



# ANNUAL STATEMENT

For the Year Ended December 31, 2017  
of the Condition and Affairs of the

## USable Mutual Insurance Company

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

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

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

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

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

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

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

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

Internet Web Site Address www.arkansasbluecross.com

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

### OFFICERS

Name	Title	Name	Title
1. Curtis Edwin Barnett #	President / CEO	2. Calvin Eugene Kellogg	EVP / Chief Strategy Officer
3. Gray Donald Dillard	Treasurer / CFO	4. James Lee Douglass	Secretary

### OTHER

Stephen William Abell	James Robert Bailey
Alicia Marie Berkemeyer	Judy Dawn Blevins
James Daniel Bloodworth	David Frank Bridges
Richard Shelby Cooper	Ronald Walter DeBerry
David Franklin Greenwood, Jr.	Melvin Dewayne Hardy
Kimberly Ann Henderson	Harvey David Jacobson
Anthony Marcus James	Connie Annelle Meeks
Hal Jackson Norman	Eric Richard Paczewitz
Kathleen O'Dea Ryan	Philip Eugene Sherrill
Steven Aaron Spaulding	Scott Bradley Winter #
Samuel Carl Vorderstrasse	

### DIRECTORS OR TRUSTEES

Curtis Edwin Barnett #	Susan Glover Brittain	Robert Vincent Brothers	Mark William Greenway
James Virgil Kelley	Mahlon Ogden Maris MD	Carla Marie Martin #	James Thomas May
Robert Daniel Nabholz	Marla Kay Johnson	Ben Edwin Owens	Robert Lee Shoptaw
Sherman Ellis Tate	Rex Moreland Terry #	Paul Mark White	

State of..... Arkansas  
County of..... Pulaski

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

(Signature) Curtis Edwin Barnett	(Signature) Calvin Eugene Kellogg	(Signature) Gray Donald Dillard
1. (Printed Name) President / CEO	2. (Printed Name) EVP / Chief Strategy Officer	3. (Printed Name) Treasurer / CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2018

a. Is this an original filing? Yes [X] No [ ]

b. If no

1. State the amendment number \_\_\_\_\_
2. Date filed \_\_\_\_\_
3. Number of pages attached \_\_\_\_\_

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	602,697,042		602,697,042	598,705,453
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	266,388,409		266,388,409	272,681,992
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	48,733,751		48,733,751	46,125,678
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	7,073,975		7,073,975	7,374,974
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....38,773,228, Schedule E-Part 1), cash equivalents (\$.....88,757,987, Schedule E-Part 2) and short-term investments (\$.....52,747,346, Schedule DA).....	180,278,560		180,278,560	232,407,755
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	137,348,223		137,348,223	86,068,544
9. Receivables for securities.....			0	4,302,192
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	3,516,367	0	3,516,367	3,469,728
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,246,036,328	0	1,246,036,328	1,251,136,317
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	4,851,486		4,851,486	4,654,513
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 (\$.....145,747,836) and contracts subject to redetermination (\$.....35,491,407).....	181,239,243	432,661	180,806,581	136,323,786
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	9,942,321		9,942,321	38,373,639
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.....	70,732,026	1,333,947	69,398,080	34,638,463
18.1 Current federal and foreign income tax recoverable and interest thereon.....	8,478,760		8,478,760	9,757,285
18.2 Net deferred tax asset.....	45,714,901	16,669,178	29,045,723	42,197,425
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	14,063,693	5,370,097	8,693,596	6,937,521
21. Furniture and equipment, including health care delivery assets (\$.....0).....	27,342,940	27,342,940	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	15,368,219	2,178,300	13,189,918	10,713,458
24. Health care (\$.....24,472,584) and other amounts receivable.....	65,807,864	16,064,280	49,743,584	45,266,654
25. Aggregate write-ins for other-than-invested assets.....	68,915,281	24,559,197	44,356,083	43,698,326
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,758,493,060	93,950,600	1,664,542,460	1,623,697,386
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTAL (Lines 26 and 27).....	1,758,493,060	93,950,600	1,664,542,460	1,623,697,386

## DETAILS OF WRITE-INS

1101. Deposits with National Accounts.....	3,516,367		3,516,367	3,469,728
1102.....			0	
1103.....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	3,516,367	0	3,516,367	3,469,728
2501. Supplemental Savings Plan.....	44,023,719		44,023,719	43,342,133
2502. Other Assets.....	332,364		332,364	356,193
2503. Other Non-Admitted Assets.....	24,559,197	24,559,197	0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	68,915,281	24,559,197	44,356,083	43,698,326

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....5,788,779 reinsurance ceded).....	224,642,654	818,606	225,461,260	249,951,214
2. Accrued medical incentive pool and bonus amounts.....	3,980,682		3,980,682	2,915,880
3. Unpaid claims adjustment expenses.....	6,102,438		6,102,438	6,614,949
4. Aggregate health policy reserves, including the liability of \$.....2,675,253 for medical loss ratio rebate per the Public Health Service Act.....	138,053,165		138,053,165	137,015,633
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserves.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	36,011,243		36,011,243	21,294,497
9. General expenses due or accrued.....	258,290,478		258,290,478	257,561,015
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	3,841,956		3,841,956	4,135,100
12. Amounts withheld or retained for the account of others.....	50,142,293		50,142,293	45,299,093
13. Remittances and items not allocated.....	200,538		200,538	1,474,364
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	796,192		796,192	605,989
16. Derivatives.....			0	
17. Payable for securities.....			0	981
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	55,184,343		55,184,343	33,426,231
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	20,141,327	0	20,141,327	20,620,084
24. Total liabilities (Lines 1 to 23).....	797,387,309	818,606	798,205,915	780,915,031
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	40,900,000	0
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX		
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other-than-special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	825,436,545	842,782,350
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	866,336,545	842,782,350
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,664,542,460	1,623,697,381

**DETAILS OF WRITE-INS**

2301. Deferred Gain on Capitalization of joint venture.....	19,617,685		19,617,685	19,617,685
2302. Miscellaneous.....	523,642		523,642	1,002,399
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above).....	20,141,327	0	20,141,327	20,620,084
2501. 2018 ACA Insurer Fee Estimate.....	XXX	XXX	40,900,000	
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	XXX	XXX	40,900,000	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	.XXX.....	8,147,024	7,992,408
2. Net premium income (including \$.....0 non-health premium income).....	.XXX.....	2,527,134,174	2,476,281,652
3. Change in unearned premium reserves and reserve for rate credits.....	.XXX.....	(3,421,193)	(9,569,659)
4. Fee-for-service (net of \$.....0 medical expenses).....	.XXX.....		
5. Risk revenue.....	.XXX.....		
6. Aggregate write-ins for other health care related revenues.....	.XXX.....	.0	.0
7. Aggregate write-ins for other non-health revenues.....	.XXX.....	.0	.0
8. Total revenues (Lines 2 to 7).....	.XXX.....	2,523,712,982	2,466,711,993
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		1,185,779,837	1,227,110,404
10. Other professional services.....		41,460,681	35,802,982
11. Outside referrals.....			
12. Emergency room and out-of-area.....		366,612,317	396,120,168
13. Prescription drugs.....		558,588,863	486,990,900
14. Aggregate write-ins for other hospital and medical.....0		.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....		12,810,635	14,550,099
16. Subtotal (Lines 9 to 15).....	.0	2,165,252,334	2,160,574,553
<b>Less:</b>			
17. Net reinsurance recoveries.....		(51,679,047)	(11,870,482)
18. Total hospital and medical (Lines 16 minus 17).....0		2,216,931,381	2,172,445,035
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....7,271,323 cost containment expenses.....		91,513,500	89,593,220
21. General administrative expenses.....		208,983,349	243,499,179
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		(860,552)	(9,202,214)
23. Total underwriting deductions (Lines 18 through 22).....0		2,516,567,678	2,496,335,220
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	.XXX.....	7,145,304	(29,623,227)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		16,457,361	13,441,191
26. Net realized capital gains or (losses) less capital gains tax of \$.....(3,457,325).....		7,705,335	4,046,872
27. Net investment gains or (losses) (Lines 25 plus 26).....0		24,162,696	17,488,063
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....0		1,308,130	2,144,219
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.....	32,616,130	(9,990,945)
31. Federal and foreign income taxes incurred.....	.XXX.....	1,949,765	(3,605,132)
32. Net income (loss) (Lines 30 minus 31).....	.XXX.....	30,666,365	(6,385,813)

**DETAILS OF WRITE-INS**

0601. ....	.XXX.....		
0602. ....	.XXX.....		
0603. ....	.XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.XXX.....	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	.XXX.....	.0	.0
0701. ....	.XXX.....		
0702. ....	.XXX.....		
0703. ....	.XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	.XXX.....	.0	.0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above).....	.XXX.....	.0	.0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.0	.0	.0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	.0	.0	.0
2901. Miscellaneous Income/Expense.....		1,309,130	2,147,029
2902. State Tax Expense.....		(1,000)	(2,810)
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.0	.0	.0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....	.0	1,308,130	2,144,219

## STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	842,782,354	817,802,098
34. Net income or (loss) from Line 32.....	30,666,365	(6,385,813)
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	20,642,883	8,063,583
37. Change in net unrealized foreign exchange capital gain or (loss).....	(21,464)	2,939,924
38. Change in net deferred income tax.....	(37,106,280)	975,179
39. Change in nonadmitted assets.....	8,773,109	18,870,943
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.....	599,578	516,440
48. Net change in capital and surplus (Lines 34 to 47).....	23,554,191	24,980,256
49. Capital and surplus end of reporting period (Line 33 plus 48).....	866,336,545	842,782,354

## DETAILS OF WRITE-INS

4701. Capital Lease Adjustment.....	599,578	516,440
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above).....	599,578	516,440

## USAbile Mutual Insurance Company

# CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	2,497,719,680	2,453,359,287
2. Net investment income.....	22,465,105	18,220,203
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	2,520,184,785	2,471,579,489
5. Benefit and loss related payments.....	2,218,555,334	2,113,534,624
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	310,813,670	333,299,546
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	(2,786,085)	10,431,097
10. Total (Lines 5 through 9).....	2,526,582,919	2,457,265,267
11. Net cash from operations (Line 4 minus Line 10).....	(6,398,134)	14,314,223
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	367,946,543	153,612,147
12.2 Stocks.....	32,922,138	13,173,396
12.3 Mortgage loans.....		
12.4 Real estate.....		89,380
12.5 Other invested assets.....	1,001,316	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(11,439)	3,832
12.7 Miscellaneous proceeds.....	4,302,192	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	406,160,751	166,878,755
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	384,168,025	244,483,820
13.2 Stocks.....	7,577,327	9,280,653
13.3 Mortgage loans.....		
13.4 Real estate.....	7,801,603	12,098,367
13.5 Other invested assets.....	41,001,316	17,617
13.6 Miscellaneous applications.....	47,621	25,395,768
13.7 Total investments acquired (Lines 13.1 to 13.6).....	440,595,892	291,276,225
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(34,435,142)	(124,397,471)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(11,295,919)	(8,387,465)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(11,295,919)	(8,387,465)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(52,129,195)	(118,470,713)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	232,407,753	350,878,467
19.2 End of year (Line 18 plus Line 19.1).....	180,278,558	232,407,753

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

20.0001 .....		
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	1,704,279,627	84,747,773		1,789,027,400
2. Medicare supplement.....	257,379,298			257,379,298
3. Dental only.....	48,165,346		48,291,762	(126,416)
4. Vision only.....	5,707,931			5,707,931
5. Federal employees health benefits plan.....	264,477,859			264,477,859
6. Title XVIII - Medicare.....	148,743,819	17,418,578		166,162,397
7. Title XIX - Medicaid.....				.0
8. Other health.....	42,930,953	2,016,673	441,922	44,505,705
9. Health subtotal (Lines 1 through 8).....	2,471,684,833	104,183,024	48,733,683	2,527,134,174
10. Life.....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11).....	2,471,684,833	104,183,024	48,733,683	2,527,134,174

