83470201620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2016

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. Paul Mark White	President / CEO	2. James Lee Douglass	Secretary
3. Gray Donald Dillard	Treasurer / CFO	4. Calvin Eugene Kellogg	EVP / Chief Strategy Officer

OTHER

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

DIRECTORS OR TRUSTEES

Susan Glover Brittain
Mahlon Ogden Maris MD
Marla Kay Johnson
Sherman Ellis Tate
Robert Vincent Brothers
James Thomas May
Ben Edwin Owens
Paul Mark White
Mark William Greenway
George Key Mitchell MD
Robert Lee Shoptaw
James Virgil Kelley
Robert Daniel Nabholz
Patty Fulbright Smith

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)	(Signature)	(Signature)
Paul Mark White	James Lee Douglass	Gray Donald Dillard
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President / CEO	Secretary	Treasurer / CFO
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This _____ day of _____ 2017

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)	598,705,453		598,705,453	512,765,040
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	272,681,992		272,681,992	252,034,167
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)	46,125,678		46,125,678	40,491,551
4.2 Properties held for the production of income (less $.....0 encumbrances)	7,374,974		7,374,974	7,301,122
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....69,414,298, Schedule E-Part 1), cash equivalents ($.....0, Schedule E-Part 2) and short-term investments ($.....162,993,458, Schedule DA)	232,407,755		232,407,755	350,878,468
6. Contract loans (including $.....0 premium notes)			0	
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)	86,068,544		86,068,544	79,826,804
9. Receivables for securities	4,302,192		4,302,192	
10. Securities lending reinvested collateral assets (Schedule DL)			0	
11. Aggregate write-ins for invested assets	3,469,728	0	3,469,728	2,374,413
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,251,136,317	0	1,251,136,317	1,245,671,565
13. Title plants less $.....0 charged off (for Title insurers only)			0	
14. Investment income due and accrued	4,654,513		4,654,513	3,563,310
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 $.....0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums ($.....130,562,373) and contracts subject to redetermination ($.....27,129,601)	157,691,974	1,077,360	156,614,614	125,361,789
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	38,373,639		38,373,639	53,333,448
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans	35,470,770	832,307	34,638,463	40,545,335
18.1 Current federal and foreign income tax recoverable and interest thereon	5,699,119		5,699,119	354,889
18.2 Net deferred tax asset	70,001,311	70,001,311	0	14,720,311
19. Guaranty funds receivable or on deposit			0	
20. Electronic data processing equipment and software	13,128,264	6,190,743	6,937,521	7,142,004
21. Furniture and equipment, including health care delivery assets ($.....0)	23,331,251	23,331,251	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates	10,859,846	146,388	10,713,458	7,312,554
24. Health care ($.....20,133,075) and other amounts receivable	58,317,192	13,050,538	45,266,654	43,895,388
25. Aggregate write-ins for other-than-invested assets	59,891,295	16,192,968	43,698,326	38,024,100
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,728,555,490	130,822,867	1,597,732,623	1,579,924,693
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTAL (Lines 26 and 27)	1,728,555,490	130,822,867	1,597,732,623	1,579,924,693
DETAILS OF WRITE-INS				
1101. Deposits with National Accounts	3,469,728		3,469,728	2,374,413
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)	3,469,728	0	3,469,728	2,374,413
2501. Supplemental Savings Plan	43,342,133		43,342,133	37,608,953
2502. Other Assets	356,193		356,193	415,147
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page	16,192,968	16,192,968	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	59,891,295	16,192,968	43,698,326	38,024,100

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $.....10,461,916 reinsurance ceded)	249,321,315	629,899	249,951,214	214,745,634
2.	Accrued medical incentive pool and bonus amounts	2,915,880		2,915,880	1,161,187
3.	Unpaid claims adjustment expenses	6,614,949		6,614,949	6,834,445
4.	Aggregate health policy reserves, including the liability of $.....4,198,300 for medical loss ratio rebate per the Public Health Service Act	137,015,633		137,015,633	137,434,072
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserves			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance	21,294,497		21,294,497	32,592,557
9.	General expenses due or accrued	257,561,015		257,561,015	247,486,938
10.1	Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses))			0	2,478,373
10.2	Net deferred tax liability	1,605,249		1,605,249	
11.	Ceded reinsurance premiums payable	4,135,100		4,135,100	3,782,763
12.	Amounts withheld or retained for the account of others	45,299,093		45,299,093	39,092,727
13.	Remittances and items not allocated	1,474,364		1,474,364	110,832
14.	Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15.	Amounts due to parent, subsidiaries and affiliates	605,989		605,989	633,996
16.	Derivatives			0	
17.	Payable for securities	981		981	19,999,242
18.	Payable for securities lending			0	
19.	Funds held under reinsurance treaties with ($.....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	33,426,231		33,426,231	35,403,690
23.	Aggregate write-ins for other liabilities (including $.....0 current)	20,620,084	0	20,620,084	20,366,138
24.	Total liabilities (Lines 1 to 23)	781,890,381	629,899	782,520,280	762,122,594
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	35,300,000
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	815,212,343	782,502,098
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	815,212,343	817,802,098
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,597,732,623	1,579,924,692

