



ANNUAL STATEMENT

For the Year Ending December 31, 2006
of the Condition and Affairs of the

Imerica Life and Health Insurance Company

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

Organized under the Laws of Arkansas State of Domicile or Port of Entry Arkansas Country of Domicile US
 Licensed as Business Type..... Is HMO Federally Qualified? Yes [] No [X]
 Incorporated/Organized..... July 20, 1925 Commenced Business..... August 8, 1925

Statutory Home Office 400 W Capitol Ave, Ste 2000,Attn: Ragenea Hodge..... Little Rock AR 77201
 (Street and Number) (City, State and Zip Code)

Main Administrative Office 304 Inverness Way South, Ste 465..... Englewood CO 80112 303-706-1200
 (Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 304 Inverness Way South, Ste 465..... Englewood CO 80112
 (Street and Number or P. O. Box) (City, State and Zip Code)

Primary Location of Books and Records 304 Inverness Way South, Ste 465..... Englewood CO 80112 303-706-1200
 (Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.imerica.com

Statutory Statement Contact Laura Sandquist James 303-706-1200
 (Name) (Area Code) (Telephone Number) (Extension)
 ljames@imerica.com 303-706-1201
 (E-Mail Address) (Fax Number)

Policyowner Relations Contact 304 Inverness Way South, Ste 465..... Englewood CO 80112 303-706-1200
 (Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
1. Robert Stewart Moss	CEO	2. John Clinton Herbers	President
3. Laura Sandquist James	CFO	4.	

OTHER

DIRECTORS OR TRUSTEES

Eric David Siph

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

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) Robert Stewart Moss 1. (Printed Name) CEO (Title)	_____ (Signature) John Clinton Herbers 2. (Printed Name) President (Title)	_____ (Signature) Laura Sandquist James 3. (Printed Name) CFO (Title)
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Subscribed and sworn to before me

This 21 day of March, 2007

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).....	2,524,331		2,524,331	2,959,049
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....1,179,834, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....212,536, Sch. DA).....	1,392,370		1,392,370	2,373,504
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....	0		0	
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	3,916,701	0	3,916,701	5,332,553
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	17,646		17,646	32,208
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....	6,463		6,463	6,948
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....	15,000		15,000	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
16.2 Net deferred tax asset.....			0	
17. Guaranty funds receivable or on deposit.....	13,013	13,013	0	
18. Electronic data processing equipment and software.....			0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....	16,865		16,865	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	31,349		31,349	
22. Health care (\$.....0) and other amounts receivable.....			0	1,444
23. Aggregate write-ins for other than invested assets.....	3,744	0	3,744	9,128
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	4,020,781	13,013	4,007,768	5,382,281
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	4,020,781	13,013	4,007,768	5,382,281

DETAILS OF WRITE-INS

0901.....			0	
0902.....			0	
0903.....			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301. Lease security deposit.....	3,744		3,744	9,128
2302. Prepaid software access fee for 2005.....			0	
2303. Payroll security deposit.....			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).....	3,744	0	3,744	9,128

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....70,200 reinsurance ceded).....	213,280		213,280	115,783
2. Accrued medical incentive pool and bonus amounts.....			0	
3. Unpaid claims adjustment expenses.....	11,339		11,339	
4. Aggregate health policy reserves.....	509		509	15,590
5. Aggregate life policy reserves.....	10,000		10,000	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	32,789		32,789	7,516
9. General expenses due or accrued.....	104,080		104,080	141,229
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	16,383		16,383	454,187
12. Amounts withheld or retained for the account of others.....			0	
13. Remittances and items not allocated.....			0	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....			0	
16. Payable for securities.....			0	
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
18. Reinsurance in unauthorized companies.....			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Liability for amounts held under uninsured plans.....			0	
21. Aggregate write-ins for other liabilities (including \$.....0 current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	388,380	0	388,380	734,305
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX	1,500,000	1,500,000
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	36,874,871	35,468,871
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	(34,755,483)	(32,320,895)
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 \$.....0).....	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 \$.....0).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	3,619,388	4,647,976
32. Total liabilities, capital and surplus (Lines 22 and 31).....	XXX	XXX	4,007,768	5,382,281

DETAILS OF WRITE-INS

2101.			0	
2102.			0	
2103.			0	
2198. Summary of remaining write-ins for Line 21 from overflow page.....	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above).....	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page.....	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	20,026	2,733
2. Net premium income (including \$.....0 non-health premium income).....	XXX	1,688,840	35,565
3. Change in unearned premium reserves and reserve for rate credits.....	XXX		
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	15,950	22,340
7. Aggregate write-ins for other non-health revenues.....	XXX	28,186	8,520
8. Total revenues (Lines 2 to 7).....	XXX	1,732,976	66,425
Hospital and Medical:			
9. Hospital/medical benefits.....		1,306,996	202,593
10. Other professional services.....			
11. Outside referrals.....			
12. Emergency room and out-of-area.....			
13. Prescription drugs.....			
14. Aggregate write-ins for other hospital and medical.....0		0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			
16. Subtotal (Lines 9 to 15).....0		1,306,996	202,593
Less:			
17. Net reinsurance recoveries.....		530,043	
18. Total hospital and medical (Lines 16 minus 17).....0		776,953	202,593
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....65,851 cost containment expenses.....		146,327	46,476
21. General administrative expenses.....		3,891,108	4,203,674
22. Increase in reserves for life and accident and health contracts including \$....10,000 increase in reserves for life only).....		(5,081)	15,590
23. Total underwriting deductions (Lines 18 through 22).....0		4,809,307	4,468,333
24. Net underwriting gain or (loss) (Lines 8 minus 23).....XXX		(3,076,331)	(4,401,908)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		134,304	147,982
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....			
27. Net investment gains or (losses) (Lines 25 plus 26).....0		134,304	147,982
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		485,451	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....XXX		(2,456,576)	(4,253,926)
31. Federal and foreign income taxes incurred.....XXX			
32. Net income (loss) (Lines 30 minus 31).....XXX		(2,456,576)	(4,253,926)