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	2,194,948,396	1,550,673,767	210,367,067	35,094,035	3,814,336	234,915,955	127,570,831		32,512,405	
1.2 Reinsurance assumed.....	85,269,486	69,321,023					14,114,425		1,834,038	
1.3 Reinsurance ceded.....	72,867,170	38,330,644		34,466,105					70,421	
1.4 Net.....	2,207,350,712	1,581,664,146	210,367,067	627,930	3,814,336	234,915,955	141,685,256	0	34,276,022	0
2. Paid medical incentive pools and bonuses.....	11,745,832	8,632,082				1,019,213	2,038,324		56,213	
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	216,690,711	156,163,073	20,295,450	1,543,000	45,863	17,102,334	16,975,376		4,565,615	
3.2 Reinsurance assumed.....	14,559,328	7,749,915					1,727,393		5,082,020	
3.3 Reinsurance ceded.....	5,788,779	(2)		1,543,000					4,245,781	
3.4 Net.....	225,461,260	163,912,990	20,295,450	0	45,863	17,102,334	18,702,769	0	5,401,854	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	3,980,682	3,068,257				244,855	658,736		8,834	
6. Net healthcare receivables (a).....	7,171,331	3,493,446	7,066			(132,450)	653,765		3,149,504	
7. Amounts recoverable from reinsurers December 31, current year.....	9,942,321	6,273,000		3,660,714					8,607	
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	252,026,079	188,418,712	20,827,650	2,135,000	39,491	20,093,499	16,545,259		3,966,468	
8.2 Reinsurance assumed.....	8,387,050	6,589,103					1,313,428		484,519	
8.3 Reinsurance ceded.....	10,461,916	4,768,745		2,135,000					3,558,171	
8.4 Net.....	249,951,213	190,239,070	20,827,650	0	39,491	20,093,499	17,858,687	0	892,816	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	2,915,880	1,876,876					1,035,456		3,548	
11. Amounts recoverable from reinsurers December 31, prior year.....	38,373,640	35,339,853		3,027,273					6,514	
12. Incurred benefits:										
12.1 Direct.....	2,152,441,697	1,514,924,682	209,827,801	34,502,035	3,820,708	232,057,240	127,347,183	0	29,962,048	0
12.2 Reinsurance assumed.....	91,441,764	70,481,835	0	0	0	0	14,528,390	0	6,431,539	0
12.3 Reinsurance ceded.....	39,762,714	4,495,044	0	34,507,546	0	0	0	0	760,124	0
12.4 Net.....	2,204,120,747	1,580,911,473	209,827,801	(5,511)	3,820,708	232,057,240	141,875,573	0	35,633,463	0
13. Incurred medical incentive pools and bonuses.....	12,810,634	9,823,463	0	0	0	1,264,068	1,661,604	0	61,499	0

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

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	52,633,198	40,721,980	5,831,759			2,165,047	1,410,839		2,503,573	
1.2 Reinsurance assumed.....	2,142,020								2,142,020	
1.3 Reinsurance ceded.....	0							\$-		
1.4 Net.....	54,775,217	40,721,980	5,831,759	0	0	2,165,047	1,410,839	0	4,645,592	0
2. Incurred but unreported:										
2.1 Direct.....	164,057,513	115,441,093	14,463,691	1,543,000	45,863	14,937,287	15,564,537		2,062,042	
2.2 Reinsurance assumed.....	12,417,308	7,749,915					1,727,393		2,940,000	
2.3 Reinsurance ceded.....	5,788,779	(2)		1,543,000					4,245,781	
2.4 Net.....	170,686,042	123,191,010	14,463,691	0	45,863	14,937,287	17,291,930	0	756,261	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	216,690,711	156,163,073	20,295,450	1,543,000	45,863	17,102,334	16,975,376	0	4,565,615	0
4.2 Reinsurance assumed.....	14,559,328	7,749,915	0	0	0	0	1,727,393	0	5,082,020	0
4.3 Reinsurance ceded.....	5,788,779	(2)	0	1,543,000	0	0	0	0	4,245,781	0
4.4 Net.....	225,461,260	163,912,990	20,295,450	0	45,863	17,102,334	18,702,769	0	5,401,854	0

## UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	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).....	134,409,982	1,490,216,009	908,060	161,267,061	135,318,042	185,852,595
2. Medicare supplement.....	19,194,077	191,172,990	29,277	20,266,173	19,223,354	20,827,650
3. Dental only.....	1,583,939	33,510,097	9,123	1,533,877	1,593,062	2,135,000
4. Vision only.....		3,814,336		45,863	0	39,491
5. Federal employees health benefits plan.....	15,534,676	219,381,279	216,410	16,885,925	15,751,086	20,093,499
6. Title XVIII - Medicare.....	16,292,298	111,278,533	151,373	16,824,003	16,443,671	16,545,259
7. Title XIX - Medicaid.....					0	
8. Other health.....	92,015	32,420,389	50,000	7,274,115	142,015	4,457,718
9. Health subtotal (Lines 1 to 8).....	187,106,987	2,081,793,633	1,364,243	224,097,017	188,471,230	249,951,212
10. Healthcare receivables (a).....		40,289,921			0	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	1,767,894	9,977,940		3,980,682	1,767,894	2,915,880
13. Totals (Lines 9 - 10 + 11 + 12).....	188,874,881	2,051,481,652	1,364,243	228,077,699	190,239,124	252,867,092

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

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

**SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	1,103,836	1,103,954			
2. 2013.....	1,081,552	1,186,352	1,186,780	1,186,780	1,186,780
3. 2014.....	XXX	1,488,580	1,642,050	1,643,251	1,643,251
4. 2015.....	XXX	XXX	1,773,046	1,936,903	1,936,976
5. 2016.....	XXX	XXX	XXX	1,990,751	2,177,784
6. 2017.....	XXX	XXX	XXX	XXX	2,081,794

**SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	1,105,199	1,103,954			
2. 2013.....	1,205,663	1,185,073	1,186,780		
3. 2014.....	XXX	1,695,008	1,642,883	1,643,251	
4. 2015.....	XXX	XXX	1,986,671	1,938,346	1,936,976
5. 2016.....	XXX	XXX	XXX	2,239,338	2,177,858
6. 2017.....	XXX	XXX	XXX	XXX	2,305,891

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	1,395,524	1,186,780	46,168	3.9	1,232,948	88.4			1,232,948	88.4
2. 2014.....	1,983,683	1,643,251	51,752	3.1	1,695,003	85.4			1,695,003	85.4
3. 2015.....	2,243,936	1,936,976	54,432	2.8	1,991,408	88.7			1,991,408	88.7
4. 2016.....	2,496,570	2,177,784	71,503	3.3	2,249,287	90.1	1,363	34	2,250,684	90.2
5. 2017.....	2,499,962	2,081,794	71,585	3.4	2,153,378	86.1	228,078	6,068	2,387,524	95.5

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

**SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	566,479	566,529			
2. 2013.....	539,236	598,681	598,859	598,859	598,859
3. 2014.....	XXX	936,141	1,042,621	1,043,277	1,043,277
4. 2015.....	XXX	XXX	1,217,874	1,331,641	1,331,554
5. 2016.....	XXX	XXX	XXX	1,413,777	1,548,274
6. 2017.....	XXX	XXX	XXX	XXX	1,490,216

**SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	564,799	566,529			
2. 2013.....	603,846	597,623	598,859		
3. 2014.....	XXX	1,077,900	1,043,268	1,043,277	
4. 2015.....	XXX	XXX	1,367,547	1,332,239	1,331,554
5. 2016.....	XXX	XXX	XXX	1,598,910	1,548,375
6. 2017.....	XXX	XXX	XXX	XXX	1,651,483

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	738,411	598,859	27,474	4.6	626,333	84.8			626,333	84.8
2. 2014.....	1,301,717	1,043,277	27,856	2.7	1,071,133	82.3			1,071,133	82.3
3. 2015.....	1,551,103	1,331,554	33,352	2.5	1,364,906	88.0			1,364,906	88.0
4. 2016.....	1,771,012	1,548,274	44,540	2.9	1,592,814	89.9	908	23	1,593,745	90.0
5. 2017.....	1,789,027	1,490,216	45,378	3.0	1,535,594	85.8	164,335	4,399	1,704,328	95.3

12.HM

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

**SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	168,314	168,181			
2. 2013.....	159,345	174,656	174,634	174,634	174,634
3. 2014.....	XXX	165,273	182,017	182,087	182,087
4. 2015.....	XXX	XXX	174,957	191,943	191,957
5. 2016.....	XXX	XXX	XXX	181,611	200,791
6. 2017.....	XXX	XXX	XXX	XXX	191,173

**SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	167,947	168,181			
2. 2013.....	177,572	174,582	174,634		
3. 2014.....	XXX	185,100	181,952	182,087	
4. 2015.....	XXX	XXX	195,220	192,059	191,957
5. 2016.....	XXX	XXX	XXX	202,376	200,772
6. 2017.....	XXX	XXX	XXX	XXX	211,439

12.MS

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	229,153	174,634	3,797	2.2	178,431	77.9			178,431	77.9
2. 2014.....	240,324	182,087	7,029	3.9	189,116	78.7			189,116	78.7
3. 2015.....	245,069	191,957	7,430	3.9	199,387	81.4			199,387	81.4
4. 2016.....	247,867	200,791	7,779	3.9	208,570	84.1	.29	.1	208,600	84.2
5. 2017.....	257,379	191,173	7,108	3.7	198,281	77.0	20,266	.608	219,155	85.1

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

**SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	22,947	22,949			
2. 2013.....	25,917	27,561	27,568	27,568	27,568
3. 2014.....	XXX	27,312	28,965	28,975	28,975
4. 2015.....	XXX	XXX	29,953	31,769	31,784
5. 2016.....	XXX	XXX	XXX	31,221	32,790
6. 2017.....	XXX	XXX	XXX	XXX	33,510

**SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	22,941	22,949			
2. 2013.....	27,346	27,561	27,568		
3. 2014.....	XXX	28,715	28,972	28,975	
4. 2015.....	XXX	XXX	31,888	31,786	31,784
5. 2016.....	XXX	XXX	XXX	33,343	32,801
6. 2017.....	XXX	XXX	XXX	XXX	35,044

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....		27,568		0.0	27,568	0.0			27,568	0.0
2. 2014.....		28,975		0.0	28,975	0.0			28,975	0.0
3. 2015.....		31,784		0.0	31,784	0.0			31,784	0.0
4. 2016.....		32,790		0.0	32,790	0.0	9		32,799	0.0
5. 2017.....		33,510		0.0	33,510	0.0	1,534		35,044	0.0

12.D0

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

#### SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	642	642			
2. 2013.....	905	905	905		
3. 2014.....	XXX	1,533	1,533	1,533	
4. 2015.....	XXX	XXX	2,161	2,161	
5. 2016.....	XXX	XXX	XXX	2,463	
6. 2017.....	XXX	XXX	XXX	XXX	3,814

#### SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	642	642			
2. 2013.....	935	905	905		
3. 2014.....	XXX	1,569	1,533	1,533	
4. 2015.....	XXX	XXX	2,199	2,161	
5. 2016.....	XXX	XXX	XXX	2,503	
6. 2017.....	XXX	XXX	XXX	XXX	3,860

12.VO

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	1,234	905		.00	905	73.3			905	73.3
2. 2014.....	2,159	1,533		.00	1,533	71.0			1,533	71.0
3. 2015.....	2,868	2,161		.00	2,161	75.3			2,161	75.3
4. 2016.....	3,563	2,463		.00	2,463	69.1			2,463	69.1
5. 2017.....	5,708	3,814		.00	3,814	66.8	.46		3,860	67.6

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	207,761	207,814			
2. 2013.....	196,915	212,200	212,232	212,232	212,232
3. 2014.....	XXX	201,497	216,216	216,248	216,248
4. 2015.....	XXX	XXX	205,028	221,246	221,301
5. 2016.....	XXX	XXX	XXX	215,198	230,677
6. 2017.....	XXX	XXX	XXX	XXX	219,381

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	208,332	207,814			
2. 2013.....	215,582	211,788	212,232		
3. 2014.....	XXX	219,480	216,259	216,248	
4. 2015.....	XXX	XXX	222,444	221,330	221,301
5. 2016.....	XXX	XXX	XXX	235,118	230,776
6. 2017.....	XXX	XXX	XXX	XXX	236,267

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	235,521	212,232	7,722	3.6	219,954	93.4			219,954	93.4
2. 2014.....	241,081	216,248	6,673	3.1	222,921	92.5			222,921	92.5
3. 2015.....	252,247	221,301	5,931	2.7	227,232	90.1			227,232	90.1
4. 2016.....	275,089	230,677	8,988	3.9	239,665	87.1	216	.6	239,887	87.2
5. 2017.....	256,173	219,381	9,422	4.3	228,803	89.3	17,131	.503	246,437	96.2