DETAILS OF WRITE-INS

2301.	Deferred Gain on Capitalization of joint venture	19,617,685		19,617,685	19,617,685
2302.	Miscellaneous	1,002,399		1,002,399	748,453
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)	20,620,084	0	20,620,084	20,366,138
2501.	2016 ACA Insurer Fee Estimate	XXX	XXX		35,300,000
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	0	35,300,000
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	7,992,408	7,868,281
2.	Net premium income (including $.....0 non-health premium income)	XXX	2,496,572,480	2,243,936,280
3.	Change in unearned premium reserves and reserve for rate credits	XXX	(9,569,659)	(4,285,270)
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	2,487,002,821	2,239,651,009
Hospital and Medical:				
9.	Hospital/medical benefits		1,227,110,404	1,266,090,147
10.	Other professional services		35,802,982	34,403,036
11.	Outside referrals			
12.	Emergency room and out-of-area		396,120,168	187,592,610
13.	Prescription drugs		486,990,900	443,236,374
14.	Aggregate write-ins for other hospital and medical	0	0	0
15.	Incentive pool, withhold adjustments and bonus amounts		14,550,099	5,439,924
16.	Subtotal (Lines 9 to 15)	0	2,160,574,553	1,936,762,091
Less:				
17.	Net reinsurance recoveries		(11,870,482)	27,067,701
18.	Total hospital and medical (Lines 16 minus 17)	0	2,172,445,035	1,909,694,390
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including $.....1,969,641 cost containment expenses		89,593,220	87,397,134
21.	General administrative expenses		243,499,179	226,645,938
22.	Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)		(9,202,214)	(4,708,880)
23.	Total underwriting deductions (Lines 18 through 22)	0	2,496,335,220	2,219,028,582
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(9,332,399)	20,622,427
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		13,441,191	11,403,372
26.	Net realized capital gains or (losses) less capital gains tax of $.....2,155,460		4,046,872	(2,891,365)
27.	Net investment gains or (losses) (Lines 25 plus 26)	0	17,488,063	8,512,007
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	2,144,339	54,711
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	10,300,003	29,189,145
31.	Federal and foreign income taxes incurred	XXX	453,034	24,923,813
32.	Net income (loss) (Lines 30 minus 31)	XXX	9,846,969	4,265,332

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		2,147,149	(284,413)
2902.	Regional Management Fees			339,924
2903.	State Tax Expense		(2,810)	(800)
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	2,144,339	54,711

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	817,802,098	820,042,378
34. Net income or (loss) from Line 32	9,846,969	4,265,332
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	8,063,583	2,234,116
37. Change in net unrealized foreign exchange capital gain or (loss)	2,939,924	(1,315,463)
38. Change in net deferred income tax	(14,728,457)	2,217,600
39. Change in nonadmitted assets	(9,228,215)	(9,666,143)
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	516,440	24,278
48. Net change in capital and surplus (Lines 34 to 47)	(2,589,756)	(2,240,279)
49. Capital and surplus end of reporting period (Line 33 plus 48)	815,212,343	817,802,098

DETAILS OF WRITE-INS

4701. Capital Lease Adjustment	516,440	24,278
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)	516,440	24,278

CASH FLOW

		1 Current Year	2 Prior Year
	CASH FROM OPERATIONS		
1.	Premiums collected net of reinsurance	2,453,359,287	2,250,261,996
2.	Net investment income	18,220,203	17,251,817
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	2,471,579,489	2,267,513,813
5.	Benefit and loss related payments	2,113,534,624	1,927,097,799
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	333,299,546	312,821,054
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)	10,431,097	15,320,461
10.	Total (Lines 5 through 9)	2,457,265,267	2,255,239,314
11.	Net cash from operations (Line 4 minus Line 10)	14,314,223	12,274,499
	CASH FROM INVESTMENTS		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	153,612,147	49,194,912
	12.2 Stocks	13,173,396	13,106,032
	12.3 Mortgage loans		
	12.4 Real estate	89,380	
	12.5 Other invested assets		471,130
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	3,832	8,608
	12.7 Miscellaneous proceeds		4,210,979
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	166,878,755	66,991,661
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	244,483,820	48,294,598
	13.2 Stocks	9,280,653	4,577,793
	13.3 Mortgage loans		
	13.4 Real estate	12,098,367	6,997,934
	13.5 Other invested assets	17,617	200,000
	13.6 Miscellaneous applications	25,395,768	
	13.7 Total investments acquired (Lines 13.1 to 13.6)	291,276,225	60,070,325
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)	(124,397,471)	6,921,336
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	(8,387,465)	27,345,940
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(8,387,465)	27,345,940
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(118,470,713)	46,541,775
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	350,878,467	304,336,692
	19.2 End of year (Line 18 plus Line 19.1)	232,407,753	350,878,467

