



HEALTH QUARTERLY STATEMENT

As of June 30, 2017
of the Condition and Affairs of the

HMO Partners, Inc

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

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

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

Incorporated/Organized..... November 8, 1993 Commenced Business..... January 1, 1994

Statutory Home Office 320 West Capitol..... Little Rock AR US 72203-8069
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 320 West Capitol..... Little Rock AR US 72203-8069 501-221-1800
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 320 West Capitol..... Little Rock AR US 72203-8069
(Street and Number) (City or Town, State, Country and Zip Code)

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

Internet Web Site Address healthadvantage-hmo.com

Statutory Statement Contact Scott Bradley Winter 501-399-3951
(Name) (Area Code) (Telephone Number) (Extension)
sbwinter@arkbluecross.com 501-378-3258
(E-Mail Address) (Fax Number)

OFFICERS

| Name | Title | Name | Title |
|-------------------------------|---------------------|------------------------|----------------|
| 1. John Charles Glassford Jr. | President/CEO | 2. Gray Donald Dillard | Treasurer/CFO |
| 3. Scott Bradley Winter | Assistant Treasurer | 4. Kathleen O'Dea Ryan | Vice President |

OTHER

| | | | |
|-------------------------------|-----------|-------------------------|---------------------|
| James Sterling Adamson Jr. MD | Chairman | David Frank Bridges Jr. | Assistant Secretary |
| Russell Doyne Harrington Jr. | Secretary | Robert Cecil Roberts | Vice Chairman |

DIRECTORS OR TRUSTEES

| | | | |
|-------------------------------|------------------------------|----------------------------|---------------------------|
| James Sterling Adamson Jr. MD | James Robert Bailey | Curtis Edwin Barnett | David Warren Cobb R.PH. |
| Gray Donald Dillard | Lavanda Moore Gangluff | John Charles Glassford Jr. | Richard Loyd Gore DDS |
| Merlin Moody Hagan | Russell Doyne Harrington Jr. | Calvin Eugene Kellogg | Charles Edgar Phillips MD |
| Robert Cecil Roberts | Steven Aaron Spaulding # | Sherman Ellis Tate | Robert Lee Trammel |
| Michael David Voss | Troy Russell Wells | | |

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) John Charles Glassford Jr. 1. (Printed Name) President/CEO _____ (Title) | _____ (Signature) Gray Donald Dillard 2. (Printed Name) Treasurer/CFO _____ (Title) | _____ (Signature) Scott Bradley Winter 3. (Printed Name) Assistant Treasurer _____ (Title) |
|--|---|--|

Subscribed and sworn to before me
This _____ day of _____

a. Is this an original filing? Yes [X] No []
b. If no: 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

| | Current Statement Date | | | 4 Prior Year Net Admitted Assets |
|--|------------------------|----------------------------|--|--|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | |
| 1. Bonds..... | 41,714,096 | | 41,714,096 | 41,254,615 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks..... | | | 0 | |
| 2.2 Common stocks..... | 16,795,375 | | 16,795,375 | 16,954,608 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens..... | | | 0 | |
| 3.2 Other than first liens..... | | | 0 | |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances)..... | | | 0 | |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances)..... | | | 0 | |
| 4.3 Properties held for sale (less \$.....0 encumbrances)..... | | | 0 | |
| 5. Cash (\$....36,040,599), cash equivalents (\$.....0) and short-term investments (\$....6,449,077)..... | 42,489,676 | | 42,489,676 | 34,697,888 |
| 6. Contract loans (including \$.....0 premium notes)..... | | | 0 | |
| 7. Derivatives..... | | | 0 | |
| 8. Other invested assets..... | | | 0 | |
| 9. Receivables for securities..... | | | 0 | |
| 10. Securities lending reinvested collateral assets..... | | | 0 | |
| 11. Aggregate write-ins for invested assets..... | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11)..... | 100,999,147 | 0 | 100,999,147 | 92,907,112 |
| 13. Title plants less \$.....0 charged off (for Title insurers only)..... | | | 0 | |
| 14. Investment income due and accrued..... | 316,838 | | 316,838 | 305,415 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection..... | | | 0 | |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)..... | | | 0 | |
| 15.3 Accrued retrospective premiums (\$....1,709,247) and contracts subject to redetermination (\$....651,989)..... | 2,361,236 | 46,908 | 2,314,328 | 3,429,960 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers..... | 476,808 | | 476,808 | 484,519 |
| 16.2 Funds held by or deposited with reinsured companies..... | | | 0 | |
| 16.3 Other amounts receivable under reinsurance contracts..... | | | 0 | |
| 17. Amounts receivable relating to uninsured plans..... | 7,876,022 | 222,897 | 7,653,125 | 7,939,713 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon..... | 4,834,397 | | 4,834,397 | 5,403,279 |
| 18.2 Net deferred tax asset..... | 855,091 | | 855,091 | |
| 19. Guaranty funds receivable or on deposit..... | | | 0 | |
| 20. Electronic data processing equipment and software..... | | | 0 | |
| 21. Furniture and equipment, including health care delivery assets (\$.....0)..... | | | 0 | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates..... | | | 0 | |
| 23. Receivables from parent, subsidiaries and affiliates..... | | | 0 | |
| 24. Health care (\$....3,015,892) and other amounts receivable..... | 4,906,215 | 1,890,324 | 3,015,892 | 3,206,428 |
| 25. Aggregate write-ins for other than invested assets..... | 1,512,046 | 1,050,000 | 462,046 | 425,003 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)..... | 124,137,801 | 3,210,128 | 120,927,672 | 114,101,429 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | 0 | |
| 28. Total (Lines 26 and 27)..... | 124,137,801 | 3,210,128 | 120,927,672 | 114,101,429 |

DETAILS OF WRITE-INS

| | | | | |
|--|-----------|-----------|---------|---------|
| 1101..... | | | 0 | |
| 1102..... | | | 0 | |
| 1103..... | | | 0 | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)..... | 0 | 0 | 0 | 0 |
| 2501. Supplemental Savings Plan..... | 462,046 | | 462,046 | 425,003 |
| 2502. Other Assets..... | 1,050,000 | 1,050,000 | 0 | |
| 2503..... | | | 0 | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)..... | 1,512,046 | 1,050,000 | 462,046 | 425,003 |

LIABILITIES, CAPITAL AND SURPLUS

| | Current Period | | | Prior Year |
|--|----------------|----------------|-------------|-------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$.....7,756,112 reinsurance ceded)..... | 22,565,252 | | 22,565,252 | 16,553,550 |
| 2. Accrued medical incentive pool and bonus amounts..... | 2,519,114 | | 2,519,114 | 1,407,621 |
| 3. Unpaid claims adjustment expenses..... | 293,889 | | 293,889 | 313,371 |
| 4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act..... | 108,020 | | 108,020 | 197,113 |
| 5. Aggregate life policy reserves..... | | | 0 | |
| 6. Property/casualty unearned premium reserve..... | | | 0 | |
| 7. Aggregate health claim reserves..... | | | 0 | |
| 8. Premiums received in advance..... | 8,242,047 | | 8,242,047 | 2,886,957 |
| 9. General expenses due or accrued..... | 800,599 | | 800,599 | 1,970,860 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses))..... | 628,676 | | 628,676 | |
| 10.2 Net deferred tax liability..... | | | 0 | 1,860,513 |
| 11. Ceded reinsurance premiums payable..... | 167,477 | | 167,477 | 168,094 |
| 12. Amounts withheld or retained for the account of others..... | 2,472,281 | | 2,472,281 | 2,546,125 |
| 13. Remittances and items not allocated..... | 313,612 | | 313,612 | 399,184 |
| 14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)..... | | | 0 | |
| 15. Amounts due to parent, subsidiaries and affiliates..... | 5,760,724 | | 5,760,724 | 9,206,280 |
| 16. Derivatives..... | | | 0 | |
| 17. Payable for securities..... | | | 0 | |
| 18. Payable for securities lending..... | | | 0 | |
| 19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and certified \$.....0 reinsurers)..... | | | 0 | |
| 20. Reinsurance in unauthorized and certified (\$.....0) companies..... | | | 0 | |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates..... | | | 0 | |
| 22. Liability for amounts held under uninsured plans..... | 8,436,862 | | 8,436,862 | 17,810,464 |
| 23. Aggregate write-ins for other liabilities (including \$.....0 current)..... | (21,400) | 0 | (21,400) | 444,838 |
| 24. Total liabilities (Lines 1 to 23)..... | 52,287,153 | 0 | 52,287,153 | 55,764,969 |
| 25. Aggregate write-ins for special surplus funds..... | XXX | XXX | 0 | 0 |
| 26. Common capital stock..... | XXX | XXX | 10,000 | 10,000 |
| 27. Preferred capital stock..... | XXX | XXX | | |
| 28. Gross paid in and contributed surplus..... | XXX | XXX | 1,919,153 | 1,919,153 |
| 29. Surplus notes..... | XXX | XXX | | |
| 30. Aggregate write-ins for other than special surplus funds..... | XXX | XXX | 0 | 0 |
| 31. Unassigned funds (surplus)..... | XXX | XXX | 66,711,366 | 56,407,307 |
| 32. Less treasury stock, at cost: | | | | |
| 32.10.000 shares common (value included in Line 26 \$.....0)..... | XXX | XXX | | |
| 32.20.000 shares preferred (value included in Line 27 \$.....0)..... | XXX | XXX | | |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32)..... | XXX | XXX | 68,640,519 | 58,336,460 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33)..... | XXX | XXX | 120,927,672 | 114,101,429 |

