the reporting date.
- 13.3. Do you act as an administrator for health savings accounts? Yes [] No [X]
- 13.4. If yes, please provide the balance of the funds administered as of the reporting date.

FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	146,008,992	142,757,661	128,358,281	116,007,331	116,104,434
2. Total liabilities (Page 3, Line 24).....	44,004,465	47,131,354	44,262,604	41,105,089	41,259,808
3. Statutory surplus.....	100,000	100,000	100,000	100,000	100,000
4. Total capital and surplus (Page 3, Line 33).....	102,004,527	95,626,307	84,095,677	74,902,242	74,844,626
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	143,801,757	136,176,181	122,798,650	116,486,603	100,895,391
6. Total medical and hospital expenses (Line 18).....	115,698,129	106,652,090	100,908,403	95,834,446	83,032,177
7. Claims adjustment expenses (Line 20).....	4,065,181	3,985,644	3,666,090	3,368,731	6,869,937
8. Total administrative expenses (Line 21).....	14,033,271	13,559,373	11,567,134	10,716,637	5,236,718
9. Net underwriting gain (loss) (Line 24).....	10,005,176	11,979,074	6,657,023	6,566,789	5,756,559
10. Net investment gain (loss) (Line 27).....	2,927,845	2,106,537	1,663,278	2,710,687	5,703,180
11. Total other income (Lines 28 plus 29).....	257,780	329,585	288,002	293,282	283,257
12. Net income or (loss) (Line 32).....	8,717,095	9,699,988	5,394,289	5,449,044	8,346,728
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	(6,029,880)	8,503,168	5,383,831	12,896,550	5,799,929
Risk-Based Capital Analysis					
14. Total adjusted capital.....	102,004,527	95,626,307	84,095,677	74,902,242	74,844,626
15. Authorized control level risk-based capital.....	5,513,091	5,424,026	5,035,282	4,546,132	4,352,158
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	67,167	65,548	66,724	66,315	62,089
17. Total member months (Column 6, Line 7).....	795,988	793,508	803,024	797,630	718,343
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).....	80.5	78.3	82.2	82.3	100.0
20. Cost containment expenses.....	1.7	1.7	1.7	1.8	4.3
21. Other claims adjustment expenses.....	1.2	1.2	1.3	1.1	2.5
22. Total underwriting deductions (Line 23).....	93.0	91.2	94.6	94.4	94.3
23. Total underwriting gain (loss) (Line 24).....	7.0	8.8	5.4	5.6	5.7
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	16,593,569	16,580,037	17,268,487	15,445,016	12,093,954
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	20,513,702	21,569,979	21,177,672	17,269,291	13,998,123
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....					
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

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

Yes [] No []

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama.....AL	N								0
2. Alaska.....AK	N								0
3. Arizona.....AZ	N								0
4. Arkansas.....AR	L	213,407,307						213,407,307	
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		213,407,307	0	0	0	0	0	213,407,307	0
60. Reporting entity contributions for Employee Benefit Plans.....XXX		1,720,352						1,720,352	
61. Total (Direct Business).....(a)	1	215,127,659	0	0	0	0	0	215,127,659	0

DETAILS OF WRITE-INS

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

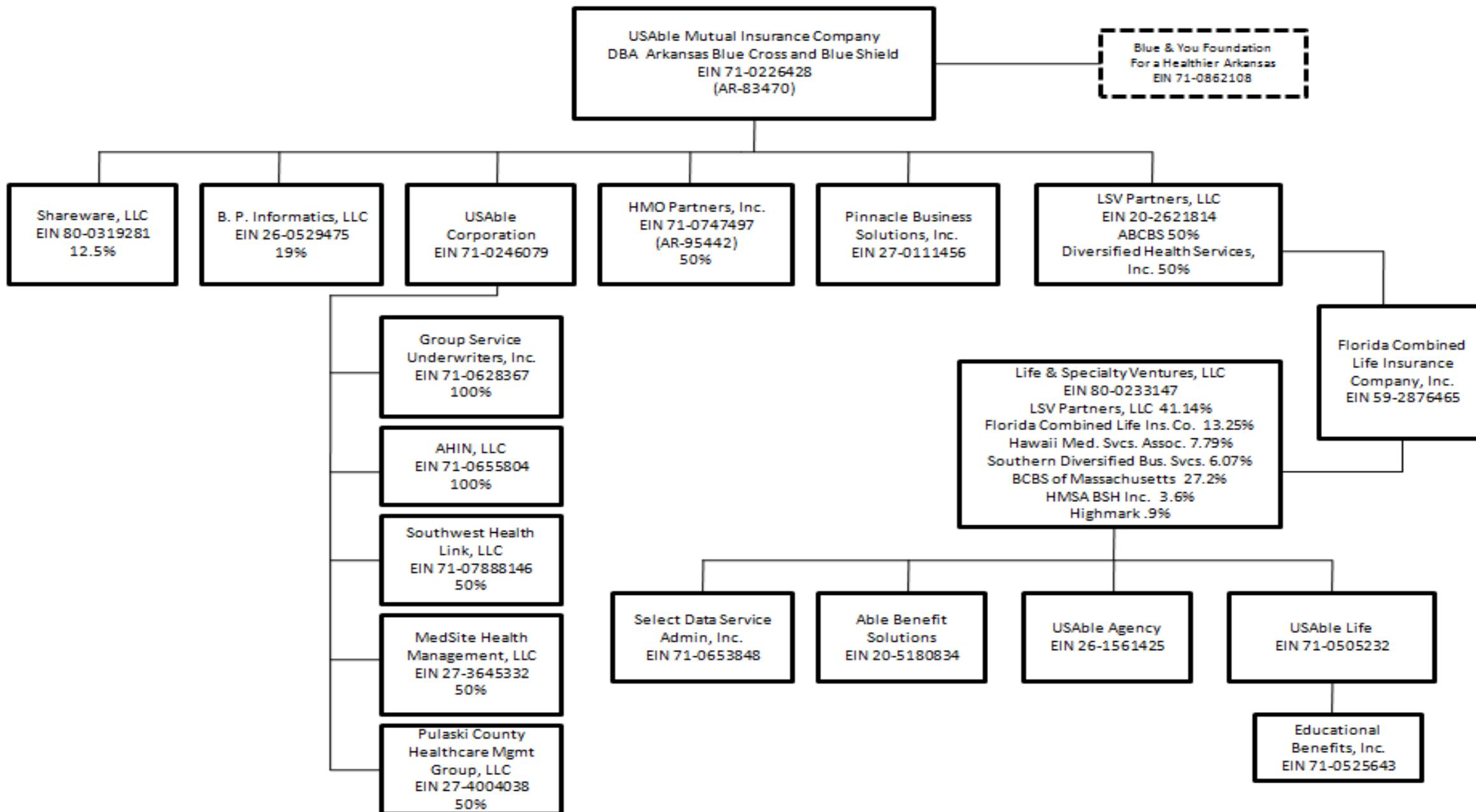
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to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

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

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

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

PART 1 – ORGANIZATIONAL CHART



**2011 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK**

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