DETAILS OF WRITE-INS

0601. Application Fees.....	XXX	15,950	22,340
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		15,950	22,340
0701. Texas Health Insurance Risk Pool - 2004 Assessment Refund.....	XXX		
0702. Other Fees.....	XXX	28,186	8,520
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		28,186	8,520
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. Adjustment of Prior Year Accrual for Reinsurance Payable.....		398,576	
2902. Settlement from prior owner.....		86,875	
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....0		485,451	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	4,647,976	4,221,698
34. Net income or (loss) from Line 32.....	(2,456,576)	(4,253,926)
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....		
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	21,987	(35,000)
40. Change in unauthorized reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		(1,039,748)
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....	1,406,000	5,739,748
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	15,204
48. Net change in capital and surplus (Lines 34 to 47).....	(1,028,589)	426,278
49. Capital and surplus end of reporting period (Line 33 plus 48).....	3,619,387	4,647,976

DETAILS OF WRITE-INS

4701. Change in asset valuation reserve.....		15,204
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	15,204

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	1,276,794	487,054
2. Net investment income.....	148,866	163,657
3. Miscellaneous income.....	44,136	30,860
4. Total (Lines 1 through 3).....	1,469,796	681,571
5. Benefit and loss related payments.....	694,456	94,683
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	3,590,807	4,293,842
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	4,285,263	4,388,525
11. Net cash from operations (Line 4 minus Line 10).....	(2,815,467)	(3,706,954)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	2,766,760	1,750,000
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	2,766,760	1,750,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	2,332,041	1,791,155
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	2,332,041	1,791,155
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14).....	434,719	(41,155)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....	1,406,000	4,700,000
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(6,386)	37,152
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	1,399,614	4,737,152
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).....	(981,134)	989,043
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	2,373,504	1,384,461
19.2 End of year (Line 18 plus Line 19.1).....	1,392,370	2,373,504

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).....	1,872,163		189,569	1,682,594
2. Medicare supplement.....				0
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....				0
7. Title XIX - Medicaid.....				0
8. Stop loss.....				0
9. Disability income.....				0
10. Long-term care.....				0
11. Other health.....				0
12. Health subtotal (Lines 1 through 11).....	1,872,163	0	189,569	1,682,594
13. Life.....	6,246			6,246
14. Property/casualty.....				0
15. Totals (Lines 12 to 14).....	1,878,409	0	189,569	1,688,840

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct.....	1,139,299	1,139,299											
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	444,843	444,843											
1.4 Net.....	694,456	694,456	0	0	0	0	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses.....	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct.....	283,480	283,480											
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	70,200	70,200											
3.4 Net.....	213,280	213,280	0	0	0	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct.....	0												
4.2 Reinsurance assumed.....	0												
4.3 Reinsurance ceded.....	0												
4.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	0												
6. Net healthcare receivables (a).....	0												
7. Amounts recoverable from reinsurers December 31, current year.....	15,000	15,000											
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct.....	115,783	115,783											
8.2 Reinsurance assumed.....	0												
8.3 Reinsurance ceded.....	0												
8.4 Net.....	115,783	115,783	0	0	0	0	0	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct.....	0												
9.2 Reinsurance assumed.....	0												
9.3 Reinsurance ceded.....	0												
9.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	0												
11. Amounts recoverable from reinsurers December 31, prior year.....	0												
12. Incurred benefits:													
12.1 Direct.....	1,306,996	1,306,996	0	0	0	0	0	0	0	0	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	530,043	530,043	0	0	0	0	0	0	0	0	0	0	0
12.4 Net.....	776,953	776,953	0	0	0	0	0	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses.....	0	0	0	0	0	0	0	0	0	0	0	0	0

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

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct.....	0												
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct.....	283,480	283,480											
2.2 Reinsurance assumed.....	0												
2.3 Reinsurance ceded.....	70,200	70,200											
2.4 Net.....	213,280	213,280	0	0	0	0	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct.....	0												
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct.....	283,480	283,480	0	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	70,200	70,200	0	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	213,280	213,280	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	49,349	630,107	181	213,099	49,530	115,783
2. Medicare supplement.....					0	
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....					0	
7. Title XIX - Medicaid.....					0	
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	49,349	630,107	181	213,099	49,530	115,783
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....					0	
13. Totals (Lines 9 - 10 + 11 + 12).....	49,349	630,107	181	213,099	49,530	115,783

(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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....					
2. 2002.....					
3. 2003.....	.XXX				
4. 2004.....	.XXX	.XXX			
5. 2005.....	.XXX	.XXX	.XXX	.95	.49
6. 2006.....	.XXX	.XXX	.XXX	.XXX	.533

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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....					
2. 2002.....					
3. 2003.....	.XXX				
4. 2004.....	.XXX	.XXX	.8	.8	
5. 2005.....	.XXX	.XXX	.XXX	.195	.50
6. 2006.....	.XXX	.XXX	.XXX	.XXX	.806