DETAILS OF WRITE-INS

| | | | | |
|--|-----------|-----|-----------|---------|
| 2301. Unclaimed property..... | 88,618 | | 88,618 | 88,618 |
| 2302. Miscellaneous payables..... | (110,018) | | (110,018) | 356,220 |
| 2303. | | | 0 | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)..... | (21,400) | 0 | (21,400) | 444,838 |
| 2501. 2016 ACA Insurer Fee estimate..... | XXX | XXX | | |
| 2502. | | | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | XXX | XXX | 0 | 0 |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)..... | XXX | XXX | 0 | 0 |
| 3001. | | | | |
| 3002. | | | | |
| 3003. | | | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page..... | XXX | XXX | 0 | 0 |
| 3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)..... | XXX | XXX | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year To Date | | Prior Year To Date | Prior Year Ended December 31 |
|--|-------------------------|-------------|-----------------------|---------------------------------|
| | 1 Uncovered | 2 Total | 3 Total | 4 Total |
| 1. Member months..... | XXX | 298,864 | 292,070 | 588,869 |
| 2. Net premium income (including \$.....0 non-health premium income)..... | XXX | 102,304,727 | 94,642,922 | 191,140,735 |
| 3. Change in unearned premium reserves and reserve for rate credits..... | XXX | | | |
| 4. Fee-for-service (net of \$.....0 medical expenses)..... | XXX | | | |
| 5. Risk revenue..... | XXX | | | |
| 6. Aggregate write-ins for other health care related revenues..... | XXX | 0 | 0 | 0 |
| 7. Aggregate write-ins for other non-health revenues..... | XXX | 0 | 0 | 0 |
| 8. Total revenues (Lines 2 to 7)..... | XXX | 102,304,727 | 94,642,922 | 191,140,735 |
| Hospital and Medical: | | | | |
| 9. Hospital/medical benefits..... | | 72,865,283 | 72,731,867 | 153,075,706 |
| 10. Other professional services..... | | | | |
| 11. Outside referrals..... | | 1,272,068 | 1,848,206 | 2,527,401 |
| 12. Emergency room and out-of-area..... | | 16,749,227 | 19,025,098 | 33,555,539 |
| 13. Prescription drugs..... | | 32,027,622 | 31,039,798 | 63,178,102 |
| 14. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | 1,501,196 | (2,132,715) | (5,590,056) |
| 16. Subtotal (Lines 9 to 15)..... | 0 | 124,415,397 | 122,512,254 | 246,746,691 |
| Less: | | | | |
| 17. Net reinsurance recoveries..... | | 41,843,044 | 42,387,250 | 86,098,706 |
| 18. Total hospital and medical (Lines 16 minus 17)..... | 0 | 82,572,353 | 80,125,004 | 160,647,985 |
| 19. Non-health claims (net)..... | | | | |
| 20. Claims adjustment expenses, including \$.....2,241,507 cost containment expenses..... | | 3,295,074 | 2,171,018 | 7,985,047 |
| 21. General administrative expenses..... | | 8,898,380 | 13,249,116 | 21,563,702 |
| 22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)..... | | | | |
| 23. Total underwriting deductions (Lines 18 through 22)..... | 0 | 94,765,807 | 95,545,138 | 190,196,734 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23)..... | XXX | 7,538,919 | (902,216) | 944,001 |
| 25. Net investment income earned..... | | 594,808 | 616,721 | 1,084,695 |
| 26. Net realized capital gains (losses) less capital gains tax of \$.....48,147..... | | 89,416 | 230,843 | 615,007 |
| 27. Net investment gains or (losses) (Lines 25 plus 26)..... | 0 | 684,224 | 847,563 | 1,699,702 |
| 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 | 216,919 | (4,286) | 257,206 |
| 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 | 8,440,062 | (58,938) | 2,900,909 |
| 31. Federal and foreign income taxes incurred..... | XXX | 3,339,557 | 1,047,720 | 2,244,235 |
| 32. Net income (loss) (Lines 30 minus 31)..... | XXX | 5,100,505 | (1,106,658) | 656,674 |

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 | 0 |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)..... | XXX | 0 | 0 | 0 |
| 0701. | XXX | | | |
| 0702. | XXX | | | |
| 0703. | XXX | | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page..... | XXX | 0 | 0 | 0 |
| 0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)..... | XXX | 0 | 0 | 0 |
| 1401. | | | | |
| 1402. | | | | |
| 1403. | | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page..... | 0 | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)..... | 0 | 0 | 0 | 0 |
| 2901. Licensing fee income..... | | 160,000 | 160,000 | 160,000 |
| 2902. Miscellaneous Income..... | | 56,919 | (164,286) | 97,206 |
| 2903. | | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page..... | 0 | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)..... | 0 | 216,919 | (4,286) | 257,206 |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| CAPITAL AND SURPLUS ACCOUNT | 1 | 2 | 3 |
|---|-------------------------|-----------------------|---------------------------------|
| | Current Year to Date | Prior Year To Date | Prior Year Ended December 31 |
| 33. Capital and surplus prior reporting year..... | 58,336,460 | 56,731,624 | 56,731,624 |
| 34. Net income or (loss) from Line 32..... | 5,100,505 | (1,106,658) | 656,674 |
| 35. Change in valuation basis of aggregate policy and claim reserves..... | | | |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0..... | 2,414,237 | 730,122 | 1,744,681 |
| 37. Change in net unrealized foreign exchange capital gain or (loss)..... | | | |
| 38. Change in net deferred income tax..... | 1,730,239 | 281,350 | 449,385 |
| 39. Change in nonadmitted assets..... | 1,059,081 | (81,834) | (1,245,904) |
| 40. Change in unauthorized and certified reinsurance..... | | | |
| 41. Change in treasury stock..... | | | |
| 42. Change in surplus notes..... | | | |
| 43. Cumulative effect of changes in accounting principles..... | | | |
| 44. Capital changes: | | | |
| 44.1 Paid in..... | | | |
| 44.2 Transferred from surplus (Stock Dividend)..... | | | |
| 44.3 Transferred to surplus..... | | | |
| 45. Surplus adjustments: | | | |
| 45.1 Paid in..... | | | |
| 45.2 Transferred to capital (Stock Dividend)..... | | | |
| 45.3 Transferred from capital..... | | | |
| 46. Dividends to stockholders..... | | | |
| 47. Aggregate write-ins for gains or (losses) in surplus..... | 0 | 0 | 0 |
| 48. Net change in capital and surplus (Lines 34 to 47)..... | 10,304,062 | (177,020) | 1,604,837 |
| 49. Capital and surplus end of reporting period (Line 33 plus 48)..... | 68,640,522 | 56,554,604 | 58,336,460 |

DETAILS OF WRITE-INS

| | | | |
|--|---|---|---|
| 4701. | | | |
| 4702. | | | |
| 4703. | | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page..... | 0 | 0 | 0 |
| 4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)..... | 0 | 0 | 0 |

CASH FLOW

| | 1 Current Year to Date | 2 Prior Year To Date | 3 Prior Year Ended December 31 |
|---|------------------------------|----------------------------|--------------------------------------|
| CASH FROM OPERATIONS | | | |
| 1. Premiums collected net of reinsurance..... | 108,735,327 | 96,434,066 | 189,876,988 |
| 2. Net investment income..... | 863,718 | 902,282 | 1,642,257 |
| 3. Miscellaneous income..... | | | |
| 4. Total (Lines 1 through 3)..... | 109,599,045 | 97,336,348 | 191,519,245 |
| 5. Benefit and loss related payments..... | 75,239,080 | 84,347,551 | 165,972,988 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions..... | 22,357,488 | 14,606,449 | 26,637,810 |
| 8. Dividends paid to policyholders..... | | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)..... | 2,190,146 | 1,000,000 | 2,000,000 |
| 10. Total (Lines 5 through 9)..... | 99,786,714 | 99,953,999 | 194,610,797 |
| 11. Net cash from operations (Line 4 minus Line 10)..... | 9,812,331 | (2,617,651) | (3,091,553) |
| CASH FROM INVESTMENTS | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds..... | 1,585,000 | 2,925,000 | 3,425,000 |
| 12.2 Stocks..... | 166,416 | 492,923 | 1,514,122 |
| 12.3 Mortgage loans..... | | | |
| 12.4 Real estate..... | | | |
| 12.5 Other invested assets..... | | | |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments..... | | | |
| 12.7 Miscellaneous proceeds..... | | 316,454 | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7)..... | 1,751,416 | 3,734,377 | 4,939,122 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds..... | 2,319,430 | 3,582,212 | 5,022,609 |
| 13.2 Stocks..... | 437,907 | 2,111,699 | 2,770,598 |
| 13.3 Mortgage loans..... | | | |
| 13.4 Real estate..... | | | |
| 13.5 Other invested assets..... | | | |
| 13.6 Miscellaneous applications..... | | | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6)..... | 2,757,338 | 5,693,911 | 7,793,207 |
| 14. Net increase or (decrease) in contract loans and premium notes..... | | | |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)..... | (1,005,921) | (1,959,534) | (2,854,085) |
| 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)..... | (1,014,622) | 746,379 | 2,442,118 |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)..... | (1,014,622) | 746,379 | 2,442,118 |
| 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)..... | 7,791,788 | (3,830,806) | (3,503,520) |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year..... | 34,697,891 | 38,201,411 | 38,201,411 |
| 19.2 End of period (Line 18 plus Line 19.1)..... | 42,489,679 | 34,370,605 | 34,697,891 |

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

| | | | |
|---------------|--|--|--|
| 20.0001 | | | |
|---------------|--|--|--|

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

| | 1 Total | Comprehensive (Hospital & Medical) | | 4 Medicare Supplement | 5 Vision Only | 6 Dental Only | 7 Federal Employees Health Benefit Plan | 8 Title XVIII Medicare | 9 Title XIX Medicaid | 10 Other |
|--|-------------|------------------------------------|-------------|-----------------------------|---------------------|---------------------|---|------------------------------|----------------------------|-------------|
| | | 2 Individual | 3 Group | | | | | | | |
| Total Members at End of: | | | | | | | | | | |
| 1. Prior Year..... | 71,558 | | 69,124 | | | | | 2,434 | | |
| 2. First Quarter..... | 71,377 | | 67,767 | | | | | 3,610 | | |
| 3. Second Quarter..... | 71,594 | | 67,958 | | | | | 3,636 | | |
| 4. Third Quarter..... | 0 | | | | | | | | | |
| 5. Current Year..... | 0 | | | | | | | | | |
| 6. Current Year Member Months..... | 427,371 | | 405,643 | | | | | 21,728 | | |
| Total Member Ambulatory Encounters for Period: | | | | | | | | | | |
| 7. Physician..... | 32,498 | | 32,498 | | | | | | | |
| 8. Non-Physician..... | 39,559 | | 39,559 | | | | | | | |
| 9. Total..... | 72,057 | 0 | 72,057 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Hospital Patient Days Incurred..... | 6,220 | | 6,220 | | | | | | | |
| 11. Number of Inpatient Admissions..... | 1,703 | | 1,703 | | | | | | | |
| 12. Health Premiums Written (a)..... | 154,028,054 | | 139,992,922 | | | | | 14,035,132 | | |
| 13. Life Premiums Direct..... | 0 | | | | | | | | | |
| 14. Property/Casualty Premiums Written..... | 0 | | | | | | | | | |
| 15. Health Premiums Earned..... | 154,028,054 | | 139,992,922 | | | | | 14,035,132 | | |
| 16. Property/Casualty Premiums Earned..... | 0 | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services..... | 116,197,980 | | 105,887,284 | | | | | 10,310,696 | | |
| 18. Amount Incurred for Provision of Health Care Services..... | 124,415,396 | | 112,288,922 | | | | | 12,126,474 | | |

Q07

(a) For health premiums written: Amount of Medicare Title XVIII exempt from state taxes or fees \$.....14,035,132.

