



ANNUAL STATEMENT

For the Year Ended December 31, 2015
of the Condition and Affairs of the

USable Mutual Insurance Company

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

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

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

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

Statutory Home Office 601 S. Gaines..... Little Rock AR US 72201
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 601 S. Gaines..... Little Rock AR US 72201 501-378-2000
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 601 S. Gaines..... Little Rock AR US 72201
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 601 S. Gaines..... Little Rock AR US 72201 501-378-2000
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.arkansasbluecross.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. Paul Mark White	President / CEO	2. James Lee Douglass	Secretary
3. Gray Donald Dillard	Treasurer / CFO	4. Michael Wayne Brown	Executive Vice President / COO

OTHER

Stephen William Abell	James Robert Bailey
Curtis Edwin Barnett	Alicia Marie Berkemeyer
Judy Dawn Blevins	James Daniel Bloodworth
David Frank Bridges	Martha Lynn Carlson
Richard Shelby Cooper	Ronald Walter DeBerry
David Franklin Greenwood, Jr.	Robert Franklin Griffin, MD
Melvin Dewayne Hardy #	Kimberly Ann Henderson
Calvin Eugene Kellogg	Eric Richard Paczewitz #
Karen Cox Raley	Kathleen O'Dea Ryan
Philip Eugene Sherrill	Steven Aaron Spaulding
Samuel Carl Vorderstrasse	

DIRECTORS OR TRUSTEES

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

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) Paul Mark White	(Signature) James Lee Douglass	(Signature) Gray Donald Dillard
1. (Printed Name) President / CEO	2. (Printed Name) Secretary	3. (Printed Name) Treasurer / CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me This _____ day of _____ 2016

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).....	512,765,040		512,765,040	522,778,766
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	252,034,167		252,034,167	310,600,378
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).....	40,491,551		40,491,551	37,928,974
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	7,301,122		7,301,122	7,529,669
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....59,506,242, Schedule E-Part 1), cash equivalents (\$.....21,694,987, Schedule E-Part 2) and short-term investments (\$.....269,677,239, Schedule DA).....	350,878,468		350,878,468	304,336,693
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	79,826,804		79,826,804	78,818,243
9. Receivables for securities.....			0	2,031,282
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	2,374,413	0	2,374,413	2,422,366
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,245,671,565	0	1,245,671,565	1,266,446,371
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	3,563,310		3,563,310	3,750,438
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....			0	
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 (\$.....113,996,377) and contracts subject to redetermination (\$.....11,365,411).....	125,424,504	62,715	125,361,789	115,535,135
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	53,333,448		53,333,448	47,292,660
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.....	40,545,335		40,545,335	38,480,526
18.1 Current federal and foreign income tax recoverable and interest thereon.....	354,889		354,889	6,569,250
18.2 Net deferred tax asset.....	83,607,371	68,887,060	14,720,311	10,584,204
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	13,824,940	6,682,936	7,142,004	5,915,370
21. Furniture and equipment, including health care delivery assets (\$.....0).....	19,476,519	19,476,519	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	7,881,213	568,659	7,312,554	8,371,566
24. Health care (\$.....18,402,965) and other amounts receivable.....	56,105,308	12,209,920	43,895,388	33,576,633
25. Aggregate write-ins for other than invested assets.....	51,730,943	13,706,843	38,024,100	44,316,890
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,701,519,345	121,594,652	1,579,924,693	1,580,839,043
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	1,701,519,345	121,594,652	1,579,924,693	1,580,839,043

DETAILS OF WRITE-INS

1101. Deposits with National Accounts.....	2,374,413		2,374,413	2,422,366
1102.....			0	
1103.....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	2,374,413	0	2,374,413	2,422,366
2501. Supplemental Savings Plan.....	37,608,953		37,608,953	36,361,904
2502. Risk Adjustment Receivable.....			0	7,500,000
2503. Other Assets.....	415,147		415,147	454,986
2598. Summary of remaining write-ins for Line 25 from overflow page.....	13,706,843	13,706,843	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	51,730,943	13,706,843	38,024,100	44,316,890

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....12,732,712 reinsurance ceded).....	214,096,037	649,597	214,745,634	207,147,714
2. Accrued medical incentive pool and bonus amounts.....	1,161,187		1,161,187	415,253
3. Unpaid claims adjustment expenses.....	6,834,445		6,834,445	6,935,324
4. Aggregate health policy reserves, including the liability of \$....4,984,184 for medical loss ratio rebate per the Public Health Service Act.....	137,434,072		137,434,072	136,049,271
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	32,592,557		32,592,557	17,914,435
9. General expenses due or accrued.....	247,486,938		247,486,938	272,031,566
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....	2,478,373		2,478,373	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	3,782,763		3,782,763	7,841,698
12. Amounts withheld or retained for the account of others.....	39,092,727		39,092,727	37,872,726
13. Remittances and items not allocated.....	110,832		110,832	7,274,168
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	633,996		633,996	1,209,806
16. Derivatives.....			0	
17. Payable for securities.....	19,999,242		19,999,242	17,867,498
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	35,403,690		35,403,690	30,372,120
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	20,366,138	0	20,366,138	17,865,085
24. Total liabilities (Lines 1 to 23).....	761,472,997	649,597	762,122,594	760,796,664
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	35,300,000	32,440,000
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX		
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	782,502,098	787,602,378
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	817,802,098	820,042,378
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,579,924,692	1,580,839,042

DETAILS OF WRITE-INS

2301. Deferred Gain on Capitalization of joint venture.....	19,617,685		19,617,685	19,617,685
2302. Miscellaneous.....	748,453		748,453	(1,752,600)
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).....	20,366,138	0	20,366,138	17,865,085
2501. 2016 ACA Insurer Fee Estimate.....	XXX	XXX	35,300,000	32,440,000
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	35,300,000	32,440,000
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.....	7,868,281	7,083,695
2. Net premium income (including \$.....0 non-health premium income).....	.XXX.....	2,243,936,280	1,986,128,828
3. Change in unearned premium reserves and reserve for rate credits.....	.XXX.....	(4,285,270)	(2,573,431)
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.....	2,239,651,009	1,983,555,398
Hospital and Medical:			
9. Hospital/medical benefits.....		1,266,090,147	1,264,122,877
10. Other professional services.....		34,403,036	30,468,638
11. Outside referrals.....			
12. Emergency room and out-of-area.....		187,592,610	171,632,246
13. Prescription drugs.....		443,236,374	208,776,958
14. Aggregate write-ins for other hospital and medical.....0		.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....		5,439,924	705,244
16. Subtotal (Lines 9 to 15).....	.0	1,936,762,091	1,675,705,963
Less:			
17. Net reinsurance recoveries.....		27,067,701	17,328,441
18. Total hospital and medical (Lines 16 minus 17).....0		1,909,694,390	1,658,377,522
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....1,124,944 cost containment expenses.....		87,397,134	106,161,287
21. General administrative expenses.....		226,645,938	167,872,733
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		(4,708,880)	(4,727,931)
23. Total underwriting deductions (Lines 18 through 22).....0		2,219,028,582	1,927,683,611
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	.XXX.....	20,622,427	55,871,787
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		11,403,372	11,698,133
26. Net realized capital gains or (losses) less capital gains tax of \$.....(910,618).....		(2,891,365)	(125,714)
27. Net investment gains or (losses) (Lines 25 plus 26).....0		8,512,007	11,572,419
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		54,711	(126,070)
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.....	29,189,145	67,318,136
31. Federal and foreign income taxes incurred.....	.XXX.....	24,923,813	21,326,799
32. Net income (loss) (Lines 30 minus 31).....	.XXX.....	4,265,332	45,991,337

DETAILS OF WRITE-INS

0601. ....	.XXX.....		
0602. ....	.XXX.....		
0603. ....	.XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.XXX.....	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.XXX.....	.0	.0
0701. ....	.XXX.....		
0702. ....	.XXX.....		
0703. ....	.XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	.XXX.....	.0	.0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	.XXX.....	.0	.0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.0	.0	.0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	.0	.0	.0
2901. Miscellaneous Income/Expense.....		(284,413)	(370,227)
2902. Regional Management Fees.....		339,924	213,783
2903. State Tax Expense.....		(800)	30,374
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	54,711	(126,070)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	820,042,378	767,191,084
34. Net income or (loss) from Line 32.....	4,265,332	45,991,337
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.....	2,234,116	(717,361)
37. Change in net unrealized foreign exchange capital gain or (loss).....	(1,315,463)	(2,620,178)
38. Change in net deferred income tax.....	2,217,600	9,435,582
39. Change in nonadmitted assets.....	(9,666,143)	680,811
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	24,278	81,102
48. Net change in capital and surplus (Lines 34 to 47).....	(2,240,280)	52,851,293
49. Capital and surplus end of reporting period (Line 33 plus 48).....	817,802,098	820,042,378

DETAILS OF WRITE-INS

4701. Capital Lease Adjustment.....	24,278	81,102
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).....	24,278	81,102

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	2,250,261,996	1,974,134,187
2. Net investment income.....	17,251,817	16,243,680
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	2,267,513,813	1,990,377,867
5. Benefit and loss related payments.....	1,927,097,799	1,623,017,317
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	312,821,054	242,591,148
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	15,320,461	21,664,601
10. Total (Lines 5 through 9).....	2,255,239,314	1,887,273,066
11. Net cash from operations (Line 4 minus Line 10).....	12,274,499	103,104,801
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	49,194,912	79,623,096
12.2 Stocks.....	13,106,032	6,525,838
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	471,130	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	8,608	4,717
12.7 Miscellaneous proceeds.....	4,210,979	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	66,991,661	86,153,651
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	48,294,598	231,248,854
13.2 Stocks.....	4,577,793	4,888,746
13.3 Mortgage loans.....		
13.4 Real estate.....	6,997,934	7,924,004
13.5 Other invested assets.....	200,000	
13.6 Miscellaneous applications.....		49,169,932
13.7 Total investments acquired (Lines 13.1 to 13.6).....	60,070,325	293,231,536
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	6,921,336	(207,077,885)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	27,345,940	2,394,457
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	27,345,940	2,394,457
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).....	46,541,775	(101,578,626)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	304,336,692	405,915,318
19.2 End of year (Line 18 plus Line 19.1).....	350,878,467	304,336,692