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

20.0001		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	2,496,572,480	1,758,487,606	247,866,908		3,563,250	275,088,817	166,673,136		44,892,764	
2. Change in unearned premium reserves and reserve for rate credit	(9,569,659)	1,313,611	362,174			(11,261,243)			15,799	
3. Fee-for-service (net of $.....0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	2,487,002,821	1,759,801,217	248,229,081	0	3,563,250	263,827,574	166,673,136	0	44,908,563	0
8. Hospital/medical benefits	1,227,110,404	746,022,624	199,087,208			165,209,992	113,770,736		3,019,844	XXX
9. Other professional services	35,802,982		97,599	33,240,592	2,464,791					XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	396,120,168	396,120,168								XXX
12. Prescription drugs	486,990,900	373,571,185	19,341			68,438,279	15,478,052		29,484,043	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	14,550,099	10,072,378				925,595	3,494,558		57,568	XXX
15. Subtotal (Lines 8 to 14)	2,160,574,553	1,525,786,355	199,204,148	33,240,592	2,464,791	234,573,865	132,743,347	0	32,561,455	XXX
16. Net reinsurance recoveries	(11,870,482)	(32,879,722)		33,242,400			(10,267,314)		(1,965,846)	XXX
17. Total hospital and medical (Lines 15 minus 16)	2,172,445,035	1,558,666,077	199,204,148	(1,808)	2,464,791	234,573,865	143,010,661	0	34,527,301	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....1,969,641 cost containment expenses	89,593,220	44,540,365	7,779,481	159,432	130,311	8,987,922	7,341,522		20,654,187	
20. General administrative expenses	243,499,179	202,816,330	27,810,987	3,905,922	360,908	14,996,347	24,053,453		(30,444,768)	
21. Increase in reserves for accident and health contracts	(9,202,214)	(9,202,214)								XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	2,496,335,220	1,796,820,558	234,794,616	4,063,546	2,956,010	258,558,134	174,405,636	0	24,736,720	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(9,332,399)	(37,019,341)	13,434,465	(4,063,546)	607,240	5,269,440	(7,732,500)	0	20,171,843	0
DETAILS OF WRITE-INS										
0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	1,675,558,241	87,409,198	4,479,834	1,758,487,606
2. Medicare supplement	247,866,908			247,866,908
3. Dental only	46,625,097		46,625,097	0
4. Vision only	3,563,250			3,563,250
5. Federal employees health benefits plan	275,088,817			275,088,817
6. Title XVIII - Medicare	154,146,397	12,526,739		166,673,136
7. Title XIX - Medicaid				0
8. Other health	43,355,442	2,005,334	468,012	44,892,764
9. Health subtotal (Lines 1 through 8)	2,446,204,151	101,941,271	51,572,942	2,496,572,480
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	2,446,204,151	101,941,271	51,572,942	2,496,572,480

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	2,117,534,183	1,489,926,846	198,666,964	33,046,592	2,463,392	231,447,918	130,145,243		31,837,228	
1.2 Reinsurance assumed	84,483,390	73,134,768					9,374,130		1,974,492	
1.3 Reinsurance ceded	87,902,764	57,888,151		30,021,127					(6,514)	
1.4 Net	2,114,114,809	1,505,173,463	198,666,964	3,025,465	2,463,392	231,447,918	139,519,373	0	33,818,234	0
2. Paid medical incentive pools and bonuses	12,795,406	9,356,525				925,595	2,459,102		54,184	
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	252,026,079	188,418,712	20,827,650	2,135,000	39,491	20,093,499	16,545,259		3,966,468	
3.2 Reinsurance assumed	8,387,050	6,589,103					1,313,428		484,519	
3.3 Reinsurance ceded	10,461,916	4,768,745		2,135,000					3,558,171	
3.4 Net	249,951,213	190,239,070	20,827,650	0	39,491	20,093,499	17,858,687	0	892,816	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	2,915,880	1,876,876					1,035,456		3,548	
6. Net healthcare receivables (a)	2,829,196	2,566,028	11,366			356,607	(167,709)		62,904	
7. Amounts recoverable from reinsurers December 31, current year	38,373,640	35,339,853		3,027,273					6,514	
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	220,706,613	160,065,553	20,279,100	1,941,000	38,093	17,536,540	17,609,423		3,236,904	
8.2 Reinsurance assumed	6,771,732	6,351,488					420,244			
8.3 Reinsurance ceded	12,732,712	7,726,705		1,941,000					3,065,007	
8.4 Net	214,745,633	158,690,336	20,279,100	0	38,093	17,536,540	18,029,667	0	171,897	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	1,161,187	1,161,024								163
11. Amounts recoverable from reinsurers December 31, prior year	49,777,383	49,777,383								
12. Incurred benefits:										
12.1 Direct	2,146,024,453	1,515,713,977	199,204,148	33,240,592	2,464,790	233,648,270	129,248,788	0	32,503,888	0
12.2 Reinsurance assumed	86,098,708	73,372,383	0	0	0	0	10,267,314	0	2,459,011	0
12.3 Reinsurance ceded	74,228,225	40,492,661	0	33,242,400	0	0	0	0	493,164	0
12.4 Net	2,157,894,936	1,548,593,699	199,204,148	(1,808)	2,464,790	233,648,270	139,516,102	0	34,469,735	0
13. Incurred medical incentive pools and bonuses	14,550,099	10,072,377	0	0	0	925,595	3,494,558	0	57,732	(163)