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

| 1 Account | 2 1 - 30 Days | 3 31 - 60 Days | 4 61 - 90 Days | 5 91 - 120 Days | 6 Over 120 Days | 7 Total |
|--|------------------|-------------------|-------------------|--------------------|--------------------|------------|
| Claims Unpaid (Reported) | | | | | | |
| 0399999. Aggregate Accounts Not Individually Listed-Covered..... | 7,054,029 | 119,847 | 25,907 | 2,346 | | 7,202,129 |
| 0499999. Subtotals..... | 7,054,029 | 119,847 | 25,907 | 2,346 | 0 | 7,202,129 |
| 0599999. Unreported Claims and Other Claim Reserves..... | | | | | | 18,356,044 |
| 0699999. Total Amounts Withheld..... | | | | | | 4,763,191 |
| 0799999. Total Claims Unpaid..... | | | | | | 30,321,364 |
| 0899999. Accrued Medical Incentive Pool and Bonus Amounts..... | | | | | | 2,519,114 |

UNDERWRITING AND INVESTMENT EXHIBIT

Analysis of Claims Unpaid - Prior Year - Net of Reinsurance

| Line of Business | Claims Paid Year to Date | | Liability End of Current Quarter | | 5 | 6 |
|--|--|---|---|---|--|--|
| | 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 | Claims Incurred in Prior Years (Columns 1 + 3) | Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
| 1. Comprehensive (hospital and medical)..... | 17,938,935 | 55,909,268 | 307,313 | 21,163,434 | 18,246,248 | 16,081,855 |
| 2. Medicare Supplement..... | | | | | 0 | |
| 3. Dental only..... | | | | | 0 | |
| 4. Vision only..... | | | | | 0 | |
| 5. Federal Employees Health Benefits Plan..... | | | | | 0 | |
| 6. Title XVIII - Medicare..... | 705,163 | 3,214,970 | 25,171 | 1,069,334 | 730,334 | 471,695 |
| 7. Title XIX - Medicaid..... | | | | | 0 | |
| 8. Other health..... | | | | | 0 | |
| 9. Health subtotal (Lines 1 to 8)..... | 18,644,098 | 59,124,238 | 332,484 | 22,232,768 | 18,976,582 | 16,553,550 |
| 10. Healthcare receivables (a)..... | | 2,709,071 | | | 0 | |
| 11. Other non-health..... | | | | | 0 | |
| 12. Medical incentive pools and bonus amounts..... | | 389,893 | | 2,519,114 | 0 | 1,407,621 |
| 13. Totals (Lines 9-10+11+12)..... | 18,644,098 | 56,805,060 | 332,484 | 24,751,882 | 18,976,582 | 17,961,171 |

609

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

NOTES TO FINANCIAL STATEMENTS**1. Summary of Significant Accounting Policies****A. Accounting Practices**

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

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

| | SSAP # | F/S Page | F/S Line # | 2017 | 2016 |
|---|--------|----------|------------|---------------|---------------|
| NET INCOME | | | | | |
| (1) HMO Partners, Inc state basis (Page 4, Line 32, Columns 2 & 3) | XXX | XXX | XXX | \$ 5,100,505 | \$ 656,674 |
| (2) State Prescribed Practices that increase/decrease NAIC SAP | | | | | |
| (3) State Permitted Practices that increase/decrease NAIC SAP | | | | | |
| (4) NAIC SAP (1 - 2 - 3 = 4) | XXX | XXX | XXX | \$ 5,100,505 | \$ 656,674 |
| SURPLUS | | | | | |
| (5) HMO Partners, Inc state basis (Page 3, line 33, Columns 3 & 4) | XXX | XXX | XXX | \$ 68,640,519 | \$ 58,336,460 |
| (6) State Prescribed Practices that increase/decrease NAIC SAP | | | | | |
| (7) State Permitted Practices that increase/decrease NAIC SAP | | | | | |
| (8) NAIC SAP (5 - 6 - 7 = 8) | XXX | XXX | XXX | \$ 68,640,519 | \$ 58,336,460 |

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

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

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest method.
- (3) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- (4) The Company does not have preferred stock.
- (5) The Company does not have mortgage loans.
- (6) The Company does not have loan-backed securities.
- (7) The Company does not have any investments in subsidiaries.
- (8) The Company does not have any investments in joint ventures, partnerships, or limited liability companies.
- (9) The Company does not have any derivatives.
- (10) The Company does not anticipate investment income as a factor in the premium deficiency calculation.
- (11) Claims cost unpaid is the largest estimate for loss liabilities in the HMOP annual statement. The claims liability is set at the regional level, but there are reasonableness checks using a reserve set on an overall basis. When setting liability, the four methods described below are employed. Based on the estimates of these methods and retrospective considerations, the best estimate is set and then an explicit margin is added to ensure that the estimate is good and sufficient. Historically the method relied on the most is the Lag Method.
 - a. **Lag (Development) Method:** A claims triangle is constructed for each block of business. Based on the claims payment patterns, the last 3 months of data are completed manually by adjusting the completion factors. This, in turn, provides an estimate of incurred claims and incurred per member numbers. For the months prior to the most recent three, the completion factors used to complete the data are based on the historical claims payment patterns
 - b. **3 Month Average Method:** As the base liability estimate, the three month average liability of the third, fourth, and fifth month prior to the current month is used. Adjustments are made for trend, membership change, and backlog to get to the estimate
 - c. **IBNR Method:** As the base liability estimate, the liability from one year ago is used and trended forward with adjustments for trend, membership, and backlog.
 - d. **Aggregate Method:** Here, twelve months of paid claims are subtracted from 12 months of estimated incurred claims to get the liability estimate.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) Pharmacy rebate receivable estimates are based upon a history of rebates billed vs. paid pharmacy claims.

NOTES TO FINANCIAL STATEMENTS

D. Going Concern – N/A

2. Accounting Changes and Corrections of Errors

No significant change.

3. Business Combinations and Goodwill

No significant change

4. Discontinued Operations

No significant change

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. The Company has no investments in real estate at this time.
 G. The Company has no investments in low-income housing tax credits.
 H. The Company has no restricted assets at this time.
 I. The Company has no Working Capital Finance Investments at this time.
 J. The Company does no offset or net Assets and Liabilities.
 K. The Company does not hold Structured Notes at this time.
 L. The Company does not hold 5* Securities at this time.

6. Joint Ventures, Partnerships, and Limited Liability Companies

No significant change

7. Investment Income

No significant change

8. Derivative Instruments

No significant change

Note 9: Income Taxes

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

1.

| | 06/30/17 | | |
|--|-----------------|----------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| (a) Gross Deferred Tax Assets | 3,793,801 | 94,608 | 3,888,409 |
| (b) Statutory Valuation Allowance Adjustment | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | 3,793,801 | 94,608 | 3,888,409 |
| (d) Deferred Tax Assets Nonadmitted | 0 | 0 | 0 |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 3,793,801 | 94,608 | 3,888,409 |
| (f) Deferred Tax Liabilities | 31,311 | 3,002,008 | 3,033,318 |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f) | 3,762,490 | (2,907,399) | 855,091 |

| | 12/31/16 | | |
|--|-----------------|----------------|---------------------------|
| | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| (a) Gross Deferred Tax Assets | 2,063,518 | 94,608 | 2,158,126 |
| (b) Statutory Valuation Allowance Adjustment | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | 2,063,518 | 94,608 | 2,158,126 |
| (d) Deferred Tax Assets Nonadmitted | 799,713 | 0 | 799,713 |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 1,263,805 | 94,608 | 1,358,413 |
| (f) Deferred Tax Liabilities | 19,908 | 3,199,025 | 3,218,933 |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f) | 1,243,897 | (3,104,417) | (1,860,519) |

Change

NOTES TO FINANCIAL STATEMENTS

| | (7) (Col 1-4) Ordinary | (8) (Col 2-5) Capital | (9) (Col 3-6) Total |
|--|------------------------------|-----------------------------|---------------------------|
| (a) Gross Deferred Tax Assets | 1,730,283 | 0 | 1,730,283 |
| (b) Statutory Valuation Allowance Adjustment | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | 1,730,283 | 0 | 1,730,283 |
| (d) Deferred Tax Assets Nonadmitted | (799,713) | 0 | (799,713) |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 2,529,996 | 0 | 2,529,996 |
| (f) Deferred Tax Liabilities | 11,403 | (197,017) | (185,614) |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f) | 2,518,593 | 197,017 | 2,715,610 |

2.

