



ANNUAL STATEMENT

For the Year Ended December 31, 2009
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 or Town, State and Zip Code)

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

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

Internet Web Site Address www.arkansasbluecross.com

Statutory Statement Contact Gray Donald Dillard 501-378-2436
(Name) (Area Code) (Telephone Number) (Extension)
gddillard@arkbluecross.com 501-378-5633
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Paul Mark White #	Chief Executive Officer	2. James Lee Douglass	Secretary
3. Steven James Short #	Treasurer	4. Michael Wayne Brown #	Chief Operating Officer

OTHER

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

DIRECTORS OR TRUSTEES

Carolyn Frazier Blakely PhD	Susan Glover Brittain	Robert Vincent Brothers	Mark William Greenway
Bradley Dean Jesson	James Virgil Kelley	Mahlon Ogden Maris MD	James Thomas May
Hayes Candour McClerkin	George Key Mitchell MD	Robert Daniel Nabholz	Marla Johnson Norris
Ben Edwin Owens	Robert Lee Shoptaw	Patty Fulbright Smith	Sherman Ellis Tate
Paul Mark White #	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) Paul Mark White	_____ (Signature) James Lee Douglass	_____ (Signature) Steven James Short
1. (Printed Name) Chief Executive Officer	2. (Printed Name) Secretary	3. (Printed Name) Treasurer
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me
This _____ day of _____ 2010

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).....	240,178,637		240,178,637	234,183,111
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	256,400		256,400	515,259
2.2 Common stocks.....	280,908,988	19,160,817	261,748,171	252,141,493
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).....	27,947,479		27,947,479	21,987,263
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	15,337,436		15,337,436	21,371,761
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....(6,560,771), Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....144,986,030, Sch. DA).....	138,425,259		138,425,259	132,193,962
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....	56,004,467		56,004,467	55,346,017
8. Receivables for securities.....	46,920		46,920	605,310
9. Aggregate write-ins for invested assets.....	616,712	0	616,712	608,306
10. Subtotals, cash and invested assets (Lines 1 to 9).....	759,722,297	19,160,817	740,561,480	718,952,482
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	3,138,053		3,138,053	3,679,170
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....	72,360,258	226,787	72,133,471	57,155,518
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.....	1,517,346		1,517,346	2,295,088
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.....	11,788,601		11,788,601	14,262,618
16.1 Current federal and foreign income tax recoverable and interest thereon.....	629,960		629,960	8,564,593
16.2 Net deferred tax asset.....	66,709,205	57,554,777	9,154,428	7,562,494
17. Guaranty funds receivable or on deposit.....	922,310		922,310	1,229,746
18. Electronic data processing equipment and software.....	17,622,372	9,479,572	8,142,800	6,880,804
19. Furniture and equipment, including health care delivery assets (\$.....0).....	11,007,353	11,007,353	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	35,724,034		35,724,034	34,594,814
22. Health care (\$.....4,791,612) and other amounts receivable.....	34,853,620	5,989,517	28,864,103	29,150,400
23. Aggregate write-ins for other than invested assets.....	48,759,431	9,462,646	39,296,785	7,450,584
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	1,064,754,840	112,881,469	951,873,371	891,778,311
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	1,064,754,840	112,881,469	951,873,371	891,778,311

DETAILS OF WRITE-INS

0901. Deposits with National Accounts.....	616,712		616,712	608,306
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).....	616,712	0	616,712	608,306
2301. Supplemental Savings Plan.....	32,140,094		32,140,094	
2302. Other Assets.....	6,865,696		6,865,696	7,450,584
2303. Other Nonadmitted Assets.....	9,462,646	9,462,646	0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	290,995	0	290,995	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	48,759,431	9,462,646	39,296,785	7,450,584

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....2,102,027 reinsurance ceded).....	115,212,214	570,398	115,782,612	112,253,369
2. Accrued medical incentive pool and bonus amounts.....	46,987		46,987	53,202
3. Unpaid claims adjustment expenses.....	5,266,357		5,266,357	5,620,907
4. Aggregate health policy reserves.....	83,290,635		83,290,635	69,370,301
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	13,487,462		13,487,462	12,612,874
9. General expenses due or accrued.....	186,574,758		186,574,758	169,410,376
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.....	2,416,232		2,416,232	2,185,656
12. Amounts withheld or retained for the account of others.....	39,006,401		39,006,401	5,666,102
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.....	734,828		734,828	2,251,277
16. Payable for securities.....	30,000		30,000	25,662,632
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.....	1,145,243		1,145,243	2,349,480
21. Aggregate write-ins for other liabilities (including \$.....0 current).....	21,587,489	0	21,587,489	20,945,352
22. Total liabilities (Lines 1 to 21).....	468,798,606	570,398	469,369,004	428,381,528
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	482,504,370	463,396,783
30. Less treasury stock at cost:				
30.10.000 shares common (value included in Line 24 \$.....0).....	XXX	XXX		
30.20.000 shares preferred (value included in Line 25 \$.....0).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	482,504,370	463,396,783
32. Total liabilities, capital and surplus (Lines 22 and 31).....	XXX	XXX	951,873,374	891,778,311

DETAILS OF WRITE-INS

2101. Miscellaneous Liabilities.....	519,804		519,804	27,667
2102. Claims Payable for Self-Insured Plans.....	1,450,000		1,450,000	1,300,000
2103. Deferred Gain on Capitalization of Joint Venture.....	19,617,685		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).....	21,587,489	0	21,587,489	20,945,352
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	5,094,780	5,110,097
2. Net premium income (including \$.....0 non-health premium income).....	XXX	1,148,299,223	1,070,656,941
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(13,920,334)	(11,386,322)
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	1,134,378,889	1,059,270,619
Hospital and Medical:			
9. Hospital/medical benefits.....		582,811,364	556,841,385
10. Other professional services.....			
11. Outside referrals.....			
12. Emergency room and out-of-area.....		122,264,747	112,590,552
13. Prescription drugs.....		187,594,942	166,014,339
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	892,671,053	835,446,276
Less:			
17. Net reinsurance recoveries.....		(56,017,901)	(53,422,598)
18. Total hospital and medical (Lines 16 minus 17).....	0	948,688,954	888,868,874
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....7,148,305 cost containment expenses.....		35,978,955	38,212,884
21. General administrative expenses.....		131,434,276	107,563,886
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			(6,617,802)
23. Total underwriting deductions (Lines 18 through 22).....	0	1,116,102,185	1,028,027,842
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	18,276,704	31,242,777
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		11,184,470	14,884,266
26. Net realized capital gains or (losses) less capital gains tax of \$.....4,128,633.....		7,667,460	(2,845,249)
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	18,851,930	12,039,017
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	(1,050,235)	(1,458,618)
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	36,078,399	41,823,176
31. Federal and foreign income taxes incurred.....	XXX	12,027,631	19,631,129
32. Net income (loss) (Lines 30 minus 31).....	XXX	24,050,768	22,192,047

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.....		10,568	103,951
2902. Regional Management Fees.....		(1,060,803)	(1,562,569)
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	(1,050,235)	(1,458,618)

Member months shown above is net of reinsurance. Member months before reinsurance is 4,993,075 which ties to the Exhibit of Premiums, Enrollment, & Utilization on pg 29.