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).....	1,471,081,411	87,857,009	7,835,610	1,551,102,810
2. Medicare supplement.....	245,069,383			245,069,383
3. Dental only.....	41,717,255		41,717,255	0
4. Vision only.....	2,868,045			2,868,045
5. Federal employees health benefits plan.....	252,246,894			252,246,894
6. Title XVIII - Medicare.....	147,727,024			147,727,024
7. Title XIX - Medicaid.....				0
8. Other health.....	43,102,800	2,283,509	464,186	44,922,123
9. Health subtotal (Lines 1 through 8).....	2,203,812,812	90,140,518	50,017,050	2,243,936,280
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	2,203,812,812	90,140,518	50,017,050	2,243,936,280

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.....	1,941,446,725	1,339,032,964	191,680,130	31,612,782	2,160,729	219,778,888	126,000,579		31,180,653	
1.2 Reinsurance assumed.....	72,303,411	72,303,411								
1.3 Reinsurance ceded.....	96,349,700	64,727,145		31,612,782					9,773	
1.4 Net.....	1,917,400,436	1,346,609,230	191,680,130	0	2,160,729	219,778,888	126,000,579	0	31,170,880	0
2. Paid medical incentive pools and bonuses.....	4,693,989	4,030,115				661,140			2,734	
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	220,706,613	160,065,553	20,279,100	1,941,000	38,093	17,536,540	17,609,423		3,236,904	
3.2 Reinsurance assumed.....	6,771,732	6,351,488					420,244			
3.3 Reinsurance ceded.....	12,732,712	7,726,705		1,941,000					3,065,007	
3.4 Net.....	214,745,633	158,690,336	20,279,100	0	38,093	17,536,540	18,029,667	0	171,897	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.....	1,161,187	1,161,024								163
6. Net healthcare receivables (a).....	13,364,970	14,674,446	875				(657,081)		(653,270)	
7. Amounts recoverable from reinsurers December 31, current year.....	49,777,383	49,777,383								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	217,466,201	157,286,176	19,886,950	1,409,000	36,452	18,093,182	17,639,724		3,114,717	
8.2 Reinsurance assumed.....	5,882,719	5,882,719								
8.3 Reinsurance ceded.....	16,201,206	11,877,732		1,409,000					2,914,474	
8.4 Net.....	207,147,714	151,291,163	19,886,950	0	36,452	18,093,182	17,639,724	0	200,243	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.....	415,253	414,587							666	
11. Amounts recoverable from reinsurers December 31, prior year.....	42,398,463	42,398,463								
12. Incurred benefits:										
12.1 Direct.....	1,931,322,167	1,327,137,895	192,071,405	32,144,782	2,162,370	219,222,246	126,627,359	0	31,956,110	0
12.2 Reinsurance assumed.....	73,192,424	72,772,180	0	0	0	0	420,244	0	0	0
12.3 Reinsurance ceded.....	100,260,126	67,955,038	0	32,144,782	0	0	0	0	160,306	0
12.4 Net.....	1,904,254,465	1,331,955,037	192,071,405	0	2,162,370	219,222,246	127,047,603	0	31,795,804	0
13. Incurred medical incentive pools and bonuses.....	5,439,923	4,776,552	0	0	0	661,140	0	0	2,068	163

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

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (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.....	27,081,402	18,739,923	2,079,958			3,379,670	2,881,851			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	27,081,402	18,739,923	2,079,958	0	0	3,379,670	2,881,851	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	193,625,211	141,325,630	18,199,142	1,941,000	38,093	14,156,870	14,727,572		3,236,904	
2.2 Reinsurance assumed.....	6,771,732	6,351,488					420,244			
2.3 Reinsurance ceded.....	12,732,712	7,726,705		1,941,000					3,065,007	
2.4 Net.....	187,664,231	139,950,413	18,199,142	0	38,093	14,156,870	15,147,816	0	171,897	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	220,706,613	160,065,553	20,279,100	1,941,000	38,093	17,536,540	17,609,423	0	3,236,904	0
4.2 Reinsurance assumed.....	6,771,732	6,351,488	0	0	0	0	420,244	0	0	0
4.3 Reinsurance ceded.....	12,732,712	7,726,705	0	1,941,000	0	0	0	0	3,065,007	0
4.4 Net.....	214,745,633	158,690,336	20,279,100	0	38,093	17,536,540	18,029,667	0	171,897	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).....	106,658,752	1,217,873,593	778,154	149,673,237	107,436,906	142,069,316
2. Medicare supplement.....	16,722,842	174,957,288	16,321	20,262,779	16,739,163	19,886,950
3. Dental only.....	1,660,105	29,952,677	5,778	1,935,222	1,665,883	1,409,000
4. Vision only.....		2,160,729		38,093	0	36,452
5. Federal employees health benefits plan.....	14,751,263	205,027,625	120,553	17,415,987	14,871,816	18,093,182
6. Title XVIII - Medicare.....	14,003,284	111,997,295	199,272	17,410,151	14,202,556	17,639,724
7. Title XIX - Medicaid.....					0	
8. Other health.....	104,157	31,076,333	580	6,889,505	104,737	8,013,089
9. Health subtotal (Lines 1 to 8).....	153,900,403	1,773,045,540	1,120,658	213,624,974	155,021,061	207,147,713
10. Healthcare receivables (a).....	2,419,139	27,870,257			2,419,139	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....		4,693,989		1,161,187	0	415,252
13. Totals (Lines 9 - 10 + 11 + 12).....	151,481,264	1,749,869,272	1,120,658	214,786,161	152,601,922	207,562,965

(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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	987,516	987,293			
2. 2011.....	945,116	1,036,235	1,036,334		
3. 2012.....	XXX	1,009,499	1,103,836	1,103,954	
4. 2013.....	XXX	XXX	1,081,552	1,186,352	1,186,780
5. 2014.....	XXX	XXX	XXX	1,488,580	1,642,050
6. 2015.....	XXX	XXX	XXX	XXX	1,773,046

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	987,349	987,293			
2. 2011.....	1,058,757	1,036,481	1,036,334		
3. 2012.....	XXX	1,126,088	1,105,199	1,103,954	
4. 2013.....	XXX	XXX	1,205,663	1,185,073	1,186,780
5. 2014.....	XXX	XXX	XXX	1,695,008	1,642,883
6. 2015.....	XXX	XXX	XXX	XXX	1,986,671

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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. 2011.....	1,273,206	1,036,334	46,713	4.5	1,083,047	85.1			1,083,047	85.1
2. 2012.....	1,310,172	1,103,954	44,295	4.0	1,148,249	87.6			1,148,249	87.6
3. 2013.....	1,395,524	1,186,780	46,361	3.9	1,233,141	88.4			1,233,141	88.4
4. 2014.....	1,983,683	1,642,050	51,882	3.2	1,693,932	85.4	1,121	36	1,695,089	85.5
5. 2015.....	2,243,936	1,773,046	54,765	3.1	1,827,811	81.5	214,786	6,798	2,049,395	91.3

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

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	496,687	496,555			
2. 2011.....	469,442	517,279	517,530		
3. 2012.....	XXX	518,471	566,479	566,529	
4. 2013.....	XXX	XXX	539,236	598,681	598,859
5. 2014.....	XXX	XXX	XXX	936,141	1,042,621
6. 2015.....	XXX	XXX	XXX	XXX	1,217,874

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	496,763	496,555			
2. 2011.....	533,502	517,375	517,530		
3. 2012.....	XXX	580,518	564,799	566,529	
4. 2013.....	XXX	XXX	603,846	597,623	598,859
5. 2014.....	XXX	XXX	XXX	1,077,900	1,043,268
6. 2015.....	XXX	XXX	XXX	XXX	1,367,547

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. 2011.....	666,533	517,530	26,231	5.1	543,761	81.6			543,761	81.6
2. 2012.....	699,875	566,529	26,833	4.7	593,362	84.8			593,362	84.8
3. 2013.....	738,411	598,859	27,474	4.6	626,333	84.8			626,333	84.8
4. 2014.....	1,301,717	1,042,621	27,856	2.7	1,070,477	82.2	778	25	1,071,280	82.3
5. 2015.....	1,551,103	1,217,874	33,352	2.7	1,251,226	80.7	150,834	4,775	1,406,835	90.7

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

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	162,126	161,916			
2. 2011.....	148,908	164,605	164,254		
3. 2012.....	XXX	152,104	168,314	168,181	
4. 2013.....	XXX	XXX	159,345	174,656	174,634
5. 2014.....	XXX	XXX	XXX	165,273	182,017
6. 2015.....	XXX	XXX	XXX	XXX	174,957

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	161,966	161,916			
2. 2011.....	167,014	164,739	164,254		
3. 2012.....	XXX	170,594	167,947	168,181	
4. 2013.....	XXX	XXX	177,572	174,582	174,634
5. 2014.....	XXX	XXX	XXX	185,100	181,952
6. 2015.....	XXX	XXX	XXX	XXX	195,220

12.MS

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	214,752	164,254	3,721	2.3	167,975	78.2			167,975	78.2
2. 2012.....	221,930	168,181	3,676	2.2	171,857	77.4			171,857	77.4
3. 2013.....	229,153	174,634	3,797	2.2	178,431	77.9			178,431	77.9
4. 2014.....	240,324	182,017	7,029	3.9	189,046	78.7	16	1	189,063	78.7
5. 2015.....	245,069	174,957	7,430	4.2	182,387	74.4	20,263	.641	203,291	83.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	19,897	19,911			
2. 2011.....	21,050	22,719	22,723		
3. 2012.....	XXX	21,732	22,947	22,949	
4. 2013.....	XXX	XXX	25,917	27,561	27,568
5. 2014.....	XXX	XXX	XXX	27,312	28,965
6. 2015.....	XXX	XXX	XXX	XXX	29,953