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	58,011,732	43,688,024	6,491,158			2,710,890	2,868,425		2,253,235	
1.2 Reinsurance assumed	484,519								484,519	
1.3 Reinsurance ceded	0									
1.4 Net	58,496,251	43,688,024	6,491,158	0	0	2,710,890	2,868,425	0	2,737,754	0
2. Incurred but unreported:										
2.1 Direct	194,014,347	144,730,688	14,336,492	2,135,000	39,491	17,382,609	13,676,834		1,713,233	
2.2 Reinsurance assumed	7,902,531	6,589,103					1,313,428			
2.3 Reinsurance ceded	10,461,916	4,768,745		2,135,000					3,558,171	
2.4 Net	191,454,962	146,551,046	14,336,492	0	39,491	17,382,609	14,990,262	0	(1,844,938)	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	252,026,079	188,418,712	20,827,650	2,135,000	39,491	20,093,499	16,545,259	0	3,966,468	0
4.2 Reinsurance assumed	8,387,050	6,589,103	0	0	0	0	1,313,428	0	484,519	0
4.3 Reinsurance ceded	10,461,916	4,768,745	0	2,135,000	0	0	0	0	3,558,171	0
4.4 Net	249,951,213	190,239,070	20,827,650	0	39,491	20,093,499	17,858,687	0	892,816	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)	114,423,560	1,413,777,049	719,690	185,132,905	115,143,250	150,451,391
2. Medicare supplement	17,056,103	181,610,861	62,483	20,765,167	17,118,586	20,279,100
3. Dental only	1,825,975	31,220,617	12,951	2,122,049	1,838,926	1,941,000
4. Vision only		2,463,392		39,491	0	38,093
5. Federal employees health benefits plan	16,250,006	215,197,912	173,054	19,920,445	16,423,060	17,536,540
6. Title XVIII - Medicare	15,348,304	114,796,939	194,171	16,351,088	15,542,475	17,609,423
7. Title XIX - Medicaid					0	
8. Other health	153,345	31,683,883	201,899	4,255,819	355,244	6,890,085
9. Health subtotal (Lines 1 to 8)	165,057,293	1,990,750,653	1,364,248	248,586,964	166,421,541	214,745,632
10. Healthcare receivables (a)	2,535,692	30,582,899			2,535,692	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	1,538,154	11,257,252		2,915,880	1,538,154	1,161,187
13. Totals (Lines 9 - 10 + 11 + 12)	164,059,755	1,971,425,006	1,364,248	251,502,844	165,424,003	215,906,819

(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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	1,036,235	1,036,334			
2. 2012	1,009,499	1,103,836	1,103,954		
3. 2013	XXX	1,081,552	1,186,352	1,186,780	
4. 2014	XXX	XXX	1,488,580	1,642,050	1,643,251
5. 2015	XXX	XXX	XXX	1,773,046	1,936,903
6. 2016	XXX	XXX	XXX	XXX	1,990,751

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	1,036,480	1,036,334			
2. 2012	1,126,088	1,105,199	1,103,954		
3. 2013	XXX	1,205,663	1,185,073	1,186,780	
4. 2014	XXX	XXX	1,695,008	1,642,883	1,643,251
5. 2015	XXX	XXX	XXX	1,986,671	1,938,346
6. 2016	XXX	XXX	XXX	XXX	2,239,338

12.GT

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012	1,310,172	1,103,954	44,295	4.0	1,148,249	87.6			1,148,249	87.6
2. 2013	1,395,524	1,186,780	46,361	3.9	1,233,141	88.4			1,233,141	88.4
3. 2014	1,983,683	1,643,251	51,882	3.2	1,695,133	85.5			1,695,133	85.5
4. 2015	2,243,936	1,936,903	54,765	2.8	1,991,668	88.8	1,364	33	1,993,065	88.8
5. 2016	2,496,570	1,990,751	71,792	3.6	2,062,543	82.6	251,502	6,584	2,320,629	93.0

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	517,279	517,530			
2. 2012	518,471	566,479	566,529		
3. 2013	XXX	539,236	598,681	598,859	
4. 2014	XXX	XXX	936,141	1,042,621	1,043,277
5. 2015	XXX	XXX	XXX	1,217,874	1,331,641
6. 2016	XXX	XXX	XXX	XXX	1,413,777