| 06/30/17 | | | |
|---|-----------------|----------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| Admission Calculation Components - SSAP 101 | | | |
| (a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks | 2,974,180 | 0 | 2,974,180 |
| (b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below) | 0 | 0 | 0 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date | 0 | 0 | 0 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold | 0 | 0 | 8,461,096 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 819,621 | 94,608 | 914,229 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c)) | 3,793,801 | 94,608 | 3,888,409 |

| 12/31/16 | | | |
|---|-----------------|----------------|---------------------------|
| | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| Admission Calculation Components - SSAP 101 | | | |
| (a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks | 1,243,898 | 0 | 1,243,898 |
| (b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below) | 0 | 0 | 0 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date | 0 | 0 | 0 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold | 0 | 0 | 8,461,096 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 19,908 | 94,608 | 114,516 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c)) | 1,263,806 | 94,608 | 1,358,414 |

| Change | | | |
|---|------------------------------|-----------------------------|---------------------------|
| | (7) (Col 1-4) Ordinary | (8) (Col 2-5) Capital | (9) (Col 3-6) Total |
| Admission Calculation Components - SSAP 101 | | | |
| (a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks | 1,730,282 | 0 | 1,730,282 |
| (b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below) | 0 | 0 | 0 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date | 0 | 0 | 0 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold | 0 | 0 | 0 |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|---|-----------|---|-----------|
| (c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 799,713 | 0 | 799,713 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c)) | 2,529,995 | 0 | 2,529,995 |

3.

| | 2017 | 2016 |
|--|------------|------------|
| (a) Ratio Percentage used to determine Recovery Period and Threshold Limitation Amount | 828% | 890% |
| (b) Amount of Adjusted Capital and Surplus used to determine Recovery Period and Threshold Limitation in 2(b)2 above | 56,407,307 | 56,407,307 |

4.

| 06/30/17 | | | |
|---|-----------------|----------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| Impact of Tax Planning Strategies | | | |
| (a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage | 0% | 0% | 0% |
| 1. Adjusted Gross DTAa Amount From Note 9A1(c) | 0% | 0% | 0% |
| 2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies | 0% | 0% | 0% |
| 3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e) | 0% | 0% | 0% |
| 4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies | 0% | 0% | 0% |

| 12/31/16 | | | |
|---|-----------------|----------------|---------------------------|
| | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| Impact of Tax Planning Strategies | | | |
| (a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage | 0% | 0% | 0% |
| 1. Adjusted Gross DTAa Amount From Note 9A1(c) | 0% | 0% | 0% |
| 2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies | 0% | 0% | 0% |
| 3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e) | 0% | 0% | 0% |
| 4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies | 0% | 0% | 0% |

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

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

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

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

1. Current Income Tax:

NOTES TO FINANCIAL STATEMENTS

| | (1) 06/30/17 | (2) 12/31/16 | (3) (Col 1-2) Change |
|---|-----------------|-----------------|----------------------------|
| (a) Federal | 3,339,557 | 2,163,760 | 1,175,797 |
| (b) Foreign | - | - | - |
| (c) Subtotal | 3,339,557 | 2,163,760 | 1,175,797 |
| (d) Federal Income Tax on net capital gains | 48,147 | 331,158 | (283,011) |
| (e) Utilization of capital loss carry-forwards | - | - | - |
| (f) Other | - | 80,475 | (80,475) |
| (g) Federal & Foreign income tax incurred | 3,387,704 | 2,575,393 | 812,311 |

2. Deferred Tax Assets:

| | (1) 06/30/17 | (2) 12/31/16 | (3) (Col 1-2) Change |
|--|-----------------|-----------------|----------------------------|
| (a) Ordinary: | | | |
| (1) Discounting of unpaid losses | 283,065 | 298,786 | (15,721) |
| (2) Unearned premium reserves | 576,943 | 202,087 | 374,857 |
| (3) Policyholder reserves | - | - | - |
| (4) Investments | - | - | - |
| (5) Deferred Acquisition Costs | - | - | - |
| (6) Policyholder dividends accrual | - | - | - |
| (7) Fixed Assets | - | - | - |
| (8) Compensation and benefits accrual | 1,053,099 | 1,066,349 | (13,250) |
| (9) Pension accrual | - | - | - |
| (10) Receivables - nonadmitted | 1,123,545 | - | 1,123,545 |
| (11) Net operating loss carry-forward | - | - | - |
| (12) Tax credit carry-forward | - | - | - |
| (13) Other | 757,148 | 496,297 | 260,852 |
| (99) Subtotal - Ordinary | 3,793,801 | 2,063,518 | 1,730,283 |
| (b) Statutory valuation allowance adjustment | - | - | - |
| (c) Nonadmitted - Ordinary | - | 799,713 | (799,713) |
| (d) Admitted ordinary deferred tax assets (2a99-2b-2c) | 3,793,801 | 1,263,805 | 2,529,996 |
| (e) Capital: | | | |
| (1) Investments | 94,608 | 94,608 | - |
| (2) Net capital loss carry-forward | - | - | - |
| (3) Real estate | - | - | - |
| (4) Other | - | - | - |
| (99) Subtotal - Capital | 94,608 | 94,608 | - |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|---|-----------|-----------|-----------|
| (f) Statutory valuation allowance adjustment | - | - | - |
| (g) Nonadmitted - Capital | - | - | - |
| (h) Admitted capital deferred tax assets (2a99-2b-2c) | 94,608 | 94,608 | - |
| (i) Admitted deferred tax assets (2d + 2h) | 3,888,409 | 1,358,413 | 2,529,996 |

3. Deferred Tax Liabilities:

| | (1) 06/30/17 | (2) 12/31/16 | (3) (Col 1-2) Change |
|---|-----------------|-----------------|----------------------------|
| (a) Ordinary: | | | |
| (1) Investments | | | |
| Accrued Dividends | 5,836 | 5,792 | 44 |
| Unrealized Gains/(Losses)-SSP | 25,475 | 14,116 | 11,359 |
| Total Investments | 31,311 | 19,908 | 11,403 |
| (2) Fixed Assets | - | - | - |
| (3) Deferred and uncollected premium | - | - | - |
| (4) Policyholder reserves | - | - | - |
| (5) Other | - | - | - |
| (99) Subtotal - Ordinary | 31,311 | 19,908 | 11,403 |
| (b) Capital: | | | |
| (1) Investments | 3,002,008 | 3,199,025 | (197,017) |
| (2) Real estate | - | - | - |
| (3) Other | - | - | - |
| (99) Subtotal - Capital | 3,002,008 | 3,199,025 | (197,017) |
| (c) Deferred tax liabilities (3a99 + 3b99h) | 3,033,318 | 3,218,933 | (185,614) |

4. Net Deferred Tax Assets/Liabilities (2i - 3c) 855,091 (1,860,519) 2,715,610

D Reconciliation of Federal Income Tax Rate to Actual Effective Rate

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

| | 06/30/17 | |
|---|-------------|----------------------|
| | Amounts | Effective Tax Rate % |
| Provision computed at statutory rate | 2,970,873 | 35.0% |
| Tax exempt income deduction | 0 | 0.0% |
| Dividends received deduction | (33,322) | -0.4% |
| Tax differentials on foreign earnings | 0 | 0.0% |
| Nondeductible expenses | 11,146 | 0.1% |
| Tax Credits | (12,296) | -0.1% |
| Rate Differential | (130,394) | -1.5% |
| Other | (1,148,542) | -13.5% |
| Total | 1,657,465 | 19.5% |
| Federal and foreign income taxes incurred | 3,339,557 | 39.3% |
| Realized capital gains/(losses) tax | 48,147 | 0.6% |

NOTES TO FINANCIAL STATEMENTS

| | | |
|-------------------------------------|-------------|--------|
| Change in net deferred income taxes | (1,730,239) | -20.4% |
| Total statutory income taxes | 1,657,465 | 19.5% |

E Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

- At the end of the current period the Company did not have any unused operating loss carryforwards available to offset against future taxable income.
- The following is income tax expense for 2016 and 2015 that is available for recoupment in the event of future net losses.
future net losses.

| Year | Amount |
|------|-----------|
| 2017 | 3,196,023 |
| 2016 | 2,358,701 |

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

F The Company does not file a Consolidated Federal Income Tax Return**G Federal or Foreign Federal Income Tax Loss Contingencies**

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

10. Information Concerning Parent, Subsidiaries and Affiliates

No significant change

11. Debt

- As of June 30, 2017, the Company has no capital notes. As of June 30, 2017, the Company's liability for borrowed money was zero (\$-0-).
- As of June 30, 2017, the Company has no FHLB agreements.

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

- Defined Benefit Plan – N/A
- Investment Policies and Strategies – N/A
- Fair Value of Plan Assets – N/A
- Basis Used to Determine Expected Long-Term Rate-of-Return – N/A
- Defined Contribution Plan – No significant change.
- Multiemployer Plans – the Company does not participate in multiemployer plans.
- Consolidate/Holding Company Plans – N/A
- Postemployment Benefits and Compensated Absences – the Company does not offer a postretirement benefit plan.
- Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – N/A

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

No significant change

14. Contingencies

- Contingent Commitments - None
- Assessments - None
- Gain Contingencies - None
- Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - None
- Joint and Several Liabilities - None
- All Other Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no asset that it considers to be impaired.

15. Leases

No significant change

NOTES TO FINANCIAL STATEMENTS**16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

No significant change

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

- A. The Company did not have any transfers of Receivables reported as Sales.
- B. The Company did not have any transfers or servings of Financial Assets.
- C. The Company did not have any Wash Sales.

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

No significant change

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

No significant change

20. Fair Value Measurement

A.