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	19,885	19,911			
2. 2011.....	22,693	22,744	22,723		
3. 2012.....	XXX	23,263	22,941	22,949	
4. 2013.....	XXX	XXX	27,346	27,561	27,568
5. 2014.....	XXX	XXX	XXX	28,715	28,972
6. 2015.....	XXX	XXX	XXX	XXX	31,888

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....		22,723	707	3.1	23,430	0.0			23,430	0.0
2. 2012.....		22,949	93	0.4	23,042	0.0			23,042	0.0
3. 2013.....		27,568	111	0.4	27,679	0.0			27,679	0.0
4. 2014.....		28,965	130	0.4	29,095	0.0	6		29,101	0.0
5. 2015.....		29,953	333	1.1	30,286	0.0	1,935	61	32,282	0.0

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	427	427			
2. 2011.....	472	472	472		
3. 2012.....	XXX	642	642	642	
4. 2013.....	XXX	XXX	905	905	905
5. 2014.....	XXX	XXX	XXX	1,533	1,533
6. 2015.....	XXX	XXX	XXX	XXX	2,161

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	427	427			
2. 2011.....	502	472	472		
3. 2012.....	XXX	680	642	642	
4. 2013.....	XXX	XXX	935	905	905
5. 2014.....	XXX	XXX	XXX	1,569	1,533
6. 2015.....	XXX	XXX	XXX	XXX	2,199

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	675	472		0.0	472	69.9			472	69.9
2. 2012.....	871	642	76	11.8	718	82.4			718	82.4
3. 2013.....	1,234	905	82	9.1	987	80.0			987	80.0
4. 2014.....	2,159	1,533		0.0	1,533	71.0			1,533	71.0
5. 2015.....	2,868	2,161		0.0	2,161	75.3	38	1	2,200	76.7

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	209,166	209,259			
2. 2011.....	191,585	207,031	207,031		
3. 2012.....	XXX	191,425	207,761	207,814	
4. 2013.....	XXX	XXX	196,915	212,200	212,232
5. 2014.....	XXX	XXX	XXX	201,497	216,216
6. 2015.....	XXX	XXX	XXX	XXX	205,028

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	209,173	209,259			
2. 2011.....	209,023	206,945	207,031		
3. 2012.....	XXX	209,284	208,332	207,814	
4. 2013.....	XXX	XXX	215,582	211,788	212,232
5. 2014.....	XXX	XXX	XXX	219,480	216,259
6. 2015.....	XXX	XXX	XXX	XXX	222,444

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	233,558	207,031	6,364	3.1	213,395	91.4			213,395	91.4
2. 2012.....	223,664	207,814	6,871	3.3	214,685	96.0			214,685	96.0
3. 2013.....	235,521	212,232	7,722	3.6	219,954	93.4			219,954	93.4
4. 2014.....	241,081	216,216	6,673	3.1	222,889	92.5	121	4	223,014	92.5
5. 2015.....	252,247	205,028	5,931	2.9	210,959	83.6	17,416	.551	228,926	90.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	51,373	51,385			
2. 2011.....	69,081	79,486	79,680		
3. 2012.....	XXX	90,643	103,120	103,264	
4. 2013.....	XXX	XXX	121,982	134,972	135,205
5. 2014.....	XXX	XXX	XXX	124,708	138,478
6. 2015.....	XXX	XXX	XXX	XXX	111,997

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	51,295	51,385			
2. 2011.....	81,320	79,512	79,680		
3. 2012.....	XXX	104,546	103,350	103,264	
4. 2013.....	XXX	XXX	140,505	135,232	135,205
5. 2014.....	XXX	XXX	XXX	142,118	138,681
6. 2015.....	XXX	XXX	XXX	XXX	129,407

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	102,305	79,680	2,689	3.4	82,369	80.5			82,369	80.5
2. 2012.....	115,373	103,264	2,902	2.8	106,166	92.0			106,166	92.0
3. 2013.....	147,480	135,205	4,592	3.4	139,797	94.8			139,797	94.8
4. 2014.....	154,688	138,478	7,928	5.7	146,406	94.6	199	.6	146,611	94.8
5. 2015.....	147,727	111,997	6,550	5.8	118,547	80.2	17,410	.551	136,508	92.4

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

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	NONE				
2. 2011.....					
3. 2012.....		XXX			
4. 2013.....		XXX	XXX		
5. 2014.....		XXX	XXX	XXX	
6. 2015.....		XXX	XXX	XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	NONE				
2. 2011.....					
3. 2012.....		XXX			
4. 2013.....		XXX	XXX		
5. 2014.....		XXX	XXX	XXX	
6. 2015.....		XXX	XXX	XXX	XXX

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SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

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. 2011.....					NONE	0.0			0	0.0
2. 2012.....				0.0		0	0.0		0	0.0
3. 2013.....				0.0		0	0.0		0	0.0
4. 2014.....				0.0		0	0.0		0	0.0
5. 2015.....				0.0		0	0.0		0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	47,840	47,840			
2. 2011.....	44,578	44,643	44,644		
3. 2012.....	XXX	34,482	34,573	34,575	
4. 2013.....	XXX	XXX	37,252	37,377	37,377
5. 2014.....	XXX	XXX	XXX	32,116	32,220
6. 2015.....	XXX	XXX	XXX	XXX	31,076

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	47,840	47,840			
2. 2011.....	44,703	44,694	44,644		
3. 2012.....	XXX	37,203	37,188	34,575	
4. 2013.....	XXX	XXX	39,877	37,382	37,377
5. 2014.....	XXX	XXX	XXX	40,126	32,218
6. 2015.....	XXX	XXX	XXX	XXX	37,966

12.0T

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	55,383	44,644	7,001	15.7	51,645	93.3			51,645	93.3
2. 2012.....	48,459	34,575	3,844	11.1	38,419	79.3			38,419	79.3
3. 2013.....	43,724	37,377	2,583	6.9	39,960	91.4			39,960	91.4
4. 2014.....	43,714	32,220	2,266	7.0	34,486	78.9	1		34,487	78.9
5. 2015.....	44,922	31,076	1,169	3.8	32,245	71.8	6,890	.218	39,353	87.6

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	14,090,002	7,888,038	5,797,682	398,613					5,669
2. Additional policy reserves (a).....	12,224,698	12,224,698							
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	111,119,372	935,151				106,135,188			4,049,033
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	137,434,072	21,047,887	5,797,682	398,613	.0	106,135,188	.0	.0	4,054,702
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	137,434,072	21,047,887	5,797,682	398,613	.0	106,135,188	.0	.0	4,054,702
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	.0								
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 7).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

13

DETAILS OF WRITE-INS

0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....9,497,011 for occupancy of own building).....	1,091,420	1,445,505	6,036,153	9,497,011	18,070,089
2. Salaries, wages and other benefits.....	50,684,791	33,719,209	144,450,280		228,854,280
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			41,420,059		41,420,059
4. Legal fees and expenses.....			499,683		499,683
5. Certifications and accreditation fees.....	6,958				6,958
6. Auditing, actuarial and other consulting services.....	257,459	50,995	7,630,440		7,938,894
7. Traveling expenses.....	945,253	114,750	2,512,151		3,572,154
8. Marketing and advertising.....	107,608	1,241	1,888,844		1,997,693
9. Postage, express and telephone.....	981,983	4,373,941	8,435,917		13,791,841
10. Printing and office supplies.....	606,040	449,857	2,962,122		4,018,019
11. Occupancy, depreciation and amortization.....	196,255	330,722	1,546,960		2,073,937
12. Equipment.....	318,748	707,210	3,905,795		4,931,753
13. Cost or depreciation of EDP equipment and software.....	2,183,327	1,925,355	27,626,335		31,735,017
14. Outsourced services including EDP, claims, and other services.....	15,589,347	2,225,996	20,146,042	1,621,976	39,583,361
15. Boards, bureaus and association fees.....	144,205	5,986	3,485,448		3,635,639
16. Insurance, except on real estate.....	161,649	148,348	1,007,160		1,317,157
17. Collection and bank service charges.....			1,563,896		1,563,896
18. Group service and administration fees.....	(5,052,336)	36,523,689	3,302,542		34,773,895
19. Reimbursements by uninsured plans.....	(73,050,505)	(1,366,885)	(153,913,809)		(228,331,199)
20. Reimbursements from fiscal intermediaries.....		1,245,853			1,245,853
21. Real estate expenses.....	408,265	899,105	4,952,644	460,089	6,720,103
22. Real estate taxes.....	28,462	57,634	271,639	24,000	381,735
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....		28,552	1,055,434		1,083,986
23.2 State premium taxes.....			15,501,032		15,501,032
23.3 Regulatory authority licenses and fees.....	4,463		141,254		145,717
23.4 Payroll taxes.....	2,951,685	2,036,381	7,219,911		12,207,977
23.5 Other (excluding federal income and real estate taxes).....	23,060	54,752	47,664,060		47,741,872
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	2,536,808	1,293,992	25,333,944	0	29,164,744
26. Total expenses incurred (Lines 1 to 25).....	1,124,945	86,272,188	226,645,936	11,603,076	(a) 325,646,145
27. Less expenses unpaid December 31, current year.....		6,835,947	247,486,938		254,322,885
28. Add expenses unpaid December 31, prior year.....		6,935,324	272,031,566		278,966,890
29. Amounts receivable relating to uninsured plans, prior year.....			9,260,128		9,260,128
30. Amounts receivable relating to uninsured plans, current year.....			2,238,236		2,238,236
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	1,124,945	86,371,565	244,168,672	11,603,076	343,268,258

DETAILS OF WRITE-INS

2501. Administrative Expenses Assumed.....	2,663,578	1,465,599	20,273,565		24,402,742
2502. Administrative Expenses Ceded.....	(136,588)	(31,478)	(3,454,011)		(3,622,077)
2503. HMOP ASA Agreement.....			(2,293,017)		(2,293,017)
2598. Summary of remaining write-ins for Line 25 from overflow page.....	9,818	(140,129)	10,807,407	0	10,677,096
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,536,808	1,293,992	25,333,944	0	29,164,744