12.GT

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2002.....				.00	.0	.00			.0	.00
2. 2003.....				.00	.0	.00			.0	.00
3. 2004.....	.12			.00	.0	.00			.0	.00
4. 2005.....	.547	.94	.46	.48.9	.140	.25.6			.140	.25.6
5. 2006.....	1,872	.533	.146	.27.4	.679	.36.3	.213	.11	.903	.48.2

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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....					
2. 2002.....					
3. 2003.....	.XXX				
4. 2004.....	.XXX	.XXX			
5. 2005.....	.XXX	.XXX	.XXX	.95	.49
6. 2006.....	.XXX	.XXX	.XXX	.XXX	.533

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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....					
2. 2002.....					
3. 2003.....	.XXX				
4. 2004.....	.XXX	.XXX	.8	.8	
5. 2005.....	.XXX	.XXX	.XXX	.195	.50
6. 2006.....	.XXX	.XXX	.XXX	.XXX	.806

12.HM

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. 2002.....				.00	.0	.00			.0	.00
2. 2003.....				.00	.0	.00			.0	.00
3. 2004.....	.12			.00	.0	.00			.0	.00
4. 2005.....	.547	.94	.46	.48.9	.140	.25.6			.140	.25.6
5. 2006.....	1,872	.533	.146	.27.4	.679	.36.3	.213	.11	.903	.48.2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	NONE				
2. 2002.....					
3. 2003.....					
4. 2004.....					
5. 2005.....					
6. 2006.....					

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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	NONE				
2. 2002.....					
3. 2003.....					
4. 2004.....					
5. 2005.....					
6. 2006.....					

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. 2002.....				0.0	0.0	0.0			0.0	0.0
2. 2003.....				0.0	0.0	0.0			0.0	0.0
3. 2004.....				0.0	0.0	0.0			0.0	0.0
4. 2005.....				0.0	0.0	0.0			0.0	0.0
5. 2006.....				0.0	0.0	0.0			0.0	0.0

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

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves.....	.0											
2. Additional policy reserves (a).....	.509	.509										
3. Reserve for future contingent benefits.....	.0											
4. Reserve for rate credits or experience rating refunds (including \$.0) for investment income.....	.0											
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	.509	.509	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded.....	.0											
8. Totals (net) (Page 3, Line 4).....	.509	.509	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims.....	.0											
10. Reserve for future contingent benefits.....	.0											
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.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	.0	.0	.0
DETAILS OF WRITE-INS												
0501. ....	.0											
0502. ....	.0											
0503. ....	.0											
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.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	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0

13

(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 (\$.....0 for occupancy of own building).....			139,908		139,908
2. Salaries, wages and other benefits.....			1,913,299		1,913,299
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			539,481		539,481
4. Legal fees and expenses.....			48,074		48,074
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....			177,098		177,098
7. Traveling expenses.....			212,293		212,293
8. Marketing and advertising.....			41,068		41,068
9. Postage, express and telephone.....			62,256		62,256
10. Printing and office supplies.....			118,695		118,695
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....			931		931
13. Cost or depreciation of EDP equipment and software.....			79,470		79,470
14. Outsourced services including EDP, claims, and other services.....	65,851	80,476	263,842		410,169
15. Boards, bureaus and association fees.....			5,840		5,840
16. Insurance, except on real estate.....			103,242		103,242
17. Collection and bank service charges.....			12,972		12,972
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			1,406		1,406
23.2 State premium taxes.....			64,241		64,241
23.3 Regulator authority licenses and fees.....			74,695		74,695
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....			13,917		13,917
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	18,380	0	18,380
26. Total expenses incurred (Lines 1 to 25).....	65,851	80,476	3,891,108	0	(a).....4,037,435
27. Less expenses unpaid December 31, current year.....		11,339	104,080		115,419
28. Add expenses unpaid December 31, prior year.....			141,229		141,229
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	65,851	69,137	3,928,257	0	4,063,245

DETAILS OF WRITE-INS

2501. Professional Development.....			4,947		4,947
2502. Recruiting.....			450		450
2503. Miscellaneous.....			12,983		12,983
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	18,380	0	18,380

(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).....94,820	.....106,449
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....	.....
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....	.....
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....27,438	.....27,855
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....122,258	.....134,304
11. Investment expenses.....	.....	(g).....
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....0
17. Net investment income (Line 10 minus Line 16).....	.....	.....134,304

DETAILS OF WRITE-INS

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

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....22,045 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. government bonds.....0
1.1 Bonds exempt from U.S. tax.....0
1.2 Other bonds (unaffiliated).....0
1.3 Bonds of affiliates.....0
2.1 Preferred stocks (unaffiliated).....0
2.11 Preferred stocks of affiliates.....0
2.2 Common stocks (unaffiliated).....0
2.21 Common stocks of affiliates.....0
3. Mortgage loans.....0
4. Real estate.....0
5. Contract loans.....0
6. Cash, cash equivalents and short-term investments.....0
7. Derivative instruments.....0
8. Other invested assets.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....0	.....0	.....0	.....0

NONE

DETAILS OF WRITE-INS

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Other invested assets (Schedule BA).....			.0
8. Receivables for securities.....			.0
9. Aggregate write-ins for invested assets.....	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	.0	.0	.0
11. Title plants (for Title insurers only).....			.0
12. Investment income due and accrued.....			.0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....			.0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
13.3 Accrued retrospective premiums.....			.0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			.0
14.2 Funds held by or deposited with reinsured companies.....			.0
14.3 Other amounts receivable under reinsurance contracts.....			.0
15. Amounts receivable relating to uninsured plans.....			.0
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
16.2 Net deferred tax asset.....			.0
17. Guaranty funds receivable or on deposit.....	13,013		(13,013)
18. Electronic data processing equipment and software.....			.0
19. Furniture and equipment, including health care delivery assets.....			.0
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
21. Receivable from parent, subsidiaries and affiliates.....			.0
22. Health care and other amounts receivable.....			.0
23. Aggregate write-ins for other than invested assets.....	.0	35,000	35,000
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	13,013	35,000	21,987
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
26. TOTALS (Lines 24 and 25).....	13,013	35,000	21,987