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	463,396,783	511,331,465
34. Net income or (loss) from Line 32.....	24,050,768	22,192,047
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.....	(1,421,039)	(48,030,547)
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	8,689,766	6,677,667
39. Change in nonadmitted assets.....	(10,899,995)	(27,916,143)
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.....	(1,311,916)	(857,706)
48. Net change in capital and surplus (Lines 34 to 47).....	19,107,584	(47,934,682)
49. Capital and surplus end of reporting period (Line 33 plus 48).....	482,504,368	463,396,783

DETAILS OF WRITE-INS

4701. Change in Unrecognized OPEB liability.....	(2,793,248)	(1,070,572)
4702. Capital Lease Adjustment.....	1,481,332	212,866
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	(1,311,916)	(857,706)

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	1,134,549,139	1,037,022,391
2. Net investment income.....	12,994,959	5,669,174
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	1,147,544,098	1,042,691,565
5. Benefit and loss related payments.....	944,388,184	850,860,819
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	145,136,978	170,902,495
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$....4,128,633 tax on capital gains (losses).....	8,221,631	20,046,222
10. Total (Lines 5 through 9).....	1,097,746,792	1,041,809,535
11. Net cash from operations (Line 4 minus Line 10).....	49,797,306	882,030
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	70,413,778	66,735,523
12.2 Stocks.....	23,773,355	12,331,213
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	1,117,605	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	558,390	24,829,995
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	95,863,128	103,896,731
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	77,261,143	45,208,637
13.2 Stocks.....	17,616,136	31,356,969
13.3 Mortgage loans.....		
13.4 Real estate.....	1,047,135	
13.5 Other invested assets.....	3,832,750	
13.6 Miscellaneous applications.....	25,641,038	605,310
13.7 Total investments acquired (Lines 13.1 to 13.6).....	125,398,202	77,170,916
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(29,535,074)	26,725,815
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(14,030,936)	(1,201,229)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(14,030,936)	(1,201,229)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	6,231,296	26,406,616
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	132,193,962	105,787,346
19.2 End of year (Line 18 plus Line 19.1).....	138,425,257	132,193,962

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

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	593,143,491	89,957,403		683,100,894
2. Medicare supplement.....	197,830,512			197,830,512
3. Dental only.....	22,559,440		22,559,440	0
4. Vision only.....	564,660			564,660
5. Federal employees health benefits plan.....	218,118,455			218,118,455
6. Title XVIII - Medicare.....	4,172,009			4,172,009
7. Title XIX - Medicaid.....				0
8. Other health.....	45,043,916		531,223	44,512,693
9. Health subtotal (Lines 1 through 8).....	1,081,432,483	89,957,403	23,090,663	1,148,299,223
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	1,081,432,483	89,957,403	23,090,663	1,148,299,223

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	891,025,057	469,576,802	156,591,981	17,222,720	433,730	203,036,112	2,874,410		41,289,302	
1.2 Reinsurance assumed.....	74,587,962	74,587,962								
1.3 Reinsurance ceded.....	16,982,399			17,222,720					(240,321)	
1.4 Net.....	948,630,620	544,164,764	156,591,981	0	433,730	203,036,112	2,874,410	0	41,529,623	0
2. Paid medical incentive pools and bonuses.....	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	109,567,690	73,003,368	17,793,950	1,231,000	23,222	16,528,597	4,841		982,712	
3.2 Reinsurance assumed.....	8,316,949	8,316,949								
3.3 Reinsurance ceded.....	2,102,027			1,231,000					871,027	
3.4 Net.....	115,782,612	81,320,317	17,793,950	0	23,222	16,528,597	4,841	0	111,685	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	46,987	46,987								
6. Net healthcare receivables (a).....	3,470,910	3,470,910								
7. Amounts recoverable from reinsurers December 31, current year.....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	104,450,785	68,065,556	18,623,100	1,437,115	27,619	15,524,082	973		772,340	
8.2 Reinsurance assumed.....	9,596,106	9,596,106								
8.3 Reinsurance ceded.....	1,793,523			1,437,115					356,408	
8.4 Net.....	112,253,368	77,661,662	18,623,100	0	27,619	15,524,082	973	0	415,932	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	53,202	53,202								
11. Amounts recoverable from reinsurers December 31, prior year.....	0									
12. Incurred benefits:										
12.1 Direct.....	892,671,052	471,043,704	155,762,831	17,016,605	429,333	204,040,627	2,878,278	0	41,499,674	0
12.2 Reinsurance assumed.....	73,308,805	73,308,805	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	17,290,903	0	0	17,016,605	0	0	0	0	274,298	0
12.4 Net.....	948,688,954	544,352,509	155,762,831	0	429,333	204,040,627	2,878,278	0	41,225,376	0
13. Incurred medical incentive pools and bonuses.....	(6,215)	(6,215)	0	0	0	0	0	0	0	0

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	16,893,629	11,324,947	3,682,556			1,886,126				
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	16,893,629	11,324,947	3,682,556	0	0	1,886,126	0	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	92,674,061	61,678,421	14,111,394	1,231,000	23,222	14,642,471	4,841		982,712	
2.2 Reinsurance assumed.....	8,316,949	8,316,949								
2.3 Reinsurance ceded.....	2,102,027			1,231,000					871,027	
2.4 Net.....	98,888,983	69,995,370	14,111,394	0	23,222	14,642,471	4,841	0	111,685	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	109,567,690	73,003,368	17,793,950	1,231,000	23,222	16,528,597	4,841	0	982,712	0
4.2 Reinsurance assumed.....	8,316,949	8,316,949	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	2,102,027	0	0	1,231,000	0	0	0	0	871,027	0
4.4 Net.....	115,782,612	81,320,317	17,793,950	0	23,222	16,528,597	4,841	0	111,685	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).....	56,843,701	476,319,133	1,419,186	78,670,131	58,262,887	76,338,692
2. Medicare supplement.....	15,735,741	140,856,240	101,962	17,691,988	15,837,703	18,623,100
3. Dental only.....	1,122,559	16,100,161	13,632	1,217,368	1,136,191	1,437,115
4. Vision only.....		433,730		23,222	0	27,619
5. Federal employees health benefits plan.....	14,099,446	188,936,666	561,708	15,966,889	14,661,154	15,524,082
6. Title XVIII - Medicare.....		2,874,410		4,841	0	973
7. Title XIX - Medicaid.....					0	
8. Other health.....		41,289,302		111,685	0	301,787
9. Health subtotal (Lines 1 to 8).....	87,801,447	866,809,642	2,096,488	113,686,124	89,897,935	112,253,368
10. Healthcare receivables (a).....	868,722	8,576,441			868,722	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....				46,987	0	53,202
13. Totals (Lines 9 - 10 + 11 + 12).....	86,932,725	858,233,201	2,096,488	113,733,111	89,029,213	112,306,570

(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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	79,614	294			
2. 2005.....	645,414	80,956	1,147		
3. 2006.....	.XXX	687,796	96,675	976	
4. 2007.....	.XXX	.XXX	740,925	79,497	1,511
5. 2008.....	.XXX	.XXX	.XXX	810,721	86,290
6. 2009.....	.XXX	.XXX	.XXX	.XXX	866,818

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	684,720	685,056			
2. 2005.....	749,348	727,034	727,518		
3. 2006.....	.XXX	790,975	785,439	785,448	
4. 2007.....	.XXX	.XXX	848,693	823,149	821,933
5. 2008.....	.XXX	.XXX	.XXX	920,380	898,025
6. 2009.....	.XXX	.XXX	.XXX	.XXX	980,505

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. 2005.....	918,482	727,517	26,044	3.6	753,561	82.0			753,561	82.0
2. 2006.....	961,885	785,447	35,967	4.6	821,414	85.4			821,414	85.4
3. 2007.....	981,829	821,926	38,142	4.6	860,068	87.6			860,068	87.6
4. 2008.....	1,070,657	897,011	38,210	4.3	935,221	87.4	2,097	97	937,415	87.6
5. 2009.....	1,148,300	866,818	35,979	4.2	902,797	78.6	113,732	5,170	1,021,699	89.0

12.GT

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	.51,697	.62			
2. 2005.....	360,463	.53,415	.876		
3. 2006.....	XXX	.379,935	.63,383	.987	
4. 2007.....	XXX	XXX	.404,599	.50,550	.1,099
5. 2008.....	XXX	XXX	XXX	.446,001	.55,745
6. 2009.....	XXX	XXX	XXX	XXX	.476,328