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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

#### SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	103,120	103,264			
2. 2013.....	121,982	134,972	135,205	135,205	135,205
3. 2014.....	.XXX	124,708	138,478	138,905	138,905
4. 2015.....	.XXX	.XXX	111,997	126,919	126,993
5. 2016.....	.XXX	.XXX	.XXX	114,797	131,015
6. 2017.....	.XXX	.XXX	.XXX	.XXX	111,279

#### SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	103,350	103,264			
2. 2013.....	140,505	135,232	135,205		
3. 2014.....	.XXX	142,118	138,681	138,905	
4. 2015.....	.XXX	.XXX	129,407	127,340	126,993
5. 2016.....	.XXX	.XXX	.XXX	131,148	131,046
6. 2017.....	.XXX	.XXX	.XXX	.XXX	128,103

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	147,480	135,205	4,592	3.4	139,797	94.8			139,797	94.8
2. 2014.....	154,688	138,905	7,928	5.7	146,833	94.9			146,833	94.9
3. 2015.....	147,727	126,993	6,550	5.2	133,543	90.4			133,543	90.4
4. 2016.....	154,146	131,015	7,115	5.4	138,130	89.6	151	.4	138,285	89.7
5. 2017.....	148,744	111,279	6,272	5.6	117,551	79.0	17,483	.548	135,582	91.2

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

**SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	<b>NONE</b>				
2. 2013.....					
3. 2014.....		.XXX			
4. 2015.....		.XXX	.XXX		
5. 2016.....		.XXX	.XXX	.XXX	
6. 2017.....		.XXX	.XXX	.XXX	.XXX

**SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID**

**12.XI**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	<b>NONE</b>				
2. 2013.....					
3. 2014.....		.XXX			
4. 2015.....		.XXX	.XXX		
5. 2016.....		.XXX	.XXX	.XXX	
6. 2017.....		.XXX	.XXX	.XXX	.XXX

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 1 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....		.0		.0	<b>NONE</b>	.0			.0	.0
2. 2014.....		.0		.0		.0			.0	.0
3. 2015.....		.0		.0		.0			.0	.0
4. 2016.....		.0		.0		.0			.0	.0
5. 2017.....		.0		.0		.0			.0	.0

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

**SECTION A - PAID HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	34,573	34,575			
2. 2013.....	37,252	37,377	37,377	37,377	37,377
3. 2014.....	XXX	32,116	32,220	32,226	32,226
4. 2015.....	XXX	XXX	31,076	31,224	31,226
5. 2016.....	XXX	XXX	XXX	31,684	31,774
6. 2017.....	XXX	XXX	XXX	XXX	32,420

**SECTION B - INCURRED HEALTH CLAIMS - OTHER**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	37,188	34,575			
2. 2013.....	39,877	37,382	37,377		
3. 2014.....	XXX	40,126	32,218	32,226	
4. 2015.....	XXX	XXX	37,966	31,431	31,226
5. 2016.....	XXX	XXX	XXX	35,940	31,624
6. 2017.....	XXX	XXX	XXX	XXX	39,695

12.01

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2013.....	43,724	37,377	2,583	6.9	39,960	91.4			39,960	91.4
2. 2014.....	43,714	32,226	2,266	7.0	34,492	78.9			34,492	78.9
3. 2015.....	44,922	31,226	1,169	3.7	32,395	72.1			32,395	72.1
4. 2016.....	44,893	31,774	3,081	9.7	34,855	77.6	50		34,905	77.8
5. 2017.....	42,931	32,420	3,405	10.5	35,825	83.4	7,283	10	43,118	100.4

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	7,514,564	1,999,765	5,277,168	229,341					8,291
2. Additional policy reserves (a).....	2,161,932	2,161,932							
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income).....	128,376,670					125,701,417			2,675,253
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	138,053,166	4,161,697	5,277,168	229,341	0	125,701,417	0	0	2,683,544
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	138,053,166	4,161,697	5,277,168	229,341	0	125,701,417	0	0	2,683,544
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0

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**DETAILS OF WRITE-INS**

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....9,353,425 for occupancy of own building).....	423,195	1,137,218	6,569,638	9,353,425	17,483,476
2. Salaries, wages and other benefits.....	59,539,812	33,970,902	165,186,833		258,697,547
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			40,532,382		40,532,382
4. Legal fees and expenses.....			856,616		856,616
5. Certifications and accreditation fees.....	37,911				37,911
6. Auditing, actuarial and other consulting services.....	34,143	1,665	6,552,689		6,588,497
7. Traveling expenses.....	876,373	59,394	2,254,670		3,190,437
8. Marketing and advertising.....	26,653	1,994	4,170,440		4,199,087
9. Postage, express and telephone.....	970,997	4,057,161	7,138,654		12,166,812
10. Printing and office supplies.....	480,582	339,461	4,506,349		5,326,392
11. Occupancy, depreciation and amortization.....	777,899	215,590	3,173,976		4,167,465
12. Equipment.....	628,842	153,892	3,740,581		4,523,315
13. Cost or depreciation of EDP equipment and software.....	4,226,876	2,372,441	34,487,703		41,087,020
14. Outsourced services including EDP, claims, and other services.....	20,155,132	(1,136,481)	18,218,492	1,209,286	38,446,429
15. Boards, bureaus and association fees.....	290,108	3,954	4,184,585		4,478,647
16. Insurance, except on real estate.....	167,123	122,487	1,404,911		1,694,521
17. Collection and bank service charges.....			2,213,791		2,213,791
18. Group service and administration fees.....	(1,580,421)	39,615,297	3,119,366		41,154,242
19. Reimbursements by uninsured plans.....	(87,588,181)	(1,261,538)	(165,775,485)		(254,625,204)
20. Reimbursements from fiscal intermediaries.....		1,280,040			1,280,040
21. Real estate expenses.....	709,099	342,809	5,100,389	879,543	7,031,840
22. Real estate taxes.....	95,264	32,555	417,360	22,682	567,861
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....		3,351	159,756		163,107
23.2 State premium taxes.....			28,104,221		28,104,221
23.3 Regulatory authority licenses and fees.....	8,203		1,148,939		1,157,142
23.4 Payroll taxes.....	3,370,102	1,957,880	7,855,951		13,183,933
23.5 Other (excluding federal income and real estate taxes).....	32,407	11,851	551,710		595,968
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	3,589,204	960,253	23,108,835	0	27,658,292
26. Total expenses incurred (Lines 1 to 25).....	7,271,323	84,242,176	208,983,352	11,464,936	(a) 311,961,787
27. Less expenses unpaid December 31, current year.....		6,102,438	258,290,478		264,392,916
28. Add expenses unpaid December 31, prior year.....		6,614,949	257,561,015		264,175,964
29. Amounts receivable relating to uninsured plans, prior year.....			1,035,390		1,035,390
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	7,271,323	84,754,687	207,218,500	11,464,936	310,709,447

## DETAILS OF WRITE-INS

2501. Administrative Expenses Assumed.....	3,783,440	57,679	22,485,056		26,326,175
2502. Administrative Expenses Ceded.....	(172,538)	1,472,173	(5,008,942)		(3,709,307)
2503. HMOP ASA Agreement.....			(2,604,264)		(2,604,264)
2598. Summary of remaining write-ins for Line 25 from overflow page.....	(21,698)	(569,599)	8,236,985	0	7,645,688
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above).....	3,589,204	960,253	23,108,835	0	27,658,292

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....2,979,922	.....2,793,621
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....9,255,399	.....9,410,693
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....2,606,658	.....2,600,657
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....10,569,295
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....1,119,663	.....1,112,629
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....1,161,886	.....1,435,403
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....17,123,528	.....27,922,298
11. Investment expenses.....	.....	(g).....11,442,254
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....22,682
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....11,464,936
17. Net investment income (Line 10 minus Line 16).....	.....	.....16,457,362

**DETAILS OF WRITE-INS**

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

- (a) Includes \$.....404,452 accrual of discount less \$.....6,609,169 amortization of premium and less \$.....1,275,646 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....9,353,425 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....226,994 accrual of discount less \$.....4,092 amortization of premium and less \$.....221,569 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....22,262 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....(5,072,863)	.....	.....(5,072,863)	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....(754,017)	.....(1,615,201)	.....(2,369,219)	.....90,062	.....1,535,825
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....11,988,813	.....(381,262)	.....11,607,550	.....533,310	.....
2.21 Common stocks of affiliates.....	.....	.....	.....0	.....9,113,962	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....2	.....	.....2	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....(11,439)	.....49,221	.....37,782	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....44,758	.....	.....44,758	.....11,234,920	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....(329,371)	.....0
10. Total capital gains (losses).....	.....6,195,253	.....(1,947,242)	.....4,248,010	.....20,642,883	.....1,535,825

**DETAILS OF WRITE-INS**

0901. OPEB and other.....	.....	.....	.....0	.....(329,371)	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....(329,371)	.....0

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			0
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....			0
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	0	0	0
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....	432,661	1,077,360	644,699
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			0
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....	1,333,947	832,307	(501,639)
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....	16,669,178	41,902,153	25,232,975
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....	5,370,097	6,190,743	820,646
21. Furniture and equipment, including health care delivery assets.....	27,342,940	23,331,251	(4,011,689)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....	2,178,300	146,388	(2,031,912)
24. Health care and other amounts receivable.....	16,064,280	13,050,538	(3,013,741)
25. Aggregate write-ins for other-than-invested assets.....	24,559,197	16,192,968	(8,366,229)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	93,950,600	102,723,709	8,773,109
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	93,950,600	102,723,709	8,773,109

**DETAILS OF WRITE-INS**

1101.....			0
1102.....			0
1103.....			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Other Assets.....	24,559,197	16,192,968	(8,366,229)
2502.....			0
2503.....			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	24,559,197	16,192,968	(8,366,229)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	485,162	491,709	478,598	474,727	467,041	5,820,356
4. Point of service.....						
5. Indemnity only.....	182,528	197,065	196,772	197,780	198,271	2,326,668
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total.....	667,690	688,774	675,370	672,507	665,312	8,147,024

**DETAILS OF WRITE-INS**

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

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies and Going Concern

#### A. Accounting Practices

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

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

	SSAP #	F/S Page	F/S Line #	2017	2016
<b>NET INCOME</b>					
(1) USAbLe Mutual Insurance Company Company state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ 30,666,365	\$ (6,385,813)
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP				\$	\$
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP				\$	\$
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ 30,666,365	\$ (6,385,813)
<b>SURPLUS</b>					
(5) USAbLe Mutual Insurance Company Company state basis (Page 3, line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 866,336,545	\$ 842,782,350
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP				\$	\$
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP				\$	\$
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 866,336,545	\$ 842,782,350

#### B. Use of Estimates in the Preparation of the Financial Statement

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 and are stated at amortized cost using the interest method. The company is not currently holding any SVO-Identified investments.
- 3) Common Stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- 4) The Company does not have preferred stock.
- 5) The Company does not have mortgage loans.
- 6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. The retrospective adjustment method is used to value all securities.
- 7) Common stock investments in affiliates including limited liability companies are carried at their NAIC SAP or GAAP equity values in accordance with the requirements of SSAP no. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities*.
- 8) The Company has minor investments in joint ventures, partnerships and limited liability companies. See (7) above for accounting policy.
- 9) The Company does not have derivatives.
- 10) The Company does not have premium deficiency reserves.
- 11) The Company sets the claims liability at the regional level, but there are reasonableness checks using a reserve set on an overall basis. When setting liability, the 7 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 sufficient.
  - a. **Aggregate Method:** Here, we subtract 12 months of paid claims from 12 months of estimated incurred claims to get our liability estimate
  - b. **3 Month Average Method:** As our base liability estimate, we use the average liability of the third, fourth, and fifth month prior to the current month. Adjustments are made for trend, membership change, and backlog to come up with the current month's estimate of liability.
  - c. **Previous Year's Cost per Member Method:** This method starts out by taking the average cost per member for the prior year's four month ending period. This four month average cost from the previous year is then trended forward to get an estimate as to what the average four month ending incurred cost would be for the current year. From this, we subtract the equivalent four month's paid claims to get an estimate of what the most recent four month's liability will be. To get the total liability in addition to just the most recent four month's reserve, we add the accumulated liability from four months past that comes to us straight from the T440 report.

