



# ANNUAL STATEMENT

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

## Arkansas Blue Cross and Blue Shield, A 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 ..... 72201  
 (Street and Number) (City, State and Zip Code)

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

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

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

Internet Website Address www.arkansasbluecross.com

Statutory Statement Contact Steven James Short 501-378-2581  
 (Name) (Area Code) (Telephone Number) (Extension)  
 sjshort@arkbluecross.com 501-378-5633  
 (E-Mail Address) (Fax Number)

Policyowner Relations Contact 601 S. Gaines..... Little Rock ..... AR ..... 72201 501-378-2000  
 (Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number) (Extension)

### OFFICERS

Name	Title	Name	Title
1. Robert Lee Shoptaw	Chief Executive Officer	2. James Lee Douglass	Secretary
3. Paul Mark White	Treasurer	4. Sharon Kay Allen	President & COO

### OTHER

Stephen William Abell #	James Sterling Adamson Jr., MD
David Frank Bridges	Michael Wayne Brown
Richard Shelby Cooper	Ronald Walter DeBerry
James Lee Douglass	James Robert Heard
Calvin Eugene Kellogg	Samuel Patterson Partin III
Karen Cox Raley #	Steven James Short
Joseph Steven Smith	Steven Aaron Spaulding
Paul Mark White	

### DIRECTORS OR TRUSTEES

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

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) Robert Lee Shoptaw 1. (Printed Name) Chief Executive Officer (Title)	_____ (Signature) James Lee Douglass 2. (Printed Name) Secretary (Title)	_____ (Signature) Paul Mark White 3. (Printed Name) Treasurer (Title)
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Subscribed and sworn to before me

This \_\_\_\_\_ day of \_\_\_\_\_

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).....	253,602,492		253,602,492	249,515,702
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	241,000		241,000	241,000
2.2 Common stocks.....	288,867,714	24,518,382	264,349,332	191,047,668
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).....	26,614,532		26,614,532	25,520,624
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	16,450,238		16,450,238	17,166,529
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....9,137,592, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....59,925,876, Sch. DA).....	69,063,468		69,063,468	75,135,430
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....	56,416,481		56,416,481	(0)
8. Receivables for securities.....	171,398		171,398	1,982,575
9. Aggregate write-ins for invested assets.....	554,203	0	554,203	597,546
10. Subtotals, cash and invested assets (Lines 1 to 9).....	711,981,526	24,518,382	687,463,144	561,207,074
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	4,483,728		4,483,728	4,167,339
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....	66,804,372	33,183	66,771,189	58,258,423
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.....	15,146,000		15,146,000	7,021,097
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.....	14,141,658		14,141,658	8,283,244
16.1 Current federal and foreign income tax recoverable and interest thereon.....	10,281,963		10,281,963	7,101,446
16.2 Net deferred tax asset.....	33,302,875	26,203,097	7,099,778	6,471,413
17. Guaranty funds receivable or on deposit.....	24,722		24,722	916,204
18. Electronic data processing equipment and software.....	12,092,456	4,874,878	7,217,578	7,817,451
19. Furniture and equipment, including health care delivery assets (\$.....0).....	6,197,830	6,197,830	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	43,385,368		43,385,368	46,832,916
22. Health care (\$.....2,611,565) and other amounts receivable.....	30,815,232	1,211,490	29,603,742	48,424,097
23. Aggregate write-ins for other than invested assets.....	15,041,315	8,861,073	6,180,242	8,524,526
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	963,699,045	71,899,933	891,799,112	765,025,230
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	963,699,045	71,899,933	891,799,112	765,025,230

## DETAILS OF WRITE-INS

0901. Deposits with National Accounts.....	554,203		554,203	597,546
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).....	554,203	0	554,203	597,546
2301. Other Assets.....	6,180,242		6,180,242	8,524,526
2302. Other Nonadmitted Assets.....	8,861,073	8,861,073	0	
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	15,041,315	8,861,073	6,180,242	8,524,526

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$(1,029,627) reinsurance ceded).....	104,051,332	151,402	104,202,734	104,588,570
2. Accrued medical incentive pool and bonus amounts.....	145,856		145,856	174,181
3. Unpaid claims adjustment expenses.....	5,378,807		5,378,807	5,030,648
4. Aggregate health policy reserves.....	78,492,435		78,492,435	70,970,875
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	12,689,392		12,689,392	12,273,527
9. General expenses due or accrued.....	118,582,646		118,582,646	94,774,717
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.....	16,924,891		16,924,891	7,584,666
12. Amounts withheld or retained for the account of others.....	5,879,938		5,879,938	6,398,885
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.....	10,734,997		10,734,997	26,932,311
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.....	21,538,670		21,538,670	5,150,000
21. Aggregate write-ins for other liabilities (including \$0 current).....	22,182,958	0	22,182,958	2,472,324
22. Total liabilities (Lines 1 to 21).....	396,601,922	151,402	396,753,324	336,350,704
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX		
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	495,045,788	428,674,526
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	495,045,788	428,674,526
32. Total liabilities, capital and surplus (Lines 22 and 31).....	XXX	XXX	891,799,112	765,025,230

**DETAILS OF WRITE-INS**

2101. Miscellaneous Liabilities.....	1,685,273		1,685,273	1,632,324
2102. Claims Payable for Self-Insured Plans.....	880,000		880,000	840,000
2103. Deferred Gain on Capitalization of Joint Venture.....	19,617,685		19,617,685	
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).....	22,182,958	0	22,182,958	2,472,324
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	5,093,059	5,055,416
2. Net premium income (including \$.....0 non-health premium income).....	XXX	961,884,267	916,509,993
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(7,762,956)	(10,851,716)
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	954,121,311	905,658,277
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		510,991,112	475,518,864
10. Other professional services.....			
11. Outside referrals.....			
12. Emergency room and out-of-area.....		92,542,013	88,794,715
13. Prescription drugs.....		141,074,713	115,559,326
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	744,607,838	679,872,905
<b>Less:</b>			
17. Net reinsurance recoveries.....		(21,587,432)	(34,906,321)
18. Total hospital and medical (Lines 16 minus 17).....	0	766,195,270	714,779,226
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....13,718,263 cost containment expenses.....		35,967,229	26,043,512
21. General administrative expenses.....		96,334,569	82,219,640
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		(231,899)	(319,745)
23. Total underwriting deductions (Lines 18 through 22).....	0	898,265,169	822,722,633
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	55,856,142	82,935,644
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		17,531,054	14,767,221
26. Net realized capital gains or (losses) less capital gains tax of \$.....2,989,374.....		5,134,131	2,621,767
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	22,665,185	17,388,988
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	(3,145,815)	(13,364,317)
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	75,375,512	86,960,315
31. Federal and foreign income taxes incurred.....	XXX	32,135,602	35,405,714
32. Net income (loss) (Lines 30 minus 31).....	XXX	43,239,910	51,554,601

**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.....		378,587	363,225
2902. Regional Management Fees.....		(3,524,402)	(13,727,542)
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	(3,145,815)	(13,364,317)