1. Fair Value Measurements at Reporting Date

| Description | Level 1 | Level 2 | Level 3 | Total |
|--|--------------|-------------|---------|--------------|
| a. Assets at Fair Value | | | | |
| Perpetual Preferred Stock | \$0 | \$0 | \$0 | \$0 |
| Industrial and Misc. Parent, Subsidiaries and Affiliates | \$0 | \$0 | \$0 | \$0 |
| Total Perpetual Preferred Stocks | | | | |
| Bonds | | | | |
| U.S. Governments | | | | |
| Industrial and Misc. Hybrid Securities Parent, Subsidiaries and Affiliates | | | | |
| Total Bonds | | | | |
| Common Stock | | | | |
| Industrial and Misc. Parent, Subsidiaries and Affiliates Supplemental Savings Plan | \$11,811,833 | \$4,983,542 | \$0 | \$16,795,375 |
| Total Common Stock | \$461,956 | \$0 | \$0 | \$461,956 |
| Total Assets at Fair Value | \$12,273,789 | \$4,983,542 | \$0 | \$17,257,331 |

Derivative Assets (none)

Liabilities (none)

2. The Company does not have fair value measures in Level 3.

3. The Company does not have any transfers between levels of fair value measurement.

4. As of June 30, 2017, the reported fair value of the reporting entities investments in Level 2 common stock was \$4,983,542. These securities are foreign common stock. To measure their fair value the reporting entity used current market prices in U.S. dollars.

B. N/A

C.

| Not Practicable Type of Financial Instrument Carrying Value | Aggregate Fair | | | | |
|---|----------------|-----------------|---------------|---------------|---------|
| | Value | Admitted Assets | Level 1 | Level 2 | Level 3 |
| Bonds | \$ 48,163,173 | \$ 48,163,173 | | \$ 48,163,173 | |
| Common Stock | \$ 16,795,375 | \$ 16,795,375 | \$ 11,811,833 | \$ 4,983,542 | |
| Supplemental Savings Plan | \$ 461,956 | \$ 461,956 | \$ 461,956 | | |
| Total | \$ 65,420,504 | \$ 65,420,504 | \$ 12,273,789 | \$ 53,146,715 | \$0 |

D. The Company does not have any of these securities at this time.

21. Other Items

NOTES TO FINANCIAL STATEMENTS

No significant change

22. Events Subsequent

No significant change

23. Reinsurance

No significant change

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

The company also has health insurance business that is subject to a medical loss ratio pursuant to the Public Health Service Act.

B. The company records accrued retrospective premium as an adjustment to earned premium.

C. The amount of net premiums written by the company at June 30, 2017 that are subject to retrospective rating features was \$102,304,727 that represented 100% of the total net premium written. No other net premiums written by the company are subject to retrospective rating features.

D.

Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act.

| | | 1 | 2 | 3 | 4 | 5 |
|--------------------------------|-------------------------------------|------------|----------------------|----------------------|-------------------------------|-------|
| | | Individual | Small Group Employer | Large Group Employer | Other Categories with Rebates | Total |
| Prior Reporting Year | | | | | | |
| (1) | Medical loss ratio rebates incurred | \$ | \$ | \$ | \$ | \$ |
| (2) | Medical loss ratio rebates paid | | | | | |
| (3) | Medical loss ratio rebates unpaid | | | | | |
| (4) | Plus reinsurance assumed amounts | | | | | |
| (5) | Less reinsurance ceded amounts | | | | | |
| (6) | Rebates unpaid net of reinsurance | | | | | |
| Current Reporting Year-to-Date | | | | | | |
| (7) | Medical loss ratio rebates incurred | \$ | \$ | \$ | \$ | \$ |
| (8) | Medical loss ratio rebates paid | | | | | |
| (9) | Medical loss ratio rebates unpaid | | | | | |
| (10) | Plus reinsurance assumed amounts | | | | | |
| (11) | Less reinsurance ceded amounts | | | | | |
| (12) | Rebates unpaid net of reinsurance | | | | | |

E. Risk Sharing Provisions of the Affordable Care Act

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

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

| | | |
|----|---------------------------------------|--------|
| a. | Permanent ACA Risk Adjustment Program | AMOUNT |
|----|---------------------------------------|--------|

NOTES TO FINANCIAL STATEMENTS

| | | |
|--|---|---------|
| Assets | | |
| 1. | Premium adjustments receivable due to ACA Risk Adjustment | 448,677 |
| Liabilities | | |
| 2. | Risk adjustment user fees payable for ACA Risk Adjustment | |
| 3. | Premium adjustments payable due to ACA Risk Adjustment | |
| Operations (Revenue & Expenses) | | |
| 4. | Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment | 14,351 |
| 5. | Reported in expenses as ACA Risk Adjustment user fees (incurred/paid) | |
| b. Transitional ACA Reinsurance Program | | |
| Assets | | |
| 1. | Amounts recoverable for claims paid due to ACA Reinsurance | |
| 2. | Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability) | |
| 3. | Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance | |
| Liabilities | | |
| 4. | Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium | 262,071 |
| 5. | Ceded reinsurance premiums payable due to ACA Reinsurance | |
| 6. | Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance | |
| Operations (Revenue & Expenses) | | |
| 7. | Ceded reinsurance premiums due to ACA Reinsurance | |
| 8. | Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments | |
| 9. | ACA Reinsurance contributions – not reported as ceded premium | |
| c. Temporary ACA Risk Corridors Program | | |
| Assets | | |
| 1. | Accrued retrospective premium due to ACA Risk Corridors | |
| Liabilities | | |
| 2. | Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors | |
| Operations (Revenue & Expenses) | | |
| 3. | Effect of ACA Risk Corridors on net premium income (paid/received) | |
| 4. | Effect of ACA Risk Corridors on change in reserves for rate credits | |

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

| | | Accrued During the Prior Year on Business Written Before December 31 of the Prior Year | | Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year | | Differences | | Adjustments | | | Unsettled Balances as of the Reporting Date | | |
|-----------|---|--|-----------|--|-----------|---|---|------------------------|------------------------|-----|--|--|--|
| | | 1 | 2 | 3 | 4 | Prior Year Accrued Less Payments (Col. 1-3) | Prior Year Accrued Less Payments (Col. 2-4) | To Prior Year Balances | To Prior Year Balances | 9 | Cumulative Balance from Prior Years (Col. 1-3+7) | Cumulative Balance from Prior Years (Col. 2-4+8) | |
| | | Receivable | (Payable) | Receivable | (Payable) | 5 | 6 | 7 | 8 | Ref | 10 | 11 | |
| a. | Permanent ACA Risk Adjustment Program | | | | | | | | | | | | |
| 1. | Premium adjustments receivable | 643,498 | | | | 643,498 | | (309,911) | | A | 333,587 | | |
| 2. | Premium adjustments (payable) | | | | | | | | | B | | | |
| 3. | Subtotal ACA Permanent Risk Adjustment Program | 643,498 | | | | 643,498 | | (309,911) | | | 333,587 | | |
| b. | Transitional ACA Reinsurance Program | | | | | | | | | | | | |
| 1. | Amounts recoverable for claims paid | | | | | | | | | C | | | |
| 2. | Amounts recoverable for claims unpaid (contra liability) | | | | | | | | | D | | | |
| 3. | Amounts receivable relating to uninsured plans | | | | | | | | | E | | | |
| 4. | Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premiums | | 1,310,356 | | 1,048,285 | | 262,071 | | | F | | 262,071 | |
| 5. | Ceded reinsurance premiums payable | | | | | | | | | G | | | |
| 6. | Liability for amounts held under uninsured plans | | | | | | | | | H | | | |
| 7. | Subtotal ACA Transitional Reinsurance Program | | 1,310,356 | | 1,048,285 | | 262,071 | | | | | 262,071 | |
| c. | Temporary ACA Risk Corridors Program | | | | | | | | | | | | |
| 1. | Accrued retrospective premium | | | | | | | | | I | | | |
| 2. | Reserve for rate credits or policy experience rating refunds | | | | | | | | | J | | | |
| 3. | Subtotal ACA Risk Corridors Program | | | | | | | | | | | | |
| d. | Total for ACA Risk Sharing Provisions | 643,498 | 1,310,356 | | 1,048,285 | 643,498 | 262,071 | (309,911) | | | 333,587 | 262,071 | |

Explanations of Adjustments

A. To remove receivable for MA Risk Adjustment and adjust for 2016 actual results.

- B.
- C.
- D.
- E.
- F.
- G.
- H.

NOTES TO FINANCIAL STATEMENTS

I.
J.

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

| | Accrued During the Prior Year on Business Written Before December 31 of the Prior Year | | Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year | | Differences | | Adjustments | | | Unsettled Balances as of the Reporting Date | |
|--|--|-----------|--|-----------|---|---|------------------------|------------------------|-----|--|--|
| | | | | | Prior Year Accrued Less Payments (Col. 1-3) | Prior Year Accrued Less Payments (Col. 2-4) | To Prior Year Balances | To Prior Year Balances | | Cumulative Balance from Prior Years (Col. 1-3+7) | Cumulative Balance from Prior Years (Col. 2-4+8) |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Ref | 9 | 10 |
| | Receivable | (Payable) | Receivable | (Payable) | Receivable | (Payable) | Receivable | (Payable) | | Receivable | (Payable) |
| a. 2014 | | | | | | | | | | | |
| 1. Accrued retrospective premium | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | A | \$ | \$ |
| 2. Reserve for rate credits for policy experience rating refunds | | | | | | | | | B | | |
| b. 2015 | | | | | | | | | | | |
| 1. Accrued retrospective premium | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | C | \$ | \$ |
| 2. Reserve for rate credits for policy experience rating refunds | | | | | | | | | D | | |
| c. 2016 | | | | | | | | | | | |
| 1. Accrued retrospective premium | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | E | \$ | \$ |
| 2. Reserve for rate credits or policy experience rating refunds | | | | | | | | | F | | |
| d. Total for Risk Corridors | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | \$ | \$ |