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	.395,346	.395,685			
2. 2005.....	427,825	.414,393	.414,754		
3. 2006.....	XXX	.449,849	.444,123	.444,305	
4. 2007.....	XXX	XXX	.473,127	.457,992	.456,248
5. 2008.....	XXX	XXX	XXX	.520,068	.501,993
6. 2009.....	XXX	XXX	XXX	XXX	.554,998

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. 2005.....	.570,197	.414,754	.14,545	.3.5	.429,299	.75.3			.429,299	.75.3
2. 2006.....	.598,737	.444,305	.20,454	.4.6	.464,759	.77.6			.464,759	.77.6
3. 2007.....	.588,637	.456,248	.20,793	.4.6	.477,041	.81.0			.477,041	.81.0
4. 2008.....	.648,334	.501,746	.21,021	.4.2	.522,767	.80.6	.1,419	.65	.524,251	.80.9
5. 2009.....	.683,101	.476,328	.19,770	.4.2	.496,098	.72.6	.78,716	.3,578	.578,392	.84.7

12.HM

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	14,153	230			
2. 2005.....	129,204	15,198	268		
3. 2006.....	XXX	125,567	18,617	(11)	
4. 2007.....	XXX	XXX	133,572	14,688	405
5. 2008.....	XXX	XXX	XXX	136,550	15,331
6. 2009.....	XXX	XXX	XXX	XXX	140,856

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	135,596	135,408			
2. 2005.....	148,054	144,632	144,670		
3. 2006.....	XXX	143,663	144,272	144,174	
4. 2007.....	XXX	XXX	153,288	148,181	148,665
5. 2008.....	XXX	XXX	XXX	154,986	152,201
6. 2009.....	XXX	XXX	XXX	XXX	158,548

12.MS

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	170,564	144,670	5,214	3.6	149,884	87.9			149,884	87.9
2. 2006.....	173,182	144,173	6,532	4.5	150,705	87.0			150,705	87.0
3. 2007.....	174,920	148,665	6,876	4.6	155,541	88.9			155,541	88.9
4. 2008.....	183,430	151,881	6,435	4.2	158,316	86.3	102	.5	158,423	86.4
5. 2009.....	197,831	140,856	5,847	4.2	146,703	74.2	17,692	.805	165,200	83.5

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	664	2			
2. 2005.....	9,912	1,009	3		
3. 2006.....	XXX	13,386	1,089		
4. 2007.....	XXX	XXX	12,057	1,025	7
5. 2008.....	XXX	XXX	XXX	14,697	1,115
6. 2009.....	XXX	XXX	XXX	XXX	16,100

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	7,331	7,326			
2. 2005.....	11,015	10,740	10,925		
3. 2006.....	XXX	14,886	14,481	14,475	
4. 2007.....	XXX	XXX	13,073	13,081	13,089
5. 2008.....	XXX	XXX	XXX	16,130	15,829
6. 2009.....	XXX	XXX	XXX	XXX	17,318

12.D0

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. 2005.....	8,373	10,924	400	3.7	11,324	135.2			11,324	135.2
2. 2006.....	54	14,475	676	4.7	15,151	28,057.4			15,151	28,057.4
3. 2007.....		13,082	621	4.7	13,703	0.0			13,703	0.0
4. 2008.....		15,812	692	4.4	16,504	0.0	14	1	16,519	0.0
5. 2009.....		16,100	669	4.2	16,769	0.0	1,217	55	18,041	0.0

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....					
3. 2006.....	XXX				
4. 2007.....	XXX	XXX			
5. 2008.....	XXX	XXX	XXX	294	
6. 2009.....	XXX	XXX	XXX	XXX	434

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....					
3. 2006.....	XXX				
4. 2007.....	XXX	XXX			
5. 2008.....	XXX	XXX	XXX	322	294
6. 2009.....	XXX	XXX	XXX	XXX	457

12.VO

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. 2005.....				0.0	0	0.0			0	0.0
2. 2006.....				0.0	0	0.0			0	0.0
3. 2007.....	402		16	0.0	16	4.0			16	4.0
4. 2008.....	470	294	14	4.8	308	65.5			308	65.5
5. 2009.....	565	434	18	4.1	452	80.0	23	1	476	84.2

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	13,100				
2. 2005.....	145,835	11,334			
3. 2006.....	XXX	159,172	13,586		
4. 2007.....	XXX	XXX	180,552	13,234	
5. 2008.....	XXX	XXX	XXX	185,082	14,099
6. 2009.....	XXX	XXX	XXX	XXX	188,937

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	146,447	146,637			
2. 2005.....	162,454	157,269	157,169		
3. 2006.....	XXX	173,747	172,827	172,758	
4. 2007.....	XXX	XXX	198,011	193,750	193,786
5. 2008.....	XXX	XXX	XXX	200,474	199,611
6. 2009.....	XXX	XXX	XXX	XXX	204,904

12.FE

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. 2005.....	169,348	157,169	5,885	3.7	163,054	96.3			163,054	96.3
2. 2006.....	182,461	172,758	7,902	4.6	180,660	99.0			180,660	99.0
3. 2007.....	208,882	193,786	9,295	4.8	203,081	97.2			203,081	97.2
4. 2008.....	208,162	199,181	8,724	4.4	207,905	99.9	562	26	208,493	100.2
5. 2009.....	218,118	188,937	7,843	4.2	196,780	90.2	15,967	726	213,473	97.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....					
3. 2006.....	XXX				
4. 2007.....	XXX	XXX			
5. 2008.....	XXX	XXX	XXX	600	
6. 2009.....	XXX	XXX	XXX	XXX	2,874

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....					
3. 2006.....	XXX				
4. 2007.....	XXX	XXX			
5. 2008.....	XXX	XXX	XXX	601	600
6. 2009.....	XXX	XXX	XXX	XXX	2,879

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....				0.0	0	0.0			0	0.0
2. 2006.....				0.0	0	0.0			0	0.0
3. 2007.....	353		20	0.0	20	5.7			20	5.7
4. 2008.....	750	600	28	4.7	628	83.7			628	83.7
5. 2009.....	4,172	2,874	119	4.1	2,993	71.7	5		2,998	71.9

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	NONE				
2. 2005.....					
3. 2006.....					
4. 2007.....					
5. 2008.....					
6. 2009.....					

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	NONE				
2. 2005.....					
3. 2006.....					
4. 2007.....					
5. 2008.....					
6. 2009.....					

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....				0.0	0.0	0.0			0	0.0
2. 2006.....				0.0	0.0	0.0			0	0.0
3. 2007.....				0.0	0.0	0.0			0	0.0
4. 2008.....				0.0	0.0	0.0			0	0.0
5. 2009.....				0.0	0.0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....					
3. 2006.....	XXX	9,736			
4. 2007.....	XXX	XXX	10,145		
5. 2008.....	XXX	XXX	XXX	27,497	
6. 2009.....	XXX	XXX	XXX	XXX	41,289

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 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....					
3. 2006.....	XXX	8,830	9,736	9,736	
4. 2007.....	XXX	XXX	11,194	10,145	10,145
5. 2008.....	XXX	XXX	XXX	27,799	27,497
6. 2009.....	XXX	XXX	XXX	XXX	41,401

12.01

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. 2005.....				.00	.0	.00			.0	.00
2. 2006.....	7,451	9,736	403	4.1	10,139	136.1			10,139	136.1
3. 2007.....	8,635	10,145	521	5.1	10,666	123.5			10,666	123.5
4. 2008.....	29,511	27,497	1,296	4.7	28,793	97.6			28,793	97.6
5. 2009.....	44,513	41,289	1,713	4.1	43,002	96.6	112	.5	43,119	96.9

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves.....	83,290,635	16,101,608				66,878,544	269,685		40,799
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	.0								
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	83,290,635	16,101,608	.0	.0	.0	66,878,544	269,685	.0	40,799
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	83,290,635	16,101,608	.0	.0	.0	66,878,544	269,685	.0	40,799
CLAIM RESERVE									
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	.0								
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 7).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
DETAILS OF WRITE-INS									
0501.0								
0502.0								
0503.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101.0								
1102.0								
1103.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