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

<b>CAPITAL AND SURPLUS ACCOUNT</b>	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	428,674,526	381,988,642
34. Net income or (loss) from Line 32.....	43,239,910	51,554,601
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.....	3,691,342	14,135,681
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	7,227,113	3,112,898
39. Change in nonadmitted assets.....	12,212,898	(22,136,177)
40. Change in unauthorized reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	18,881
48. Net change in capital and surplus (Lines 34 to 47).....	66,371,263	46,685,884
49. Capital and surplus end of reporting period (Line 33 plus 48).....	495,045,789	428,674,526

**DETAILS OF WRITE-INS**

4701. Unfunded Accumulated PBO.....		
4702. Change in Subsidiary Equity.....		
4703. Capital Lease Adjustment.....		18,881
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	18,881

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	963,140,457	915,124,158
2. Net investment income.....	17,957,321	14,646,920
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	981,097,778	929,771,078
5. Benefit and loss related payments.....	774,734,334	728,575,300
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	99,776,838	122,470,653
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....2,989,374 net of tax on capital gains (losses).....	35,316,119	39,008,988
10. Total (Lines 5 through 9).....	909,827,291	890,054,941
11. Net cash from operations (Line 4 minus Line 10).....	71,270,487	39,716,137
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	63,727,720	50,151,928
12.2 Stocks.....	11,971,901	8,716,367
12.3 Mortgage loans.....		
12.4 Real estate.....	12,908	230,326
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	1,854,520	132,023
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	77,567,049	59,230,644
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	69,841,987	77,598,056
13.2 Stocks.....	36,392,670	28,923,239
13.3 Mortgage loans.....		
13.4 Real estate.....	3,275,701	2,480,673
13.5 Other invested assets.....	58,140,087	
13.6 Miscellaneous applications.....		227,540
13.7 Total investments acquired (Lines 13.1 to 13.6).....	167,650,445	109,229,509
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14).....	(90,083,395)	(49,998,865)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
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).....	12,740,947	(8,631,473)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	12,740,947	(8,631,473)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(6,071,961)	(18,914,201)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	75,135,429	94,049,630
19.2 End of year (Line 18 plus Line 19.1).....	69,063,468	75,135,429

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

20.0001		
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**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	530,925,959	67,811,422		598,737,381
2. Medicare supplement.....	173,181,800			173,181,800
3. Dental only.....	20,724,850		20,670,841	54,009
4. Vision only.....				0
5. Federal employees health benefits plan.....	182,460,570			182,460,570
6. Title XVIII - Medicare.....				0
7. Title XIX - Medicaid.....				0
8. Stop loss.....				0
9. Disability income.....				0
10. Long-term care.....	152,521		152,521	0
11. Other health.....	22,347,052		14,896,545	7,450,507
12. Health subtotal (Lines 1 through 11).....	929,792,752	67,811,422	35,719,907	961,884,267
13. Life.....				0
14. Property/casualty.....				0
15. Totals (Lines 12 to 14).....	929,792,752	67,811,422	35,719,907	961,884,267

**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.....	746,720,054	402,728,196	140,994,301	15,728,024		170,506,333					(224,360)	16,987,560	
1.2 Reinsurance assumed.....	47,545,080	47,545,080											
1.3 Reinsurance ceded.....	28,963,045			15,687,868							(224,360)	13,499,537	
1.4 Net.....	765,302,089	450,273,276	140,994,301	40,156	0	170,506,333	0	0	0	0	0	3,488,023	0
2. Paid medical incentive pools and bonuses.....	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct.....	96,959,981	62,909,327	18,532,250	1,501,356		14,674,574					248,808	(906,334)	
3.2 Reinsurance assumed.....	6,213,126	6,213,126											
3.3 Reinsurance ceded.....	(1,029,627)			1,501,356							248,808	(2,779,791)	
3.4 Net.....	104,202,734	69,122,453	18,532,250	0	0	14,674,574	0	0	0	0	0	1,873,457	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.....	145,856	145,856											
6. Net healthcare receivables (a).....	(1,279,015)	(1,279,015)											
7. Amounts recoverable from reinsurers December 31, current year.....	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct.....	100,351,213	63,134,805	19,285,500	1,288,034		16,618,426					24,448		
8.2 Reinsurance assumed.....	5,509,683	5,509,683											
8.3 Reinsurance ceded.....	1,272,326			1,247,878							24,448		
8.4 Net.....	104,588,570	68,644,488	19,285,500	40,156	0	16,618,426	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.....	174,181	174,181											
11. Amounts recoverable from reinsurers December 31, prior year.....	0												
12. Incurred benefits:													
12.1 Direct.....	744,607,837	403,781,733	140,241,051	15,941,346	0	168,562,481	0	0	0	0	0	16,081,226	0
12.2 Reinsurance assumed.....	48,248,523	48,248,523	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	26,661,092	0	0	15,941,346	0	0	0	0	0	0	0	10,719,746	0
12.4 Net.....	766,195,268	452,030,256	140,241,051	0	0	168,562,481	0	0	0	0	0	5,361,480	0
13. Incurred medical incentive pools and bonuses.....	(28,325)	(28,325)	0	0	0	0	0	0	0	0	0	0	0

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

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1	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.....	16,495,009	11,291,370	5,203,639										
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	16,495,009	11,291,370	5,203,639	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct.....	80,464,972	51,617,957	13,328,611	1,501,356		14,674,574					248,808	(906,334)	
2.2 Reinsurance assumed.....	6,213,126	6,213,126											
2.3 Reinsurance ceded.....	(1,029,627)			1,501,356							248,808	(2,779,791)	
2.4 Net.....	87,707,725	57,831,083	13,328,611	0	0	14,674,574	0	0	0	0	0	1,873,457	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.....	96,959,981	62,909,327	18,532,250	1,501,356	0	14,674,574	0	0	0	0	248,808	(906,334)	0
4.2 Reinsurance assumed.....	6,213,126	6,213,126	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	(1,029,627)	0	0	1,501,356	0	0	0	0	0	0	248,808	(2,779,791)	0
4.4 Net.....	104,202,734	69,122,453	18,532,250	0	0	14,674,574	0	0	0	0	0	1,873,457	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).....	53,477,329	379,935,058	487,210	69,913,678	53,964,539	67,576,595
2. Medicare supplement.....	15,427,417	125,566,885	436,375	18,095,875	15,863,792	19,285,500
3. Dental only.....	1,011,327	13,386,164	1,929	1,499,427	1,013,256	1,108,049
4. Vision only.....					0	
5. Federal employees health benefits plan.....	11,334,037	159,172,297	99,384	14,575,190	11,433,421	16,618,426
6. Title XVIII - Medicare.....					0	
7. Title XIX - Medicaid.....					0	
8. Other health.....		9,736,303		(906,334)	0	
9. Health subtotal (Lines 1 to 8).....	81,250,110	687,796,707	1,024,898	103,177,836	82,275,008	104,588,570
10. Healthcare receivables (a).....	275,913	2,335,652			275,913	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....				145,856	0	
13. Totals (Lines 9 - 10 + 11 + 12).....	80,974,197	685,461,055	1,024,898	103,323,692	81,999,095	104,588,570

(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.....	96,573	241			
2. 2002.....	556,572	84,462	461		
3. 2003.....	.XXX	605,712	92,343	308	
4. 2004.....	.XXX	.XXX	605,149	79,614	294
5. 2005.....	.XXX	.XXX	.XXX	645,414	80,956
6. 2006.....	.XXX	.XXX	.XXX	.XXX	687,796