A.
B.
C.
D.
E.
F.

(5) ACA Risk Corridors Receivable as of Reporting Date

| Risk Corridors Program Year | 1 Estimated Amount to be Filed or Final Amount Filed with CMS | 2 Non-Accrued Amounts for Impairment or Other Reasons | 3 Amounts Received from CMS | 4 Asset Balance (Gross of Non-Admissions) (1-2-3) | 5 Non-Admitted Amount | 5 Net Admitted Asset (4-5) |
|-----------------------------|--|--|--------------------------------|--|--------------------------|-------------------------------|
| a. 2014 | \$ | \$ | \$ | \$ | \$ | \$ |
| b. 2015 | \$ | \$ | \$ | \$ | \$ | \$ |
| c. 2016 | \$ | \$ | \$ | \$ | \$ | \$ |
| d. Total (a+b+c) | \$ | \$ | \$ | \$ | \$ | \$ |

25. Change in Incurred Claims and Claim Adjustment Expenses

12/31/16 Reserves

16,553,550

Q10.10

NOTES TO FINANCIAL STATEMENTS

| | |
|---|---------------------------|
| 2016 Claims paid in 2017 | (18,644,098) |
| Claims due and unpaid at year-end 2016 – paid in 2017 | <u>(2,556,167)</u> |
| Net | (4,646,715) |
| 2016 Reserves Remaining | <u>332,484</u> |
| Unfavorable Development | <u>(4,979,199)</u> |

26. Intercompany Pooling Arrangements

No significant change

27. Structured Settlements

No significant change

28. Health Care Receivables

No significant change

29. Participating Policies

No significant change

30. Premium Deficiency Reserves

No significant change

31. Anticipated Salvage and Subrogation

No significant change

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 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 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 []
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------------|---------------------------|
| | | |

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] N/A []
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2014
- 6.2 State 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. 12/31/2014
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 07/20/2016
- 6.4 By what department or departments?
Arkansas Insurance Department
- 6.5 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]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A [X]
- 7.1 Has this 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]
- 7.2 If yes, give full information:
- 8.1 Is the company a subsidiary of a bank holding company regulated with 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 the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

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

- 9.1 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.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]

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

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

13. Amount of real estate and mortgages held in short-term investments: \$ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]

14.2 If yes, please complete the following:

| | 1 Prior Year End Book/Adjusted Carrying Value | 2 Current Quarter Book/Adjusted Carrying Value |
|---|---|--|
| 14.21 Bonds | \$ 0 | \$ 0 |
| 14.22 Preferred Stock | 0 | 0 |
| 14.23 Common Stock | 0 | 0 |
| 14.24 Short-Term Investments | 0 | 0 |
| 14.25 Mortgage Loans on Real Estate | 0 | 0 |
| 14.26 All Other | 0 | 0 |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) | \$ 0 | \$ 0 |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above | \$ 0 | \$ 0 |

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No []

If no, attach a description with this statement.

16. For the reporting entity's security lending program, state the amount of the following as of current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

16.3 Total payable for securities lending reported on the liability page: \$ 0

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

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

| 1 Name of Custodian(s) | 2 Custodian Address |
|---|------------------------|
| US Bank Institutional Trust and Custody | St. Louis, MO |

17.2 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) |
|--------------|------------------|------------------------------|
| | | |

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

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

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

17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such ["...that have access to the investment accounts", "handle securities"].

| 1 Name of Firm or Individual | 2 Affiliation |
|---------------------------------|------------------|
| Foundation Resource Management | U |
| Gray D. Dillard | I |

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [X] No []

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [X] No []

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

| 1 Central Registration Depository Number | 2 Name of Firm or Individual | 3 Legal Entity Identifier (LEI) | 4 Registered With | 5 Investment Management Agreement (IMA) Filed |
|--|---------------------------------|------------------------------------|----------------------|--|
| 116359 | Foundation Resource Management | | SEC | No |

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes [X] No []

18.2 If no, list exceptions:

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH

| | | |
|---|----------------------------------|--|
| 1. Operating Percentages: | | |
| 1.1 A&H loss percent | 82.9 % | |
| 1.2 A&H cost containment percent | 2.2 % | |
| 1.3 A&H expense percent excluding cost containment expenses | 9.7 % | |
| 2.1 Do you act as a custodian for health savings accounts? | Yes [<input type="checkbox"/>] | No [<input checked="" type="checkbox"/>] |
| 2.2 If yes, please provide the amount of custodial funds held as of the reporting date. | | 0 |
| 2.3 Do you act as an administrator for health savings accounts? | Yes [<input type="checkbox"/>] | No [<input checked="" type="checkbox"/>] |
| 2.4 If yes, please provide the amount of funds administered as of the reporting date. | | 0 |

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

| 1 NAIC Company Code | 2 ID Number | 3 Effective Date | 4 Name of Reinsurer | 5 Domiciliary Jurisdiction | 6 Type of Reinsurance Ceded | 7 Type of Reinsurer | 8 Certified Reinsurer Rating (1 through 6) | 9 Effective Date of Certified Reinsuer Rating |
|------------------------------|----------------|------------------------|------------------------|----------------------------------|--------------------------------------|---------------------------|---|--|
|------------------------------|----------------|------------------------|------------------------|----------------------------------|--------------------------------------|---------------------------|---|--|

NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

| State, Etc. | 1 Active Status | Direct Business Only | | | | | | | |
|---|--------------------|-----------------------------------|---------------------------|-------------------------|---|---|---------------------------------|--------------------------------|-----------------------------|
| | | 2 Accident and Health Premiums | 3 Medicare Title XVIII | 4 Medicaid Title XIX | 5 Federal Employees Health Benefits Program Premiums | 6 Life and 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 | 138,570,518 | 14,035,132 | | | | | 152,605,650 | |
| 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.....CAN | N | | | | | | | | 0 |
| 58. Aggregate Other alien.....OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal.....XX | | 138,570,518 | 14,035,132 | 0 | 0 | 0 | 0 | 152,605,650 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans.....XXX | | 1,292,135 | | | | | | 1,292,135 | |
| 61. Total (Direct Business).....(a) | 1 | 139,862,653 | 14,035,132 | 0 | 0 | 0 | 0 | 153,897,785 | 0 |

DETAILS OF WRITE-INS

| | | | | | | | | | |
|---|--|---|---|---|---|---|---|---|---|
| 58001..... | | | | | | | | 0 | |
| 58002..... | | | | | | | | 0 | |
| 58003..... | | | | | | | | 0 | |
| 58998. Summary of remaining write-ins for line 58 from overflow page..... | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 58999. Total (Lines 58001 thru 58003 plus 58998) (Line 58 above)..... | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

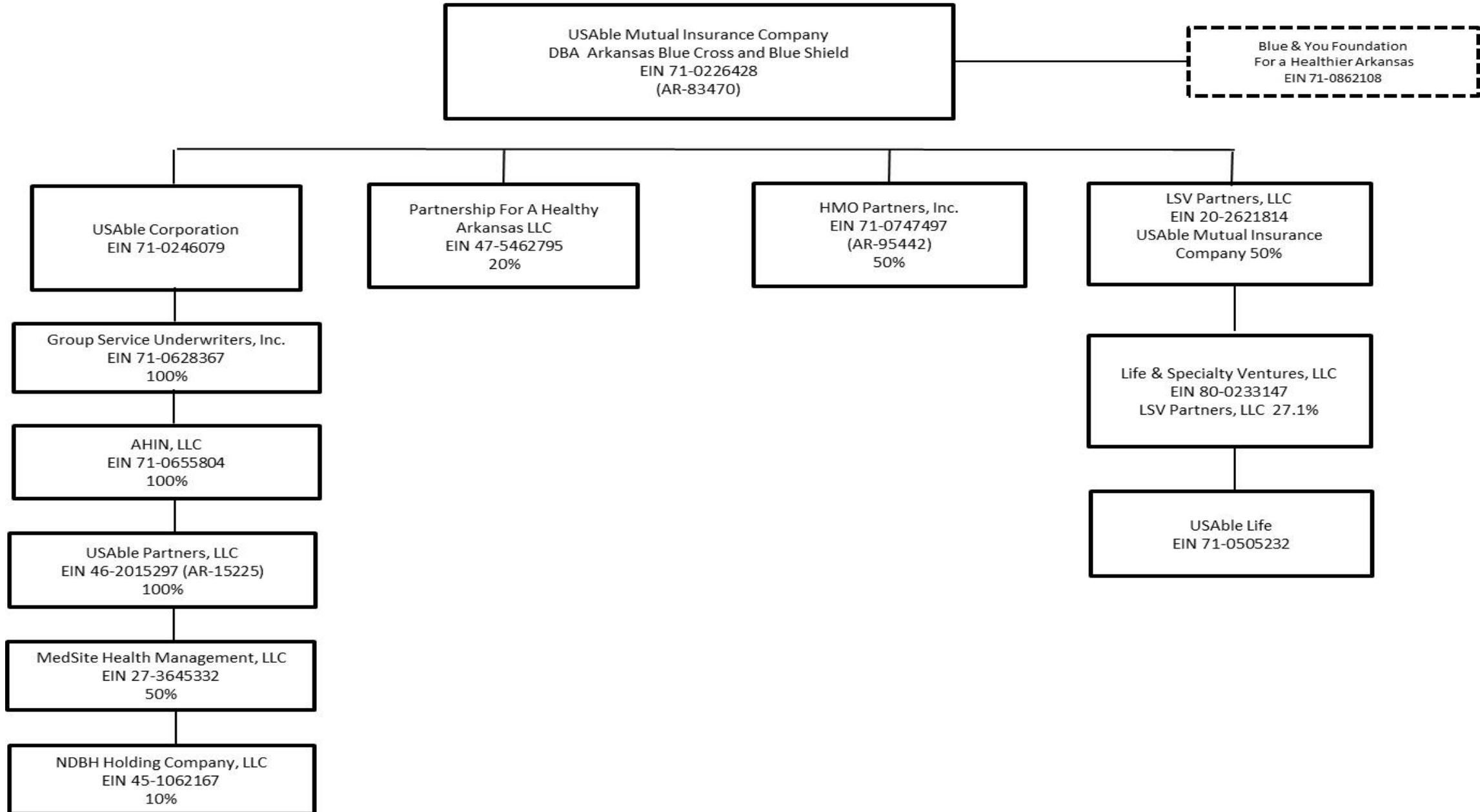
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