13

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....8,105,778 for occupancy of own building).....	1,093	22,886	434,423	8,105,778	8,564,180
2. Salaries, wages and other benefits.....	9,228,991	17,152,687	55,078,001		81,459,679
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			22,483,475		22,483,475
4. Legal fees and expenses.....	55,051		1,134,267		1,189,318
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	257,491	12,020	2,611,462		2,880,973
7. Traveling expenses.....	252,996	155,941	1,539,190		1,948,127
8. Marketing and advertising.....	8,481	54	943,249		951,784
9. Postage, express and telephone.....	217,053	1,842,556	3,146,503		5,206,112
10. Printing and office supplies.....	564,529	428,522	2,271,517		3,264,568
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	561,062	1,701,051	7,623,399		9,885,512
13. Cost or depreciation of EDP equipment and software.....	3,167	211,874	880,967		1,096,008
14. Outsourced services including EDP, claims, and other services.....	2,788,585	3,700,751	13,720,172	670,792	20,880,300
15. Boards, bureaus and association fees.....	33,173		2,438,760		2,471,933
16. Insurance, except on real estate.....	40,945	88,912	389,462		519,319
17. Collection and bank service charges.....		5,985	623,040		629,025
18. Group service and administration fees.....	(9,127,350)	6,790	(4,482,427)		(13,602,987)
19. Reimbursements by uninsured plans.....	(134,411)	(135,306)	(819,414)		(1,089,131)
20. Reimbursements from fiscal intermediaries.....		1,471,733	16,081		1,487,814
21. Real estate expenses.....	242,064	558,704	4,260,107	715,401	5,776,276
22. Real estate taxes.....	6,605	18,662	103,096	24,540	152,903
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			43,104		43,104
23.2 State premium taxes.....			3,935,172		3,935,172
23.3 Regulatory authority licenses and fees.....	345	42	127,717		128,104
23.4 Payroll taxes.....	568,913	991,324	2,683,196		4,243,433
23.5 Other (excluding federal income and real estate taxes).....	7,697	35,907	427,480		471,084
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	1,571,825	559,555	9,822,277	0	11,953,657
26. Total expenses incurred (Lines 1 to 25).....	7,148,305	28,830,650	131,434,276	9,516,512	(a) 176,929,742
27. Less expenses unpaid December 31, current year.....		5,266,357	186,574,758		191,841,115
28. Add expenses unpaid December 31, prior year.....		5,620,907	169,410,376		175,031,283
29. Amounts receivable relating to uninsured plans, prior year.....			29,327,983		29,327,983
30. Amounts receivable relating to uninsured plans, current year.....			24,540		24,540
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	7,148,305	29,185,200	84,966,451	9,516,512	130,816,468

DETAILS OF WRITE-INS

2501. Administrative Expenses Assumed.....	1,562,732	905,034	8,647,424		11,115,190
2502. Administrative Expenses Ceded.....	(78)	(16,873)	(42,737)		(59,688)
2503. Contributions.....	413	195	53,245		53,853
2598. Summary of remaining write-ins for Line 25 from overflow page.....	8,758	(328,801)	1,164,345	0	844,302
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,571,825	559,555	9,822,277	0	11,953,657

(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).....5,577,356	5,340,067
1.1 Bonds exempt from U.S. tax.....	(a).....	
1.2 Other bonds (unaffiliated).....	(a).....5,179,261	5,411,242
1.3 Bonds of affiliates.....	(a).....	
2.1 Preferred stocks (unaffiliated).....	(b).....24,250	24,250
2.11 Preferred stocks of affiliates.....	(b).....	
2.2 Common stocks (unaffiliated).....	2,316,161	1,978,872
2.21 Common stocks of affiliates.....		
3. Mortgage loans.....	(c).....	
4. Real estate.....	(d).....9,455,019	9,455,019
5. Contract loans.....		
6. Cash, cash equivalents and short-term investments.....	(e).....666,662	378,433
7. Derivative instruments.....	(f).....	
8. Other invested assets.....		
9. Aggregate write-ins for investment income.....	(1,710)	(1,710)
10. Total gross investment income.....	23,216,999	22,586,173
11. Investment expenses.....		(g).....9,516,512
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).....1,885,190
15. Aggregate write-ins for deductions from investment income.....		0
16. Total deductions (Lines 11 through 15).....		11,401,702
17. Net investment income (Line 10 minus Line 16).....		11,184,471

DETAILS OF WRITE-INS

0901. FEP Investment Service Charge.....	(1,710)	(1,710)
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).....	(1,710)	(1,710)
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 \$....451,490 accrual of discount less \$....1,577,853 amortization of premium and less \$....530,506 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 \$....1,885,190 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....			0		
1.1 Bonds exempt from U.S. tax.....			0		
1.2 Other bonds (unaffiliated).....	235,813		235,813		
1.3 Bonds of affiliates.....			0		
2.1 Preferred stocks (unaffiliated).....		(515,258)	(515,258)		
2.11 Preferred stocks of affiliates.....			0		
2.2 Common stocks (unaffiliated).....	15,035,308	(1,226,923)	13,808,385	(1,421,038)	
2.21 Common stocks of affiliates.....			0		
3. Mortgage loans.....			0		
4. Real estate.....			0		
5. Contract loans.....			0		
6. Cash, cash equivalents and short-term investments.....			0		
7. Derivative instruments.....			0		
8. Other invested assets.....	(1,732,848)		(1,732,848)		
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0	0
10. Total capital gains (losses).....	13,538,273	(1,742,181)	11,796,092	(1,421,038)	0

DETAILS OF WRITE-INS

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....	19,160,817	19,973,267	812,450
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).....	19,160,817	19,973,267	812,450
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.....	226,787	349,492	122,705
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.....	57,554,777	57,727,258	172,481
17. Guaranty funds receivable or on deposit.....			.0
18. Electronic data processing equipment and software.....	9,479,572	5,083,548	(4,396,024)
19. Furniture and equipment, including health care delivery assets.....	11,007,353	8,353,786	(2,653,567)
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
21. Receivables from parent, subsidiaries and affiliates.....			.0
22. Health care and other amounts receivable.....	5,989,517	2,605,330	(3,384,187)
23. Aggregate write-ins for other than invested assets.....	9,462,646	7,888,793	(1,573,853)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	112,881,469	101,981,474	(10,899,995)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
26. TOTALS (Lines 24 and 25).....	112,881,469	101,981,474	(10,899,995)

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.....	9,462,646	7,888,793	(1,573,853)
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).....	9,462,646	7,888,793	(1,573,853)

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.....	281,442	291,167	279,036	279,843	281,392	3,387,254
4. Point of service.....						
5. Indemnity only.....	134,755	134,314	133,560	133,634	133,226	1,605,821
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	416,197	425,481	412,596	413,477	414,618	4,993,075

DETAILS OF WRITE-INS

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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.

Arkansas Blue Cross and Blue Shield adopted Financial Accounting Standard 158 for its 2007 fiscal year end. FAS 158 improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. For postretirement benefit plans other than pension, the benefit obligation is the accumulated postretirement benefit obligation (APBO).

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. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132R*, effective December 31, 2007. The Statement requires recognition of the funded status of a defined benefit plan in the statement of admitted assets, liabilities and surplus as an asset or liability if the plan is overfunded or underfunded, respectively. Changes in the funded status of a plan are required to be recognized in the year in which the changes occur, and reported in the statement of operations and changes in surplus as a separate component of surplus for SAP purposes. Further, certain gains and losses that were not previously recognized in the financial statements are required to be reported in surplus for SAP purposes; and certain disclosure requirements were changed. These changes are effective for fiscal years ending after December 15, 2006, with no retroactive restatement of prior periods. SFAS No. 158 also requires companies to measure a plan's assets and obligations that determine its funded status as of the end of the employers's fiscal year instead of the November 30 early measurement date the Company currently uses. This change is effective for fiscal years ending after December 15, 2008. The Company will adopt the measurement date provisions in 2008.