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	517,374	517,530			
2. 2012	580,518	564,799	566,529		
3. 2013	XXX	603,846	597,623	598,859	
4. 2014	XXX	XXX	1,077,900	1,043,268	1,043,277
5. 2015	XXX	XXX	XXX	1,367,547	1,332,239
6. 2016	XXX	XXX	XXX	XXX	1,598,910

12.HM

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2012	699,875	566,529	26,833	4.7	593,362	84.8			593,362	84.8
2. 2013	738,411	598,859	27,474	4.6	626,333	84.8			626,333	84.8
3. 2014	1,301,717	1,043,277	27,856	2.7	1,071,133	82.3			1,071,133	82.3
4. 2015	1,551,103	1,331,641	33,352	2.5	1,364,993	88.0	720	19	1,365,732	88.0
5. 2016	1,771,012	1,413,777	44,540	3.2	1,458,317	82.3	188,049	4,846	1,651,212	93.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	164,605	164,254			
2. 2012	152,104	168,314	168,181		
3. 2013	XXX	159,345	174,656	174,634	
4. 2014	XXX	XXX	165,273	182,017	182,087
5. 2015	XXX	XXX	XXX	174,957	191,943
6. 2016	XXX	XXX	XXX	XXX	181,611

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	164,739	164,254			
2. 2012	170,594	167,947	168,181		
3. 2013	XXX	177,572	174,582	174,634	
4. 2014	XXX	XXX	185,100	181,952	182,087
5. 2015	XXX	XXX	XXX	195,220	192,059
6. 2016	XXX	XXX	XXX	XXX	202,376

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. 2012	221,930	168,181	3,676	2.2	171,857	77.4			171,857	77.4
2. 2013	229,153	174,634	3,797	2.2	178,431	77.9			178,431	77.9
3. 2014	240,324	182,087	7,029	3.9	189,116	78.7			189,116	78.7
4. 2015	245,069	191,943	7,430	3.9	199,373	81.4	62	2	199,437	81.4
5. 2016	247,867	181,611	7,779	4.3	189,390	76.4	20,765	623	210,778	85.0

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	22,719	22,723			
2. 2012	21,732	22,947	22,949		
3. 2013	XXX	25,917	27,561	27,568	
4. 2014	XXX	XXX	27,312	28,965	28,975
5. 2015	XXX	XXX	XXX	29,953	31,769
6. 2016	XXX	XXX	XXX	XXX	31,221

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	22,744	22,723			
2. 2012	23,263	22,941	22,949		
3. 2013	XXX	27,346	27,561	27,568	
4. 2014	XXX	XXX	28,715	28,972	28,975
5. 2015	XXX	XXX	XXX	31,888	31,786
6. 2016	XXX	XXX	XXX	XXX	33,343

12.DO

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. 2012		22,949	93	0.4	23,042	0.0			23,042	0.0
2. 2013		27,568	111	0.4	27,679	0.0			27,679	0.0
3. 2014		28,975	130	0.4	29,105	0.0			29,105	0.0
4. 2015		31,769	333	1.0	32,102	0.0	13		32,115	0.0
5. 2016		31,221	159	0.5	31,380	0.0	2,122		33,502	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	472	472			
2. 2012	642	642	642		
3. 2013	XXX	905	905	905	
4. 2014	XXX	XXX	1,533	1,533	1,533
5. 2015	XXX	XXX	XXX	2,161	2,161
6. 2016	XXX	XXX	XXX	XXX	2,463

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	472	472			
2. 2012	680	642	642		
3. 2013	XXX	935	905	905	
4. 2014	XXX	XXX	1,569	1,533	1,533
5. 2015	XXX	XXX	XXX	2,199	2,161
6. 2016	XXX	XXX	XXX	XXX	2,503

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. 2012	871	642	76	11.8	718	82.4			718	82.4
2. 2013	1,234	905	82	9.1	987	80.0			987	80.0
3. 2014	2,159	1,533		0.0	1,533	71.0			1,533	71.0
4. 2015	2,868	2,161		0.0	2,161	75.3			2,161	75.3
5. 2016	3,563	2,463	130	5.3	2,593	72.8	39		2,632	73.9

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	207,031	207,031			
2. 2012	191,425	207,761	207,814		
3. 2013	XXX	196,915	212,200	212,232	
4. 2014	XXX	XXX	201,497	216,216	216,248
5. 2015	XXX	XXX	XXX	205,028	221,246
6. 2016	XXX	XXX	XXX	XXX	215,198

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	206,945	207,031			
2. 2012	209,284	208,332	207,814		
3. 2013	XXX	215,582	211,788	212,232	
4. 2014	XXX	XXX	219,480	216,259	216,248
5. 2015	XXX	XXX	XXX	222,444	221,330
6. 2016	XXX	XXX	XXX	XXX	235,118

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. 2012	223,664	207,814	6,871	3.3	214,685	96.0			214,685	96.0
2. 2013	235,521	212,232	7,722	3.6	219,954	93.4			219,954	93.4
3. 2014	241,081	216,248	6,673	3.1	222,921	92.5			222,921	92.5
4. 2015	252,247	221,246	5,931	2.7	227,177	90.1	173	5	227,355	90.1
5. 2016	275,089	215,198	8,988	4.2	224,186	81.5	19,920	595	244,701	89.0