(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

Q15



SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
|----------------|---------------------------------|-------------------|--------------|--------------|-----|--|---|----------------------|----------------------------------|--|---|--|--|----------------------------------|----|
| Group Code | Group Name | NAIC Company Code | ID Number | Federal RSSD | CIK | Name of Securities Exchange if Publicly Traded (U.S. or International) | Names of Parent, Subsidiaries or Affiliates | Domiciliary Location | Relationship to Reporting Entity | Directly Controlled by (Name of Entity/Person) | Type of Control (Ownership Board, Management, Attorney-in-Fact, Influence, Other) | If Control is Ownership Provide Percentage | Ultimate Controlling Entity(ies)/Person(s) | Is an SCA Filing Required? (Y/N) | * |
| Members | | | | | | | | | | | | | | | |
| 0876 | USable Mutual Insurance Company | 83470.. | 71-0226428.. | | | | USable Mutual Insurance Company..... | AR..... | | USable Mutual Insurance Company..... | Board..... | | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 71-0862108.. | | | | Blue & You Foundation..... | AR..... | NIA..... | USable Mutual Insurance Company..... | Ownership, Board, Influence | | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 71-0246079.. | | | | USable Corporation..... | AR..... | DS..... | USable Mutual Insurance Company..... | Ownership, Board, Influence | ...100.000 | USable Mutual Insurance Company..... | ..Y..... | |
| 0876 | USable Mutual Insurance Company | | 47-5462795.. | | | | Partnership for a Health Arkansas LLC..... | AR..... | DS..... | USable Mutual Insurance Company..... | Ownership, Influence, Board |20.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | 95442.. | 71-0747497.. | | | | HMO Partners, Inc..... | AR..... | DS..... | USable Mutual Insurance Company..... | Ownership, Board, Influence |50.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 20-2621814.. | | | | LSV Partners, LLC..... | DE..... | DS..... | USable Mutual Insurance Company..... | Ownership, Board, Influence |50.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 71-0628367.. | | | | Group Service Underwriters, Inc..... | AR..... | DS..... | USable Corporation..... | Ownership, Influence | ...100.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 71-0655804.. | | | | AHIN, LLC..... | AR..... | DS..... | USable Corporation..... | Ownership, Influence | ...100.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 27-3645332.. | | | | MedSite Health Management, LLC..... | AR..... | DS..... | USable Corporation..... | Ownership, Board, Influence |50.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | 15225.. | 46-2015297.. | | | | USable Partners, LLC..... | VT..... | DS..... | USable Corporation..... | Ownership, Board, Influence | ...100.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 45-1062167.. | | | | NDBH Holding Company, LLC..... | AR..... | DS..... | USable Corporation..... | Ownership, Influence |10.000 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | | 80-0233147.. | | | | Life & Specialty Ventures, Inc..... | DE..... | NIA..... | LSV Partners, Inc..... | Ownership, Board, Influence |27.100 | USable Mutual Insurance Company..... | ..N..... | |
| 0876 | USable Mutual Insurance Company | 94358.. | 71-0505232.. | | | | USable Life..... | AR..... | IA..... | Life and Specialty Ventures, LLC..... | Ownership..... | ...100.000 | USable Mutual Insurance Company..... | ..N..... | |

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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

Response

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

NO

Explanation:

1. The data for this supplement is not required to be filed.

Bar Code:



Overflow Page for Write-Ins

NONE

SCHEDULE A - VERIFICATION

Real Estate

| | 1 Year to Date | 2 Prior Year Ended December 31 |
|---|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year..... | 0 | |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition..... | | |
| 2.2 Additional investment made after acquisition..... | | |
| 3. Current year change in encumbrances..... | | |
| 4. Total gain (loss) on disposals..... | | |
| 5. Deduct amounts received on disposals..... | | |
| 6. Total foreign exchange change in book/adjusted carrying value..... | | |
| 7. Deduct current year's other-than-temporary impairment recognized..... | | |
| 8. Deduct current year's depreciation..... | | |
| 9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8)..... | 0 | 0 |
| 10. Deduct total nonadmitted amounts..... | | |
| 11. Statement value at end of current period (Line 9 minus Line 10)..... | 0 | 0 |

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

| | 1 Year to Date | 2 Prior Year Ended December 31 |
|--|-------------------|--------------------------------------|
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year..... | 0 | |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition..... | | |
| 2.2 Additional investment made after acquisition..... | | |
| 3. Capitalized deferred interest and other..... | | |
| 4. Accrual of discount..... | | |
| 5. Unrealized valuation increase (decrease)..... | | |
| 6. Total gain (loss) on disposals..... | | |
| 7. Deduct amounts received on disposals..... | | |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees..... | | |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest..... | | |
| 10. Deduct current year's other-than-temporary impairment recognized..... | | |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)..... | 0 | 0 |
| 12. Total valuation allowance..... | | |
| 13. Subtotal (Line 11 plus Line 12)..... | 0 | 0 |
| 14. Deduct total nonadmitted amounts..... | | |
| 15. Statement value at end of current period (Line 13 minus Line 14)..... | 0 | 0 |

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

| | 1 Year to Date | 2 Prior Year Ended December 31 |
|---|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year..... | 0 | |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition..... | | |
| 2.2 Additional investment made after acquisition..... | | |
| 3. Capitalized deferred interest and other..... | | |
| 4. Accrual of discount..... | | |
| 5. Unrealized valuation increase (decrease)..... | | |
| 6. Total gain (loss) on disposals..... | | |
| 7. Deduct amounts received on disposals..... | | |
| 8. Deduct amortization of premium and depreciation..... | | |
| 9. Total foreign exchange change in book/adjusted carrying value..... | | |
| 10. Deduct current year's other-than-temporary impairment recognized..... | | |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)..... | 0 | 0 |
| 12. Deduct total nonadmitted amounts..... | | |
| 13. Statement value at end of current period (Line 11 minus Line 12)..... | 0 | 0 |

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

| | 1 Year to Date | 2 Prior Year Ended December 31 |
|--|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year..... | 58,209,223 | 52,430,663 |
| 2. Cost of bonds and stocks acquired..... | 2,757,338 | 7,793,207 |
| 3. Accrual of discount..... | 14,356 | 27,019 |
| 4. Unrealized valuation increase (decrease)..... | (562,905) | 2,536,137 |
| 5. Total gain (loss) on disposals..... | 137,563 | 945,793 |
| 6. Deduct consideration for bonds and stocks disposed of..... | 1,751,416 | 4,939,122 |
| 7. Deduct amortization of premium..... | 294,689 | 584,474 |
| 8. Total foreign exchange change in book/adjusted carrying value..... | | |
| 9. Deduct current year's other-than-temporary impairment recognized..... | | |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | 58,509,470 | 58,209,223 |
| 11. Deduct total nonadmitted amounts..... | | |
| 12. Statement value at end of current period (Line 10 minus Line 11)..... | 58,509,470 | 58,209,223 |

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

| NAIC Designation | 1 Book/Adjusted Carrying Value Beginning of Current Quarter | 2 Acquisitions During Current Quarter | 3 Dispositions During Current Quarter | 4 Non-Trading Activity During Current Quarter | 5 Book/Adjusted Carrying Value End of First Quarter | 6 Book/Adjusted Carrying Value End of Second Quarter | 7 Book/Adjusted Carrying Value End of Third Quarter | 8 Book/Adjusted Carrying Value December 31 Prior Year |
|--|--|--|--|--|--|---|--|--|
| BONDS | | | | | | | | |
| 1. NAIC 1 (a)..... | 35,348,029 | 6,784,643 | 6,148,902 | 476,526 | 35,348,029 | 36,460,296 | | 37,380,960 |
| 2. NAIC 2 (a)..... | 10,626,142 | | 325,000 | (603,912) | 10,626,142 | 9,697,231 | | 8,400,494 |
| 3. NAIC 3 (a)..... | 2,006,046 | | | (400) | 2,006,046 | 2,005,646 | | 2,007,588 |
| 4. NAIC 4 (a)..... | | | | | | 0 | | |
| 5. NAIC 5 (a)..... | | | | | | 0 | | |
| 6. NAIC 6 (a)..... | | | | | | 0 | | |
| 7. Total Bonds..... | 47,980,218 | 6,784,643 | 6,473,902 | (127,786) | 47,980,218 | 48,163,173 | 0 | 47,789,042 |
| PREFERRED STOCK | | | | | | | | |
| 8. NAIC 1..... | | | | | | 0 | | |
| 9. NAIC 2..... | | | | | | 0 | | |
| 10. NAIC 3..... | | | | | | 0 | | |
| 11. NAIC 4..... | | | | | | 0 | | |
| 12. NAIC 5..... | | | | | | 0 | | |
| 13. NAIC 6..... | | | | | | 0 | | |
| 14. Total Preferred Stock..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. Total Bonds and Preferred Stock..... | 47,980,218 | 6,784,643 | 6,473,902 | (127,786) | 47,980,218 | 48,163,173 | 0 | 47,789,042 |

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(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation:
NAIC 1 \$.....6,449,077; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

SCHEDULE DA - PART 1

Short-Term Investments

| | 1 Book/Adjusted Carrying Value | 2 Par Value | 3 Actual Cost | 4 Interest Collected Year To Date | 5 Paid for Accrued Interest Year To Date |
|--------------|--------------------------------------|----------------|---------------------|---|--|
| 9199999..... | 6,449,077 | XXX | 6,442,568 | 1,433 | 205 |

SCHEDULE DA - VERIFICATION

Short-Term Investments

| | 1 Year To Date | 2 Prior Year Ended December 31 |
|--|-------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year..... | 6,534,427 | 15,658,557 |
| 2. Cost of short-term investments acquired..... | 12,504,447 | 26,062,986 |
| 3. Accrual of discount..... | 11,510 | 23,083 |
| 4. Unrealized valuation increase (decrease)..... | | |
| 5. Total gain (loss) on disposals..... | | 372 |
| 6. Deduct consideration received on disposals..... | 12,601,307 | 35,207,053 |
| 7. Deduct amortization of premium..... | | 3,518 |
| 8. Total foreign exchange change in book/adjusted carrying value..... | | |
| 9. Deduct current year's other-than-temporary impairment recognized..... | | |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | 6,449,077 | 6,534,427 |
| 11. Deduct total nonadmitted amounts..... | | |
| 12. Statement value at end of current period (Line 10 minus Line 11)..... | 6,449,077 | 6,534,427 |