DETAILS OF WRITE-INS

0901.....			.0
0902.....			.0
0903.....			.0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.0	.0	.0
2301. Payroll Security Deposit.....		35,000	35,000
2302.....			.0
2303.....			.0
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.0	35,000	35,000

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.....	521	1,209	1,914	1,637	1,517	18,577
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	113	128	128	128	1,449
7. Total.....	521	1,322	2,042	1,765	1,645	20,026

DETAILS OF WRITE-INS

0601. Life Premium.....		113	128	128	128	1,449
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	113	128	128	128	1,449

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies**A. Accounting Practices**

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

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Arkansas Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2002, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Arkansas.

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

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

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or 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:

Short-term investments are stated at amortized cost.

Bonds not backed by other loans are stated at amortized cost using the interest method.

Common stocks are stated at market

Preferred stocks are stated at cost.

2. Accounting Changes and Corrections of Errors

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

3. Business Combinations and Goodwill

The Company had no business combinations or goodwill as of December 31, 2006.

4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2006.

5. Investments

- A. The Company has no mortgage loans at this time.
- B. The Company has no debt restructuring at this time.
- C. The Company has no reverse mortgages at this time.
- D. The Company has no loan-backed securities at this time.
- E. The Company has no repurchase agreements at this time.
- F. The Company has no real estate at this time.
- G. The Company has no low-income housing tax credits at this time.

6. Joint Ventures, Partnerships, and Limited Liability Companies

The Company had no ownership in Joint Ventures as of December 31, 2006.

7. Investment Income

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

8. Derivative Instruments

The Company does not own any derivative instruments.

9. Income Taxes

In 2003, the Company joined Arkansas Blue Cross Blue Shield and its other eligible domestic subsidiaries in the filing of a consolidated federal income tax return and was party to a federal income tax allocation agreement. Under the tax sharing agreement, the Company paid to or received from Arkansas Blue Cross Blue Shield the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the Company in the consolidated federal return. Effectively, this resulted in the Company's annual income tax provision being computed, with adjustments, as if the Company had filed a separate return.

In 2004, the Company joined Imerica Financial Corporation and its other eligible domestic subsidiaries in the filing of a consolidated federal income tax return. At the present time there is no formal federal income tax allocation agreement. However, it is anticipated that the tax sharing agreement when formalized and approved by the appropriate insurance departments, will continue with the practice of the Company paying or receiving from Imerica Financial Corporation the amount, if any, by which the group's federal income tax liability was affected by

NOTES TO FINANCIAL STATEMENTS

virtue of inclusion of the Company in the consolidated federal return. Effectively, this resulted in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

When available, the Company utilizes net operating loss carry forwards to offset taxable income under the terms of the tax sharing agreement with Imerica Financial Corporation. At December 31, 2006 the Company had \$ 8,220,656 of operating loss carry forwards.

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

2006	\$	-
2005	\$	-
2004	\$	-

The components of current income tax expense are as follows:

	2006	2005
Federal	\$ -	\$ -
Foreign	-	-
Federal Income Tax on net capital gains	\$ -	\$ -
Utilization of capital loss carry-forwards	-	-
Federal income tax incurred	\$ -	\$ -

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

	December 31, 2006	Effective Tax Rate
Provision computed at statutory rate	\$ -	35.0%
Nondeductible expense	\$ -	0.0%
Other	\$ -	0.0%
Total	\$ -	35.0%
Federal and foreign income taxes incurred	\$ -	35.0%
Change in net deferred incomes taxes	\$ -	0.0%
Total statutory incomes taxes	\$ -	35.0%

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

	December 31, 2006	December 31, 2005
Total of all deferred tax asset (admitted and non-admitted)	\$ 0	\$ 0
Total of all deferred tax liabilities	0	0
Net deferred tax asset	0	0
Total deferred tax assets non-admitted in accordance with SSAP No. 10, Income Taxes	0	0
Net admitted deferred tax asset/(liability)	0	0
Total of all deferred tax assets admitted	0	0
Increase (decrease) in deferred tax assets non-admitted	\$ 0	0

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

	December 31, 2006	December 31, 2005
Deferred Tax Assets:		
Tax basis discount on unpaid losses	\$ 0	\$ 0
Accrued deferred compensation	0	0
Other Post Employment Benefits	0	0
Depreciation	0	0
Other		
Total deferred tax assets	0	0
Total deferred tax assets non-admitted	0	0
Admitted deferred tax assets	0	0
Deferred Tax Liabilities:		
Unrealized Capital Gains	0	0
Investment in joint ventures	0	0
Other		
Total deferred tax liabilities	0	0
Net admitted deferred tax asset/(liability)	0	0

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2006	December 31, 2005	Change
Total deferred tax assets	\$ 0	\$ 0	\$ 0
Total deferred tax liabilities	0	0	0
Net deferred tax asset (liability)	0	0	0
Tax effect of unrealized gains (losses)			0
Change in net deferred income tax			0

The Company's federal Income Tax return is consolidated with the following entities:

Imerica Financial Corporation
Imerinet Insurance Marketing Group, Inc.