(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)..... 1,577,836	..... 1,515,648
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a)..... 8,234,099	..... 7,941,518
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	..... 2,925,881	..... 2,848,238
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d)..... 10,407,049	..... 10,407,049
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e)..... 141,095	..... 403,029
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	..... (109,034)	..... (109,034)
9. Aggregate write-ins for investment income.....	..... 0	..... 0
10. Total gross investment income.....	..... 23,176,927	..... 23,006,448
11. Investment expenses.....	.....	(g)..... 11,603,076
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).....	.....	..... 11,603,076
17. Net investment income (Line 10 minus Line 16).....	.....	..... 11,403,371

DETAILS OF WRITE-INS

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

- (a) Includes \$.....296,674 accrual of discount less \$.....5,957,991 amortization of premium and less \$.....214,509 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 \$.....9,497,011 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....172,632 accrual of discount less \$.....97,202 amortization of premium and less \$.....100,210 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....1,621,976 investment expenses and \$.....24,000 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).....	..... (164,180)	..... (1,751,663)	..... (1,915,843)	..... (220,789)	..... (1,315,463)
1.3 Bonds of affiliates.....	.....	.....	..... 0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	..... 0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	..... 0	.....	.....
2.2 Common stocks (unaffiliated).....	..... 5,008,183	..... (6,902,932)	..... (1,894,749)	..... (16,106,584)	.....
2.21 Common stocks of affiliates.....	.....	.....	..... 0	..... (32,036,638)	.....
3. Mortgage loans.....	.....	.....	..... 0	.....	.....
4. Real estate.....	.....	.....	..... 0	.....	.....
5. Contract loans.....	.....	.....	..... 0	.....	.....
6. Cash, cash equivalents and short-term investments.....	..... 8,608	.....	..... 8,608	.....	.....
7. Derivative instruments.....	.....	.....	..... 0	.....	.....
8. Other invested assets.....	.....	.....	..... 0	..... 1,279,691	.....
9. Aggregate write-ins for capital gains (losses).....	..... 0	..... 0	..... 0	..... 49,318,435	..... 0
10. Total capital gains (losses).....	..... 4,852,611	..... (8,654,595)	..... (3,801,984)	..... 2,234,115	..... (1,315,463)

DETAILS OF WRITE-INS

0901. OPEB and Other.....	.....	.....	..... 0	..... 18,534,583	.....
0902. HMO Partners, Inc Dividend.....	.....	.....	..... 0	..... 30,783,852	.....
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	..... 49,318,435	..... 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.....			.0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....	62,715	1,956,430	1,893,715
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	68,887,060	69,691,445	804,385
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....	6,682,936	6,764,103	81,167
21. Furniture and equipment, including health care delivery assets.....	19,476,519	16,689,573	(2,786,946)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....	568,659		(568,659)
24. Health care and other amounts receivable.....	12,209,920	6,435,482	(5,774,438)
25. Aggregate write-ins for other than invested assets.....	13,706,843	10,391,476	(3,315,367)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	121,594,652	111,928,509	(9,666,143)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	121,594,652	111,928,509	(9,666,143)

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. Other Assets.....	13,706,843	10,391,476	(3,315,367)
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).....	13,706,843	10,391,476	(3,315,367)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	462,880	486,580	483,944	457,841	461,877	5,673,568
4. Point of service.....						
5. Indemnity only.....	163,591	182,593	182,863	183,950	184,730	2,194,710
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total.....	626,471	669,173	666,807	641,791	646,607	7,868,278

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

	State of Domicile - AR	2015	2014
NET INCOME			
(1) Arkansas Blue Cross and Blue Shield state basis (Page 4, Line 32, Columns 2 & 3)		4,265,332	45,991,337
(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)		4,265,332	45,991,337
SURPLUS			
(5) Arkansas Blue Cross and Blue Shield state basis (Page 3, Line 33, Columns 3&4)		817,802,098	820,042,378
(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)		817,802,098	820,042,378

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 are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- 4) The Company does not have preferred stock.
- 5) The Company does not have mortgage loans.
- 6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. The retrospective adjustment method is used to value all securities.
- 7) Common stock investments in affiliates including limited liability companies are carried at their NAIC SAP or GAAP equity values in accordance with the requirements of SSAP no. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities*.
- 8) The Company has minor investments in joint ventures, partnerships and limited liability companies. See (7) above for accounting policy.
- 9) The Company does not have derivatives.
- 10) The Company does not have premium deficiency reserves.
- 11) 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

NOTES TO FINANCIAL STATEMENTS

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 \$1,500 and all other costs are expensed.

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. There were no accounting changes or correction of errors during 2015.

3. Business Combinations and Goodwill

The Company had no business combinations or goodwill as of December 31, 2015.

4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2015.

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. N/A
- E. The Company has no repurchase agreements and/or security lending transactions at this time.
- F. N/A
- G. The Company has no investment in low-income housing tax credits.

H. Restricted Assets

(1) **Restricted Assets (Including Pledged)**

Restricted Asset Category	1	2	3	4	5	6
	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Additional Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown						
b. Collateral held under security lending arrangements						
c. Subject to repurchase agreements						
d. Subject to reverse repurchase agreements						
e. Subject to dollar repurchase agreements						
f. Subject to dollar reverse repurchase agreements						
g. Placed under option contracts						
h. Letter stock or securities restricted as to sale-excluding FHLB capital stock						
i. FHLB capital stock						
j. On deposit with states	99,605	99,994	(389)	31,548,747	0.3%	
k. On deposit with other regulatory bodies						
l. Pledged as collateral to FHLB (including assets backing funding agreements)						
m. Pledged as collateral not captured in other categories	31,249,537	31,202,936	46,601	31,548,747	99.1%	
n. Other restricted assets	199,605	2,099,884	(1,900,279)	31,548,747	0.6%	
o. Total Restricted Assets	31,548,747	33,402,814	(1,854,067)	31,548,747	100.0%	

(2) The Asset held in H (1) (.m.) is a revolving line of credit backed by T-Notes held by the Company

(3) The Asset held in H (1.) (n.) is collateral for the Company’s High Deductible Workers Compensation Plan held as CD, T-Note and Money Market Fund.

I. The Company has no Working Capital Finance Investments.

J. The Company does not offset or net Assets and Liabilities.

K. The Company does not hold Structured Notes at this time.

6. Joint Ventures, Partnerships, and Limited Liability Companies

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

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

7. Investment Income

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

NOTES TO FINANCIAL STATEMENTS

8. Derivative Instruments

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

9. Income Taxes

Note 9: Income Taxes

- A. The components of the net deferred tax asset/(liability) are as follows:

1.

	12/31/15		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	101,597,171	11,557,683	113,154,853
(b) Statutory Valuation Allowance Adjustment	0	0	0
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	101,597,171	11,557,683	113,154,853
(d) Deferred Tax Assets Nonadmitted	68,887,060	0	68,887,060
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	32,710,111	11,557,683	44,267,794
(f) Deferred Tax Liabilities	277,295	29,270,189	29,547,483
(g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f)	32,432,817	(17,712,506)	14,720,310

	12/31/14		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	107,259,586	11,002,459	118,262,045
(b) Statutory Valuation Allowance Adjustment	0	0	0
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	107,259,586	11,002,459	118,262,045
(d) Deferred Tax Assets Nonadmitted	69,691,445	0	69,691,445
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	37,568,141	11,002,459	48,570,600
(f) Deferred Tax Liabilities	313,561	37,672,836	37,986,397
(g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f)	37,254,580	(26,670,377)	10,584,204

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 3-6) Total
(a) Gross Deferred Tax Assets	(5,662,415)	555,223	(5,107,192)
(b) Statutory Valuation Allowance Adjustment	0	0	0
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	(5,662,415)	555,223	(5,107,192)
(d) Deferred Tax Assets Nonadmitted	(804,385)	0	(804,385)
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	(4,858,030)	555,223	(4,302,806)
(f) Deferred Tax Liabilities	(36,266)	(8,402,647)	(8,438,913)
(g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f)	(4,821,763)	8,957,870	4,136,107

2.

	12/31/15		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components - SSAP 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	24,234,538	0	24,234,538

NOTES TO FINANCIAL STATEMENTS

(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below)	8,198,279	0	8,198,279
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	8,198,279	0	8,198,279
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	8,198,279	0	109,577,946
(c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	277,295	11,557,683	11,834,977
(d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c))	32,710,111	11,557,683	44,267,794

	12/31/14		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components - SSAP 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	17,511,256	0	17,511,256
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below)	19,743,324	0	19,743,324
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	19,743,324	0	19,743,324
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	19,743,324	0	91,355,980
(c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	313,561	11,002,459	11,316,020
(d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c))	37,568,141	11,002,459	48,570,600

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 3-6) Total
Admission Calculation Components - SSAP 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	6,723,282	0	6,723,282
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below)	(11,545,045)	0	(11,545,045)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date	(11,545,045)	0	(11,545,045)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	(11,545,045)	0	(11,545,045)
(c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(36,267)	555,224	518,957
(d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c))	(4,858,030)	555,224	(4,302,806)

3.

	2015	2014
(a) Ratio Percentage used to determine Recovery Period and Threshold Limitation Amount	983%	983%

NOTES TO FINANCIAL STATEMENTS

(b) Amount of Adjusted Capital and Surplus used to determine Recovery Period and Threshold Limitation in 2(b)2 above	730,519,638	820,042,378
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4.