**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.....	738,444	739,735			
2. 2002.....	659,828	641,604	641,496		
3. 2003.....	.XXX	709,943	698,017	698,362	
4. 2004.....	.XXX	.XXX	715,407	684,720	685,056
5. 2005.....	.XXX	.XXX	.XXX	749,348	727,034
6. 2006.....	.XXX	.XXX	.XXX	.XXX	790,975

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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. 2002.....	856,516	641,496	14,154	2.2	655,650	76.5			655,650	76.5
2. 2003.....	901,715	698,362	31,050	4.4	729,412	80.9			729,412	80.9
3. 2004.....	908,672	685,056	25,836	3.8	710,892	78.2			710,892	78.2
4. 2005.....	918,482	726,370	26,044	3.6	752,414	81.9	1,171	52	753,637	82.1
5. 2006.....	961,885	687,796	35,967	5.2	723,763	75.2	103,178	5,327	832,268	86.5

**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.....	67,827	368			
2. 2002.....	336,297	58,323	311		
3. 2003.....	XXX	369,407	62,348	62	
4. 2004.....	XXX	XXX	343,926	51,697	62
5. 2005.....	XXX	XXX	XXX	360,463	53,415
6. 2006.....	XXX	XXX	XXX	XXX	379,935

**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.....	452,509	453,392			
2. 2002.....	404,607	395,296	394,931		
3. 2003.....	XXX	440,469	431,594	431,817	
4. 2004.....	XXX	XXX	415,602	395,346	395,685
5. 2005.....	XXX	XXX	XXX	427,825	414,393
6. 2006.....	XXX	XXX	XXX	XXX	449,849

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**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.....	554,952	394,931	8,553	2.2	403,484	72.7			403,484	72.7
2. 2003.....	591,246	431,817	18,937	4.4	450,754	76.2			450,754	76.2
3. 2004.....	561,542	395,685	14,684	3.7	410,369	73.1			410,369	73.1
4. 2005.....	570,197	413,878	14,545	3.5	428,423	75.1	634	25	429,082	75.3
5. 2006.....	598,737	379,935	20,454	5.4	400,389	66.9	69,914	3,609	473,912	79.2

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	14,449	(136)			
2. 2002.....	106,247	12,725	148		
3. 2003.....	XXX	110,707	14,741	241	
4. 2004.....	XXX	XXX	121,026	14,153	230
5. 2005.....	XXX	XXX	XXX	129,204	15,198
6. 2006.....	XXX	XXX	XXX	XXX	125,567

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	158,788	159,034			
2. 2002.....	124,080	118,624	119,120		
3. 2003.....	XXX	127,401	125,805	125,689	
4. 2004.....	XXX	XXX	139,327	135,596	135,408
5. 2005.....	XXX	XXX	XXX	148,054	144,632
6. 2006.....	XXX	XXX	XXX	XXX	143,663

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**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. 2002.....	159,500	119,120	2,702	2.3	121,822	76.4			121,822	76.4
2. 2003.....	157,727	125,689	5,675	4.5	131,364	83.3			131,364	83.3
3. 2004.....	169,327	135,408	5,167	3.8	140,575	83.0			140,575	83.0
4. 2005.....	170,564	144,402	5,214	3.6	149,616	87.7	436	22	150,074	88.0
5. 2006.....	173,182	125,567	6,532	5.2	132,099	76.3	18,096	935	151,130	87.3

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	728	9			
2. 2002.....	5,725	597	2		
3. 2003.....	.XXX	5,817	543	5	
4. 2004.....	.XXX	.XXX	6,660	664	2
5. 2005.....	.XXX	.XXX	.XXX	9,912	1,009
6. 2006.....	.XXX	.XXX	.XXX	.XXX	13,386

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	7,717	7,732			
2. 2002.....	6,410	6,333	6,324		
3. 2003.....	.XXX	6,501	6,358	6,364	
4. 2004.....	.XXX	.XXX	7,393	7,331	7,326
5. 2005.....	.XXX	.XXX	.XXX	11,015	10,740
6. 2006.....	.XXX	.XXX	.XXX	.XXX	14,886

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**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. 2002.....	9,713	6,324	145	2.3	6,469	66.6			6,469	66.6
2. 2003.....	9,695	6,364	298	4.7	6,662	68.7			6,662	68.7
3. 2004.....	12,344	7,326	284	3.9	7,610	61.6			7,610	61.6
4. 2005.....	8,373	10,921	400	3.7	11,321	135.2	2		11,323	135.2
5. 2006.....	54	13,386	676	5.1	14,062	26,040.7	1,499	77	15,638	28,959.3

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	<b>NONE</b>				
2. 2002.....					
3. 2003.....					
4. 2004.....					
5. 2005.....					
6. 2006.....					

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	<b>NONE</b>				
2. 2002.....					
3. 2003.....					
4. 2004.....					
5. 2005.....					
6. 2006.....					

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**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. 2002.....				0.0	0	0.0			0	0.0
2. 2003.....				0.0	0	0.0			0	0.0
3. 2004.....				0.0	0	0.0			0	0.0
4. 2005.....				0.0	0	0.0			0	0.0
5. 2006.....				0.0	0	0.0			0	0.0

**Arkansas Blue Cross and Blue Shield, A Mutual Insurance Company**

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	.....13,569	.....	.....	.....	.....
2. 2002.....	.....108,303	.....12,817	.....	.....	.....
3. 2003.....	.....XXX	.....119,781	.....14,711	.....	.....
4. 2004.....	.....XXX	.....XXX	.....133,537	.....13,100	.....
5. 2005.....	.....XXX	.....XXX	.....XXX	.....145,835	.....11,334
6. 2006.....	.....XXX	.....XXX	.....XXX	.....XXX	.....159,172

**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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior.....	.....119,430	.....119,577	.....	.....	.....
2. 2002.....	.....124,731	.....121,351	.....121,121	.....	.....
3. 2003.....	.....XXX	.....135,572	.....134,260	.....134,492	.....
4. 2004.....	.....XXX	.....XXX	.....153,085	.....146,447	.....146,637
5. 2005.....	.....XXX	.....XXX	.....XXX	.....162,454	.....157,269
6. 2006.....	.....XXX	.....XXX	.....XXX	.....XXX	.....173,747

**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. 2002.....	.....132,351	.....121,121	.....2,754	.....2.3	.....123,875	.....93.6	.....	.....	.....123,875	.....93.6
2. 2003.....	.....143,047	.....134,492	.....6,140	.....4.6	.....140,632	.....98.3	.....	.....	.....140,632	.....98.3
3. 2004.....	.....165,459	.....146,637	.....5,701	.....3.9	.....152,338	.....92.1	.....	.....	.....152,338	.....92.1
4. 2005.....	.....169,348	.....157,169	.....5,885	.....3.7	.....163,054	.....96.3	.....99	.....5	.....163,158	.....96.3
5. 2006.....	.....182,461	.....159,172	.....7,902	.....5.0	.....167,074	.....91.6	.....14,575	.....753	.....182,402	.....100.0

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**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.....					
2. 2002.....					
3. 2003.....	.XXX				
4. 2004.....	.XXX	.XXX			
5. 2005.....	.XXX	.XXX	.XXX		
6. 2006.....	.XXX	.XXX	.XXX	.XXX	9,736