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

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. On December 31, 2003, the Company was sold by USAbLe Corporation and became a wholly owned subsidiary of Imerica Financial Corporation.
- B. N/A
- C. N/A
- D. The Company reported \$31,349 and \$0 as amounts due to Parent and Affiliates as of December 31, 2006 and 2005, respectively. These amounts were settled within 60 days.
- E. N/A
- F. N/A
- G. N/A
- H. N/A
- I. N/A
- J. N/A

11. Debt

- A. As of December 31, 2006, the Company has no capital notes.
- B. As of December 31, 2006, the Company's liability for borrowed money was zero (\$-0-).

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

The company contracts employment and payroll services through ADP TotalSource of Miami, a professional employee organization (PEO) and Peliton of Denver, a professional employee organization (PEO). All employee benefits are provided by, and are the responsibility of the PEO.

- A. Defined Benefit Plan
The Company does not offer a defined benefit plan.
- B. Defined Contribution Plan
The Company does not offer a defined contribution plan.
- C. Multi-employer Plans
N/A
- D. Consolidated/Holding Company Plans
N/A
- E. Post-employment Benefits and Compensated Absences
N/A

NOTES TO FINANCIAL STATEMENTS

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

- 1) As of December 31, 2004, the Company had 15,000,000 common capital shares authorized, 1,269,874 issued and outstanding at \$2 Par value. On August 10, 2005, with the approval of both its shareholder and the Arkansas Department of Insurance, the Company transferred \$1,039,748 from common capital stock to the gross paid in and contributed surplus of the Company. The effect of this transaction is a reduction of common capital stock to 750,000 shares issued and outstanding with a total par value of \$1,500,000. During 2005, Imerica Financial Corporation made surplus contributions to the Company of \$3,500,000 and \$1,200,000, on March 17 and December 29, 2005, respectively. During 2006, Imerica Administrative Services Corporation made a surplus contribution to the Company of \$1,266,000 on October 13, 2006.
- 2) The Company has no preferred stock outstanding.
- 3) The Company has no dividend restrictions.
- 4) Dividends are paid based on earned surplus, which can not fall below state net worth requirements.
- 5) All unassigned surplus is being held for the stockholder.
- 6) The Company does not have any advances to surplus.
- 7) As of December 31, 2006, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
- 8) The Company has no special surplus funds.
- 9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
- | | | |
|---------------------------------|----|---|
| a. unrealized gains and losses: | \$ | 0 |
| b. non-admitted asset values: | \$ | 0 |
| c. provision for reinsurance: | \$ | 0 |
- 10) The Company has no Surplus Notes as of December 31, 2006.
- 11) The Company was not involved in a quasi-reorganization.
- 12) The Company was not involved in a quasi-reorganization.

14. Contingencies

The Company is not aware of any contingent liabilities as of December 31, 2006.

In the normal course of business, the Company may become involved in litigation from time to time with claimants and others, however, there was no pending litigation at December 31, 2006.

15. Leases

The Company leases office space under a month-to-month agreements.

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

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

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

The Company has not been involved in any sale, transfer and servicing of financial assets and extinguishments of liabilities as December 31, 2006.

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

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

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

The Company had \$220,351 of direct premium written/produced by master general agents, who have exclusive contracts in their respective states, but no underwriting or claims paying authority.

20. September 11 Events

The Company did not recognize any losses as a result of the September 11 events.

21. Other Items

- A. The Company had no extraordinary items as of December 31, 2006.
- B. The Company had no troubled debt restructuring as of December 31, 2006.
- C. The Company had no unusual items (as defined by SSAP No 1. Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures) as of December 31, 2006.
- D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2006.
- E. The Company has no business interruption insurance recoveries received as of December 31, 2006.
- F. The Company has no hybrid securities.
- G. The Company had no state transferable tax credits.
- H. The Company has no post retirement benefits.

22. Events Subsequent

On February 1, 2007, Imerica Administrative Services Corporation ("IASC"), a Colorado corporation, in connection with its previous stock purchase agreement and its current Form A approval of the Arkansas Department of Insurance, completed its purchase of 100% of the outstanding common stock of the Company.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

- A. The Company does not have any unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.
- B. The Company does not have any reinsurance recoverable that is in dispute.
- C. There was no commutation of reinsurance during the year.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

25. Change in Incurred Losses and Loss Adjustment Expenses

The reserve for incurred claims (net of reinsurance recoverables) and the provision for claims adjustment expenses increased by \$82,697 and \$11,339, respectively, primarily because of the 42% increase in the number of members insured at year-end combined with greater insight into claims development patterns gained during the Company's second full year of operations.

26. Intercompany Pooling Arrangements

The Company does not have any intercompany pooling arrangements.

27. Structured Settlements

Not applicable.

28. Health Care Receivables

The Company does not have any health care receivables as of December 31, 2005.

29. Participating Policies

The Company does not have any Participating Policies as of December 31, 2005.

30. Premium Deficiency Reserves

The Company does not have any Premium Deficiency Reserves as of December 31, 2005.

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. The Company does not have any Anticipated Salvage and Subrogation as of December 31, 2006.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	2,524,331	100.0	2,524,331	64.5
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....		0.0		0.0
1.22 Issued by U.S. government sponsored agencies.....		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....		0.0		0.0
1.43 Revenue and assessment obligations.....		0.0		0.0
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA.....		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....		0.0		0.0
1.513 All other.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0		0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521.....		0.0		0.0
1.523 All other.....		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....		0.0		0.0
2.2 Unaffiliated foreign securities.....		0.0		0.0
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated.....		0.0		0.0
3.42 Unaffiliated.....		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
4.6 Mezzanine real estate loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....		0.0		0.0
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0		0.0
6. Contract loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash, cash equivalents and short-term investments.....		0.0	1,392,369	35.5
9. Other invested assets.....		0.0	0	0.0
10. Total invested assets.....	2,524,331	100.0	3,916,700	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State regulating? Arkansas

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

2.2 If yes, date of change: _____

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 08/11/2005

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/06/2005

3.4 By what department or departments? Arkansas

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 a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

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

4.12 renewals? Yes [X] No []

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

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

4.22 renewals? Yes [] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [X] No []

6.2 If yes, give full information:
The Company has submitted iis Virginia and Tennessee Certificate of Authority for surrender.