	12/31/15		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Impact of Tax Planning Strategies			
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage	0%	0%	0%
1. Adjusted Gross DTAA Amount From Note 9A1(c)	0%	0%	0%
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	0%	0%	0%
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%

	12/31/14		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Impact of Tax Planning Strategies			
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage	0%	0%	0%
1. Adjusted Gross DTAA Amount From Note 9A1(c)	0%	0%	0%
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	0%	0%	0%
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 3-6) Total
Impact of Tax Planning Strategies			
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage	0%	0%	0%
1. Adjusted Gross DTAA Amount From Note 9A1(c)	0%	0%	0%
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0%	0%	0%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	0%	0%	0%
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0%	0%	0%

(b) Does the Company's tax-planning strategies include the use of reinsurance? Yes _____
 No X

B. Regarding deferred tax liabilities that are not recognized:
 Not applicable

C. Current and deferred income taxes consist of the following major components

NOTES TO FINANCIAL STATEMENTS

1. Current Income Tax:

	(1) 12/31/15	(2) 12/31/14	(3) (Col 1-2) Change
(a) Federal	24,258,316	19,744,854	4,513,462
(b) Foreign	-	-	-
(c) Subtotal	24,258,316	19,744,854	4,513,462
(d) Federal Income Tax on net capital gains	(910,618)	(569,825)	(340,793)
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	665,497	1,581,945	(916,448)
(g) Federal & Foreign income tax incurred	24,013,196	20,756,974	3,256,222

2. Deferred Tax Assets:

	(1) 12/31/15	(2) 12/31/14	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Discounting of unpaid losses	4,157,192	4,680,271	(523,079)
(2) Unearned premium reserves	-	-	-
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred Acquisition Costs	6,910,883	6,983,564	(72,681)
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	8,959,908	4,163,448	4,796,459
(8) Compensation and benefits accrual	65,787,299	70,903,984	(5,116,686)
(9) Pension accrual	-	-	-
(10) Receivables - nonadmitted	-	-	-
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	8,198,279	18,819,803	(10,621,524)
(13) Other	7,583,611	1,708,516	5,875,095
(99) Subtotal - Ordinary	101,597,171	107,259,586	(5,662,415)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted - Ordinary	68,887,060	69,691,445	(804,385)
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	32,710,111	37,568,141	(4,858,030)
(e) Capital:			
(1) Investments	9,353,894	8,767,347	586,546
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other	-	-	-

NOTES TO FINANCIAL STATEMENTS

	2,203,789	2,235,112	(31,323)
(99) Subtotal - Capital	11,557,683	11,002,459	555,223
	-	-	-
(f) Statutory valuation allowance adjustment	-	-	-
	-	-	-
(g) Nonadmitted - Capital	-	-	-
	-	-	-
(h) Admitted capital deferred tax assets (2a99-2b-2c)	11,557,683	11,002,459	555,223
	-	-	-
(i) Admitted deferred tax assets (2d + 2h)	44,267,794	48,570,600	(4,302,806)

3. Deferred Tax Liabilities:

	(1) 12/31/15	(2) 12/31/14	(3) (Col 1-2) Change
(a) Ordinary:			
(1) Investments	277,295	313,561	(36,266)
(2) Fixed Assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other	-	-	-
(99) Subtotal - Ordinary	277,295	313,561	(36,266)
(b) Capital:			
(1) Investments	-	-	-
Unrealized Capital Gains	9,053,842	15,228,835	(6,174,993)
Basis diff in partnership investment-LSV	9,634,762	9,115,513	519,249
Unrealized Gain/Loss on partnership-LSV	(1,904,249)	(1,313,708)	(590,541)
Basis diff in Unconsolidated Subs	12,442,744	14,486,531	(2,043,787)
Unrealized Gain/Loss on Unconsolid Subs	43,091	155,666	(112,575)
Total Investments	29,270,189	37,672,836	(8,402,647)
(2) Real estate	-	-	-
(3) Other	-	-	-
(99) Subtotal - Capital	29,270,189	37,672,836	(8,402,647)
(c) Deferred tax liabilities (3a99 + 3b99h)	29,547,483	37,986,397	(8,438,913)

4. Net Deferred Tax Assets/Liabilities (2i - 3c) 14,720,310 10,584,203 4,136,107

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

NOTES TO FINANCIAL STATEMENTS

	12/31/15	
	Amounts	Effective Tax Rate %
Provision computed at statutory rate	9,897,486	35.0%
Tax exempt income deduction	(55,269)	-0.2%
Dividends received deduction	(7,993,945)	-28.3%
Tax differentials on foreign earnings	0	0.0%
Nondeductible expenses	13,056,788	46.2%
Tax Credits	(1,295,322)	-4.6%
Rate Differential	0	0.0%
Other	8,185,859	28.9%
Total	21,795,598	77.1%
Federal and foreign income taxes incurred	24,923,813	88.1%
Realized capital gains/(losses) tax	(910,618)	-3.2%
Change in net deferred income taxes	(2,217,599)	-7.8%
Total statutory income taxes	21,795,597	77.1%

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

- At the end of the current period the Company did not have any unused operating loss carryforwards available to offset against future taxable income
- The following is income tax expense for 2012 and 2011 that is available for recoupment in the event of future net losses

Year	Amount
2015	21,997,005
2014	18,714,831

- The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

- The Company's federal income tax return is consolidated with the following entities:
 - USAbLe Mutual Insurance Company
 - USAbLe Corporation
 - Group Service Underwriters Inc
- The method of allocation among companies is subject to a written agreement, approved by the required authorized officers. The method of allocation chosen is in accordance with IRS Regulation 1.1502-33(d)(2)(i) whereby profitable companies pay tax according to their losses. Intercompany tax balances are paid quarterly based on estimates and settled annually upon the completion of the consolidated tax return.

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Arkansas Blue Cross Blue Shield owns 100% of USAbLe Corporation 50% of HMO Partners, Inc and LSV Partners, LLC. LSV Partners, LLC owns 100% of Florida Combined Life Insurance Company and 41.1% of Life and Specialty Ventures, LLC. In December, 2015, Arkansas Blue Cross Blue Shield became a 20% partner in Partnership for a Healthier Arkansas, LLC. As of December 31, 2015, USAbLe Corporation owns 100% of AHIN, LLC, 50% of Medsite Health Mgmt, LLC, 100% of Group Service Underwriters, and 100% of USAbLe Partners. In June, 2015, USAbLe Corporation invested \$6,060,000 in New Directions Behavioral Health Holding Company, LLC. This additional contribution increased its ownership from 5% to 10%. In October, 2015, Shareware was dissolved.

NOTES TO FINANCIAL STATEMENTS

In 2007, Arkansas Blue Cross Blue Shield invested \$3.7 million in B.P. Informatics LLC, a Delaware LLC. Additional capital contributions made in 2009, 2010, and 2011 totaling \$2,070,558 brought the percentage ownership in B. P. Informatics, LLC to 19.085%. On December 31, 2012 B.P. Informatics, LLC made a capital distribution in the form of 2,211 Health Intelligence Company, LLC preferred A units totaling \$2,211,014. These units were then transferred to USAbLe Corporation, January, 2014. On December 16, 2015, a distribution was made to Arkansas Blue Cross Blue Shield to liquidate B.P. Informatics, LLC.

On January 1, 2010, Arkansas Blue Cross assumed the role of third party administrator of those employee health benefit plans that were formerly administered by its subsidiary, USAbLe Corporation. State laws in almost every state require that a third party administrator that administers health benefit plans that cover citizens of the state be registered with or be licensed by state regulatory authorities. Because of a concern that using a legal name that includes the Blue Cross® or Blue Shield® brands in these TPA filings would result in confusion with the local Blue Cross or Blue Shield Plan in those respective states, the Board of Directors recommended and the members of the company at their Annual Meeting on March 15, 2010 voted to approve an amendment to the Articles of Incorporation changing the legal name of the company to "USAbLe Mutual Insurance Company." The new name became effective on March 23, 2010 when the Arkansas Insurance Commissioner approved the amendment to the Articles of Incorporation.

B. N/A

C. N/A

D. At December 31, 2015 the Company reported the following admitted amounts due from Affiliates:

HMO Partners, Inc.	6,224,601
USAbLe Corporation	747,631
AHIN, LLC	272,136
Life and Specialty Ventures	29,789
Blue & You Foundation	22,870
Medsite Health Mgmt, LLC	14,679
Other	847
Total	\$ 7,312,503

At December 31, 2015 the Company reported the following amounts due to Affiliates:

USAbLe Corporation	421,304
Life and Specialty Ventures	212,692
Total	\$ 633,996

E. N/A

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

G. N/A

H. N/A

I. N/A

J. N/A

K. N/A

L. N/A

M. The Company owns 100% of USAbLe Corporation with a value of \$124,936,497 and 20% of Partnership for a Healthier Arkansas, LLC with a value of \$200,000 on the Balance Sheet.

N. N/A

11. Debt

A. As of December 31, 2015, the Company has no capital notes. As of December 31, 2015, the Company's liability for borrowed money was zero (\$-0-).

B. As of December 31, 2015, the Company has no FHLB agreements.

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans.

The Company only has unfunded Other Post-retirement Benefit Plans.