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**NOTES TO FINANCIAL STATEMENTS**


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- d. **Previous Year's IBNR Method** This method is similar to the Three Month Average Method, except that we use the actual reserve from one year ago as our base estimate of liability. This is projected forward using adjustments for trend, membership change, and backlog.
- e. **ABCBS PMPM Method** This method allows us to set what we think the incurred PMPM will be for each of the last three months. This lets us take into account seasonality or other unusual circumstances that straight averages wouldn't normally pick up. After we have set the last three month's PMPMs, we subtract what has been paid thus far in those three months to come up with an estimate for the most recent three month's liability. Any liability remaining for the time period prior to the most recent three-month period is picked up from the accumulated liability number straight off of the T440 report. Historical completion factors are calculated on a 36 month basis.
- f. **HMO PMPM Method:** We have employed some additional PMPM methods on some of our larger blocks. The only difference between the HMO PMPM method and the ABCBS PMPM Method described above is the manner in which the historical completion factors are calculated. This method calculates completion factors by incurral year. Completion factors used for the current year are based on the previous year's experience.
- g. **12 Month CF Method:** This is identical to the ABCBS PMPM Method, except that historical completion factors are based on 12 months rolling data, and not 36 months' worth of data.

13) Pharmacy rebate receivable estimates are based upon a history of rebates billed vs. paid pharmacy claims.

D. Going Concern - Not applicable

**Note 2 – Accounting Changes and Correction of Errors**

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. There were no accounting changes or correction of errors during 2017.

**Note 3 – Business Combinations and Goodwill**

A. Statutory Purchase Method

Not applicable

B. Statutory Merger

Not applicable

C. Assumption Reinsurance

Not applicable

D. Impairment Loss

Not applicable

**Note 4 – Discontinued Operations**

A. Discontinued Operation Disposed of or Classified as Held for Sale

Not applicable

B. Change in Plan of Sale of Discontinued Operation

Not applicable

C. Nature of Any Significant Continuing Involvement with Discontinued Operations After Disposal

Not applicable

D. Equity Interest Retained in the Discontinued Operation After Disposal

Not applicable

**Note 5 – Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

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**NOTES TO FINANCIAL STATEMENTS**


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Not Applicable

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

Not Applicable

D. Loan-Backed Securities

(1) Descriptions of sources used to determine prepayment assumptions

For fixed-rate agency mortgage-backed securities, Clearwater Analytics calculates prepayment speeds utilizing Mortgage Industry Advisory Corporation (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semi-monthly dealer-consensus survey of long-term prepayment projections. For other mortgage-backed, loan-backed, and structured securities, Clearwater utilizes prepayment assumptions from Moody's Analytics. Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, Clearwater uses data from Reuters, which utilizes the median prepayment speed from contributors' models.

(2) All securities within the scope of SSAP NO. 43R - Loan-Backed and Structured Securities with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment

Not Applicable

(3) For each security, by CUSIP, with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities

Not Applicable

(4)

All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

1. Less than 12 Months \$ 960.40

2. 12 Months or Longer \$ 0.00

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months \$ 856,785.00

2. 12 Months or Longer \$ 0.00

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

Not Applicable

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing  
Repurchase Transactions – Cash Provider – Overview of Secured Borrowing Transactions

Not Applicable

## NOTES TO FINANCIAL STATEMENTS

H. Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

J. Real Estate

Not Applicable

K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1 Total Gross Restricted from Current Year	2 Total Gross Restricted from Prior Year	3 Increase (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Additional Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ 32,000,000	\$	\$ 32,000,000	\$	\$ 32,000,000	2.8%	2.8%
b. Collateral held under security lending arrangements						%	%
c. Subject to repurchase agreements						%	%
d. Subject to reverse repurchase agreements						%	%
e. Subject to dollar repurchase agreements						%	%
f. Subject to dollar reverse repurchase agreements						%	%
g. Placed under option contracts						%	%
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock						%	%
i. FHLB capital stock						%	%
j. On deposit with states	101,465	99,721	1,743		101,465	%	%
k. On deposit with other regulatory bodies						%	%
l. Pledged as collateral to FHLB (including assets backing funding agreements)						%	%
m. Pledged as collateral not captured in other categories		16,252,551	(16,252,551)			%	%
n. Other restricted assets	257,153	256,221	932		257,153	%	%
o. Total Restricted Assets	\$ 32,358,618	\$ 16,608,493	\$ 15,750,124	\$	\$ 32,358,618	2.8%	2.8%

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 1, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contacts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)

	1	2	3	4	5	6
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## NOTES TO FINANCIAL STATEMENTS

	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase (Decrease)  (1 minus 2)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Revolving line of credit back by T-Note	\$	\$ 16,252,551	\$ (16,252,551)	\$	%	%
Total (c)	\$	\$ 16,252,551	\$ (16,252,551)	\$	%	%

(a) Total Line for Columns 1 through 3 should equal 5H(1)m Columns 1 through 3 respectively and Total Line for Column 4 should equal 5H(1)m Column 5.

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate)

	1 Total Gross (Admitted & Nonadmitted) Restricted from Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	3 Increase (Decrease)  (1 minus 2)	4 Total Current Year Admitted Restricted	5 Gross (Admitted & Nonadmitted) Restricted to Total Assets	6 Admitted Restricted to Total Admitted Assets
High Deductible Workers' Comp - CD	\$ 50,000	\$ 50,000	\$	\$ 50,000	%	%
High Deductible Workers' Comp - Money Market Fund	\$ 106,500	\$ 106,500	\$	\$ 106,500	%	%
High Deductible Workers' Come - T-Note	\$ 100,653	\$ 99,721	\$ 932	\$ 100,653	%	%
Total (c)	\$ 257,153	\$ 256,221	\$ 932	\$ 257,153	%	%

(a) Total Line for Columns 1 through 3 should equal 5H(1)n Columns 1 through 3 respectively and Total Line for Column 4 should equal 5H(1)n Column 5.

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Not Applicable

M. Working Capital Finance Investments

Not Applicable

N. Offsetting and Netting of Assets and Liabilities

Not Applicable

O. Structured Notes

Not Applicable

P. 5\* Securities

Not Applicable

Q. Short Sales

Not Applicable

R. Prepayment Penalty and Acceleration Fees

### General Account

(1) Number of CUSIPs 12

(2) Aggregate Amount of Insurance Income \$720,913.29

### Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

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

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

### Note 7 – Investment Income

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

## NOTES TO FINANCIAL STATEMENTS

B. The Total amount excluded was -0-

### Note 8 – Derivative Instruments

A. Market Risk, Credit Risk, and Cash Requirements of the Derivative

Not Applicable

B. Objectives for Using Derivatives

Not Applicable

C. Accounting Policies Used for Recognition

Not Applicable

D. Derivative Contracts with Financing Premiums

Not Applicable

E. Net Gain or Loss Recognized that Represents the Component of the Derivative Instruments' Gain or Loss that was Excluded from the Assessment of Hedge Effectiveness

Not Applicable

F. Net Gain or Loss Recognized from Derivatives that No Longer Qualify for Hedge Accounting

Not Applicable

G. Derivatives Accounted for as Cash Flow Hedges of a Forecasted Transaction

Not Applicable

H. The Aggregate, Non-Discounted Total Premium Cost for the se Contracts and the Premium Cost Due in Each of the Following Four Years

Not Applicable

### Note 9 – Income Taxes

A. Deferred Tax Assets/(Liabilities)

#### 1. Components of Net Deferred Tax Asset/(Liability)

	2017			2016			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	\$ 72,786,891	\$ 848,518	\$ 73,635,409	\$113,624,533	\$ 11,315,073	\$124,939,606	\$ (40,837,642)	\$ (10,466,555)	\$ (51,304,197)
b. Statutory valuation allowance adjustment	1,522,500		1,522,500		2,537,500	2,537,500	1,522,500	(2,537,500)	(1,015,000)
c. Adjusted gross deferred tax assets (1a-1b)	\$ 71,264,391	\$ 848,518	\$ 72,112,909	\$113,624,533	\$ 8,777,573	\$122,402,106	\$ (42,360,142)	\$ (7,929,055)	\$ (50,289,197)
d. Deferred tax assets nonadmitted	16,669,178		16,669,178	41,902,153		41,902,153	(25,232,975)		(25,232,975)
e. Subtotal net admitted deferred tax asset (1c-1d)	\$ 54,595,213	\$ 848,518	\$ 55,443,731	\$ 71,722,380	\$ 8,777,573	\$ 80,499,953	\$ (17,127,167)	\$ (7,929,055)	(25,056,222)
f. Deferred tax liabilities	715,191	25,682,817	26,398,008	1,425,798	36,876,731	38,302,529	(710,607)	(11,193,914)	(11,904,521)
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$ 53,880,022	\$ (24,834,299)	\$ 29,045,723	\$ 70,296,582	\$ (28,099,158)	\$ 42,197,424	\$ (16,416,560)	\$ 3,264,859	\$ (13,151,701)

#### 2. Admission Calculation Components SSAP No. 101

	2017			2016			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	23,872,156		23,872,156	32,858,386		32,858,386	(8,986,230)		(8,986,230)
b. Adjusted gross deferred tax assets expected to be realized (excluding	5,173,567		5,173,567	9,339,039		9,339,039	(4,165,472)		(4,165,472)

**NOTES TO FINANCIAL STATEMENTS**

	2017		2016		Change				
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
the amount of deferred tax assets from 2(a) above after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below:									
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	5,173,567		5,173,567	9,339,039		9,339,039	(4,165,472)		(4,165,472)
Adjusted gross deferred tax assets allowed per limitation threshold									
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	25,549,490	848,518	26,398,008	29,524,956	8,777,573	38,302,529	(3,975,466)	(7,929,055)	(11,904,521)
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c)	54,595,213	848,518	55,443,731	71,722,381	8,777,573	80,499,954	(17,127,168)	(7,929,055)	(25,056,223)

3. Other Admissibility Criteria

	2017	2016
a. Ratio percentage used to determine recovery period and threshold limitation amount	807.7%	863.3%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	771,028,049	751,745,251

4. 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.

	12/31/2017		12/31/2016		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	71,264,391	848,518	113,624,533	8,777,573	(42,360,142)	(7,929,055)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	%	%	%	%	%	%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	54,595,213	848,518	71,722,380	8,777,573	(17,127,167)	(7,929,055)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	%	%	%	%	%	%

(b) Does the company's tax planning strategies include the use of reinsurance? NO

B. Deferred Tax Liabilities Not Recognized

Not Applicable

C. Current and Deferred Income Taxes

**NOTES TO FINANCIAL STATEMENTS**

## 1. Current Income Tax

	1	2	3
	2017	2016	(Col 1-2) Change
a. Federal	5,330,009	(59,137)	5,389,146
b. Foreign			
c. Subtotal	5,330,009	(59,137)	5,389,146
d. Federal income tax on net capital gains	(3,457,325)	2,155,460	(5,612,785)
e. Utilization of capital loss carry-forwards			
f. Other	(3,380,244)	(3,545,995)	165,751
g. Federal and Foreign income taxes incurred	(1,507,560)	(1,449,672)	(57,888)

## 2. Deferred Tax Assets

	1	2	3
	2017	2016	(Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	716,725	5,345,490	(4,628,765)
2. Unearned premium reserve			
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs	5,368,619	6,712,823	(1,344,204)
6. Policyholder dividends accrual			
7. Fixed assets	4,580,027	5,546,130	(966,103)
8. Compensation and benefits accrual	43,291,977	71,465,834	(28,173,857)
9. Pension accrual			
10. Receivables - nonadmitted	11,952,713	12,559,892	(607,179)
11. Net operating loss carry-forward			
12. Tax credit carry-forward	5,008,105	9,339,039	(4,330,934)
13. Other (items <5% of total ordinary tax assets)	1,868,725	2,655,325	(786,600)
Other (items >=5% of total ordinary tax assets)			
99. Subtotal	72,786,891	113,624,533	(40,837,642)
b. Statutory valuation allowance adjustment	1,522,500		1,522,500
c. Nonadmitted	16,669,178	41,902,153	(25,232,975)
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	54,595,213	71,722,380	(17,127,167)
e. Capital:			
1. Investments	848,518	9,126,885	(8,278,367)
2. Net capital loss carry-forward			
3. Real estate			
4. Other (items <5% of total capital tax assets)		2,188,188	(2,188,188)
Other (items >=5% of total capital tax assets)			
5.			
99. Subtotal	848,518	11,315,073	(10,466,555)
f. Statutory valuation allowance adjustment		2,537,500	(2,537,500)
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	848,518	8,777,573	(7,929,055)
i. Admitted deferred tax assets (2d+2h)	55,443,731	80,499,953	(25,056,222)