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

7.2 If yes,%

7.21 State the percentage of foreign control.

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

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Rasco Winter & Associates, 400 W Capital, Little Rock, AR 72201

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Thomas M Keller, FSA, MAAA is the former EVP and CFO of Imerica Life and Health Insurance Company and currently employed by Magnum Actuarial Group, LLC, 907 Kells Blue Court, Biltmore Lake, NC 28715

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

11.11 Name of real estate holding company _____

11.12 Number of parcels involved _____

11.13 Total book/adjusted carrying value _____

11.2 If yes, provide explanation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
 14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []
 15. 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

16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 16.11 To directors or other officers \$.....0
 16.12 To stockholders not officers \$.....0
 16.13 Trustees, supreme or grand (Fraternal only) \$.....0
 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 16.21 To directors or other officers \$.....0
 16.22 To stockholders not officers \$.....0
 16.23 Trustees, supreme or grand (Fraternal only) \$.....0
 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
 17.2 If yes, state the amount thereof at December 31 of the current year:
 17.21 Rented from others
 17.22 Borrowed from others
 17.23 Leased from others
 17.24 Other
 18.1 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]
 18.2 If answer is yes:
 18.21 Amount paid as losses or risk adjustment
 18.22 Amount paid as expenses
 18.23 Other amounts paid
 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....31,349

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits? Yes [X] No []
 20.2 If no, give full and complete information relating thereto.

21.1 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, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No [X]
 21.2 If yes, state the amount thereof at December 31 of the current year:
 21.21 Loaned to others
 21.22 Subject to repurchase agreements
 21.23 Subject to reverse repurchase agreements
 21.24 Subject to dollar repurchase agreements
 21.25 Subject to reverse dollar repurchase agreements
 21.26 Pledged as collateral
 21.27 Placed under option agreements
 21.28 Letter stock or securities restricted as to sale
 21.29 Other

21.3 For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
 If no, attach a description with this statement.
 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
 23.2 If yes, state the amount thereof at December 31 of the current year:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

24. Excluding items in Schedule E, 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 Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

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

1 Name of Custodian(s)	2 Custodian's Address

24.02 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)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address

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

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
25.2999. TOTAL		0

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation

26. 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 (+)
26.1 Bonds.....	2,524,331	2,495,999	(28,332)
26.2 Preferred stocks.....			0
26.3 Totals.....	2,524,331	2,495,999	(28,332)

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

Fair Market Value is based on statements of account received from financial institutions, appointed by each state as custodian under its regulatory requirements for maintaining special bond deposits.

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....0

28.2 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

29.1 Amount of payments for legal expenses, if any? \$.....48,074

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

1 Name	2 Amount Paid
Norman Taplin & Associates	37,663

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

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
- 1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.
- 1.6 Individual policies:
 - Most current three years:
 - 1.61 Total premium earned
 - 1.62 Total incurred claims
 - 1.63 Number of covered lives
 - All years prior to most current three years:
 - 1.64 Total premium earned
 - 1.65 Total incurred claims
 - 1.66 Number of covered lives
- 1.7 Group policies:
 - Most current three years:
 - 1.71 Total premium earned
 - 1.72 Total incurred claims
 - 1.73 Number of covered lives
 - All years prior to most current three years:
 - 1.74 Total premium earned
 - 1.75 Total incurred claims
 - 1.76 Number of covered lives

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	1,682,594	35,565
2.2 Premium Denominator.....	1,688,840	35,565
2.3 Premium Ratio (2.1/2.2).....	99.6	100.0
2.4 Reserve Numerator.....	213,789	131,373
2.5 Reserve Denominator.....	213,789	131,373
2.6 Reserve Ratio (2.4/2.5).....	100.0	100.0

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

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
- 5.2 If no, explain:

- 5.3 Maximum retained risk (see instructions):
 - 5.31 Comprehensive medical \$.....150,000
 - 5.32 Medical only \$.....0
 - 5.33 Medicare supplement \$.....0
 - 5.34 Dental \$.....0
 - 5.35 Other limited benefit plan \$.....0
 - 5.36 Other \$.....10,000

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 The Company has a service agreement with its third party administrator, which provides for continuation of underwriting, billing and claim services in the event of insolvency.