A. A summary of assets, obligations and assumptions of the Other Postretirement Benefit Plans are as follows:

(1)	Change in benefit obligation		
	b. Postretirement Benefits	2015	2014
	1. Benefit obligation at beginning of year	156,163,000	140,134,000
	2. Service cost	1,179,000	1,476,000
	3. Interest cost	6,068,000	6,672,000
	4. Contribution by plan participants	0	0
	5. Actuarial gain/(loss)	(20,345,000)	12,509,000

NOTES TO FINANCIAL STATEMENTS

	6. Foreign currency changes	0	0
	7. Benefits paid	(4,367,000)	(4,628,000)
	8. Plan Amendments	0	0
	9. Business combinations	0	0
	10. Benefit obligation at end of year	138,698,000	156,163,000

(2) N/A

(3) N/A

(4)	Components of net periodic benefit cost	Postretirement Benefits	
		2015	2014
	a. Service cost	1,179,000	1,476,000
	b. Interest cost	6,068,000	6,672,000
	c. Expected return on plan assets	0	0
	d. Transition asset or obligation	0	0
	e. Gains and losses	2,664,000	1,001,000
	f. Prior service cost or credit	(2,664,000)	(2,745,000)
	g. Gain or loss on settlement or curtailment	0	0
	h. Total net periodic benefit cost	7,247,000	6,404,000

(5) N/A

(6) N/A

(7) N/A

(8)	Weighted average assumption used to determine net periodic benefit cost as of Dec 31	2015	2014
	a. Weighted-average discount rate	4.31%	3.94%
	b. Expected long-term rate of return on plan assets	N/A	N/A
	c. Rate of compensation increase	3.50%	5.00%
	Weighted average assumption used to determine projected benefit obligations as of Dec 31		
	d. Weighted-average discount rate	4.31%	3.94%
	e. Rate of compensation increase	3.50%	5.00%

(9) N/A

(10) N/A

		1 Percentage Point Decrease	1 Percentage Point Increase
(11)	Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects		
	a. Effect on total of service and interest cost components	(402,000)	347,000
	b. Effect on postretirement benefit obligation	(8,633,000)	7,714,000

(12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated

Year	Amount
2016	4,315,000
2017	4,877,000
2018	5,438,000
2019	5,776,000
2020	6,194,000
2021-2025	36,961,000

B. N/A – Unfunded Plan

C. N/A – Unfunded Plan

D. N/A – Unfunded Plan

E. Defined Contribution Plan

NOTES TO FINANCIAL STATEMENTS

The Company offers an optional 401(k) plan to all eligible employees. The employee has the option of deferring up to 50% 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 minimum contribution of 2% 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%. For 2015, 3% has been used to calculate the Company's contribution of \$5,520,569.79.

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

- F. Multiemployer Plans
The Company does not participate in multiemployer plans.
- G. Consolidated/Holding Company Plans
N/A
- H. Postemployment Benefits and Compensated Absences
The Company does not offer a postretirement benefit plan.
- I. N/A

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

- 1) As of December 31, 2015, the Company had no common capital shares authorized, issued or outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) The Company has no dividend restrictions.
- 4) As a Mutual Insurer, the Company can only pay dividends on participating policies and the Company does not issue participating policies.
- 5) N/A
- 6) The Company had no restrictions on its unassigned surplus.
- 7) The Company does not have any advances to surplus.
- 8) N/A
- 9) The Company has no special surplus funds, although it has reflected the projected health insurer tax for the upcoming year in the surplus portion of the balance sheet
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and loss is \$ 918,653 gain.
- 11) The Company has no Surplus Notes as of December 31, 2015.
- 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, 2015.

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, 2015. 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. Lessee Operating Lease

1. a. The Company leases office equipment and space under various noncancelable operating lease agreements that expire through January 2020. Rental expense for 2015, and 2014 was approximately \$7,672,478 and \$4,766,204.

2. a. At January 1, 2016 the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Losses
1.	2016	\$ 6,629,699
2.	2017	\$ 6,268,166
3.	2018	\$ 5,961,579
4.	2019	\$ 5,990,149
5.	2020	\$ 3,614,863

NOTES TO FINANCIAL STATEMENTS

6. Total \$28,464,457

3. N/A

B. N/A

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. The Company did not have any transfers of Receivables reported as Sales.
- B. The Company did not have any transfers and servicing of Financial Assets
- C. The Company did not have any Wash Sales.

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

A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans was as follows during 2015:

	ASO Uninsured Plans
Net Reimbursement for Administrative expenses (including Administrative fees) in excess of actual expenses	\$ 430,774
Other Income	0
Net gain or (loss) from operations	\$ 430,774
Total claim payment volume	\$ 167,314,740

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans was as follows during 2015:

	ASC Uninsured Plans
a. Gross reimbursement for medical cost incurred	\$ 2,688,614,956
b. Gross administrative fees accrued	\$ 213,520,223
c. Other income or expenses	\$ 384,224
d. Gross expenses incurred (claims and administrative)	\$ 2,891,253,587
e. Total net gain or loss from operations	\$ 11,265,817

C. N/A

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.

NOTES TO FINANCIAL STATEMENTS

20. Fair Value Measurements

A.

(1) Fair Value Measurements at Reporting Date

Description of Each Class of Asset or Liability	Level 1	Level 2	Level 3	Total
Bonds				
Industrial and Misc		3,223,400		3,223,400
Common Stock				
Industrial and Misc	68,591,163	25,201,175		93,792,338
Parent, Subsidiaries and Affiliates			153,302,313	153,302,313
Total Common Stock				247,094,651
TOTAL ASSETS	68,591,163	28,424,575	153,302,313	250,315,051

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Assets	Beginning Balance at Period	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at Period
Parent, Subsidiaries and Affiliates	185,338,953				(32,036,640)					153,302,313
Total	185,338,953				(32,036,640)					153,302,313

B. N/A

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable Carrying Value
Bonds	3,223,400	3,223,400		3,223,400		0
Common Stock	247,094,651	247,094,651	68,591,163	25,201,175	153,302,313	0
Total	250,315,051	250,315,051	68,591,163	28,424,575	153,302,313	0

D. N/A

21. Other Items

A. During 2015 the Company received dividends of \$30,783,852 from HMO Partners, Inc. and \$951,930 from LSV, LLC. These dividends were significantly higher than in previous years. The dividend from HMO Partners, Inc. affected line 2.2 of page 2 and the dividend from LSV, LLC affected line 8 of page 2. The offsetting entry was cash.

B. The Company had no troubled debt restructuring as of December 31, 2015.

C. The Company did not have any other disclosures items.

D. The Company has no business interruption insurance recoveries.

E. The Company has no state transferrable or non-transferrable tax credits.

F. 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.

The market value of the Company's investment in the equity securities of commercial enterprises that engage in residential mortgage lending accumulates to \$ 7,169,785. This represents 1.175% of the Company's long-term bonds of \$512,765,040 and the Company's non related investments in equity securities of \$98,731,854.

G. The Company has no retained assets.

H. The Company has no insurance-linked securities.

22. Events Subsequent

On Jan. 1, 2016, the Company will be subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes

NOTES TO FINANCIAL STATEMENTS

payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after Jan. 1 of the year the fee is due. As of Dec. 31, 2015, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2016, and estimates their portion of the annual health insurance industry fee to be payable on Sept. 30, 2016 to be \$35,300,000. This amount is reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by 40.3. Reporting the ACA assessment as of Dec. 31, 2015 would not have triggered an RBC action level.

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act? YES		
B. ACA fee assessment payable for the upcoming year	35,300,000	32,440,000
C. ACA fee assessment paid	31,948,392	16,471,732
D. Premium written subject to ACA 9010 assessment	1,957,483,552	1,772,589,763
E. Total adjusted capital before surplus adjustment	817,802,098	
F. Total adjusted capital after surplus adjustment	782,502,098	
G. Authorized control level after surplus adjustment	87,713,627	
H. Would reporting the ACA assessment as of December 31, <u>2015</u> have triggered an RBC action level (YES/NO)?		<u>NO</u>

23. Reinsurance

A. Ceded Reinsurance Report

Section 1

1. There are no reinsurers listed on Schedule S as non-affiliated, that are owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company.

The Company does not have any ownership in

2. The Company had no reinsurer chartered outside the United States.

Section 2

1. The Company has no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits.

2. The Company has no reinsurance agreements in effect such that the amount of losses paid or accrued may result in a payment to the reinsurer of amounts that exceed the premium collected.

Section 3

1. The estimated reduction in surplus if the reinsurance agreement was terminated would be \$-0-.

2. No new agreements have been executed during 2015.

B. The Company did not have any uncollectible reinsurance written off during the year.

C. There was no commutation of reinsurance during the year.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments for its group health insurance business through a mathematical approach using an algorithm of the company's underwriting rules and experience rating practices.

B. The Company records accrued retrospective premium adjustments to earned premium

C. The amount of net premiums written by the company at December 31, 2015 that are subject to retrospective rating features was \$1.957 billion that represented 89% of the total net premium written. No other net premium written by the Company are subject to retrospective rating features.

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	2,399,985	724,883			3,124,868
(2) Medical loss ratio rebates paid					
(3) Medical loss ratio rebates unpaid		-			-
(4) Plus reinsurance assumed amounts					

NOTES TO FINANCIAL STATEMENTS

(5)	Less reinsurance ceded amounts					
(6)	Rebates unpaid net of reinsurance		-			-
Current Reporting Year-to-Date						
(7)	Medical loss ratio rebates incurred		1,660,034		4,049,033	5,709,067
(8)	Medical loss ratio rebates paid		724,883			724,883
(9)	Medical loss ratio rebates unpaid		935,151		4,049,033	4,984,184
(10)	Plus reinsurance assumed amounts		-			-
(11)	Less reinsurance ceded amounts					
(12)	Rebates unpaid net of reinsurance		935,151		4,049,033	4,984,184

E. Risk Sharing Provisions of the Affordable Care Act

(1) Did the reporting entity write accident and health insurance premium which is subject to the Affordable Care Act risk sharing provision YES

(2) Impact of Risk Sharing Provisions of the Affordable Care Act on admitted assets, liabilities and revenue for the current year:

a.	Permanent ACA Risk Adjustment Program		AMOUNT	
	Assets			
1.	Premium adjustments receivable due to ACA Risk Adjustment		\$	7,725,943
	Liabilities			
2.	Risk adjustment user fees payable for ACA Risk Adjustment			
3.	Premium adjustments payable due to ACA Risk Adjustment			
	Operations (Revenue & Expenses)			
4.	Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment			14,679,927
5.	Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)		\$	147,216
b.	Transitional ACA Reinsurance Program			
	Assets			
1.	Amounts recoverable for claims paid due to ACA Reinsurance		\$	49,777,382
2.	Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability)			7,726,705
3.	Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance			
	Liabilities			
4.	Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium			12,936,819
5.	Ceded reinsurance premiums payable due to ACA Reinsurance			6,598,184
6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance		\$	238,215
	Operations (Revenue & Expenses)			
7.	Ceded reinsurance premiums due to ACA Reinsurance		\$	6,598,184
8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments			67,955,038
9.	ACA Reinsurance contributions – not reported as ceded premium		\$	14,029,881
c.	Temporary ACA Risk Corridors Program			
	Assets			
1.	Accrued retrospective premium due to ACA Risk Corridors		\$	
	Liabilities			
2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors			
	Operations (Revenue & Expenses)			
3.	Effect of ACA Risk Corridors on net premium income (paid/received)			
4.	Effect of ACA Risk Corridors on change in reserves for rate credits		\$	