**Sch. DB - Pt. A - Verification
NONE**

**Sch. DB - Pt. B - Verification
NONE**

**Sch. DB - Pt. C - Sn. 1
NONE**

**Sch. DB - Pt. C - Sn. 2
NONE**

**Sch. DB - Verification
NONE**

**Sch. E - Verification
NONE**

**Sch. A - Pt. 2
NONE**

**Sch. A - Pt. 3
NONE**

**Sch. B - Pt. 2
NONE**

**Sch. B - Pt. 3
NONE**

**Sch. BA - Pt. 2
NONE**

**Sch. BA - Pt. 3
NONE**

SCHEDULE D - PART 3

Showing all Long-Term Bonds and Stocks ACQUIRED During Current Quarter

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---------|-----------------|---------------------------------|---------------------------|-------------|-----------|---|--|
| CUSIP Identification | Description | Foreign | Date Acquired | Name of Vendor | Number of Shares of Stock | Actual Cost | Par Value | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| Bonds - Industrial and Miscellaneous | | | | | | | | | |
| 438516 BD 7 | HONEYWELL INTERNATIONAL INC..... | | 06/02/2017..... | HILLTOP SECURITIES INC..... | | 527,100 | 500,000 | 279 | 1FE..... |
| 3899999 | Total - Bonds - Industrial and Miscellaneous..... | | | | | 527,100 | 500,000 | 279 | XXX..... |
| 8399997 | Total - Bonds - Part 3..... | | | | | 527,100 | 500,000 | 279 | XXX..... |
| 8399999 | Total - Bonds..... | | | | | 527,100 | 500,000 | 279 | XXX..... |
| Common Stocks - Industrial and Miscellaneous | | | | | | | | | |
| 375558 10 3 | GILEAD SCIENCES ORD..... | | 04/06/2017..... | UBS FINANCIAL SERVICES INC..... | 6,600,000 | 437,907 | XXX | | L..... |
| 9099999 | Total - Common Stocks - Industrial and Miscellaneous..... | | | | | 437,907 | XXX | 0 | XXX..... |
| 9799997 | Total - Common Stocks - Part 3..... | | | | | 437,907 | XXX | 0 | XXX..... |
| 9799999 | Total - Common Stocks..... | | | | | 437,907 | XXX | 0 | XXX..... |
| 9899999 | Total - Preferred and Common Stocks..... | | | | | 437,907 | XXX | 0 | XXX..... |
| 9999999 | Total - Bonds, Preferred and Common Stocks..... | | | | | 965,007 | XXX | 279 | XXX..... |

(a) For all common stock bearing NAIC market indicator "U" provide the number of such issues:.....0.

QE04

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Quarter

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Change in Book/Adjusted Carrying Value | | | | | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|---|---|---------------------------------|---------------|------------------------------|---------------------------|---------------|-----------|-------------|---|--|---|---|--------------------------------------|--|---|--|----------------------------------|-------------------------------|--|----------------------------------|--|
| | | | | | | | | | | 11 | 12 | 13 | 14 | 15 | | | | | | | |
| CUSIP Identification | Description | F o r e i g n | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase (Decrease) | Current Year's (Amortization) / Accretion | Current Year's Other-Than-Temporary Impairment Recognized | Total Change in B./A.C.V. (11+12-13) | Total Foreign Exchange Change in B./A.C.V. | Book/Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest / Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |
| Bonds - Industrial and Miscellaneous | | | | | | | | | | | | | | | | | | | | | |
| 031162 | AV 2 | | 06/01/2017 | Maturity @ 100.0..... | | 325,000 | 325,000 | 387,520 | 330,698 | | (5,698) | | (5,698) | | 325,000 | | | 0 | 9,506 | 06/01/2017 | 2FE..... |
| 141781 | AX 2 | | 05/26/2017 | Call @ 102.218..... | | 110,000 | 110,000 | 120,689 | 114,342 | | (1,917) | | (1,917) | | 112,425 | | (2,425) | (2,425) | 5,831 | 11/27/2017 | 1FE..... |
| 907818 | CW 6 | | 05/01/2017 | Maturity @ 100.0..... | | 250,000 | 250,000 | 296,625 | 253,556 | | (3,556) | | (3,556) | | 250,000 | | | 0 | 7,063 | 05/01/2017 | 1FE..... |
| 3899999 | Total - Bonds - Industrial and Miscellaneous..... | | | | | 685,000 | 685,000 | 804,834 | 698,596 | 0 | (11,171) | 0 | (11,171) | 0 | 687,425 | 0 | (2,425) | (2,425) | 22,400 | XXX | XXX |
| 8399997 | Total - Bonds - Part 4..... | | | | | 685,000 | 685,000 | 804,834 | 698,596 | 0 | (11,171) | 0 | (11,171) | 0 | 687,425 | 0 | (2,425) | (2,425) | 22,400 | XXX | XXX |
| 8399999 | Total - Bonds..... | | | | | 685,000 | 685,000 | 804,834 | 698,596 | 0 | (11,171) | 0 | (11,171) | 0 | 687,425 | 0 | (2,425) | (2,425) | 22,400 | XXX | XXX |
| Common Stocks - Industrial and Miscellaneous | | | | | | | | | | | | | | | | | | | | | |
| 166764 | 10 0 | | 05/01/2017 | Adjustment..... | | | | | | | | | 0 | | | | | 0 | (1,471) | XXX | L..... |
| 219350 | 10 5 | | 05/01/2017 | Adjustment..... | | | | | | | | | 0 | | | | | 0 | (348) | XXX | L..... |
| 717081 | 10 3 | | 05/01/2017 | Adjustment..... | | | | | | | | | 0 | | | | | 0 | (3,150) | XXX | L..... |
| 878742 | 20 4 | | 04/06/2017 | UBS FINANCIAL SERVICES INC.. | 7,000.000 | 166,416 | | 26,429 | 140,210 | (113,782) | | | (113,782) | | 26,429 | | 139,988 | 139,988 | | XXX | L..... |
| 91913Y | 10 0 | | 05/01/2017 | Adjustment..... | | | | | | | | | 0 | | | | | 0 | (2,500) | XXX | L..... |
| 9099999 | Total - Common Stocks - Industrial and Miscellaneous..... | | | | | 166,416 | XXX | 26,429 | 140,210 | (113,782) | 0 | 0 | (113,782) | 0 | 26,429 | 0 | 139,988 | 139,988 | (7,469) | XXX | XXX |
| 9799997 | Total - Common Stocks - Part 4..... | | | | | 166,416 | XXX | 26,429 | 140,210 | (113,782) | 0 | 0 | (113,782) | 0 | 26,429 | 0 | 139,988 | 139,988 | (7,469) | XXX | XXX |
| 9799999 | Total - Common Stocks..... | | | | | 166,416 | XXX | 26,429 | 140,210 | (113,782) | 0 | 0 | (113,782) | 0 | 26,429 | 0 | 139,988 | 139,988 | (7,469) | XXX | XXX |
| 9899999 | Total - Preferred and Common Stocks..... | | | | | 166,416 | XXX | 26,429 | 140,210 | (113,782) | 0 | 0 | (113,782) | 0 | 26,429 | 0 | 139,988 | 139,988 | (7,469) | XXX | XXX |
| 9999999 | Total - Bonds, Preferred and Common Stocks..... | | | | | 851,416 | XXX | 831,262 | 838,806 | (113,782) | (11,171) | 0 | (124,953) | 0 | 713,853 | 0 | 137,563 | 137,563 | 14,931 | XXX | XXX |

QE05

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues:0.

Sch. DB - Pt. A - Sn. 1
NONE

Sch. DB - Pt. B - Sn. 1
NONE

Sch. DB - Pt. D - Sn. 1
NONE

Sch. DB - Pt. D - Sn. 2
NONE

Sch. DL - Pt. 1
NONE

Sch. DL - Pt. 2
NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1 Depository | 2 Code | 3 Rate of Interest | 4 Amount of Interest Received During Current Quarter | 5 Amount of Interest Accrued at Current Statement Date | Book Balance at End of Each Month During Current Quarter | | | 9 * |
|--|-----------|-----------------------|---|---|--|-------------------|------------------|--------|
| | | | | | 6 First Month | 7 Second Month | 8 Third Month | |
| Open Depositories | | | | | | | | |
| Bank of America..... Little Rock, AR..... | |0.010 |6,589 |4,422 |28,076,835 |42,076,099 |34,076,608 | XXX |
| Simmons First National Bank..... Pine Bluff, AR..... | | | | |1,182,807 |1,288,615 |1,452,010 | XXX |
| US Bank..... Little Rock, AR..... | | | | |430,506 |507,790 |511,981 | XXX |
| 0199999. Total Open Depositories..... | XXX | XXX |6,589 |4,422 |29,690,148 |43,872,503 |36,040,599 | XXX |
| 0399999. Total Cash on Deposit..... | XXX | XXX |6,589 |4,422 |29,690,148 |43,872,503 |36,040,599 | XXX |
| 0599999. Total Cash..... | XXX | XXX |6,589 |4,422 |29,690,148 |43,872,503 |36,040,599 | XXX |

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

| 1 Description | 2 Code | 3 Date Acquired | 4 Rate of Interest | 5 Maturity Date | 6 Book/Adjusted Carrying Value | 7 Amount of Interest Due & Accrued | 8 Amount Received During Year |
|------------------|-----------|--------------------|-----------------------|--------------------|-----------------------------------|---------------------------------------|----------------------------------|
|------------------|-----------|--------------------|-----------------------|--------------------|-----------------------------------|---------------------------------------|----------------------------------|

NONE

QE13