## 3. Deferred Tax Liabilities

	1	2	3
	2017	2016	(Col 1-2) Change
a. Ordinary:			
1. Investments	151,830	263,176	(111,346)
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (items <5% of total ordinary tax liabilities)	563,361	1,162,622	(599,261)
Other (items >=5% of total ordinary tax liabilities)			
6.			
99. Subtotal	715,191	1,425,798	(710,607)
b. Capital:			
1. Investments	25,682,817	36,876,731	(11,193,914)
2. Real estate			
3. Other (tems <5% of total capital tax liabilities)			
Other (items >=5% of total capital tax liabilities)			
4.			
99. Subtotal	25,682,817	36,876,731	(11,193,914)
c. Deferred tax liabilities (3a99+3b99)	26,398,008	38,302,529	(11,904,521)
4. Net Deferred Tax Assets (2i - 3c)	29,045,723	42,197,424	(13,151,701)

## D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate Among the more significant book to tax adjustments were the following:

	Amount	Effective Tax Rate (%)
<b>Permanent Differences:</b>		

**NOTES TO FINANCIAL STATEMENTS**

	Amount	Effective Tax Rate (%)
Provision computed at statutory rate	10,205,582	35.0%
Proration of tax exempt investment income	117,105	0.4%
Tax exempt income deduction	(305,935)	(1.0)%
Dividends received deduction	(474,765)	(1.6)%
Disallowed travel and entertainment	197,947	0.4%
Other permanent differences	2,663,591	9.1%
<b>Temporary Differences:</b>		
Total ordinary DTAs	41,069,250	140.8%
Total ordinary DTLs	(476,794)	(1.6)%
Total capital DTAs	565,679	1.9%
Total capital DTLs	(17,121,878)	(58.7)%
<b>Other:</b>		
Statutory valuation allowance adjustment		%
Accrual adjustment – prior year	1,685,240	5.8%
Other	(2,526,300)	(8.7)%
Totals	35,598,722	122.1%
Federal and foreign income taxes incurred	1,949,765	6.7%
Realized capital gains (losses) tax	(3,457,325)	(11.9)%
Change in net deferred income taxes	37,106,281	127.3%
Total statutory income taxes	\$ 35,598,721	122.1%

**E. Operating Loss Carryforwards and Income Taxes Available for Recoupment**

- The amounts, origination dates and expiration dates of operating loss and tax credit carry forwards available for tax purposes:

At December 31, 2017, the Company did not have any unused operating loss carryforwards available to offset against future taxable income

- The following is income tax expense for current year and proceeding years that is available for recoupment in the event of future net losses:

Year	Amounts
2017	2,609,412
2016	2,365,008

- The Company's aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code is 0.

**F. Consolidated Federal Income Tax Return**

- The Company's federal income tax return is consolidated with the following entities:

USAble Mutual Insurance Company  
USAble Corporation  
Group Service Underwriters Inc  
USAble Partners LLC

- The manner in which the Board of Directors sets forth for allocating the consolidated federal income tax:

The method of allocation among companies is subject to a written agreement, approved by the required authorized officers. The method of allocation chosen is in accordance with IRS Regulation 1.1502-33(d)(2)(I) whereby profitable companies pay tax according to their income or losses. Intercompany tax balances are paid quarterly based on estimates and settled annual upon completion of the consolidated tax return.

**G. Federal or Foreign Federal Income Tax Loss Contingencies:**

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

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**NOTES TO FINANCIAL STATEMENTS**


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## A. Nature of the Relationship Involved

USAbLe Mutual Insurance Company, d.b.a. Arkansas Blue Cross Blue Shield, owns 100% of USAbLe Corporation, 20% of Partnership for a Healthy Arkansas, LLC, 50% of HMO Partners, Inc. and 50% of LSV Partners, LLC. LSV Partners, LLC owns 29% of Life & Specialty Ventures, LLC, and 100% of USAbLe Life. As of December 31, 2017, USAbLe Corporation owns 100% of Group Service Underwriters, Inc., 100% of AHIN, LLC, 100% of USAbLe Partners, LLC, 50% of Medsite Health Mgmt, LLC, and 10% of New Directions Behavioral Health Holding Company, LLC. USAbLe Corporation invested \$1,470,000 in Arkansas Advanced Care and has an obligation for an outstanding capital call of \$1,000,000. USAbLe Corporation has a 24.5% ownership in Arkansas Advanced Care.

## B. Transactions

N/A

## C. Dollar Amounts of Transactions

N/A

## D. Amounts Due From or To Related Parties

At December 31, 2017, the Company reported the following admitted amounts due from Affiliates:

HMO Partners, Inc.	\$10,607,941
Arkansas Advanced Care	1,756,430
USAbLe Corporation	486,446
AHIN, LLC.	285,279
Blue & You Foundation	23,519
Reinsurance Cell F	17,533
Life and Specialty Ventures	10,809
Medsite Health Management, LLC	<u>1,962</u>
Total	\$13,189,918

At December 31, 2017, the Company reported the following amounts due to Affiliates:

USAbLe Corporation	\$ 755,300
Life and Specialty Ventures	<u>20,892</u>
Total	\$ 796,192

## E. Guarantees or Undertakings

N/A

## F. Material Management or Service Contracts and Cost-Sharing Arrangements

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

## G. Nature of the Control Relationship

N/A

## H. Amount Deducted from the Value of Upstream Intermediate Entity or Ultimate Parent Owned

N/A

## I. Investments in SCA that Exceed 10% of Admitted Assets

There were no investments in SCA that exceeded 10% of admitted assets.

## J. Investments in Impaired SCAs

N/A

## K. Investment in Foreign Insurance Subsidiary

N/A

## L. Investment in Downstream Noninsurance Holding Company

N/A

## M. All SCA Investments

**NOTES TO FINANCIAL STATEMENTS**

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8b(i) Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
	%	\$	\$	\$
Total SSAP No. 97 8a Entities	XXX	\$	\$	\$
b. SSAP No. 97 8b(ii) Entities				
	%	\$	\$	\$
Total SSAP No. 97 8b(ii) Entities	XXX	\$	\$	\$
c. SSAP No. 97 8b(iii) Entities				
USAbLe Corporation	100.0%	\$ 133,644,208	\$ 133,644,208	\$
Partnership for a Healthier Arkansas, LLC	20.0%	\$ 121,842	\$ 121,842	\$
Total SSAP No. 97 8b(iii) Entities	XXX	\$ 133,766,050	\$ 133,766,050	\$
d. SSAP No. 97 8b(iv) Entities				
	%	\$	\$	\$
Total SSAP No. 97 8b(iv) Entities	XXX	\$	\$	\$
e. Total SSAP No. 97 8b Entities (exception 8b(i) entities) (b + c + d)	XXX	\$ 133,766,050	\$ 133,766,050	\$
f. Aggregate Total (a + e)	XXX	\$ 133,766,050	\$ 133,766,050	\$

(2) NAIC Filing Response Information

SCA Entity (Should be the same entities as shown in M(1) above)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities			\$			
Total SSAP No. 97 8a Entities	XXX	XXX	\$	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities			\$			
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	\$	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities			\$			
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	\$	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities			\$			
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	\$	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (exception 8b(i) entities) (b + c + d)	XXX	XXX	\$	XXX	XXX	XXX
f. Aggregate Total (a + e)	XXX	XXX	\$	XXX	XXX	XXX

\* S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing

\*\* I – Immaterial or M – Material

N. Investment in Insurance SCAs

The company does not invest in an insurance SCA that departs from the NAIC statutory accounting practices and procedures

**Note 11 – Debt**

A. Debt Including Capital Notes

Not Applicable

B. FHLB (Federal Home Loan Bank) Agreements

Not Applicable

**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plan

(1) Change in Benefit Obligation

Change in Benefit Obligation		Neither Overfunded nor Underfunded	
b.	Postretirement Benefits	2017	2016

## NOTES TO FINANCIAL STATEMENTS

1.	Benefit obligation at beginning of year	\$ 154,233,000	\$ 138,698,000		
2.	Service cost	950,000	1,021,000		
3.	Interest cost	6,170,000	5,886,000		
4.	Continuation by plan participants		0		
5.	Actuarial gain (loss)	(2,046,000)	12,943,000		
6.	Foreign currency exchange rate changes	0	0		
7.	Benefits paid	(5,332,000)	(4,315,000)		
8.	Plan amendments	0	0		
9.	Business combinations, divestitures, curtailments, settlements and special termination benefits	0	0		
10.	Benefit obligation at end of year	\$ 153,975,000	\$ 154,233,000		

## (2) Change in Plan Assets

Not Applicable

## (3) Funded Status of the Plans

Not Applicable

## (4) Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
	2017	2016	2017	2016	2017	2016
a. Service cost	\$	\$	\$ 950,000	\$ 1,021,000	\$	\$
b. Interest cost			6,170,000	5,886,000		
c. Expected return on plan assets						
d. Transition asset or obligation						
e. Gains and losses			1,193,000			
f. Prior service cost or credit			(2,614,000)	(2,614,000)		
g. Gain or loss recognized due to a settlement curtailment						
h. Total net periodic benefit cost	\$	\$	\$ 5,699,000	\$ 4,293,000	\$	\$

## (5) Amounts in Unassigned Funds (Surplus) Recognized as Components of Net Periodic Benefit Cost

Not Applicable

## (6) Amounts in Unassigned Funds (Surplus) Expected to be Recognized in the Next Fiscal Year as Components of Net Periodic Benefit Cost

Not Applicable

## (7) Amounts in Unassigned Funds (Surplus) that have not yet been Recognized as Components of Net Periodic Benefit Cost

Not Applicable

## (8) Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost as of December 31

	2017	2016
a. Weighted-average discount rate	3.6%	4.0%
b. Expected long-term rate of return on plan assets	N/A	N/A
c. Rate of compensation increase	3.5%	3.5%

## NOTES TO FINANCIAL STATEMENTS

Weighted average assumption used to determine projected benefit obligations as of Dec 31		
d. Weighted-average discount rate	3.6%	4.0%
e. Rate of compensation increase	3.5%	3.5%

- (9) Accumulated Benefit Obligation for Defined Benefit Pension Plans

Not Applicable

- (10) For Postretirement Benefits Other Than Pensions, the Assumed Health Care Cost Trend Rate(s)

Not Applicable

- (11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
a. Effect on total of service and interest cost components	\$ (431,000)	\$ 407,000
b. Effect on postretirement benefit obligation	\$ (11,047,000)	\$ 10,356,000

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

Year(s)	Amount
a. 2018	\$ 5,348,000
b. 2019	\$ 5,606,000
c. 2020	\$ 5,949,000
d. 2021	\$ 6,312,000
e. 2022	\$ 6,622,000
f. 2023 through 20__	\$ 38,466,000

- (13) Estimate of Contributions Expected to be Paid to the Plan

Not Applicable

- (14) Amounts and Types of Securities Included in Plan Assets

Not Applicable

- (15) Alternative Method Used to Amortize Prior Service Amounts or Net Gains and Losses

Not Applicable

- (16) Substantive Comment Used to Account for Benefit Obligation

Not Applicable

- (17) Cost of Providing Special or Contractual Termination Benefits Recognized

Not Applicable

- (18) Significant Change in the Benefit Obligation or Plan Assets

Not Applicable

- (19) Amount and Time Plan Assets Expected to be Returned

Not Applicable

- (20) Accumulated Postretirement and Pension Benefit Obligation and Fair Value of Plan Assets for Defined Postretirement and Pension Benefit Plans

Not Applicable

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**NOTES TO FINANCIAL STATEMENTS**


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(21) Full Transition Surplus Impact of SSAP 102

Not Applicable

B. Investment Policies and Strategies

Not Applicable - Unfunded Plan

C. Fair Value of Plan Assets

Not Applicable - Unfunded Plan

D. Basis Used to Determine Expected Long-Term Rate-of-Return

Not Applicable - Unfunded Plan

E. Defined Contribution Plans

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

Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plu\$. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plu\$ portion of the plan. Under the 401(k) Plu\$ the Company makes a minimum contribution of 2% of the eligible compensation of all eligible employees. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. At no time will the contribution be less than 2%. For 2017, 6% has been used to calculate the Company's contribution of \$11,552,488.16.