(3) Roll forward of prior year ACA Risk Sharing Provisions for the following asset (gross of any nonadmission) and liability balances along with the reasons for adjustments to prior year balance:

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Cumulative Balance from Prior Years (Col. 1-3+7)	Cumulative Balance from Prior Years (Col. 2-4+8)	Unsettled Balances as of the Reporting Date
	1	2	3	4	Prior Year Accrued Less Payments (Col. 1-3)	Prior Year Accrued Less Payments (Col. 2-4)	To Prior Year Balances	To Prior Year Balances			
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)

NOTES TO FINANCIAL STATEMENTS

a. Permanent ACA Risk Adjustment Program												
1.	Premium adjustments receivable	\$ 7,500,000	\$	\$ 14,453,984	\$	\$ (6,953,984)	\$	\$ 6,953,984	\$	A	\$	\$
2.	Premium adjustments payable									B		
3.	Subtotal ACA Permanent Risk Adjustment Program	\$ 7,500,000	\$	\$ 14,453,984	\$	\$ (6,953,984)	\$	\$ 6,953,984	\$		\$	\$
b. Transitional ACA Reinsurance Program												
1.	Amounts recoverable for claims paid	\$ 42,398,462	\$	\$ 60,002,064	\$	\$ (17,603,602)	\$	\$ 17,603,602	\$	C	\$	\$
2.	Amounts recoverable for claims unpaid (contra liability)	11,877,732				11,877,732		(11,877,732)		D		
3.	Amounts receivable relating to uninsured plans									E		
4.	Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premiums		18,481,258		18,481,258					F		
5.	Ceded reinsurance premiums payable		6,955,105		6,955,105					G		
6.	Liability for amounts held under uninsured plans									H		
7.	Subtotal ACA Transitional Reinsurance Program	\$ 54,276,194	\$ 25,436,363	\$ 60,002,064	\$ 25,436,363	\$ (5,725,870)	\$	\$ 5,725,870	\$		\$	\$
c. Temporary ACA Risk Corridors Program												
1.	Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	I	\$	\$
2.	Reserve for rate credits or policy experience rating refunds									J		
3.	Subtotal ACA Risk Corridors Program											
d.	Total for ACA Risk Sharing Provisions	\$ 61,776,194	\$ 25,436,363	\$ 74,456,048	\$ 25,436,363	\$ (12,679,854)	\$	\$ 12,679,854	\$		\$	\$

Explanations of Adjustments

- A. Actual cash received in current year was greater than the receivable at year end.
- B. N/A
- C. The increase in receivable is due to claims that were adjudicated after 12/31/2014, but before 12/31/2015.
- D. The contra IBNR is reduced to -0- because of time limits on the expected reinsurance recoveries.
- E. N/A
- F. N/A
- G. N/A
- H. N/A
- I. N/A
- J. N/A

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2014 were \$ 207,147,713. As of December 31, 2015, \$153,900,403 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1,120,658 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on all lines of insurance. Therefore, there has been a \$ 51,126,652 (favorable) prior year development since December 31, 2014 to December 31, 2015. The increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

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

27. Structured Settlements

This note is not applicable to health entities.

28. Health Care Receivable

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

A. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days After Billing
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NOTES TO FINANCIAL STATEMENTS

12/31/2015	\$ 27,687,319	\$ -	\$ -	\$ -	\$ -
09/30/2015	14,436,451	16,344,628	8,603,405	-	-
06/30/2015	14,910,953	14,725,744	5,719,908	3,989,741	-
03/31/2015	14,508,931	12,914,527	5,791,496	3,660,535	2,912,323
12/31/2014	12,768,757	9,677,687	5,169,912	3,548,684	676,184
09/30/2014	9,614,053	9,846,596	5,327,438	3,429,343	(114,195)
06/30/2014	10,220,515	5,899,794	793,849	1,857,814	2,997,882
03/31/2014	10,005,639	5,377,535	147,967	2,188,233	2,770,310
12/31/2013	9,870,086	6,383,488	569,700	1,545,593	4,228,705
09/30/2013	8,676,515	5,985,342	1,090,010	528,535	3,963,674
06/30/2013	9,787,908	4,632,588	1,240,410	3,078,311	716,881
03/31/2013	9,500,711	4,910,120	924,873	488,734	3,342,241

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 did not have any premium deficiency reserves as of December 31, 2015.

31. Salvage and Subrogation

Anticipated Salvage and Subrogation included as a reduction to Loss Reserves and Loss Adjustment Reserves as reported in the Underwriting and Investment Exhibit and Page 3 – Liabilities, Capital and Surplus, Line 1. This disclosure is presented by annual statement line of business. Amounts presented are as of December 31 of the prior year and December 31 of the year for which this annual statement is being filed.

Line of Business	Year Incurred	December 31 2015	December 31 2014
Accident and Health	2010	\$ 9,155	\$ 9,155
	2011	\$ 1,425	\$ 22,370
	2012	\$ 12,721	\$ 64,703
	2013	\$ 39,051	\$ 741,328
	2014	\$ 837,155	\$ 3,094,880
	2015	\$ 2,663,965	
	Total	\$ 3,554,317	\$ 3,932,436

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
If yes, complete Schedule Y, Parts 1, 1A and 2.
- 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
- 1.3 State regulating? ARKANSAS
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 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. 12/31/2010
- 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. 12/31/2010
- 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). 05/17/2012
- 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
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes 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
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No
- 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
- 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 with the Federal Reserve Board? Yes No
- 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
- 8.4 If the response to 8.3 is yes, please provide below 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 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
FDIC | 6
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
- 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 other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes No
- 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 No N/A
- 10.6 If the response to 10.5 is no or n/a, please explain:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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 C. Vorderstrasse, Vice President - Actuary & Risk Management, Arkansas Blue Cross 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 _____ 0
- 12.13 Total book/adjusted carrying value _____ \$ 0
- 12.2 If yes, provide explanation _____
13. **FOR UNITED STATES BRANCES 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 where the issuing or confirming bank is not on the SVO Bank List? 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

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 subordinator committee thereof? Yes [X] No []
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors an all subordinator 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 []

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 reporting 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 \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 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 [] No [X]
- 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 \$ 0
- 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: \$ 0

INVESTMENT

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 24.01 Were all of 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 24.03)? Yes No
- 24.02 If no, give full and complete information, relating thereto:
- 24.03 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).
- 24.04 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
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs \$ 0
- 24.07 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
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A
- 24.09 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
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0
- 24.103 Total payable for securities lending reported on the liability page: \$ 0
- 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 current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.) Yes No
- 25.2 If yes, state the amount thereof at December 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 Placed under option agreements \$ 0
- 25.26 Letter stock or securities restricted as sale – excluding FHLB Capital Stock \$ 0
- 25.27 FHLB Capital Stock \$ 0
- 25.28 On deposit with states \$ 99,605
- 25.29 On deposit with other regulatory bodies \$ 0
- 25.30 Pledged as collateral – excluding collateral pledged to an FHLB \$ 31,249,537
- 25.31 Pledged as collateral to FHLB – including assets backing funding agreements \$ 0
- 25.32 Other \$ 199,605
- 25.3 For category (25.26) 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
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
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
- 27.2 If yes, state the amount thereof at December of the current year: \$ 0
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 No
- 28.01 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:
- | 1
Name of Custodian(s) | 2
Custodian Address |
|---------------------------------------|--------------------------------------|
| US Bank Institutional Trust & Custody | PO Box 387, St. Louis, MO 61366-0387 |
- 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
- 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, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:
- | 1
Central Registration Depository | 2
Name(s) | 3
Address |
|--------------------------------------|--------------------------------|---|
| 116359 | Foundation Resource Management | 401 W Capitol, Ste 501, Little Rock, AR 72201 |
- 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
- 29.2 If yes, complete the following schedule:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
88018T	Templeton Dragon Fund	922,558
29.2999 TOTAL		922,558

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holdings	4 Date of Valuation
Templeton Dragon Fund	Samsung Electronics Co, Ltd	33,344	12/31/2015
Templeton Dragon Fund	Microsoft Corp.	24,454	12/31/2015
Templeton Dragon Fund	Citigroup, Inc.	24,194	12/31/2015
Templeton Dragon Fund	Amgen, Inc.	20,917	12/31/2015
Templeton Dragon Fund	Allergan, PLC	20,827	12/31/2015

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	804,137,266	803,401,018	(736,247)
30.2 Preferred Stocks	0	0	0
30.3 Totals	804,137,266	803,401,018	(736,247)

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

Fair value pricing obtained, where applicable from market prices provided by US Bank, Institutional Trust and Custody, custodian for investment assets, or where applicable, from the NAIC Valuation of Securities database, for assets not priced by US Bank.