B. The Company received approval from the Department to include the other postretirement benefit obligation in accordance with *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans*, which requires accrual for non-vested employees. Statutory accounting practices prescribed by the NAIC and the Department require that other postretirement decreased surplus by approximately \$48.8 million and \$47.7 million for the years ended December 31, 2009 and 2008, respectively.

3. Business Combinations and Goodwill

The Company had no business combinations or goodwill as of December 31, 2009.

4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2009.

NOTES TO FINANCIAL STATEMENTS**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 and/or security lending transactions at this time.
 F. N/A
 G. The Company has no investment in low-income housing tax credits.

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 follows: US Able Corporation 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, 2008, 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:

2009	\$ 1,087,000
2008	\$ 15,285,000
2007	\$ 21,526,000

The components of current income tax expense are as follows:

	2009	2008
Federal	\$ 10,806,135	\$ 20,406,867
Foreign		121,250
Federal Income Tax on net capital gains	\$ 5,350,128	\$ (2,429,048)
Utilization of capital loss carry-forwards	-	
Federal income tax incurred	\$ 16,156,263	\$ 18,099,069

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, 2009	Effective Tax Rate
Provision computed at statutory rate	\$ 14,072,461	35.0%
Tax exempt income deduction	\$ (340,176)	0
Dividends received deduction	\$ (349,776)	-0.9%
Tax differentials on foreign earnings	\$ 0	0
Nondeductible expenses	\$ 501,817	1.2%
Tax Credits	\$ (288,528)	-0.7%
Transfer of Subsidiary liability	\$ 0	0.0%
Other	\$ (6,129,301)	-15.2%
Total	\$ 7,466,497	18.6%
Federal and foreign income taxes incurred	\$ 16,156,263	40.2%
Change in net deferred incomes taxes	\$ (8,689,765)	-21.6%
Total statutory incomes taxes	\$ 7,466,498	18.6%

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2009	December 31, 2008
Total of all deferred tax asset (admitted and nonadmitted)	\$93,597,091	\$ 85,856,824
Total of all deferred tax liabilities	26,887,886	20,567,072
Net deferred tax asset (liability)	66,709,206	65,289,752
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	57,554,777	57,727,258
Net admitted deferred tax asset/(liability)	9,154,428	7,562,494
Increase (decrease) in deferred tax assets nonadmitted	\$ (172,481)	\$ 26,684,023

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, 2009	December 31, 2008
Deferred Tax Assets:		
Tax basis discount on unpaid losses	\$ 714,576	\$ 717,326
Adjustment for deferred acquisitions costs	6,173,226	5,943,300
Accrued deferred compensation	16,649,887	15,043,384
Unrealized Gain/Losses on deferred comp	763,447	2,863,364
Other Post Employment Benefits	34,985,655	32,166,752
FAS 158 - OPEB	11,916,800	10,412,743
Basis difference in investments	9,706,181	8,375,389
Unrealized Gain/Loss on partnerships	214,431	678,105
Depreciable assets	8,217,260	5,911,862
Intangibles	3,359,790	3,371,298
Other	895,837	373,300
Total deferred tax assets	93,597,091	85,856,824
Total deferred tax assets non-admitted	57,554,777	57,727,258
Admitted deferred tax assets	36,042,314	28,129,566
Deferred Tax Liabilities:		
Unrealized Capital Gains	13,093,068	7,040,047
Accrued dividends	29,924	147,975
Basis diff in Unconsolidated Subs	13,372,280	13,194,747
Unrealized Gain/Loss on Unconsolid Subs	131,972	(25,785)
Other	260,642	210,088
Total deferred tax liabilities	26,887,886	20,567,072
Net admitted deferred tax asset	9,154,428	7,562,494

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

	December 31, 2009	December 31, 2008	Change
Total deferred tax assets	\$ 93,597,091	\$ 85,856,824	\$ 7,740,268
Total deferred tax liabilities	26,887,886	20,567,072	6,320,814
Net deferred tax asset (liability)	\$ 66,709,206	\$ 65,289,752	\$ 1,419,454
Tax effect of unrealized gains (losses)-portfolio			6,053,021
Tax effect of unreal gains (losses)-other inv			621,431
Tax effect of unreal gains (losses)-SSP			2,099,917
Tax effect of unreal gains (losses)-FAS 158			(1,504,057)
Tax effect of transfer of subsidiary liability			
Change in net deferred income tax			\$ 8,689,765

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 LSV Partners, 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, 2008, USABLE Corporation owns 100% of AHIN, LLC, 50% of Novitas Health, LLC, 50% of Southwest Health Link, LLC and 100% of Group Service Underwriters. 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. On January 1, 2008, Life and Specialty Ventures, LLC became LSV Partners, LLC and a new Life and Specialty Ventures, LLC was formed. LSV Partners owns 100% of Florida Combined Life Insurance Company and 44.1% of Life and Specialty Ventures, LLC. On August 22, 2007, Arkansas Blue Cross Blue Shield invested \$3.7 million in B.P. Informatics LLC, a Delaware LLC. Additional capital contributions made in 2008 and 2009 totaling \$2,875,000 in B.P. Informatics, LLC brought the percentage ownership to 18.94%. On March 31, 2009, ABCBS invested \$10,000 in Shareware, LLC for percentage ownership of 16.67%.

B. N/A

NOTES TO FINANCIAL STATEMENTS

C. N/A

D. At December 31, 2009 the Company reported the following amounts due from Affiliates:

HMO Partners, Inc.	6,117,955
USABLE Life	62,891
USABLE Corporation	10,224,301
AHIN, LLC	178,474
Life and Specialty Ventures	760
Pinnacle Business Solutions	19,200,792
Joint Venture	-
Blue & You Foundation	22,448
USABLE Life Group Health	(83,587)
Total	\$ 35,724,034

At December 31, 2009 the Company reported the following amounts due to Affiliates:

Joint Venture	250,078
USABLE Life	300,909
USABLE Corporation	178,329
Life and Specialty Ventures	794
Pinnacle Business Solutions	36
USABLE Life Group Health	4,755
Total	\$ 734,828

E. N/A

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

G. N/A

H. N/A

I. N/A

J. N/A

K. N/A

L. N/A

11. Debt

A. As of December 31, 2009, the Company has no capital notes.

B. As of December 31, 2009, 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 2008, 4% was used to calculate the Company's contribution of \$2,036,973, and for 2009, 4% was used to calculate the contribution of \$2,004,080.

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

F. N/A

Medical Indemnity and Life Plans

The Company provides unfunded medical indemnity and life insurance plans for eligible retirees and/or their spouses. The medical plan is available to all employees hired before January 1, 1995, who retire on or after age 55 with 15 or more years of service with the Company. For currently eligible retirees and individuals employed by the Company as of January 1, 1995, who retired before January 1, 1996, the entire cost of coverage is paid by the employer. For individuals employed by the Company before January 1, 1995, who retire after January 1, 1996, the cost of coverage to be funded by the Company will be limited. The maximum annual amount to be funded is based on the individual's years of service and marital status and will be adjusted annually by a fixed percentage.

NOTES TO FINANCIAL STATEMENTS

The life insurance program covers the lives of retirees age 55 or older who are eligible for a pension benefit or become disabled. Life insurance amounts, which are based on the employee's basic annual earnings at retirement, range from \$20,000 for a minimum salary of \$10,000 to \$150,000 for a salary of \$75,000 or more. Benefits are reduced by 50% at age 65, 75% at age 70 and limited to \$5,000 at age 75 and beyond.