**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.....					
2. 2002.....					
3. 2003.....	.XXX				
4. 2004.....	.XXX	.XXX			
5. 2005.....	.XXX	.XXX	.XXX		
6. 2006.....	.XXX	.XXX	.XXX	.XXX	8,830

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**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
2. 2003.....				0.0	0	0.0			0	0.0
3. 2004.....				0.0	0	0.0			0	0.0
4. 2005.....				0.0	0	0.0			0	0.0
5. 2006.....	7,451	9,736	403	4.1	10,139	136.1	(906)	(47)	9,186	123.3

**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
<b>POLICY RESERVE</b>												
1. Unearned premium reserves.....	72,131,044	14,549,310				57,581,734						
2. Additional policy reserves (a).....	6,361,391	6,361,391										
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).....	78,492,435	20,910,701	0	0	0	57,581,734	0	0	0	0	0	0
7. Reinsurance ceded.....	0											
8. Totals (net) (Page 3, Line 4).....	78,492,435	20,910,701	0	0	0	57,581,734	0	0	0	0	0	0
<b>CLAIM RESERVE</b>												
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
<b>DETAILS OF WRITE-INS</b>												
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

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(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 (\$.....7,396,676 for occupancy of own building).....	391	9,981	517,374	7,396,676	7,924,422
2. Salaries, wages and other benefits.....	8,696,403	15,984,305	52,834,146		77,514,854
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			18,371,374		18,371,374
4. Legal fees and expenses.....	(23,948)	27	1,164,430		1,140,508
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	20,797	53,483	3,093,666		3,167,946
7. Traveling expenses.....	293,951	178,924	1,698,327		2,171,202
8. Marketing and advertising.....	22,413	521	1,215,329		1,238,263
9. Postage, express and telephone.....	255,943	1,869,851	3,014,577		5,140,370
10. Printing and office supplies.....	407,601	390,510	2,480,621		3,278,732
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	474,593	1,761,987	6,549,464		8,786,044
13. Cost or depreciation of EDP equipment and software.....	3,550	349,867	1,550,076		1,903,494
14. Outsourced services including EDP, claims, and other services.....	2,660,636	4,742,857	5,655,604	251,974	13,311,071
15. Boards, bureaus and association fees.....	40,836		1,261,576		1,302,411
16. Insurance, except on real estate.....	180,295	97,694	404,244		682,234
17. Collection and bank service charges.....		39,163	505,321		544,485
18. Group service and administration fees.....	(416,006)	(5,572,776)	(10,371,955)		(16,360,738)
19. Reimbursements by uninsured plans.....	(433,264)	(763,368)	(3,067,368)		(4,264,000)
20. Reimbursements from fiscal intermediaries.....		1,901,407			1,901,407
21. Real estate expenses.....	246,283	486,538	2,059,733	440,383	3,232,937
22. Real estate taxes.....	8,455	18,950	92,695	15,900	136,000
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			27,066		27,066
23.2 State premium taxes.....			2,796,875		2,796,875
23.3 Regulator authority licenses and fees.....	505	11	118,556		119,073
23.4 Payroll taxes.....	529,551	861,234	2,309,953		3,700,738
23.5 Other (excluding federal income and real estate taxes).....	9,753	29,660	987,215		1,026,627
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	739,526	(191,859)	1,065,670	0	1,613,337
26. Total expenses incurred (Lines 1 to 25).....	13,718,263	22,248,966	96,334,569	8,104,933	(a)... 140,406,732
27. Less expenses unpaid December 31, current year.....		5,378,807	118,582,646		123,961,453
28. Add expenses unpaid December 31, prior year.....		5,030,648	94,774,717		99,805,365
29. Amounts receivable relating to uninsured plans, prior year.....			8,283,244		8,283,244
30. Amounts receivable relating to uninsured plans, current year.....			14,141,658		14,141,658
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	13,718,263	21,900,807	78,385,054	8,104,933	122,109,058

**DETAILS OF WRITE-INS**

2501. Administrative Expenses Assumed.....	1,220,791	822,223	5,472,054		7,515,068
2502. Administrative Expenses Ceded.....	(226,349)	(1,118,816)	(4,359,068)		(5,704,233)
2503. Claims Processing Expense.....		204,295			204,295
2598. Summary of remaining write-ins for Line 25 from overflow page.....	(254,916)	(99,561)	(47,315)	0	(401,793)
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	739,526	(191,859)	1,065,670	0	1,613,337

(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).....5,030,472	.....5,330,549
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....5,702,657	.....5,318,032
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....2,485,171	.....2,472,700
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....8,212,437	.....8,212,437
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....4,565,496	.....4,982,174
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....62,752	.....62,752
10. Total gross investment income.....	.....26,058,985	.....26,378,644
11. Investment expenses.....	.....	(g).....8,104,933
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).....742,656
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....8,847,589
17. Net investment income (Line 10 minus Line 16).....	.....	.....17,531,055

**DETAILS OF WRITE-INS**

0901. FEP Investment Service Charge.....	62,752	62,752
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).....	62,752	62,752
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 \$.....281,195 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 \$.....742,656 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).....	.....1,750	.....	.....	.....1,750
1.3 Bonds of affiliates.....	.....	.....	.....	.....0
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....	.....0
2.11 Preferred stocks of affiliates.....	.....	.....	.....	.....0
2.2 Common stocks (unaffiliated).....	.....7,883,948	.....	.....8,457,696	.....16,341,644
2.21 Common stocks of affiliates.....	.....	.....	.....59,357,191	.....59,357,191
3. Mortgage loans.....	.....	.....	.....	.....0
4. Real estate.....	.....11,646	.....	.....	.....11,646
5. Contract loans.....	.....	.....	.....	.....0
6. Cash, cash equivalents and short-term investments.....	.....	.....	.....	.....0
7. Derivative instruments.....	.....	.....	.....	.....0
8. Other invested assets.....	.....	.....	.....(1,723,606)	.....(1,723,606)
9. Aggregate write-ins for capital gains (losses).....	.....78,580	.....0	.....0	.....78,580
10. Total capital gains (losses).....	.....7,975,924	.....0	.....66,091,281	.....74,067,205

**DETAILS OF WRITE-INS**

0901. Gain on Sale of Fixed Assets.....	58,048	.....	.....	58,048
0902. Miscellaneous.....	20,532	.....	.....	20,532
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).....	78,580	.....0	.....0	78,580

**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.....	24,518,382	29,473,995	4,955,613
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).....	24,518,382	29,473,995	4,955,613
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.....	33,183	46,049	12,866
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.....	26,203,097	33,493,345	7,290,248
17. Guaranty funds receivable or on deposit.....			.0
18. Electronic data processing equipment and software.....	4,874,878	5,718,927	844,049
19. Furniture and equipment, including health care delivery assets.....	6,197,830	6,737,588	539,758
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.....	1,211,490	3,114,932	1,903,442
23. Aggregate write-ins for other than invested assets.....	8,861,073	5,527,995	(3,333,078)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	71,899,933	84,112,831	12,212,898
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
26. TOTALS (Lines 24 and 25).....	71,899,933	84,112,831	12,212,898

**DETAILS OF WRITE-INS**

0901. Deposits with National Accounts.....			.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. Federal Employee Program Receivable.....			.0
2302. Miscellaneous Receivable.....			.0
2303. Other Assets.....	8,861,073	5,527,995	(3,333,078)
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).....	8,861,073	5,527,995	(3,333,078)

**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.....	263,765	279,292	284,221	284,267	286,769	3,389,300
4. Point of service.....						
5. Indemnity only.....	143,296	141,572	139,748	139,055	138,390	1,680,601
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	407,061	420,864	423,969	423,322	425,159	5,069,901

**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

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**NOTES TO FINANCIAL STATEMENTS**

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**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.