F. Multiemployer Plans

The Company does not participate in multiemployer plans.

G. Consolidated/Holding Company Plans

Not Applicable

H. Postemployment Benefits and Compensated Absences

The Company does not offer a postretirement benefit plan.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not Applicable

**Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

- 1) As of December 31, 2017, the Company had no common capital shares authorized, issued or outstanding.
- 2) The Company has no preferred stock outstanding.
- 3) The Company has no dividend restrictions.
- 4) As a Mutual Insurer, the Company can only pay dividends on participating policies and the Company does not issue participating policies.
- 5) The Portion of the Reporting Entity's Profits that may be Paid as Ordinary Dividends to Stockholders  
Not Applicable
- 6) The Company had no restrictions on its unassigned surplus.
- 7) The Company does not have any advances to surplus.
- 8) The Total Amount of Stock Held by the Reporting Entity, Including Stock of Affiliated Entities, for Special Purposed Such as  
Not Applicable
- 9) The Company has no special surplus funds.

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**NOTES TO FINANCIAL STATEMENTS**


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- 10) The Portion of Unassigned Funds (Surplus) Represented or Reduced by Cumulative Unrealized Gains and Losses is \$32,601,352 gain.
- 11) The Company has no Surplus Notes as of December 31, 2017.
- 12) The Company was not involved in a quasi-reorganization.
- 13) The Effective Date of a Quasi-Reorganization for a Period of Ten Years Following the Reorganization  
Not applicable

**Note 14 – Liabilities, Contingencies and Assessments**

- A. Contingent Commitments  
None
- B. Assessments  
None
- C. Gain Contingencies  
None
- D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - Total SSAP 97 and SSAP 48 Contingent Liabilities  
None
- E. Joint and Several Liabilities  
None
- F. 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

**Note 15 – Leases**

- A. Lessee Operating Lease
- (1) Lessee's Leasing Arrangements
- a. Rental Expense
- The Company leases office equipment and space under various noncancelable operating lease agreements that expire through January 2024. Rental expense for 2017, and 2016 was approximately \$7,495,592 and \$7,436,577.
- b. Basis on Which Contingent Rental Payments are Determined  
Not Applicable
- c. Existence and Terms of Renewal or Purchase Options and Escalation Clauses  
Not Applicable
- d. Restrictions Imposed by Lease Agreements  
Not Applicable
- e. Identification of Lease Agreements that have been Terminated Early  
Not Applicable
- (2) Leases with Initial or Remaining Noncancelable Lease Terms in Excess of One Year
- a. At January 1, 2018 the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases
1. 2018	\$ 7,806,414
2. 2019	\$ 7,766,004
3. 2020	\$ 6,896,167
4. 2021	\$ 452,278

**NOTES TO FINANCIAL STATEMENTS**

Year Ending December 31	Operating Leases
5. 2022	\$ 132,000
6. Total	\$ 23,052,864

- b. Total of Minimum Rentals to be Received in the Future under Noncancelable Subleases

Not Applicable

- (3) For Sale-Leaseback Transactions

Not Applicable

- B. Lessor Leases

Not Applicable

**Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

1. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk:

Not Applicable

2. Nature and Terms of Off-Balance Sheet Risk

Not Applicable

3. Amount of Loss if any Party to the Financial Instrument Failed

Not Applicable

4. Collateral or Other Security Required to Support Financial Instrument

Not Applicable

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

- A. Transfers of Receivables Reported as Sales

Not Applicable

- B. Transfer and Servicing of Financial Assets

Not Applicable

- C. Wash Sales

Not Applicable

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

- A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2017:

	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (80,878)	\$	\$ (80,878)
b. Total net other income or expenses (including interest paid to or receive from plans)			
c. Net gain or (loss) from operations	(80,878)		(80,878)
d. Total claim payment volume	\$ 192,710,349	\$	\$ 192,710,349

- B. ASC Plans

## NOTES TO FINANCIAL STATEMENTS

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2017:

	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a. Gross reimbursement for medical cost incurred	\$ 3,006,662,507	\$	\$ 3,006,662,507
b. Gross administrative fees accrued	239,953,350		239,953,350
c. Other income or expenses (including interest paid to or received from plans)	11,239		11,239
d. Gross expenses incurred (claims and administrative)	3,230,700,084		3,230,700,084
e. Total net gain or loss from operations	\$ 15,927,012	\$	\$ 15,927,012

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

Not Applicable

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

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

**Note 20 – Fair Value Measurements**

A. Fair Value Measurements

(1) Fair Value Measurements at Reporting Date

	Level 1	Level 2	Level 3	Total	Net Asset Value (NAV) Included in Level 2
Assets at Fair Value					
Bonds	\$	\$	\$	\$	\$
Industrial and Misc	\$	\$ 6,505,481	\$	\$ 6,505,481	\$
Common Stock	\$	\$	\$	\$	\$
Industrial and Misc	\$ 96,299,912	\$ 19,333,478	\$	\$ 115,633,390	\$
Mutual Fund	\$	\$ 770,918	\$	\$ 770,918	\$
Parent, Subsidiaries and Affiliates	\$	\$	\$ 167,411,928	\$ 167,411,928	\$
Total	\$ 96,299,912	\$ 26,609,877	\$ 167,411,928	\$ 290,321,717	\$
Liabilities at Fair Value					
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

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

	Beginning Balance at 1/1/2017	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settle- ments	Ending Balance at 12/31/2017
a. Assets										
Parent, Subsidiaries and Affiliates	\$ 158,297,966	\$	\$	\$	\$9,113,962	\$	\$	\$	\$	\$ 167,411,928
Total	\$ 158,297,966	\$	\$	\$	\$9,113,962	\$	\$	\$	\$	\$ 167,411,928
b. Liabilities										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

(3) Policies when Transfers Between Levels are Recognized

Not Applicable

(4) Description of Valuation Techniques and Inputs Used in Fair Value Measurement

## NOTES TO FINANCIAL STATEMENTS

Fair Value pricing obtained, where applicable from market prices provided by US Bank, Institutional Trust and Custody, custodian for investment assets, or where applicable, from the NAIC Valuation of Securities database, for assets not priced by US Bank. There has been no change in this valuation technique.

(5) Fair Value Disclosures

Not Applicable

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

Not Applicable

C. Fair Value Level

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)	Net Asset Value (NAV) Included in Level 2
Bonds	\$ 6,505,481	\$ 6,505,481	\$	\$ 6,505,481	\$	\$	\$
Common Stock	\$283,816,236	\$ 283,816,236	\$ 96,299,912	\$ 20,104,396	\$167,411,928	\$	\$

D. If it is not practicable for an entity to estimate the fair value of a financial instrument or a class of financial instruments, disclose the information pertinent to estimating the fair value of that instrument and the reasons why it is not practicable to estimate fair value:

Not Applicable

**Note 21 – Other Items**

A. Unusual or Infrequent Items

The Company had no unusual or infrequent items.

B. Troubled Debt Restructuring Debtors

The Company had no troubled debt restructuring as of December 31, 2017.

C. Other Disclosures

The Company did not have any other disclosures items.

D. Business Interruption Insurance Recoveries

The Company has no business interruption insurance recoveries.

E. State Transferable and Non-Transferable Tax Credits

The Company has no state transferrable tax credits

F. Subprime Mortgage Related Risk Exposure

(1) Description of the Subprime-Mortgage-Related Risk Exposure and Related Risk Management Practices

The Company does not engage in sub-prime residential mortgage lending nor does it have any material direct investments in collateralized debt obligations or debt securities that are directly backed by residential mortgages. The Company's exposure to sub-prime lending is limited to its ownership of the general obligation debt and/or equity securities of both governmental and commercial entities whose business activities include residential mortgage lending.

The book adjusted carrying value of the Company's investment in enterprises that engage in residential mortgage lending accumulates to \$5,400,544. This represents 0.9% of the Company's long-term bonds of \$602,697,042. Actual cost is 5,401,190, fair value, \$5,357,310.

(2) Direct Exposure Through Investments in Subprime Mortgage Loans

## NOTES TO FINANCIAL STATEMENTS

The Company has no direct exposure through investments in subprime mortgage loans.

(3) Direct Exposure Through Other Investments

The Company has no material direct exposure through other investments.

(4) Underwriting Exposure to Subprime Mortgage Risk Through Mortgage Guaranty or Financial Guaranty Insurance Coverage

The Company has no underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty Insurance Coverage.

G. Retained Assets

The Company has no retained assets

H. Insurance-Linked Securities (ILS) Contracts

The Company has no insurance-linked securities (ILS) contracts.

### Note 22 – Events Subsequent

A.	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?			Yes [ X ]	No [ ]
B.	ACA fee assessment payable for the upcoming year	\$ 40,900,000	\$		
C.	ACA fee assessment paid	\$	\$	35,736,935	
D.	Premium written subject to ACA 9010 assessment	\$ 2,205,259,289	\$	2,172,108,113	
E.	Total adjusted capital before surplus adjustment (Five-Year Historical Line 14)	\$ 866,336,545			
F.	Total adjusted capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$ 825,436,545			
G.	Authorized control level (Five-Year Historical Line 15)	\$ 103,665,567			
H.	Would reporting the ACA assessment as of December 31, 2017 have triggered an RBC action level (YES/NO)?			Yes [ ]	No [ X ]

### Note 23 – Reinsurance

A. Ceded Reinsurance Report

#### Section 1 – General Interrogatories

(1) Are any of the reinsurers listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Yes [ ] No [ x ]  
If yes, give full details.

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business? Yes [ ] No [ x ]  
If yes, give full details.

#### Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? Yes [ ] No [ x ]

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Yes [ ] No [ x ]

#### Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. **\$-0-**

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement? Yes [ ] No [ x ]

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

C. There was not commutation of ceded reinsurance during the year.

## NOTES TO FINANCIAL STATEMENTS

- D. There were no certified reinsurer rating downgraded or status subject to revocation during the year.

### Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method Used to Estimate Accrued Retrospective Premium Adjustments

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 practices.

B. Retrospective Premiums Recorded Through Written Premium or Adjustment to Earned Premium

The Company records accrued retrospective premium adjustments to earned premium.

C. Amount and Percentage of Net Premiums Written Subject to Retrospective Rating Features

The amount of net premiums written by the Company at December 31, 2017 that are subject to retrospective rating features was \$ 2.205 billion, that represented 89.3% of the total net premiums 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	XXX	XXX	XXX	XXX	\$
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	\$
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$
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	XXX	XXX	XXX	XXX	\$
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	\$
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$

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 [ X X ] No [ ]

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

a. Permanent ACA Risk Adjustment Program	AMOUNT
Assets	
1. Premium adjustments receivable due to ACA Risk Adjustment	\$ 27,164,178
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	\$ 27,192,854
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$

b. Transitional ACA Reinsurance Program	AMOUNT
Assets	
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$ 6,273,000
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	\$
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	\$ 129,415

## NOTES TO FINANCIAL STATEMENTS

c. Temporary ACA Risk Corridors Program	AMOUNT
<b>Assets</b>	
1. Accrued retrospective premium due to ACA Risk Corridors	\$
<b>Liabilities</b>	
3. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$
<b>Operations (Revenue &amp; Expenses)</b>	
3. Effect of ACA Risk Corridors on net premium income (paid/received)	\$
4. Effect of ACA Risk Corridors on change in reserves for rate credits	\$

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

	Accrued During the Prior Year on Business Written Before Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 31 of the Prior Year		Differences		Adjustments		Ref	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
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
<b>a. Permanent ACA Risk Adjustment Program</b>											
1. Premium adjustments receivable	\$ 193,482		\$ 193,482							A	
2. Premium adjustments (payable)										B	
3. Subtotal ACA Permanent Risk Adjustment Program	\$ 193,482		\$ 193,482								
<b>b. Transitional ACA Reinsurance Program</b>											
1. Amounts recoverable for claims paid	\$ 35,339,853		\$ 38,280,855		\$ (2,941,002)		\$ 9,214,003			C	\$ 6,273,001
2. Amounts recoverable for claims unpaid (contra liability)	4,768,745				4,768,745		(4,768,745)			D	
3. Amounts receivable relating to uninsured plans										E	
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premiums		7,654,690		7,654,690						F	
5. Ceded reinsurance premiums payable		4,609,723		4,609,723						G	
6. Liability for amounts held under uninsured plans		148,991		148,991						H	
7. Subtotal ACA Transitional Reinsurance Program	\$ 40,108,598	\$ 12,413,404	\$ 38,280,855	\$ 12,413,404	\$ 1,827,743		\$ 4,445,258				\$ 6,273,001
<b>c. Temporary ACA Risk Corridors Program</b>											
1. Accrued retrospective premium	\$		\$		\$		\$			I	\$
2. Reserve for rate credits or policy experience rating refunds										J	
3. Subtotal ACA Risk Corridors Program	\$		\$		\$		\$				\$
<b>d. Total for ACA Risk Sharing Provisions</b>	<b>\$ 40,302,080</b>	<b>\$ 12,413,404</b>	<b>\$ 38,474,337</b>	<b>\$ 12,413,404</b>	<b>\$ 1,827,743</b>		<b>\$ 4,445,258</b>				<b>\$ 6,273,001</b>

**Explanations of Adjustments**

- A. Adjustment for 2016 actual results
- B.
- C. Adjustment for 2016 actual results
- D. Adjustment for 2016 actual results
- E.
- F.
- G.
- H.
- I.
- J.