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No []
- 7.2 If no, give details:

- 8. Provide the following information regarding participating providers:
 - 8.1 Number of providers at start of reporting year0
 - 8.2 Number of providers at end of reporting year0

- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No []
- 9.2 If yes, direct premium earned:
 - 9.21 Business with the 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 [] No [X]
- 10.2 If yes:
 - 10.21 Maximum amount payable bonuses
 - 10.22 Amount actually paid for year bonuses
 - 10.23 Maximum amount payable withholds
 - 10.24 Amount actually paid for year withholds

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or

Yes [] No [X]

11.14 A Mixed Model (combination of above)?

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

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

Arkansas

11.4 If yes, show the amount required.

\$.....600,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation:

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

1 Name of Service Area
See Schedule T

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26).....	4,007,768	5,382,281	4,429,399	7,373,430	15,022,487
2. Total liabilities (Page 3, Line 22).....	388,380	734,305	207,701	11,395	113,975
3. Statutory surplus.....	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 31).....	3,619,388	4,647,976	4,221,698	7,362,035	14,908,512
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	1,732,976	66,425	55,362		6,411,918
6. Total medical and hospital expenses (Line 18).....	776,953	202,593			4,627,426
7. Claims adjustment expenses (Line 20).....	146,327	46,476			5,549,690
8. Total administrative expenses (Line 21).....	3,891,108	4,203,674	3,334,029	163,183	(5,190,125)
9. Net underwriting gain (loss) (Line 24).....	(3,076,331)	(4,401,908)	(3,286,540)	(163,183)	1,422,905
10. Net investment gain (loss) (Line 27).....	134,304	147,982	178,597	169,864	446,431
11. Total other income (Lines 28 plus 29).....	485,451				(1,314,513)
12. Net income or (loss) (Line 32).....	(2,456,576)	(4,253,926)	(3,107,943)	4,343	(2,777,760)
Risk-Based Capital Analysis					
13. Total adjusted capital.....	3,619,388	4,647,976	4,221,698	7,362,035	14,908,512
14. Authorized control level risk-based capital.....	262,817	270,542	218,496	6,495	750,464
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7).....	1,645	521	40		
16. Total member months (Column 6, Line 7).....	20,026	2,733	59		33,525
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)....	46.0	569.6			72.2
19. Cost containment expenses.....	3.9	50.5		XXX	XXX
20. Other claims adjustment expenses.....	4.8	80.2			
21. Total underwriting deductions (Line 23).....	284.8	12,563.8	30,628.7		77.8
22. Total underwriting gain (loss) (Line 24).....	(182.2)	(12,377.1)	(30,121.3)		22.2
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5).....	49,530	7,873			866,599
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	115,783	7,873			1,158,350
Investments in Parent, Subsidiaries and Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....					
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....					
27. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....					
29. Affiliated mortgage loans on real estate.....					
30. All other affiliated.....					
31. Total of above Lines 25 to 30.....	0	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States.....	2,524,331	2,495,999	2,550,348	2,503,000
	2. Canada.....				
	3. Other Countries.....				
	4. Totals.....	2,524,331	2,495,999	2,550,348	2,503,000
States, Territories and Possessions (Direct and guaranteed)	5. United States.....				
	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....				
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....				
	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	0	0	0	0
Public Utilities (Unaffiliated)	17. United States.....				
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....				
	22. Canada.....				
	23. Other Countries.....				
	24. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. Total Bonds.....	2,524,331	2,495,999	2,550,348	2,503,000
PREFERRED STOCKS					
Public Utilities (Unaffiliated)	27. United States.....				
	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....				
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....				
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. Total Preferred Stocks.....	0	0	0	0
COMMON STOCKS					
Public Utilities (Unaffiliated)	41. United States.....				
	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....				
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	49. United States.....				
	50. Canada.....				
	51. Other Countries.....				
	52. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals.....				
	54. Total Common Stocks.....	0	0	0	0
	55. Total Stocks.....	0	0	0	0
	56. Total Bonds and Stocks.....	2,524,331	2,495,999	2,550,348	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	2,959,049	7. Amortization of premium.....	
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	2,332,041	8. Foreign exchange adjustment:	
3. Accrual of discount.....		8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Columns 15 - 17, Part 2, Section 1.....		8.4 Column 15, Part 4.....	0
4.3 Column 15, Part 2, Section 2.....		9. Book/adjusted carrying value at end of current period.....	2,524,330
4.4 Columns 11 - 13, Part 4.....	0	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....		11. Subtotal (Lines 9 plus 10).....	2,524,330
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4.....	2,766,760	12. Total nonadmitted amounts.....	
		13. Statement value of bonds and stocks, current year.....	2,524,330

America Life and Health Insurance Company

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (YES or NO)	2 Is Insurer Licensed? (YES or NO)	Direct Business Only					
			3 Accident & Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums and Deposit-Type Contract Funds	8 Property/Casualty Premiums
1. Alabama.....AL	YES	YES	7,104					
2. Alaska.....AK	YES	YES						
3. Arizona.....AZ	YES	YES	51,960				93	
4. Arkansas.....AR	YES	YES						
5. California.....CA	YES	YES						
6. Colorado.....CO	YES	YES	610,329				125	
7. Connecticut.....CT	NO	NO						
8. Delaware.....DE	YES	YES						
9. District of Columbia.....DC	YES	YES						
10. Florida.....FL	YES	YES						
11. Georgia.....GA	YES	YES	154,530				100	
12. Hawaii.....HI	YES	YES						
13. Idaho.....ID	YES	YES						
14. Illinois.....IL	YES	YES	11,092				62	
15. Indiana.....IN	YES	YES						
16. Iowa.....IA	YES	NO						
17. Kansas.....KS	YES	YES						
18. Kentucky.....KY	YES	YES						
19. Louisiana.....LA	YES	YES						
20. Maine.....ME	NO	NO						
21. Maryland.....MD	YES	YES						
22. Massachusetts.....MA	NO	NO						
23. Michigan.....MI	YES	NO						
24. Minnesota.....MN	YES	NO						
25. Mississippi.....MS	YES	YES						
26. Missouri.....MO	YES	YES	8,918					
27. Montana.....MT	YES	YES						
28. Nebraska.....NE	YES	YES						
29. Nevada.....NV	YES	YES						
30. New Hampshire.....NH	NO	NO						
31. New Jersey.....NJ	NO	NO						
32. New Mexico.....NM	YES	YES						
33. New York.....NY	NO	NO						
34. North Carolina.....NC	YES	YES						
35. North Dakota.....ND	YES	YES						
36. Ohio.....OH	NO	NO						
37. Oklahoma.....OK	YES	YES						
38. Oregon.....OR	YES	YES						
39. Pennsylvania.....PA	NO	NO						
40. Rhode Island.....RI	NO	NO						
41. South Carolina.....SC	YES	YES	263,401				209	
42. South Dakota.....SD	YES	NO						
43. Tennessee.....TN	YES	NO						
44. Texas.....TX	YES	YES	764,829				5,657	
45. Utah.....UT	YES	YES						
46. Vermont.....VT	NO	NO						
47. Virginia.....VA	YES	NO						
48. Washington.....WA	YES	NO						
49. West Virginia.....WV	YES	YES						
50. Wisconsin.....WI	YES	NO						
51. Wyoming.....WY	YES	YES						
52. American Samoa.....AS	NO	NO						
53. Guam.....GU	NO	NO						
54. Puerto Rico.....PR	NO	NO						
55. U.S. Virgin Islands.....VI	NO	NO						
56. Northern Mariana Islands.....MP	NO	NO						
57. Canada.....CN	NO	NO						
58. Aggregate Other alien.....OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal.....XXX	XXX	XXX	1,872,163	0	0	0	6,246	0
60. Reporting entity contributions for Employee Benefit Plans.....XXX	XXX	XXX						
61. Total (Direct Business).....XXX	(a)	33	1,872,163	0	0	0	6,246	0