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	79,486	79,680			
2. 2012	90,643	103,120	103,264		
3. 2013	XXX	121,982	134,972	135,205	
4. 2014	XXX	XXX	124,708	138,478	138,905
5. 2015	XXX	XXX	XXX	111,997	126,919
6. 2016	XXX	XXX	XXX	XXX	114,797

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	79,512	79,680			
2. 2012	104,546	103,350	103,264		
3. 2013	XXX	140,505	135,232	135,205	
4. 2014	XXX	XXX	142,118	138,681	138,905
5. 2015	XXX	XXX	XXX	129,407	127,340
6. 2016	XXX	XXX	XXX	XXX	131,148

12.XV

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. 2012	115,373	103,264	2,902	2.8	106,166	92.0			106,166	92.0
2. 2013	147,480	135,205	4,592	3.4	139,797	94.8			139,797	94.8
3. 2014	154,688	138,905	7,928	5.7	146,833	94.9			146,833	94.9
4. 2015	147,727	126,919	6,550	5.2	133,469	90.3	194	6	133,669	90.5
5. 2016	154,146	114,797	7,115	6.2	121,912	79.1	16,351	508	138,771	90.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior					
2. 2012					
3. 2013	XXX				
4. 2014	XXX	XXX			
5. 2015	XXX	XXX	XXX		
6. 2016	XXX	XXX	XXX	XXX	

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

NONE

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. 2012				0.0	0	0.0			0	0.0
2. 2013				0.0	0	0.0			0	0.0
3. 2014				0.0	0	0.0			0	0.0
4. 2015				0.0	0	0.0			0	0.0
5. 2016				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	44,643	44,644			
2. 2012	34,482	34,573	34,575		
3. 2013	XXX	37,252	37,377	37,377	
4. 2014	XXX	XXX	32,116	32,220	32,226
5. 2015	XXX	XXX	XXX	31,076	31,224
6. 2016	XXX	XXX	XXX	XXX	31,684

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 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	44,694	44,644			
2. 2012	37,203	37,188	34,575		
3. 2013	XXX	39,877	37,382	37,377	
4. 2014	XXX	XXX	40,126	32,218	32,226
5. 2015	XXX	XXX	XXX	37,966	31,431
6. 2016	XXX	XXX	XXX	XXX	35,940

12.OT

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. 2012	48,459	34,575	3,844	11.1	38,419	79.3			38,419	79.3
2. 2013	43,724	37,377	2,583	6.9	39,960	91.4			39,960	91.4
3. 2014	43,714	32,226	2,266	7.0	34,492	78.9			34,492	78.9
4. 2015	44,922	31,224	1,169	3.7	32,393	72.1	202	1	32,596	72.6
5. 2016	44,893	31,684	3,081	9.7	34,765	77.4	4,256	12	39,033	86.9

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	12,398,418	6,574,427	5,435,508	383,135					5,348
2. Additional policy reserves (a)	3,022,484	3,022,484							
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $.....0) for investment income	121,594,730					117,396,430			4,198,300
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	137,015,632	9,596,911	5,435,508	383,135	0	117,396,430	0	0	4,203,648
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	137,015,632	9,596,911	5,435,508	383,135	0	117,396,430	0	0	4,203,648
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 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	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($.....9,497,011 for occupancy of own building)	744,238	1,217,170	6,185,409	9,497,011	17,643,828
2. Salaries, wages and other benefits	54,852,075	33,369,599	157,351,541		245,573,215
3. Commissions (less $.....0 ceded plus $.....0 assumed)			41,240,639		41,240,639
4. Legal fees and expenses			984,272		984,272
5. Certifications and accreditation fees	99,655				99,655
6. Auditing, actuarial and other consulting services	177,328	131,642	5,103,857		5,412,827
7. Traveling expenses	919,254	77,304	2,185,000		3,181,558
8. Marketing and advertising	93,453		1,585,138		1,678,591
9. Postage, express and telephone	684,185	3,914,153	8,023,520		12,621,858
10. Printing and office supplies	577,474	321,324	4,110,001		5,008,799
11. Occupancy, depreciation and amortization	528,566	278,544	2,320,300		3,127,410
12. Equipment	398,317	687,416	3,534,508		4,620,241
13. Cost or depreciation of EDP equipment and software	2,579,392	3,200,061	29,624,391		35,403,844
14. Outsourced services including EDP, claims, and other services	19,932,389	2,903,428	22,338,223	1,403,553	46,577,593
15. Boards, bureaus and association fees	319,741	1,482	3,905,550		4,226,773
16. Insurance, except on real estate	156,040	120,668	1,358,641		1,635,349
17. Collection and bank service charges			2,008,205		2,008,205
18. Group service and administration fees	(1,309,277)	37,862,074	3,615,170		40,167,967
19. Reimbursements by uninsured plans	(85,540,459)	(1,388,032)	(155,904,872)		(242,833,363)
20. Reimbursements from fiscal intermediaries		1,275,779			1,275,779
21. Real estate expenses	602,154	401,447	5,157,895	521,419	6,682,915
22. Real estate taxes	25,251	24,001	234,575	26,002	309,828
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	(84)	19,032	166,520		185,468
23.2 State premium taxes			22,686,778		22,686,778
23.3 Regulatory authority licenses and fees	9,317		45,202,615		45,211,932
23.4 Payroll taxes	2,900,794	1,875,969	7,079,252		11,856,015
23.5 Other (excluding federal income and real estate taxes)	35,163	12,024	311,851		359,038
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	3,184,673	1,318,496	23,090,200	0	27,593,369
26. Total expenses incurred (Lines 1 to 25)	1,969,639	87,623,581	243,499,179	11,447,984	(a) 344,540,383
27. Less expenses unpaid December 31, current year		6,614,949	257,561,015		264,175,964
28. Add expenses unpaid December 31, prior year		6,835,947	247,486,938		254,322,885
29. Amounts receivable relating to uninsured plans, prior year			2,238,236		2,238,236
30. Amounts receivable relating to uninsured plans, current year			1,035,390		1,035,390
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,969,639	87,844,579	232,222,255	11,447,984	333,484,458

DETAILS OF WRITE-INS

2501. Administrative Expenses Assumed	3,345,071	1,494,775	22,139,994		26,979,840
2502. Administrative Expenses Ceded	(165,023)	(13,143)	(4,744,882)		(4,923,048)
2503. HMOP ASA Agreement			(2,474,322)		(2,474,322)
2598. Summary of remaining write-ins for Line 25 from overflow page	4,625	(163,136)	8,169,410	0	8,010,899
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,184,673	1,318,496	23,090,200	0	27,593,369

(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) 1,664,993	2,303,131
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 7,803,993	8,280,578
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	2,499,654	2,534,131
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d) 9,887,340	9,887,340
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 1,067,900	1,006,246
7.	Derivative instruments	(f)	
8.	Other invested assets	877,749	877,749
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	23,801,629	24,889,175
11.	Investment expenses		(g) 11,447,984
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		11,447,984
17.	Net investment income (Line 10 minus Line 16)		13,441,191
	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 $.....334,650 accrual of discount less $.....6,204,865 amortization of premium and less $.....1,142,439 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 $.....9,497,011 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....83,207 accrual of discount less $.....167,527 amortization of premium and less $.....496,209 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....1,403,553 investment expenses and $.....26,002 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	1,148,107		1,148,107		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	(499,952)	(2,858,852)	(3,358,803)	209,726	2,939,925
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	8,365,322	(43,050)	8,322,272	11,222,642	
2.21	Common stocks of affiliates			0	5,821,145	
3.	Mortgage loans			0		
4.	Real estate	73,680		73,680		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	3,832	13,244	17,076		
7.	Derivative instruments			0		
8.	Other invested assets			0	6,224,123	
9.	Aggregate write-ins for capital gains (losses)	0	0	0	(15,414,053)	0
10.	Total capital gains (losses)	9,090,990	(2,888,657)	6,202,332	8,063,583	2,939,925
	DETAILS OF WRITE-INS					
0901.	OPEB and other			0	(15,414,053)	
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	(15,414,053)	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	1,077,360	62,715	(1,014,645)
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	832,307		(832,307)
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset	70,001,311	68,887,060	(1,114,251)
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software	6,190,743	6,682,936	492,193
21. Furniture and equipment, including health care delivery assets	23,331,251	19,476,519	(3,854,732)
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivables from parent, subsidiaries and affiliates	146,388	568,659	422,271
24. Health care and other amounts receivable	13,050,538	12,209,920	(840,618)
25. Aggregate write-ins for other-than-invested assets	16,192,968	13,706,843	(2,486,125)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)	130,822,867	121,594,652	(9,228,215)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. TOTALS (Lines 26 and 27)	130,822,867	121,594,652	(9,228,215)

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	16,192,968	13,706,843	(2,486,125)
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)	16,192,968	13,706,843	(2,486,125)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of 1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations	461,877	485,443	483,279	486,777	485,162	5,809,584
4. Point of service						
5. Indemnity only	184,730	181,668	181,575	182,293	182,528	2,182,824
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	646,607	667,111	664,854	669,070	667,690	7,992,408

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 #	2016	2015
NET INCOME					
(1) USAble Mutual Insurance Company state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	$ 9,846,969	$ 4,265,332
(2) State Prescribed Practices that increase/decrease NAIC SAP					
(3) State Permitted Practices that increase/decrease NAIC SAP					
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	$ 9,846,969	$ 4,265,332
SURPLUS					
(5) USAble Mutual Insurance Company state basis (Page 3, line 33, Columns 3 & 4)	XXX	XXX	XXX	$ 815,212,343	$ 817,802,098
(6) State Prescribed Practices that increase/decrease NAIC SAP					
(7) State Permitted Practices that increase/decrease NAIC SAP					
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	$ 815,212,343	$ 817,802,098