Following is a summary of amounts in accumulated other comprehensive income as of December 31, 2007 that have not yet been recognized in the consolidated statements of income as components of net periodic benefit cost (in thousands):

Net actuarial loss	40,472
Prior service cost	(8,988)

Following is a summary of the unfunded benefit obligation, employee postretirement benefit obligation and the weighted average assumptions used in the determination of the Company's net periodic postretirement benefit cost at December 31 (in thousands):

	<u>2009</u>
Unfunded benefit obligation	131,698
Employee postretirement benefits other than pension	131,698
Weighted average assumptions:	
Discount rate	5.95%
Expected return on plan assets	N/A
Rate of compensation increase	5.00%
Benefit cost	10,931
Employer contribution	2,866
Benefits paid	2,866

For the years ended December 31, 2009 and 2008, the plan did not assume an expected return on plan assets since the plan was unfunded. The health care cost trend rate used to measure the expected cost of benefits is assumed to be the following for each year:

December 31, 2009	8.00%
December 31, 2008	8.00%

Increasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	<u>% Incr</u>	<u>From</u>	<u>To</u>
Aggregate Service & Interest cost	2.33%	10,627,000	10,829,000
APBO	2.09%	131,699,000	134,460,000

Decreasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	<u>% Decr</u>	<u>From</u>	<u>To</u>
Aggregate Service & Interest cost	2.14%	10,627,000	10,355,000
APBO	1.94%	131,699,000	129,131,000

The following expected benefit payments by year, which reflect expected future service, as appropriate, are expected to be paid:

2010	2,755,000
2011	3,351,000
2012	3,996,000
2013	4,563,000
2014	5,265,000
2015 - 2018	36,069,000

Prior service costs and gains/losses are amortized on a straight-line basis over the average remaining service period of active participants. The estimated net actuarial loss and prior service credit that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are 2,362,000 and 1,025,000, respectively.

Disability Medical Benefits Plan

The Company provides certain disability medical benefits to all employees who are eligible for long-term disability insurance under the Company's long-term disability insurance program, which applies to employees that have been employed for at least 12 months and have been absent due to disability for a period of at least 180 days.

Any employee hired before January 1, 1995, who becomes disabled after age 55 and with 15 years of service with the Company shall be eligible for retiree coverage under the terms of the Company's retiree medical plan. Any employee who is hired after January 1, 1995, or is less than age 55 at the time of disability or has less than 15 years of service with the Company at the time of the disability is a participant under this long-term disability medical benefits plan. Employees who have 15 years of service with the Company at the time of disability shall be allowed to continue coverage under the Company's group health and dental plan. The employee will be required to pay the difference between the total premium and the disabled employee's premium allowance. The premium allowance is an annual allowance based on years of service up to 25, which is increased by 5% each year. Any employee on long-term disability shall be required to apply for Social Security disability and Medicare disability benefits. Both coverage under the Company's health plan and the allowance will end on the earlier of (1) the date the employee fails to pay the applicable premium, net of any allowance; (2) the date the employee is no longer disabled under the long-term disability insurance program; or (3) attainment of age 65.

NOTES TO FINANCIAL STATEMENTS

Employees who have less than 15 years of service at the time of disability shall be allowed 36 months of health coverage, inclusive of any COBRA coverage. The Company will pay 100% of the single premium for such period. Coverage under this plan ends on the earlier of the end of the 36-month period or the date the employee is no longer disabled under the long-term disability insurance program.

Following is a summary of the employee postretirement benefit obligation and the weighted average assumptions used in the determination of the Company's net periodic postretirement benefit cost at December 31, 2007 (in thousands):

Employee postretirement benefits other than pension	2,419,000
Weighted average assumptions:	
Discount rate	5.95%
Rate of compensation increase	5.00%
Prior service cost	1,119,000

For the years ended December 31, 2009 and 2008, the plan did not assume an expected return on plan assets since the plan was unfunded. The health care cost trend rate used to measure the expected cost of benefits is assumed to be the following for each year:

December 31, 2009	8.00%
December 31, 2008	8.00%

Increasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	<u>% Incr</u>	<u>From</u>	<u>To</u>
Aggregate Service & Interest Cost	7.50%	127,000	137,000
APBO	8.64%	2,419,000	2,632,000

Decreasing the assumed health care cost trend rate by one percentage point for all future years results in the following effect in the aggregate of service and interest cost components of benefit cost and the accumulated postretirement benefit obligation for the current year ended:

	<u>% Incr</u>	<u>From</u>	<u>To</u>
Aggregate Service & Interest cost	8.11%	127,000	117,000
APBO	7.16%	2,419,000	2,242,000

The following expected benefit payments by year, which reflect expected future service, as appropriate, are expected to be paid:

2010	90,000
2011	101,000
2012	101,000
2013	110,000
2014	117,000
2015 - 2019	731,000

Prior service costs and gains/losses are amortized on a straight-line basis over the average remaining service period of active participants.

The estimated net actuarial loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is 7,000.

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

- 1) As of December 31, 2009, 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, 2009, no stock was held by the Company for special purposes such as employee stock options or conversion of preferred stock.
- 8) The Company has no special surplus funds.
- 9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
 - a. unrealized gains and losses: \$ 22,018,026
 - b. nonadmitted asset values: \$112,881,468
 - c. provision for reinsurance: \$ 0
- 10) The Company has no Surplus Notes as of December 31, 2009.
- 11) The Company was not involved in a quasi-reorganization.
- 12) The Company was not involved in a quasi-reorganization.
- 13) The Company was not involved in a quasi-reorganization.

NOTES TO FINANCIAL STATEMENTS**14. Contingencies**

The Company is not aware of any contingent liabilities as of December 31, 2009.

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, 2009. 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, 2009.

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	\$ 1,047,576
Cost Plus Large Claim & Aggregate Expense	308,004
Difference	739,572

Assume Cost Plus Retention Charges = Actual Admin

Then Gain/(Loss) on Cost Plus is \$ 739,572

The gain (loss) from operations for uninsured accident and health plans was as follows during 2009:

	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses	NONE	\$ 739,572	\$ 739,572
Other Income	NONE	NONE	NONE
Net gain or (loss) from operations	NONE	\$ 739,572	\$ 739,572

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. Other Items

- A. The Company had no extraordinary items as of December 31, 2009.
- B. The Company had no troubled debt restructuring as of December 31, 2009.
- C. The Company did not have any other disclosures covered by SSAP No. 1 in the 2009 Annual Statement.
- D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2009.
- E. The Company did not have any Business Interruption Insurance Recoveries as of December 31, 2009.
- F. The Company has no business interruption insurance recoveries.
- G. The Company does not engage in sub-prime residential mortgage lending nor does it have any material direct investments in collateralized debt obligations or debt securities that are directly backed by residential mortgages. The Company's exposure to sub-prime lending is limited to its ownership of the general obligation debt and/or equity securities of both governmental and commercial entities whose business activities include residential mortgage lending.

As of December 31, 2009, the Company held no debt securities described in the previous paragraph.

The market value of the Company's investment in the equity securities of commercial enterprises that engage in residential mortgage lending accumulates to \$1,369,281. This represents 1.33% of the Company's non related investments in equity securities of \$103,832,197.

- H. N/A
- I. N/A

NOTES TO FINANCIAL STATEMENTS

21. Events Subsequent

There were no known events subsequent as of December 31, 2009.

22. Reinsurance

A. Ceded Reinsurance Report

Section 1

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

Section 2

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

Section 3

1. The estimated reduction in surplus if the reinsurance agreement was terminated would be \$-0-.
2. No new agreements have been executed during 2009.

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

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

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

24. 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.

25. Intercompany Pooling Arrangements

The Company did not have any intercompany pooling arrangements

26. Structured Settlements

The Company did not have any structured settlements as of December 31, 2009.