DETAILS OF WRITE-INS

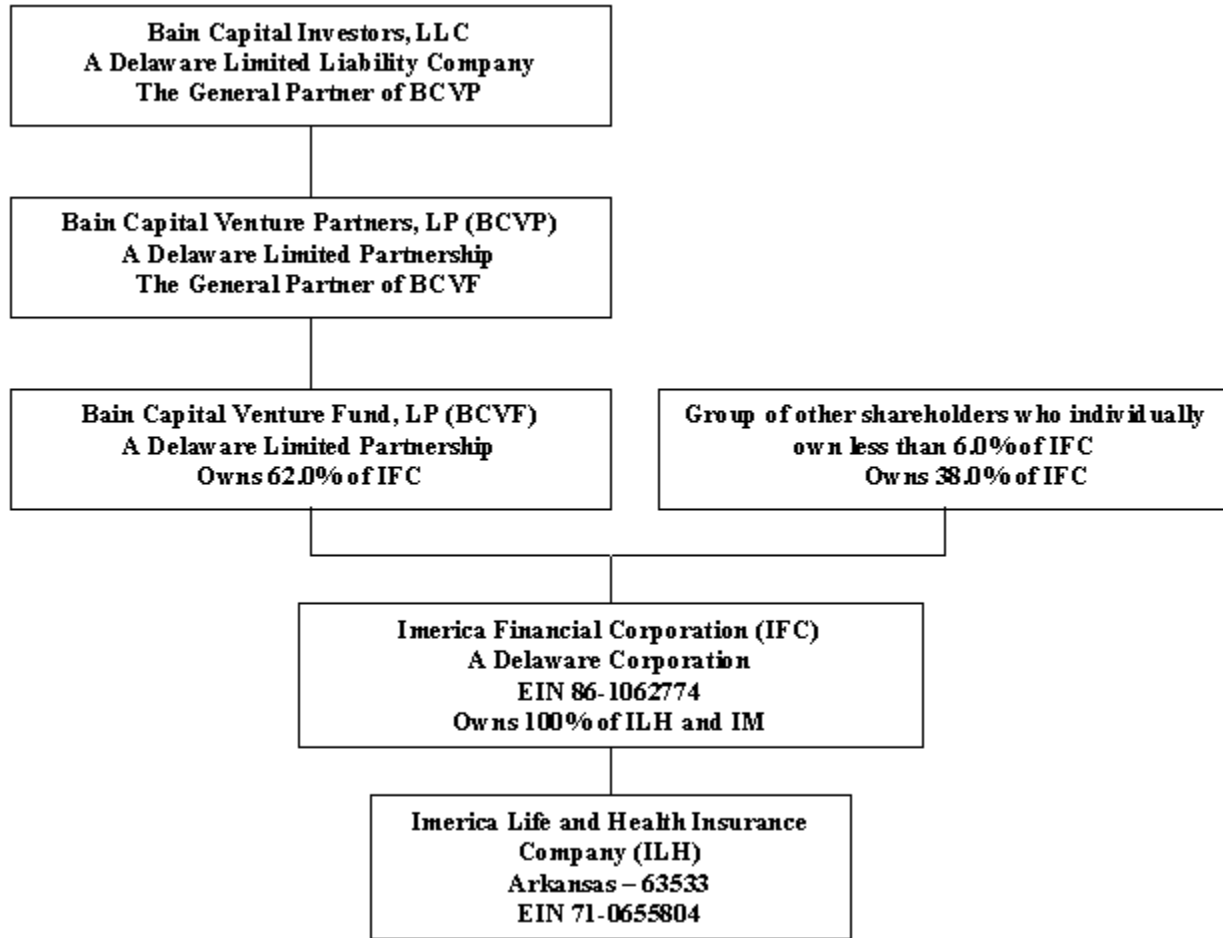
5801.....								
5802.....								
5803.....								
5898. Summary of remaining write-ins for line 58 from overflow page.....			0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 plus 5898) (Line 58 above).....			0	0	0	0	0	0

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

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

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

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART