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

	Accrued the Prior Year on Business Written Dec. 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before Dec. 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

**NOTES TO FINANCIAL STATEMENTS**

	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
<b>a. 2015</b>											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	A	\$	\$
2. Reserve for rate credits for policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	B	\$	\$
<b>b. 2016</b>											
1. Accrued retrospective premium	\$	\$	\$	\$	\$	\$	\$	\$	C	\$	\$
2. Reserve for rate credits for policy experience rating refunds	\$	\$	\$	\$	\$	\$	\$	\$	D	\$	\$
<b>c. 2017</b>											
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. 2015	\$	\$	\$	\$	\$	\$
b. 2016	15,919,592	15,919,592				
c. 2017	19,020,408	19,020,408				
d. Total (a+b+c)	\$ 34,940,000	\$ 34,940,000	\$	\$	\$	\$

**Note 25 – Change in Incurred Losses and Loss Adjustment Expenses**

12/31/2016 Reserves	\$ 249,951,212	(includes Due and Unpaid)
2016 Claims paid in 2017	(187,106,987)	
2016 Claims Due and Unpaid	<u>( 53,297,833)</u>	
Adjusted Net Reserves	\$ 9,546,392	
2016 Remaining Reserves @ 12/31/17	<u>1,364,243</u>	
Favorable Development	\$ <u>8,182,149</u>	

**Note 26 – Intercompany Pooling Arrangements**

- A. Identification of the Lead Entity and all Affiliated Entities Participating in the Intercompany Pool  
Not Applicable
- B. Description of Lines and Types of Business Subject to the Pooling Agreement  
Not Applicable
- C. Description of Cessions to Non-Affiliated Reinsurance Subject to Pooling Agreement  
Not Applicable
- D. Identification of all Pool Members that are Parties to Reinsurance Agreements with Non-Affiliated Reinsurers  
Not Applicable
- E. Explanation of Discrepancies Between Entries of Pooled Business  
Not Applicable

## NOTES TO FINANCIAL STATEMENTS

## F. Description of Intercompany Sharing

Not Applicable

## G. Amounts Due To/From Lead Entity and all Affiliated Entities Participating in the Intercompany Pool

Not Applicable

**Note 27 – Structured Settlements**

Not Applicable

**Note 28 – Health Care Receivables**

## A. Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days After Billing
12/31/2017	\$ 19,524,983	\$	\$	\$	\$
09/30/2017	\$ 17,436,720	\$ 17,658,648	\$ 6,655,979	\$	\$
06/30/2017	\$ 16,528,861	\$ 17,436,720	\$	\$ 15,337,876	\$
03/31/2017	\$ 16,013,406	\$ 16,528,861	\$ 7,861,433	\$ 13,931,115	\$ 4,612,615
12/31/2016	\$ 15,688,909	\$ 16,013,406	\$ 8,646,675	\$ 3,693,340	\$ 3,980,537
09/30/2016	\$ 14,728,098	\$ 15,688,909	\$ 7,667,093	\$ 7,938,056	\$ 24,551
06/30/2016	\$ 13,524,921	\$ 14,728,098	\$ 7,468,116	\$ 7,214,772	\$ 41,782
03/31/2016	\$ 13,767,900	\$ 13,524,921	\$ 7,565,271	\$ 3,757,674	\$ 2,132,572
12/31/2015	\$ 16,344,628	\$ 13,767,900	\$ 7,146,604	\$ 3,967,868	\$ 2,281,632
09/30/2015	\$ 14,436,451	\$ 16,344,628	\$ 8,603,405	\$ 3,973,559	\$ 2,563,214
06/30/2015	\$ 14,910,953	\$ 14,725,744	\$ 5,719,908	\$ 3,989,741	\$ 1,861,227
03/31/2015	\$ 14,508,931	\$ 12,914,527	\$ 5,791,496	\$ 3,660,535	\$ 3,184,263

## B. Risk Sharing Receivables

The Company has no risk sharing receivables as of December 31, 2017.

**Note 29 – Participating Policies**

The Company has no participating contracts.

**Note 30 – Premium Deficiency Reserves**

The Company did not have any premium deficiency reserves as of December 31, 2017.

**Note 31 – Anticipated Salvage and Subrogation**

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

Line of Business	Year Incurred	December 31 2017	December 31 2016
Accident and Health	2013	\$ 337	\$ 448
	2014	\$ 7,821	\$ 33,669
	2015	\$ 36,556	\$ 506,625
	2016	\$ 597,891	\$ 2,485,322
	2017	\$ 2,200,098	

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**NOTES TO FINANCIAL STATEMENTS**

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Total                    \$     2,842,702                    \$     3,026,414

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

**GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No   
If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State regulating? ARKANSAS
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2015
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2015
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/28/2017
- 3.4 By what department or departments?  
Arkansas Insurance Department
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.11 sales of new business? Yes  No
  - 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
  - 4.21 sales of new business? Yes  No
  - 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No
- 6.2 If yes, give full information: \_\_\_\_\_
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes  No
- 7.2 If yes,
  - 7.21 State the percentage of foreign control \_\_\_\_\_ %
  - 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes  No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. \_\_\_\_\_
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes  No
- 8.4 If the response to 8.3 is yes, please provide below the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
BKD, LLP Little Rock, Arkansas
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes  No
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.3 Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes  No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A
- 10.6 If the response to 10.5 is no or n/a, please explain: \_\_\_\_\_

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Samuel C. Vorderstrasse, Vice President - Actuary & Risk Management, Arkansas Blue Cross Blue Shield
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- 12.11 Name of real estate holding company \_\_\_\_\_
- 12.12 Number of parcels involved \_\_\_\_\_ 0
- 12.13 Total book/adjusted carrying value \$ \_\_\_\_\_ 0
- 12.2 If yes, provide explanation \_\_\_\_\_
13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain: \_\_\_\_\_
- 14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s). \_\_\_\_\_
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s). \_\_\_\_\_
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
			\$

**BOARD OF DIRECTORS**

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

**FINANCIAL**

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$ 0
- 20.12 To stockholders not officers \$ 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ 0
- 20.22 To stockholders not officers \$ 0
- 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement? Yes [ ] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 0
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

**INVESTMENT**

## GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

24.01	Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
24.02	If no, give full and complete information, relating thereto:			
24.03	For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).			
24.04	Does the company's security lending program meet the requirements for a conforming program as outlined in the <i>Risk-Based Capital Instructions</i> ?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
24.05	If answer to 24.04 is yes, report amount of collateral for conforming programs.	\$		0
24.06	If answer to 24.04 is no, report amount of collateral for other programs	\$		0
24.07	Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
24.08	Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
24.09	Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
24.10	For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:			
24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:	\$		0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:	\$		0
24.103	Total payable for securities lending reported on the liability page:	\$		0
25.1	Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
25.2	If yes, state the amount thereof at December 31 of the current year:			
25.21	Subject to repurchase agreements	\$		0
25.22	Subject to reverse repurchase agreements	\$		0
25.23	Subject to dollar repurchase agreements	\$		0
25.24	Subject to reverse dollar repurchase agreements	\$		0
25.25	Placed under option agreements	\$		0
25.26	Letter stock or securities restricted as sale – excluding FHLB Capital Stock	\$		0
25.27	FHLB Capital Stock	\$		0
25.28	On deposit with states	\$		101,465
25.29	On deposit with other regulatory bodies	\$		0
25.30	Pledged as collateral – excluding collateral pledged to an FHLB	\$		32,000,000
25.31	Pledged as collateral to FHLB – including assets backing funding agreements	\$		0
25.32	Other	\$		257,153
25.3	For category (25.26) provide the following:			
26.1	Does the reporting entity have any hedging transactions reported on Schedule DB?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
26.2	If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
27.1	Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
27.2	If yes, state the amount thereof at December 31 of the current year:	\$		0
28.	Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC <i>Financial Condition Examiners Handbook</i> ?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	
28.01	For agreements that comply with the requirements of the NAIC <i>Financial Condition Examiners Handbook</i> , complete the following:			
28.02	For all agreements that do not comply with the requirements of the NAIC <i>Financial Condition Examiners Handbook</i> , provide the name, location and a complete explanation			
28.03	Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
28.04	If yes, give full and complete information relating thereto:			
28.05	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"].			

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

Martingale Asset Management, LP	U
Barings, LLC	U

28.0597 For those firms/individuals listed in the table for Question 28.05, 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  No

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes  No

28.06 For those firms or individuals listed in the table for 28.05 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	N/A	SEC	NO
104973	Wells Capital Management Inc.	54300B3H2IOO2L85190	SEC	NO
108526	Gray D. Dillard	42956583	SEC	NO
106006	Barings, LLC	ANDKRHQKPRRG4Q2KLR05	SEC, CFTC, NFA	NO

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

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
88018T 10 1	TEMPLETON DRAGON CF	\$ 770,918
29.2999	TOTAL	\$ 770,918

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
TEMPLETON DRAGON CF	SAMSUNG ELECTRONICS CO LTD	\$ 19,196	12/31/2017
TEMPLETON DRAGON CF	ROYAL DUTCH SHELL PLC	\$ 18,502	12/31/2017
TEMPLETON DRAGON CF	CITIGROUP INC	\$ 17,114	12/31/2017
TEMPLETON DRAGON CF	ORACLE CORP	\$ 16,266	12/31/2017
TEMPLETON DRAGON CF	TWENTY-FIRST CENTURY FOX INC	\$ 15,418	12/31/2017

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	\$ 705,433,266	\$ 702,978,530	\$ (2,454,736)
30.2 Preferred Stocks	\$ 0	\$ 0	\$ 0
30.3 Totals	\$ 705,433,266	\$ 702,978,530	\$ (2,454,736)

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

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes  No

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes  No

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

32.2 If no, list exceptions:

33. By self-designating 5\*GI securities, the reporting entity is certifying the following elements for each self-designation 5\*GI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5\*GI securities? Yes  No

**OTHER**

34.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 3,935,111

34.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BlueCross BlueShield Association	\$ 3,207,269