27. Health Care Receivable

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

Qtr	Est Rebates on F/S	Admitted	Invoiced	---Rebates collected within days of qtr---		
				0-90	91-180	over 180
12/31/09	\$ 9,445,163	\$4,791,612				
09/30/09	\$ 7,068,148	\$4,457,948	153,216			
06/30/09	\$ 5,336,153	\$3,501,386	1,898,056	242,572		2,452,697
03/31/09	\$ 8,641,749	\$3,501,387	1,748,896	288,324		2,262,734
12/31/08	\$ 5,974,253	\$3,649,712	159,636	1,847,135		1,570,121
09/30/08	\$10,029,711	\$7,710,236		847,824		1,659,045
06/30/08	\$ 8,314,994	\$6,320,398				122,961
03/31/08	\$ 7,487,199	\$4,530,370				153,200

B. The company has no risk-sharing receivables.

28. Participating Policies

The Company did not have any participating policies.

29. Premium Deficiency Reserves

The Company did not have any premium deficiency reserves as of December 31, 2009.

30. 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.

NOTES TO FINANCIAL STATEMENTS

Line of Business	Year Incurred	December 31 2009	December 31 2008
Accident and Health	2005	\$ 89,387	\$ 564
	2006	\$ 63,955	\$ 25,490
	2007	\$ 70,575	\$ 29,399
	2008	\$ 357,478	\$ 521,132
	2009	\$ 1,481,550	
Total		\$ 2,062,945	\$ 576,903

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 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. 12/31/2005
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/09/2007

- 3.4 By what department or departments? Arkansas Insurance Department
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [] No [] N/A [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]

- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information: _____

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

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

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. _____

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
BKD, LLP
Little Rock, Arkansas

10. 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, Arkansas

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

- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value
- 11.2 If yes, provide explanation. _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
-
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
-
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 - c. Compliance with applicable governmental laws, rules and regulations;
 - d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 - e. Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
-
- 13.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
-
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
- 13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).
-

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []
16. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers \$.....0
 - 18.12 To stockholders not officers \$.....0
 - 18.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers \$.....0
 - 18.22 To stockholders not officers \$.....0
 - 18.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others
 - 19.22 Borrowed from others
 - 19.23 Leased from others
 - 19.24 Other
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No []
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$.....0
 - 20.22 Amount paid as expenses \$.....3,517,330
 - 20.23 Other amounts paid \$.....0
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)? Yes [X] No []
- 22.2 If no, give full and complete information relating thereto.
-
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 16 where this information is also provided).
-
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]
- 22.5 If answer to 22.4 is yes, report amount of collateral.
- 22.6 If answer to 22.4 is no, report amount of collateral.
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [] No [X]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

- 23.21 Subject to repurchase agreements
- 23.22 Subject to reverse repurchase agreements
- 23.23 Subject to dollar repurchase agreements
- 23.24 Subject to reverse dollar repurchase agreements
- 23.25 Pledged as collateral
- 23.26 Placed under option agreements
- 23.27 Letter stock or securities restricted as to sale
- 23.28 On deposit with state or other regulatory body
- 23.29 Other

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
 If no, attach a description with this statement.

- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year:

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

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

1 Name of Custodian(s)	2 Custodian's Address
USBank Institutional Trust & Custody	PO Box 387, St. Louis, MO 63166-0387

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Regions Morgan Keegan Trust	US Bank Institutional Trust & Custody	04/01/2009	Service & Pricing

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

1 Central Registration Depository Number(s)	2 Name	3 Address
116359	Foundation Resource Management	401 W. Capitol, Suite 501, Little Rock, AR 72201

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

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
88018T 10 1	Templeton Dragon Fund	1,411,555
27.2999. TOTAL		1,411,555

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Templeton Dragon	Dairy Farm Intl Hldgs Ltd	224,437	12/31/2009
Templeton Dragon	Sinopec (China Petroleum & Chemical Corp)	112,924	12/31/2009
Templeton Dragon	Petrochina Co. Ltd.	81,870	12/31/2009
Templeton Dragon	CNOOC Ltd.	79,047	12/31/2009
Templeton Dragon	China Mobile Ltd	69,166	12/31/2009
Templeton Dragon	China Construction Bank Corp	49,404	12/31/2009
Templeton Dragon	China Shenhua Energy Co. Ltd.	46,581	12/31/2009
Templeton Dragon	Yanzhou Coal Mining Co. Ltd.	43,758	12/31/2009
Templeton Dragon	Shanghai Industrial Holdings Ltd	43,758	12/31/2009
Templeton Dragon	Taiwan Semiconductor Mfg Co Ltd	42,347	12/31/2009

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	385,164,668	395,647,372	10,482,704
28.2 Preferred stocks.....	256,400	256,400	0
28.3 Totals.....	385,421,068	395,903,772	10,482,704

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

Fair value pricing obtained, where applicable, from NAIC 4th Quarter 2009 Valuation of Securities database, or from market prices provided by US Bank Institutional Trust & Custody, custodian for investment assets, for issues which were not priced by NAIC at year-end.

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

OTHER

- 31.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....2,595,523
 31.2 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	2,008,543

- 32.1 Amount of payments for legal expenses, if any? \$.....1,097,102
 32.2 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

- 33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....238,103
 33.2 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	94,103
Steve Napper LTD	64,000
Ted Mullenix and Associates	60,000

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 \$.....197,830,513
- 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. \$.....155,762,833
- 1.6 Individual policies:
 - Most current three years:
 - 1.61 Total premium earned \$.....27,563,341
 - 1.62 Total incurred claims \$.....22,268,880
 - 1.63 Number of covered lives21,379
 - All years prior to most current three years:
 - 1.64 Total premium earned \$.....170,267,172
 - 1.65 Total incurred claims \$.....133,493,953
 - 1.66 Number of covered lives82,302
- 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 lives0
 - 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 lives0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	1,148,299,223	1,070,656,941
2.2 Premium Denominator.....	1,148,299,223	1,070,656,941
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	199,079,435	181,533,709
2.5 Reserve Denominator.....	199,120,234	181,676,872
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, and if the earnings of the reporting entity permits? Yes [] No [X]
- 3.2 If yes, give particulars:

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [] 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 and vision \$.....0
 - 5.35 Other limited benefit plan \$.....0
 - 5.36 Other \$.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Hold Harmless 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 year12,461
 - 8.2 Number of providers at end of reporting year12,923

- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
- 9.2 If yes, direct premium earned:
 - 9.21 Business with rate guarantees between 15-36 months
 - 9.22 Business with rate guarantees over 36 months

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [] 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. \$.....500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation:
-
-

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

1
Name of Service Area
State of Arkansas

- 13.1 Do you act as a custodian for health savings account? Yes [] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date.
- 13.3 Do you act as an administrator for health savings accounts? Yes [] No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date.