For reporting periods ending on December 31, 2004 and later, Arkansas Blue Cross and Blue Shield is reporting its post-employment liabilities and expenses using accounting principles generally accepted in the United States of America. These principles are governed primarily by Financial Accounting Standard 106. This departure from statutory accounting principles was approved by the Arkansas Insurance Department in a letter dated December 30, 2004 in accordance with ACA Sec 23-61-108.

**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 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.

Preferred stocks are carried 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 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.

A. GAAP accounting treatment of postretirement benefits other than pensions is governed primarily by FAS 106, which requires that a liability be established for such future benefit obligations from the date of the employee's hire. SSAP #14 of Statutory Accounting Principles requires that only postretirement benefit obligations for current retirees and vested employees be reported. This discrepancy results in certain liabilities not being reported on a statutory basis.

B. The impact of adopting the "permitted practice" described in 1.A. was an increase in the accrued postretirement liability as of December 31, 2004 in the amount of \$34,113,000, and a decrease of the same amount in surplus. The impact on the 2004 Statement of Operations was an additional expense of \$2,519,663.

Subsequent to the filing of its 2005 Annual Statement, the Company discovered an overstatement of investment in subsidiaries and surplus of approximately two million, five hundred and seventy-nine thousand dollars (\$2,579,000). This error created an overstatement of less than one-percent (1%) when compared to the correct surplus of \$426,096,000. Management reported its determination that the error was immaterial to the Arkansas Insurance Department and made the correction in 2006.

**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.

## NOTES TO FINANCIAL STATEMENTS

### 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.

### 8. Derivative Instruments

The Company does not own any derivative instruments.

### 9. Income Taxes

Arkansas Blue Cross Blue Shield files a consolidated federal income tax return with its other eligible subsidiaries as follow: US Able Corporation, Ideal Medicare Services, Inc, and Pinnacle Business Solutions, Inc. The Company is party to a federal income tax allocation agreement. Under the tax sharing agreement, the Company pays to or receives from each subsidiary the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the subsidiary in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

When available, the Company utilizes net operating loss carry forwards to offset taxable income under the terms of the tax sharing agreement. At December 31, 2006, the Company had \$0 of operating loss carry forwards.

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

2006	\$ 33,359,000
2005	\$ 35,794,000
2004	\$ 6,252,000

The components of current income tax expense are as follows:

	2006	2005
Federal	\$ 32,234,450	\$ 35,736,986
Foreign	87,085	64,519
Federal Income Tax on net capital gains	\$ 2,759,995	\$ 1,015,930
Utilization of capital loss carry-forwards	-	
Federal income tax incurred	\$ 35,081,529	\$ 36,817,435

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	\$ 27,412,505	35.0%
Tax exempt income deduction	\$ (13,599)	0
Dividends received deduction	\$ (249,329)	-0.3%
Tax differentials on foreign earnings	\$ 0	0
Nondeductible expense	\$ 294,471	0.4%
Tax Credits	\$ (330,662)	-0.4%
Acquisition of Subsidiary Investments	\$ 12,453,176	15.9%
Other	\$ 651,001	0.8%
Total	\$ 40,217,563	51.3%
Federal and foreign income taxes incurred	\$ 35,081,529	44.8%
Change in net deferred incomes taxes	\$ 5,136,034	6.6%
Total statutory incomes taxes	\$ 40,217,563	51.3%

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 nonadmitted)	\$67,724,818	\$ 58,990,794
Total of all deferred tax liabilities	34,421,943	19,026,036
Net deferred tax asset (liability)	33,302,875	39,964,759
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	26,203,097	33,493,345
Net admitted deferred tax asset/(liability)	7,099,777	6,471,413
Increase (decrease) in deferred tax assets nonadmitted	\$ (7,290,248)	176,776

## NOTES TO FINANCIAL STATEMENTS

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	\$ 796,633	\$ 792,494
Adjustment for deferred acquisitions costs	5,234,027	4,839,331
Accrued deferred compensation	15,340,484	12,743,465
Other Post Employment Benefits	25,386,551	21,064,401
Basis difference in investments	2,909,243	3,027,571
Depreciation	5,357,035	3,834,912
Intangibles	12,064,029	12,108,140
Other	636,816	580,481
Credits	0	0
Total deferred tax assets	67,724,818	58,990,794
Total deferred tax assets non-admitted	26,203,097	33,493,345
Admitted deferred tax assets	41,521,721	25,497,449
Deferred Tax Liabilities:		
Unrealized Capital Gains	20,327,870	18,802,020
Accrued dividends	86,085	90,449
Basis diff in Unconsolidated Subs	13,771,658	0
Other	236,331	133,566
Total deferred tax liabilities	34,421,943	19,026,036
Net admitted deferred tax asset/(liability)	7,099,777	6,471,414

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	\$ 67,724,818	\$ 58,990,794	\$ 8,734,024
Total deferred tax liabilities	34,421,943	19,026,036	15,395,907
Net deferred tax asset (liability)	\$ 33,302,875	\$ 39,964,759	\$(6,661,884)
Tax effect of unrealized gains (losses)			1,525,850
Change in net deferred income tax			\$ (5,136,034)

The method of allocation of consolidated tax liability between the companies has been approved by the required authorized officers. The method of allocation chosen is 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. Arkansas Blue Cross Blue Shield owns 100% of USABLE Corporation and Pinnacle Business Solutions, Inc, and owns 50% of HMO Partners, Inc and Life & Specialty Ventures, LLC. On October 1st, 2006, USABLE Corporation, a wholly owned subsidiary of Arkansas Blue Cross and Blue Shield (ABCBS), sold its ownership interest in HMO Partners, Inc. and Life & Specialty Ventures, LLC to ABCBS. In November 2006, Ideal Medicare Services was dissolved. As of December 31, 2006, USABLE Corporation owns 100% of AHIN, LLC, 50% of Novitas Health, LLC, 50% of Southwest Health Link, LLC. Hot Springs Health Partners, LLC, Health Partners of Northwest Arkansas, LLC, and Fort Smith Health Partners, LLC were dissolved effective with the close of business on 12/31/04. Life and Specialty Ventures, LLC owns 100% of Florida Combined Life Insurance Company and Florida Combined Insurance Agency, Inc. and owns 70% of USABLE Life.

B. N/A

C. N/A

D. At December 31, 2006 the Company reported the following amounts due from Affiliates:

HMO Partners, Inc.	5,483,922
USABLE Life	951,234
USABLE Corporation	(1,082,005)
AHIN, LLC	656,505
Life and Specialty Ventures	121,417
Pinnacle Business Solutions	37,229,295
Joint Ventures	25,000
Total	\$ 43,385,368

At December 31, 2006 the Company reported the following amounts due to Affiliates:

HMO Partners, Inc.	1,050,923
Joint Ventures	898,975
USABLE Life	340,384
USABLE Corporation	(15,926)
AHIN, LLC	456,733
Pinnacle Business Solutions	8,003,907
Total	\$ 10,734,998

**NOTES TO FINANCIAL STATEMENTS**

- 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

**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**

- A. Defined Benefit Plan  
The Company no longer offers a defined benefit plan.