35.1 Amount of payments for legal expenses, if any? \$ 2,633,438

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

1	2

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

	Amount Paid
Name	
Foley & Lardner LLP	\$ 1,841,914

36.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 605,896

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

1 Name	2 Amount Paid
BlueCross BlueShield Association	\$ 261,472

## GENERAL INTERROGATORIES

## PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
1.2	If yes, indicate premium earned on U.S. business only.	\$	253,109,200	
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$	0	
1.31	Reason for excluding:			
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$	0	
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$	207,914,944	
1.6	Individual policies:			
	Most current three years:			
1.61	Total premium earned	\$	40,886,907	
1.62	Total incurred claims	\$	32,866,047	
1.63	Number of covered lives		28,182	
	All years prior to most current three years:			
1.64	Total premium earned	\$	212,222,293	
1.65	Total incurred claims	\$	175,048,897	
1.66	Number of covered lives		90,222	
1.7	Group policies:			
	Most current three years:			
1.71	Total premium earned	\$	0	
1.72	Total incurred claims	\$	0	
1.73	Number of covered lives		0	
	All years prior to most current three years:			
1.74	Total premium earned	\$	0	
1.75	Total incurred claims	\$	0	
1.76	Number of covered lives		0	
2.	Health Test:			
			1	2
			Current Year	Prior Year
2.1	Premium Numerator	\$	2,527,134,174	\$ 2,476,281,652
2.2	Premium Denominator	\$	2,527,134,174	\$ 2,476,281,652
2.3	Premium Ratio (2.1/2.2)		100.0%	100.0%
2.4	Reserve Numerator	\$	239,110,208	\$ 386,246,462
2.5	Reserve Denominator	\$	367,495,107	\$ 389,882,727
2.6	Reserve Ratio (2.4/2.5)		65.1%	99.1%
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
3.2	If yes, give particulars:			
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
5.1	Does the reporting entity have stop-loss reinsurance?		Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
5.2	If no, explain: <u>Sufficient Capital and Surplus, over 50 year history of managing business without a stop loss reinsurance policy.</u>			
5.3	Maximum retained risk (see instructions)			
5.31	Comprehensive Medical	\$	0	
5.32	Medical Only	\$	0	
5.33	Medicare Supplement	\$	0	
5.34	Dental and Vision	\$	0	
5.35	Other Limited Benefit Plan	\$	0	
5.36	Other	\$	0	
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: <u>Hold Harmless Agreements</u>			

**GENERAL INTERROGATORIES**

**PART 2 – HEALTH INTERROGATORIES**

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes  No
- 7.2 If no, give details
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 16,527
- 8.2 Number of providers at end of reporting year 17,077
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes  No
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees with rate guarantees between 15-36 months \$ 0
- 9.22 Business with rate guarantees over 36 months \$ 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes  No
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses 12,810,634
- 10.22 Amount actually paid for year bonuses 11,745,832
- 10.23 Maximum amount payable withholds 0
- 10.24 Amount actually paid for year withholds 0
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes  No
- 11.13 An Individual Practice Association (IPA), or, Yes  No
- 11.14 A Mixed Model (combination of above)? Yes  No
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes  No
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus. Arkansas
- 11.4 If yes, show the amount required. \$ 500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes  No
- 11.6 If the amount is calculated, show the calculation

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

1 Name of Service Area
State of Arkansas
State of Texas

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

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

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

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

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

**FIVE-YEAR HISTORICAL DATA**

	1 2017	2 2016	3 2015	4 2014	5 2013
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	1,664,542,460	1,623,697,386	1,579,924,693	1,580,839,043	1,454,455,405
2. Total liabilities (Page 3, Line 24).....	798,205,915	780,915,031	762,122,594	760,796,664	687,264,327
3. Statutory minimum capital and surplus requirement.....	500,000	500,000	500,000	500,000	500,000
4. Total capital and surplus (Page 3, Line 33).....	866,336,545	842,782,350	817,802,098	820,042,378	767,191,081
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	2,523,712,982	2,466,711,993	2,239,651,009	1,983,555,398	1,392,968,703
6. Total medical and hospital expenses (Line 18).....	2,216,931,381	2,172,445,035	1,909,694,390	1,658,377,522	1,172,580,737
7. Claims adjustment expenses (Line 20).....	91,513,500	89,593,220	87,397,134	106,161,287	88,551,728
8. Total administrative expenses (Line 21).....	208,983,349	243,499,179	226,645,938	167,872,733	101,714,302
9. Net underwriting gain (loss) (Line 24).....	7,145,304	(29,623,227)	20,622,427	55,871,787	27,274,703
10. Net investment gain (loss) (Line 27).....	24,162,696	17,488,063	8,512,007	11,572,419	24,800,512
11. Total other income (Lines 28 plus 29).....	1,308,130	2,144,219	54,711	(126,070)	(1,210,765)
12. Net income or (loss) (Line 32).....	30,666,365	(6,385,813)	4,265,332	45,991,337	37,734,631
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	(6,398,134)	14,314,223	12,274,499	103,104,801	87,230,415
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	866,336,545	842,782,350	817,802,098	820,042,378	767,191,081
15. Authorized control level risk-based capital.....	103,665,567	97,623,185	87,713,627	82,304,221	67,293,726
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	665,312	667,690	646,607	626,471	447,901
17. Total member months (Column 6, Line 7).....	8,147,024	7,992,408	7,868,278	7,083,695	5,340,080
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0</b>					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	87.8	88.1	85.3	83.6	84.2
20. Cost containment expenses.....	0.3	0.1	0.1	0.7	0.1
21. Other claims adjustment expenses.....	3.3	3.6	3.9	4.6	6.2
22. Total underwriting deductions (Line 23).....	99.7	101.2	99.1	97.2	98.0
23. Total underwriting gain (loss) (Line 24).....	0.3	(1.2)	0.9	2.8	2.0
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13, Col. 5).....	190,239,124	165,424,003	152,601,922	104,522,360	95,547,471
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	252,867,092	215,906,819	207,562,965	126,226,771	117,441,514
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	167,411,928	158,297,966	153,302,313	185,338,953	184,461,481
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....	94,978,028	86,068,544	79,826,804	78,818,243	70,012,605
32. Total of above Lines 26 to 31.....	262,389,956	244,366,510	233,129,117	264,157,196	254,474,086
33. Total investment in parent included in Lines 26 to 31 above.....					

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

Yes [ ] No [ ]

If no, please explain:

---

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Plan Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	
1. Alabama.....AL	..N								0
2. Alaska.....AK	..N								0
3. Arizona.....AZ	..N								0
4. Arkansas.....AR	..L	2,033,438,713	148,743,819		264,477,859				2,446,660,390
5. California.....CA	..N								0
6. Colorado.....CO	..N								0
7. Connecticut.....CT	..N								0
8. Delaware.....DE	..N								0
9. District of Columbia.....DC	..N								0
10. Florida.....FL	..N								0
11. Georgia.....GA	..N								0
12. Hawaii.....HI	..N								0
13. Idaho.....ID	..N								0
14. Illinois.....IL	..N								0
15. Indiana.....IN	..N								0
16. Iowa.....IA	..N								0
17. Kansas.....KS	..N								0
18. Kentucky.....KY	..N								0
19. Louisiana.....LA	..N								0
20. Maine.....ME	..N								0
21. Maryland.....MD	..N								0
22. Massachusetts.....MA	..N								0
23. Michigan.....MI	..N								0
24. Minnesota.....MN	..N								0
25. Mississippi.....MS	..N								0
26. Missouri.....MO	..N								0
27. Montana.....MT	..N								0
28. Nebraska.....NE	..N								0
29. Nevada.....NV	..N								0
30. New Hampshire.....NH	..N								0
31. New Jersey.....NJ	..N								0
32. New Mexico.....NM	..N								0
33. New York.....NY	..N								0
34. North Carolina.....NC	..N								0
35. North Dakota.....ND	..N								0
36. Ohio.....OH	..N								0
37. Oklahoma.....OK	..N								0
38. Oregon.....OR	..N								0
39. Pennsylvania.....PA	..N								0
40. Rhode Island.....RI	..N								0
41. South Carolina.....SC	..N								0
42. South Dakota.....SD	..N								0
43. Tennessee.....TN	..N								0
44. Texas.....TX	..L	25,024,443							25,024,443
45. Utah.....UT	..N								0
46. Vermont.....VT	..N								0
47. Virginia.....VA	..N								0
48. Washington.....WA	..N								0
49. West Virginia.....WV	..N								0
50. Wisconsin.....WI	..N								0
51. Wyoming.....WY	..N								0
52. American Samoa.....AS	..N								0
53. Guam.....GU	..N								0
54. Puerto Rico.....PR	..N								0
55. U.S. Virgin Islands.....VI	..N								0
56. Northern Mariana Islands.....MP	..N								0
57. Canada.....CAN	..N								0
58. Aggregate Other alien.....OT	..XXX	0	0	0	0	0	0	0	0
59. Subtotal.....XXX		2,058,463,155	148,743,819	0	264,477,859	0	0	0	2,471,684,833
60. Reporting entity contributions for Employee Benefit Plans.....XXX									0
61. Total (Direct Business).....(a)	2	2,058,463,155	148,743,819	0	264,477,859	0	0	0	2,471,684,833

**DETAILS OF WRITE-INS**

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

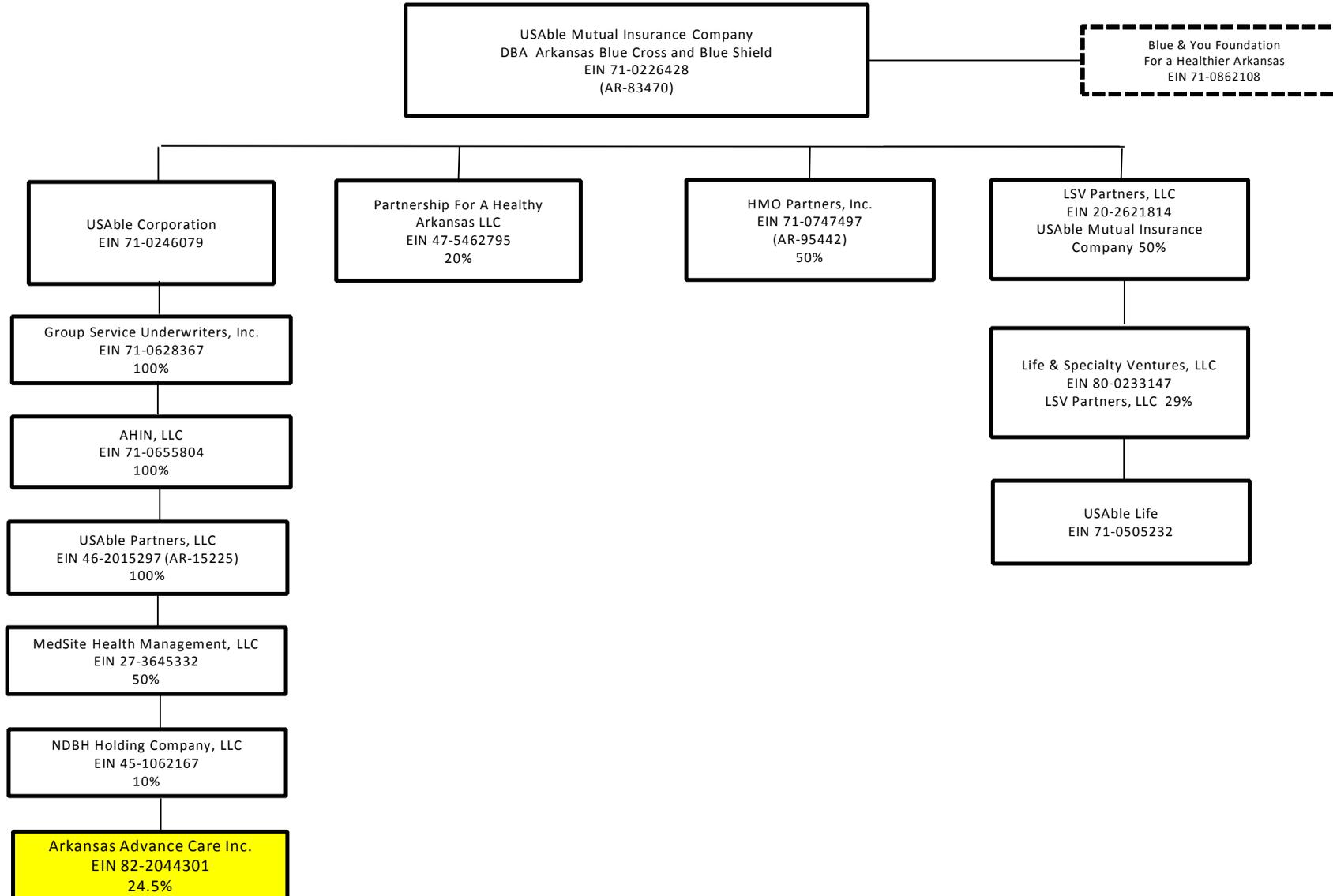
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to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

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

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

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

## PART 1 – ORGANIZATIONAL CHART



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