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 reliance 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 Investment Analysis Office* been followed? Yes [X] No []

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 2,968,488

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
BlueCross BlueShield Association	\$ 1,657,628

34.1 Amount of payments for legal expenses, if any? \$ 1,116,491

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	\$ 742,216

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 511,584

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
BlueCross BlueShield Association	\$ 261,184

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
1.2	If yes, indicate premium earned on U.S. business only.	\$		242,950,452	
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$		0	
1.31	Reason for excluding:				
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$		0	
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$		190,721,737	
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned	\$		45,246,052	
1.62	Total incurred claims	\$		36,470,193	
1.63	Number of covered lives	\$		31,135	
	All years prior to most current three years:				
1.64	Total premium earned	\$		197,704,400	
1.65	Total incurred claims	\$		154,251,544	
1.66	Number of covered lives	\$		84,248	
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned	\$		0	
1.72	Total incurred claims	\$		0	
1.73	Number of covered lives	\$		0	
	All years prior to most current three years:				
1.74	Total premium earned	\$		0	
1.75	Total incurred claims	\$		0	
1.76	Number of covered lives	\$		0	
2.	Health Test:				
			1	2	
			Current Year	Prior Year	
2.1	Premium Numerator	\$	2,243,936,280	\$	1,986,128,828
2.2	Premium Denominator	\$	2,243,936,280	\$	1,986,128,828
2.3	Premium Ratio (2.1/2.2)	\$	100.000	\$	100.000
2.4	Reserve Numerator	\$	349,286,189	\$	340,485,873
2.5	Reserve Denominator	\$	353,340,893	\$	343,612,238
2.6	Reserve Ratio (2.4/2.5)	\$	98.852	\$	99.090
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.1	Does the reporting entity have stop-loss reinsurance?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
5.2	If no, explain:				
5.3	Maximum retained risk (see instructions)				
5.31	Comprehensive Medical	\$		0	
5.32	Medical Only	\$		0	
5.33	Medicare Supplement	\$		0	
5.34	Dental and Vision	\$		0	
5.35	Other Limited Benefit Plan	\$		0	
5.36	Other	\$		0	
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:				
	<u>Hold Harmless Agreements</u>				
7.1	Does the reporting entity set up its claim liability for provider services on a service date basis?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
7.2	If no, give details				

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 14,499
- 8.2 Number of providers at end of reporting year 16,152
-
- 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 with rate guarantees between 15-36 months \$ 0
- 9.22 Business with rate guarantees over 36 months \$ 0
-
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [X] No []
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$ 1,161,187
- 10.22 Amount actually paid for year bonuses \$ 4,693,989
- 10.23 Maximum amount payable withholds \$ 0
- 10.24 Amount actually paid for year withholds \$ 0
-
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [] No [X]
- 11.13 An Individual Practice Association (IPA), or, Yes [] No [X]
- 11.14 A Mixed Model (combination of above)? Yes [] No [X]
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes [X] No []
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus.
Arkansas
- 11.4 If yes, show the amount required. \$ 500,000
-
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation

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

1 Name of Service Area
State of Arkansas
State of Texas

- 13.1 Do you act as a custodian for health savings accounts? Yes [] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
-
- 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. \$ 0
-
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [] No [X] N/A []
- 14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
	0		\$	\$	\$	\$

15. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).

- 15.1 Direct Premium Written \$ 0
- 15.2 Total Incurred Claims \$ 0
- 15.3 Number of Covered Lives 0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

FIVE-YEAR HISTORICAL DATA

	1 2015	2 2014	3 2013	4 2012	5 2011
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	1,579,924,693	1,580,839,043	1,454,455,405	1,283,220,576	1,221,696,181
2. Total liabilities (Page 3, Line 24).....	762,122,594	760,796,664	687,264,327	604,505,198	640,037,796
3. Statutory minimum capital and surplus requirement.....	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 33).....	817,802,098	820,042,378	767,191,081	678,715,376	581,658,383
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	2,239,651,009	1,983,555,398	1,392,968,703	1,309,595,463	1,262,257,660
6. Total medical and hospital expenses (Line 18).....	1,909,694,390	1,658,377,522	1,172,580,737	1,093,337,319	1,023,406,543
7. Claims adjustment expenses (Line 20).....	87,397,134	106,161,287	88,551,728	61,159,159	69,779,826
8. Total administrative expenses (Line 21).....	226,645,938	167,872,733	101,714,302	101,137,752	112,775,442
9. Net underwriting gain (loss) (Line 24).....	20,622,427	55,871,787	27,274,703	48,712,112	48,588,362
10. Net investment gain (loss) (Line 27).....	8,512,007	11,572,419	24,800,512	10,714,928	14,669,356
11. Total other income (Lines 28 plus 29).....	54,711	(126,070)	(1,210,765)	(3,903)	(824,077)
12. Net income or (loss) (Line 32).....	4,265,332	45,991,337	37,734,631	48,045,410	46,448,050
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	12,274,499	103,104,801	87,230,415	46,047,619	83,756,359
Risk-Based Capital Analysis					
14. Total adjusted capital.....	817,802,098	820,042,378	767,191,081	678,715,376	581,658,383
15. Authorized control level risk-based capital.....	87,713,627	82,304,221	67,293,726	67,107,345	65,001,055
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	646,607	626,471	447,901	438,799	435,410
17. Total member months (Column 6, Line 7).....	7,868,278	7,083,695	5,340,080	5,202,907	5,189,218
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).....	85.3	83.6	84.2	83.5	81.1
20. Cost containment expenses.....	0.1	0.7	0.1	(3.0)	(3.2)
21. Other claims adjustment expenses.....	3.9	4.6	6.2	7.7	8.8
22. Total underwriting deductions (Line 23).....	99.1	97.2	98.0	96.3	96.2
23. Total underwriting gain (loss) (Line 24).....	0.9	2.8	2.0	3.7	3.8
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	152,601,922	104,522,360	95,547,471	90,883,642	94,827,549
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	207,562,965	126,226,771	117,441,514	114,026,807	116,990,874
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).....	153,302,313	185,338,953	184,461,481	194,428,167	189,091,287
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.....		78,818,243	70,012,605	75,664,174	72,038,891
32. Total of above Lines 26 to 31.....	153,302,313	264,157,196	254,474,086	270,092,341	261,130,178
33. Total investment in parent included in Lines 26 to 31 above.....					

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 Plan 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	1,788,020,497	147,727,024		252,246,894			2,187,994,415	
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	L	15,818,396						15,818,396	
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.....CAN	N								0
58. Aggregate Other alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal.....XXX		1,803,838,893	147,727,024	0	252,246,894	0	0	2,203,812,811	0
60. Reporting entity contributions for Employee Benefit Plans.....XXX								0	
61. Total (Direct Business).....(a)	2	1,803,838,893	147,727,024	0	252,246,894	0	0	2,203,812,811	0

DETAILS OF WRITE-INS

58001.....								0	
58002.....								0	
58003.....								0	
58998. Summary of remaining write-ins for line 58.....		0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998).....		0	0	0	0	0	0	0	0

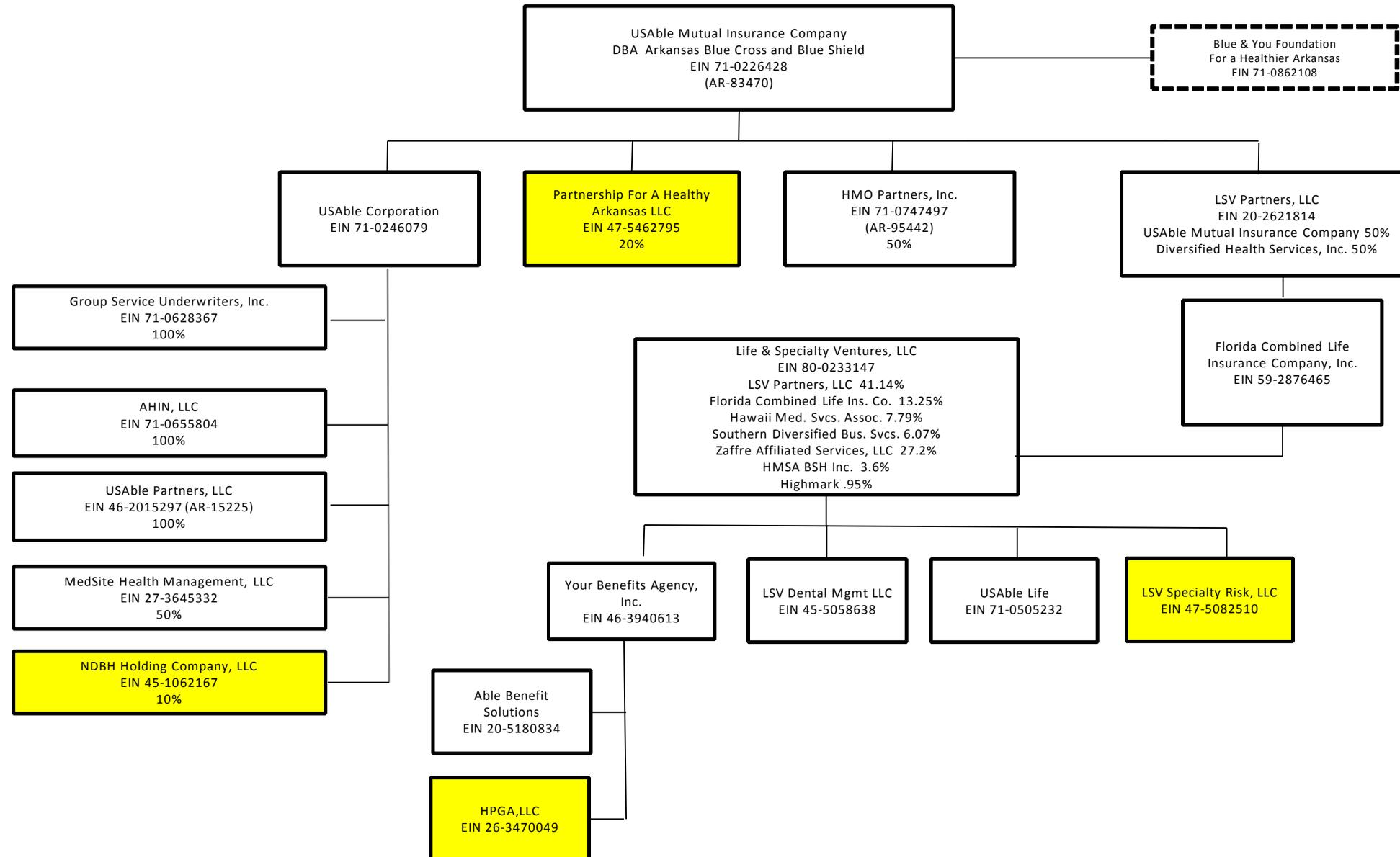
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to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



**2015 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK**

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