- B. Defined Contribution Plan  
The Company offers an optional 401(k) plan to all eligible employees. The employee has the option of deferring up to 15% of his or her salary. The Company matches the amount deferred by the employee based upon years of service from a minimum of 50% to a maximum of 100% of a 6% contribution.

Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plu\$. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plu\$ portion of the plan. Under the 401(k) Plu\$ the Company makes a contribution from 2% to 6% of the eligible compensation of all eligible employees. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. At no time will the contribution be less than 2% nor more than 6%. For 2005, 4% was used to calculate the Company's contribution of \$1,884,418, and for 2006, 4% was used to calculate the contribution of \$2,060,504.

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

- C. Multi-employer Plans  
The Company does not participate in multi-employer plans.

- D. Consolidated/Holding Company Plans  
The Company participates in a deferred compensation plan with its subsidiaries and affiliates.

- E. Postemployment Benefits and Compensated Absences  
Arkansas Blue Cross and Blue Shield provides unfunded medical indemnity and life insurance plans for eligible employees and/or their spouses. The medical plan is available to all employees who have 15 years of service and retire at age 55 or later, become disabled, or die while in active service. The plan is PPO plan with an HMO option for those who retired before January 1, 1996. Current employees who retire with 15 years of service as of December 31, 1993, will receive an annual allowance based upon 1994 medical cost adjusted for the health care cost trend rate until retirement, after retirement a 5% inflation rate is applied. Current employees who retire with less than 15 years of service, as of December 31, 1993, will receive an annual allowance adjusted by a 5% inflation rate. The allowance is based upon years of service to a maximum of 25. The life insurance program covers the lives of retirees 55 or older who are eligible for a pension benefit or become disabled. Life insurance amounts are based on the employee's annual earnings at retirement.

The Company's post-employment benefit expense for the year ended December 31, 2006 was \$14,286,000 and included the expected cost of post-employment benefits for newly eligible or vested employees and employees not yet eligible to retire, interest costs, and gains and losses arising from the difference between actuarial assumptions and actual experience. Arkansas Blue Cross and Blue Shield made contributions to the plan in the amount of \$1,937,000 during 2006 as claims were incurred.

As of December 31, 2006 the unfunded post-employment benefit obligation for retirees, other fully eligible or vested plan participants and participants not yet eligible to retire was \$131,701,000. The discount rate used in determining the accumulated post-employment benefit was 5.68% and the health care cost trend rate was 8.0%. The measurement date of the plan is November 30, 2006.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by 1 percentage point per year would increase the total post-employment benefit obligation as of December 31, 2006 by \$3,761,000 and decrease the estimated service cost and interest cost components of net periodic post-employment benefit cost for 2006 by \$71,000.

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

- 1) As of December 31, 2006, 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) The Company had no restrictions on its unassigned surplus.
- 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.

**NOTES TO FINANCIAL STATEMENTS**

- 9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
- a. unrealized gains and losses: \$ 26,637,626
  - b. nonadmitted asset values: \$ 71,899,933
  - 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 is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2006. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

**15. Leases**

The Company has no material lease obligations at this time.

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

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

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

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

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

Cost Plus Risk Premium	\$ 1,070,020
Cost Plus Large Claim & Aggregate Expense	254,378
Difference	815,641

Assume Cost Plus Retention Charges = Actual Admin

Then Gain/(Loss) on Cost Plus is \$ 815,641

The gain (loss) from operations for uninsured accident and health plans was as follows during 2006:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	NONE	\$ 815,641	\$ 815,641
Other Income	NONE	NONE	NONE
Net gain or (loss) from operations	NONE	\$ 815,641	\$ 815,641

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

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

**20. 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 did not have any other disclosures covered by SSAP No. 1 in the 2006 Annual Statement.
- D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2006.
- E. The Company did not have any Business Interruption Insurance Recoveries as of December 31, 2006.

**NOTES TO FINANCIAL STATEMENTS**

**22. Events Subsequent**

There were no known events subsequent as of December 31, 2006.

**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. The Company does not have any return commission which would have been due if the Company had cancelled the reinsurance.
- D. The Company did not have any uncollectible reinsurance written off during the year.
- E. There was no commutation of reinsurance during the year.
- F. The Company does not have any retroactive reinsurance agreements.

**24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**

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

**25. Change in Incurred Claims and Claim Adjustment Expenses**

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

**26. Intercompany Pooling Arrangements**

The Company did not have any intercompany pooling arrangements

**27. Structured Settlements**

The Company did not have any structured settlements as of December 31, 2006.

**28. Health Care Receivable**

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

Qtr	Est Rebates on F/S	Admitted	Invoiced	---Rebates collected within days of qtr---		
				0-90	91-180	over 180
09/30/06	\$2,787,146	\$ 902,706	-0-	1,228	-	-
06/30/06	\$2,543,882	\$1,272,261	-0-	3,506	-	1,257,969
03/31/06	\$3,744,734	\$1,272,261	-0-		1,025,491	147,476
12/31/05	\$2,690,580	\$1,272,261	-0-		1,326,636	114,036
09/30/05	\$2,729,101	\$1,336,831	-0-	-	938,916	239,670
06/31/05	\$2,455,073	\$1,326,452	-0-		-	207,888
03/31/05	\$2,674,032	\$1,356,515	-0-		-	167,481
12/31/04	\$4,100,518	\$1,116,720	-0-		-	(237,336)
09/30/04	\$2,832,236	\$716,517	-0-		-	(56,486)
06/31/04	\$2,769,365	\$716,517	-0-		-	(73,010)
03/31/04	\$2,763,386	\$716,517	-0-	-	-	34,785

**29. Participating Policies**

The Company did not have any participating policies.

**30. Premium Deficiency Reserves**

The Company did not have any premium deficiency reserves as of December 31, 2006.

**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, Line1. 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 2006	December 31 2005
Accident and Health	2002	\$ 2,413	\$ 9,181
	2003	\$ 23,821	\$ 60,591
	2004	\$ 114,804	\$ 1,759,941
	2005	\$ 1,893,280	\$ 4,681,564
	2006	\$ 2,467,818	
Total		\$ 4,502,137	\$ 6,511,277

## 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.....	146,357,998	20.6	146,357,998	21.3
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.....	26,774,560	3.8	26,774,560	3.9
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....	1,806,411	0.3	1,806,411	0.3
1.43 Revenue and assessment obligations.....	16,515,875	2.3	16,515,875	2.4
1.44 Industrial development and similar obligations.....	62,147,648	8.7	62,147,648	9.0
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.....	241,000	0.0	241,000	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....	95,601,171	13.4	95,601,171	13.9
3.4 Other equity securities:				
3.41 Affiliated.....	193,266,543	27.1	168,748,161	24.5
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.....	26,614,532	3.7	26,614,532	3.9
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....	16,450,238	2.3	16,450,238	2.4
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.....	171,398	0.0	171,398	0.0
8. Cash, cash equivalents and short-term investments.....	69,063,468	9.7	69,063,468	10.0
9. Other invested assets.....	56,970,684	8.0	56,970,684	8.3
10. Total invested assets.....	711,981,526	100.0	687,463,144	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 [ X ]    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. 12/31/2005