FIVE-YEAR HISTORICAL DATA

	1 2009	2 2008	3 2007	4 2006	5 2005
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26).....	951,873,372	891,778,311	957,741,648	891,799,112	765,025,230
2. Total liabilities (Page 3, Line 22).....	469,369,004	428,381,528	446,410,184	396,753,324	336,350,704
3. Statutory surplus.....	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 31).....	482,504,370	463,396,783	511,331,465	495,045,788	428,674,526
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	1,134,378,889	1,059,270,619	995,986,312	954,121,311	905,658,277
6. Total medical and hospital expenses (Line 18).....	948,688,954	888,868,874	837,626,941	766,195,270	714,779,226
7. Claims adjustment expenses (Line 20).....	35,978,955	38,212,884	38,142,540	35,967,229	26,043,512
8. Total administrative expenses (Line 21).....	131,434,276	107,563,886	105,064,734	96,334,569	82,219,640
9. Net underwriting gain (loss) (Line 24).....	18,276,704	31,242,777	14,895,686	55,856,142	82,935,644
10. Net investment gain (loss) (Line 27).....	18,851,930	12,039,017	30,727,689	22,665,185	17,388,988
11. Total other income (Lines 28 plus 29).....	(1,050,235)	(1,458,618)	(285,943)	(3,145,815)	(13,364,317)
12. Net income or (loss) (Line 32).....	24,050,768	22,192,047	28,278,642	43,239,910	51,554,601
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	49,797,306	882,030	33,067,985	71,270,487	39,716,137
Risk-Based Capital Analysis					
14. Total adjusted capital.....	482,504,370	463,396,783	511,331,465	495,045,788	428,674,526
15. Authorized control level risk-based capital.....	55,306,593	57,150,730	59,431,915	54,334,862	38,273,030
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	414,618	416,197	413,480	425,159	407,061
17. Total member months (Column 6, Line 7).....	4,993,075	5,006,775	4,988,795	5,069,901	4,841,073
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	83.6	83.9	100.0	100.0	100.0
20. Cost containment expenses.....	0.6	1.1	1.8	1.4	1.1
21. Other claims adjustment expenses.....	2.5	2.5	2.0	2.3	1.8
22. Total underwriting deductions (Line 23).....	98.4	97.1	98.5	94.1	90.8
23. Total underwriting gain (loss) (Line 24).....	1.6	2.9	1.5	5.9	9.2
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	89,029,213	82,528,319	98,033,938	81,999,095	80,444,566
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	112,306,570	108,658,126	104,348,590	104,588,570	111,255,939
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	176,905,237	192,794,620	202,528,554	193,266,544	134,956,488
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....	56,004,467	55,318,314	56,387,542	56,416,481	
32. Total of above Lines 26 to 31.....	232,909,704	248,112,934	258,916,096	249,683,025	134,956,488

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

Yes [] No []

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama.....AL	N								0
2. Alaska.....AK	N								0
3. Arizona.....AZ	N								0
4. Arkansas.....AR	L	.859,142,017	4,172,009		218,118,455		1,081,432,481		
5. California.....CA	N								0
6. Colorado.....CO	N								0
7. Connecticut.....CT	N								0
8. Delaware.....DE	N								0
9. District of Columbia.....DC	N								0
10. Florida.....FL	N								0
11. Georgia.....GA	N								0
12. Hawaii.....HI	N								0
13. Idaho.....ID	N								0
14. Illinois.....IL	N								0
15. Indiana.....IN	N								0
16. Iowa.....IA	N								0
17. Kansas.....KS	N								0
18. Kentucky.....KY	N								0
19. Louisiana.....LA	N								0
20. Maine.....ME	N								0
21. Maryland.....MD	N								0
22. Massachusetts.....MA	N								0
23. Michigan.....MI	N								0
24. Minnesota.....MN	N								0
25. Mississippi.....MS	N								0
26. Missouri.....MO	N								0
27. Montana.....MT	N								0
28. Nebraska.....NE	N								0
29. Nevada.....NV	N								0
30. New Hampshire.....NH	N								0
31. New Jersey.....NJ	N								0
32. New Mexico.....NM	N								0
33. New York.....NY	N								0
34. North Carolina.....NC	N								0
35. North Dakota.....ND	N								0
36. Ohio.....OH	N								0
37. Oklahoma.....OK	N								0
38. Oregon.....OR	N								0
39. Pennsylvania.....PA	N								0
40. Rhode Island.....RI	N								0
41. South Carolina.....SC	N								0
42. South Dakota.....SD	N								0
43. Tennessee.....TN	N								0
44. Texas.....TX	N								0
45. Utah.....UT	N								0
46. Vermont.....VT	N								0
47. Virginia.....VA	N								0
48. Washington.....WA	N								0
49. West Virginia.....WV	N								0
50. Wisconsin.....WI	N								0
51. Wyoming.....WY	N								0
52. American Samoa.....AS	N								0
53. Guam.....GU	N								0
54. Puerto Rico.....PR	N								0
55. U.S. Virgin Islands.....VI	N								0
56. Northern Mariana Islands.....MP	N								0
57. Canada.....CN	N								0
58. Aggregate Other alien.....OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal.....XXX		.859,142,017	4,172,009	0	218,118,455	0	1,081,432,481	0	0
60. Reporting entity contributions for Employee Benefit Plans.....XXX							0		0
61. Total (Direct Business).....(a)	1	.859,142,017	4,172,009	0	218,118,455	0	1,081,432,481	0	0

DETAILS OF WRITE-INS

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

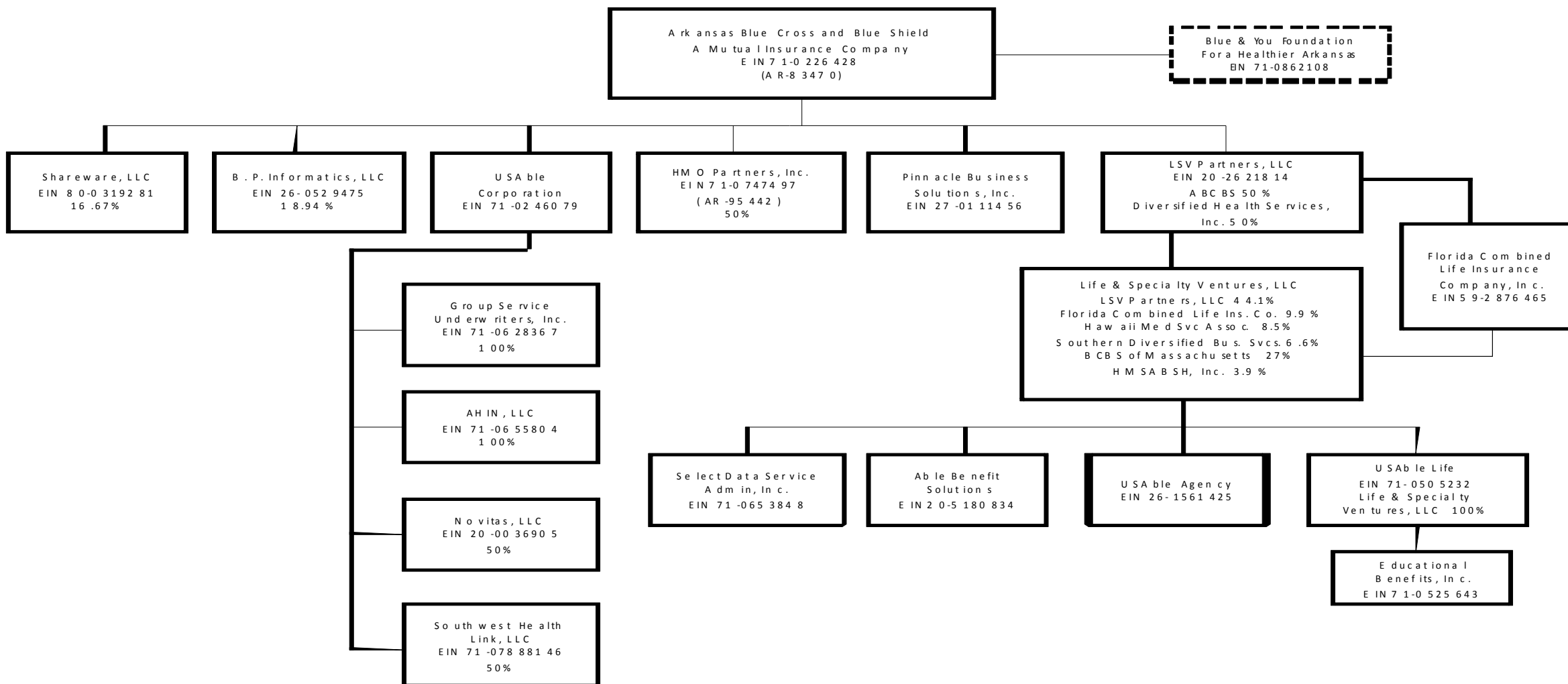
Explanation of basis of allocation by states, premiums by state, etc.

The company only has business in Arkansas.

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

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

PART 1 - ORGANIZATIONAL CHART



**2009 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK**

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