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. 12/31/2000

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). 07/03/2002

3.4 By what department or departments? Arkansas Insurance Department

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 [ ]    No [ X ]

4.12 renewals? Yes [ ]    No [ X ]

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

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

4.22 renewals? Yes [ ]    No [ X ]

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

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

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

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

6.2 If yes, give full information: \_\_\_\_\_

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

7.2 If yes, .....%

7.21 State the percentage of foreign control.

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

1 Nationality	2 Type of Entity

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

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

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

8.4 If response to 8.3 is yes, please provide the names and 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?  
Baird Kurtz and Dobson Little Rock, AR

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Samuel P. Partin, Sr. Vice President - Actuary & Risk Management, Arkansas Blue Cross and Blue Shield Little Rock, AR

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 [ X ] No [ ]  
 18.2 If answer is yes:  
 18.21 Amount paid as losses or risk adjustment \$.....1,508,160  
 18.22 Amount paid as expenses \$.....0  
 18.23 Other amounts paid \$.....0  
 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. \$.....0

**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 [ ]  
 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
Regions Bank Trust Dept	Little Rock, AR

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
116359	Foundation Resource Management, Inc.	Little Rock, AR

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 [ X ]    No [ ]

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
88018T 10 1	Templeton Dragon Fund	755,134
922018 40 3	Vanguard Windsor Fund Admiral Shares	465,626
25.2999. TOTAL		1,220,760

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
Templeton Dragon Fund	Dairy Farm Intl Holdings Ltd.	110,250	06/30/2006
Templeton Dragon Fund	China Mobile (Hong Kong) Ltd	65,697	06/30/2006
Templeton Dragon Fund	China Petroleum & Chemical Corp	52,104	06/30/2006
Templeton Dragon Fund	Petrochina Co. Ltd.	51,349	06/30/2006
Templeton Dragon Fund	HSBC Holdings PLC	30,205	06/30/2006
Templeton Dragon Fund	Cheung Kong Infrastructure Holdings Ltd.	27,940	06/30/2006
Templeton Dragon Fund	Cheung Kong Holdings Ltd.	24,164	06/30/2006
Templeton Dragon Fund	China Reconstruction Bank	21,899	06/30/2006
Templeton Dragon Fund	Taiwan Semiconductor Mfg. Co. Ltd.	21,144	06/30/2006
Templeton Dragon Fund	CNOOC Ltd.	20,389	06/30/2006
Vanguard Windsor	Bank of America Corp.	22,816	04/30/2006
Vanguard Windsor	Citigroup, Inc.	22,350	04/30/2006
Vanguard Windsor	Cisco Systems, Inc.	19,091	04/30/2006
Vanguard Windsor	Comcast Corp. Special Class A	18,159	04/30/2006
Vanguard Windsor	Sprint Nextel Corp.	14,900	04/30/2006
Vanguard Windsor	Wyeth	14,434	04/30/2006
Vanguard Windsor	Microsoft Corp.	12,572	04/30/2006
Vanguard Windsor	Tyco International Ltd.	12,106	04/30/2006
Vanguard Windsor	Alcoa, Inc.	11,641	04/30/2006
Vanguard Windsor	Applied Materials, Inc.	10,709	04/30/2006

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.....	313,528,368	311,773,596	(1,754,772)
26.2 Preferred stocks.....	241,000	241,000	0
26.3 Totals.....	313,769,368	312,014,596	(1,754,772)

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

Fair value pricing obtained, where applicable, from NAIC 4th Quarter 2006 Valuation of Securities database, or from market prices provided by Regions Morgan Keegan Trust Company, custodian for investment assets, for issues which were not priced by NAIC at year-end.

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? \$.....1,305,861

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
Blue Cross Blue Shield Association	527,732
Consortium Health Plans	334,138
Milliman	438,613

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

- 29.1 Amount of payments for legal expenses, if any? \$.....1,099,901
- 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
Foley & Lardner	829,696

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....210,909
- 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
Blue Cross Blue Shield Association	98,446
Steve Napper Ltd	64,000

**GENERAL INTERROGATORIES (continued)**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ X ]    No [ ]
- 1.2 If yes, indicate premium earned on U.S. business only \$.....173,181,802
- 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. \$.....140,760,232
- 1.6 Individual policies:
  - Most current three years:
    - 1.61 Total premium earned \$.....30,590,770
    - 1.62 Total incurred claims \$.....21,722,235
    - 1.63 Number of covered lives .....23,445
  - All years prior to most current three years:
    - 1.64 Total premium earned \$.....142,591,032
    - 1.65 Total incurred claims \$.....119,037,997
    - 1.66 Number of covered lives .....85,197
- 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 Current Year	2 Prior Year
2.1 Premium Numerator.....	954,433,760	916,509,993
2.2 Premium Denominator.....	961,884,267	916,509,993
2.3 Premium Ratio (2.1/2.2).....	99.2	100.0
2.4 Reserve Numerator.....	182,841,025	175,559,445
2.5 Reserve Denominator.....	182,841,025	175,733,626
2.6 Reserve Ratio (2.4/2.5).....	100.0	99.9

- 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 [ ]    No [ X ]
- 5.2 If no, explain:  
Sufficient Capital & Surplus, 50 plus year history of managing business without a stop loss reinsurance policy. Most of the Company's policies contain a \$2,000,000 lifetime maximum benefit level

- 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 \$.....0
  - 5.35 Other limited benefit plan \$.....0
  - 5.36 Other \$.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Hold Harmless Agreements

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

- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year .....10,995
  - 8.2 Number of providers at end of reporting year .....12,462

- 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 the rate guarantees between 15-36 months .....
  - 9.22 Business with rate guarantees over 36 months .....

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [ ]    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. \$.....575,000
- 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

## FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26).....	891,799,112	765,025,230	691,195,605	573,082,721	495,930,475
2. Total liabilities (Page 3, Line 22).....	396,753,324	336,350,704	309,206,961	245,881,225	236,347,212
3. Statutory surplus.....	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 31).....	495,045,788	428,674,526	381,988,642	327,201,498	259,583,264
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	954,121,311	905,658,277	901,883,115	892,177,454	842,674,538
6. Total medical and hospital expenses (Line 18).....	766,195,270	714,779,226	703,473,612	691,717,425	630,068,182
7. Claims adjustment expenses (Line 20).....	35,967,229	26,043,512	25,836,965	43,861,830	14,156,799
8. Total administrative expenses (Line 21).....	96,334,569	82,219,640	84,994,682	77,878,522	109,129,516
9. Net underwriting gain (loss) (Line 24).....	55,856,142	82,935,644	87,660,025	78,234,607	89,146,607
10. Net investment gain (loss) (Line 27).....	22,665,185	17,388,988	14,444,124	11,312,158	12,289,948
11. Total other income (Lines 28 plus 29).....	(3,145,815)	(13,364,317)	(6,495,777)	(5,900,234)	(20,348,376)
12. Net income or (loss) (Line 32).....	43,239,910	51,554,601	61,856,418	52,363,031	48,155,161
<b>Risk-Based Capital Analysis</b>					
13. Total adjusted capital.....	495,045,788	428,674,526	381,988,642	327,201,498	259,583,264
14. Authorized control level risk-based capital.....	54,334,862	38,273,030	36,159,444	33,779,003	30,105,146
<b>Enrollment (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7).....	425,159	407,061	398,572	396,293	393,923
16. Total member months (Column 6, Line 7).....	5,069,901	4,841,073	4,773,383	4,808,747	4,611,230
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100</b>					
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)....	80.3	78.9	78.0	77.5	74.8
19. Cost containment expenses.....	1.4	1.1	(0.0)	XXX	XXX
20. Other claims adjustment expenses.....	2.3	1.8	2.9		
21. Total underwriting deductions (Line 23).....	94.1	90.8	90.3	91.2	89.4
22. Total underwriting gain (loss) (Line 24).....	5.9	9.2	9.7	8.8	10.6
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
23. Total claims incurred for prior years (Line 13 Col. 5).....	81,999,095	80,444,566	93,808,653	86,206,151	98,002,177
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	104,588,570	111,255,939	105,734,038	104,431,202	127,762,284
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
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).....	193,266,544	134,956,488	99,843,620	87,006,604	81,681,225
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.....	56,416,481				
31. Total of above Lines 25 to 30.....	249,683,025	134,956,488	99,843,620	87,006,604	81,681,225

**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
<b>BONDS</b>					
Governments (Including all obligations guaranteed by governments)	1. United States.....	146,529,397	145,408,376	148,060,469	145,800,000
	2. Canada.....				
	3. Other Countries.....				
	4. Totals.....	146,529,397	145,408,376	148,060,469	145,800,000
States, Territories and Possessions (Direct and guaranteed)	5. United States.....	26,774,560	26,355,097	26,944,784	26,755,000
	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	26,774,560	26,355,097	26,944,784	26,755,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	1,806,411	1,793,503	1,837,447	1,705,000
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	1,806,411	1,793,503	1,837,447	1,705,000
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....	16,515,875	16,270,406	16,803,780	16,500,000
	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	16,515,875	16,270,406	16,803,780	16,500,000
Public Utilities (Unaffiliated)	17. United States.....	680,620	658,600	737,802	650,000
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	680,620	658,600	737,802	650,000
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....	57,593,706	56,780,922	59,784,598	56,015,000
	22. Canada.....	3,873,322	3,878,983	4,045,732	3,725,000
	23. Other Countries.....				
	24. Totals.....	61,467,028	60,659,905	63,830,330	59,740,000
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. <b>Total Bonds.....</b>	<b>253,773,891</b>	<b>251,145,887</b>	<b>258,214,612</b>	<b>251,150,000</b>
<b>PREFERRED STOCKS</b>					
Public Utilities (Unaffiliated)	27. United States.....				
	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	241,000	241,000	241,000	
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	241,000	241,000	241,000	
Industrial and Miscellaneous (Unaffiliated)	35. United States.....				
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. <b>Total Preferred Stocks.....</b>	<b>241,000</b>	<b>241,000</b>	<b>241,000</b>	
<b>COMMON STOCKS</b>					
Public Utilities (Unaffiliated)	41. United States.....				
	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....	2,410	2,410	2,410	
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	2,410	2,410	2,410	
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	74,192,536	74,192,536	31,307,276	
	50. Canada.....	21,234,825	21,234,825	8,976,296	
	51. Other Countries.....				
	52. Totals.....	95,427,361	95,427,361	40,283,572	
Parent, Subsidiaries and Affiliates	53. Totals.....	193,266,544	193,266,544	106,831,328	
	54. <b>Total Common Stocks.....</b>	<b>288,696,315</b>	<b>288,696,315</b>	<b>147,117,310</b>	
	55. <b>Total Stocks.....</b>	<b>288,937,315</b>	<b>288,937,315</b>	<b>147,358,310</b>	
	56. <b>Total Bonds and Stocks....</b>	<b>542,711,206</b>	<b>540,083,202</b>	<b>405,572,922</b>	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	440,804,371	7. Amortization of premium.....	2,256,694
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	106,234,657	8. Foreign exchange adjustment:	
3. Accrual of discount.....	399,186	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.....	69,932,181	9. Book/adjusted carrying value at end of current period.....	542,711,206
4.4 Columns 11 - 13, Part 4.....	(4,588,572)	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	7,885,698	11. Subtotal (Lines 9 plus 10).....	542,711,206
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4....	75,699,621	12. Total nonadmitted amounts.....	24,518,382
		13. Statement value of bonds and stocks, current year.....	518,192,824

**Arkansas Blue Cross and Blue Shield, A Mutual 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	NO	NO						
2. Alaska.....AK	NO	NO						
3. Arizona.....AZ	NO	NO						
4. Arkansas.....AR	YES	YES	748,418,406			181,374,347		
5. California.....CA	NO	NO						
6. Colorado.....CO	NO	NO						
7. Connecticut.....CT	NO	NO						
8. Delaware.....DE	NO	NO						
9. District of Columbia.....DC	NO	NO						
10. Florida.....FL	NO	NO						
11. Georgia.....GA	NO	NO						
12. Hawaii.....HI	NO	NO						
13. Idaho.....ID	NO	NO						
14. Illinois.....IL	NO	NO						
15. Indiana.....IN	NO	NO						
16. Iowa.....IA	NO	NO						
17. Kansas.....KS	NO	NO						
18. Kentucky.....KY	NO	NO						
19. Louisiana.....LA	NO	NO						
20. Maine.....ME	NO	NO						
21. Maryland.....MD	NO	NO						
22. Massachusetts.....MA	NO	NO						
23. Michigan.....MI	NO	NO						
24. Minnesota.....MN	NO	NO						
25. Mississippi.....MS	NO	NO						
26. Missouri.....MO	NO	NO						
27. Montana.....MT	NO	NO						
28. Nebraska.....NE	NO	NO						
29. Nevada.....NV	NO	NO						
30. New Hampshire.....NH	NO	NO						
31. New Jersey.....NJ	NO	NO						
32. New Mexico.....NM	NO	NO						
33. New York.....NY	NO	NO						
34. North Carolina.....NC	NO	NO						
35. North Dakota.....ND	NO	NO						
36. Ohio.....OH	NO	NO						
37. Oklahoma.....OK	NO	NO						
38. Oregon.....OR	NO	NO						
39. Pennsylvania.....PA	NO	NO						
40. Rhode Island.....RI	NO	NO						
41. South Carolina.....SC	NO	NO						
42. South Dakota.....SD	NO	NO						
43. Tennessee.....TN	NO	NO						
44. Texas.....TX	NO	NO						
45. Utah.....UT	NO	NO						
46. Vermont.....VT	NO	NO						
47. Virginia.....VA	NO	NO						
48. Washington.....WA	NO	NO						
49. West Virginia.....WV	NO	NO						
50. Wisconsin.....WI	NO	NO						
51. Wyoming.....WY	NO	NO						
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								
57. Canada.....CN	NO	NO						
58. Aggregate Other alien.....OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal.....	XXX	XXX	748,418,406	0	0	181,374,347	0	0
60. Reporting entity contributions for Employee Benefit Plans.....	XXX	XXX						
61. Total (Direct Business).....	XXX	(a).....1	748,418,406	0	0	181,374,347	0	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