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 polices. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

1) Short-term investments are stated at amortized cost.
2) Bonds not backed by other loans are stated at amortized cost using the interest method.
3) Common Stocks 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 four methods described below are employed. Based on the estimates of these methods and retrospective considerations, the best estimate is set and then an explicit margin is added to ensure that the estimate is good and sufficient. Historically the method relied on the most is the Lag Method.
    a. **Lag (Development) Method:** A claims triangle is constructed for each block of business. Based on the claims payment patterns, the last 3 months of data are completed manually by adjusting the completion factors. This, in turn, provides an estimate of incurred claims and incurred per member numbers. For the months prior to the most recent three, the completion factors used to complete the data are based on the historical claims payment patterns
    b. **3 Month Average Method**: As the base liability estimate, the three month average liability of the third, fourth, and fifth month prior to the current month is used. Adjustments are made for trend, membership change, and backlog to get to the estimate
    c. **IBNR Method:** As the base liability estimate, the liability from one year ago is used and trended forward with adjustments for trend, membership, and backlog.
    d. **Aggregate Method:** Here, twelve months of paid claims are subtracted from 12 months of estimated incurred claims to get the liability estimate.
12) The Company has not modified its capitalization policy from the prior period
13) Pharmacy rebate receivable estimates are based upon a history of rebates billed vs. paid pharmacy claims.

D. Going Concern - N/A

Note 2 – Accounting Changes and Corrections of Errors

NOTES TO FINANCIAL STATEMENTS

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 2016.

Note 3 – Business Combinations and Goodwill

The Company had no business combinations or goodwill as of December 31, 2016.

Note 4 – Discontinued Operations

The Company had no discontinued operations as of December 31, 2016.

Note 5 – Investments

A. The Company has no mortgage loans at this time.
B. The Company has no debt restructuring at this time.
C. The Company has no reverse mortgages at this time.
D. N/A
E. The Company has no repurchase agreements and/or security lending transactions at this time.
F. Real Estate
   (1) The Company did not recognize an impairment loss.
   (2) a. The company sold 80 acres of Timberland when it received an unsoliciated offer significantly above market value.
       b. A gain of $73,680 was recognized and reported on Schedule A Part 3.
   (3) The Company has no current plans of sale for an investment in real estate.
   (4) The Company does not engage in retail land sales operations.
   (5) The Company does not hold real estate investments with participating mortgage loan features.
G. The Company has no investment in Low-Income Housing Trade Credits (LIHTC).
H. 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							
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	99,721	99,605	116		99,721	0.006	0.006
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	31,249,537	(14,996,986)		16,252,551	0.940	1.017
n. Other restricted assets	256,221	199,605	56,616		256,221	0.015	0.016
o. Total Restricted Assets	$ 16,608,493	$ 31,548,747	$ (14,940,254)	$	$ 16,608,493	$ 0.961	$ 1.040

(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 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
Revolving line of credit back by T-Note	$ 16,252,551	$ 31,249,537	$ (14,996,986)	$ 16,252,551	0.940	1.017
Total (c)	$ 16,252,551	$ 31,249,537	$ (14,996,986)	$ 16,252,551	0.940	1.017

(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 Deducttible Workers' Comp - CD	$ 50,000	$ 50,000	$	$ 50,000	0.003	0.003

High Deducttible Workers' Comp - Money Market Fund	106,500	50,000	56,500	106,500	0.006	0.007
High Deducttible Workers' Comp - T-Note	99,721	99,605	116	99,721	0.006	0.006
Total (c)	$ 256,221	$ 199,605	$ 56,616	$ 256,221	0.015	0.016

(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) N/A - the company has no collateral assets.

I. The Company has no Working Capital Finance Investments.
J. The Company does not offset or net Assets and Liabilities.
K. The Company does not hold Structured Notes at this time.
L. The Company does not hold 5* Securities at this time

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

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

Note 8 – Derivative Instruments

A. None

B. None

C. None

D. None

E. None

F. None

Note 9 – Income Taxes

A. Deferred Tax Assets/(Liabilities)

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

	2016			2015			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	$ 97,921,018	$ 11,315,073	$ 109,236,091	$ 101,597,172	$ 11,557,683	$ 113,154,855	$ (3,676,154)	$ (242,610)	$ (3,918,764)
b. Statutory valuation allowance adjustment		2,537,500	2,537,500					2,537,500	2,537,500
c. Adjusted gross deferred tax assets (1a-1b)	97,921,018	8,777,573	106,698,591	101,597,172	11,557,683	113,154,855	(3,676,154)	(2,780,110)	(6,456,264)
d. Deferred tax assets nonadmitted	70,001,311		70,001,311	68,887,060		68,887,060	1,114,251		1,114,251
e. Subtotal net admitted deferred tax asset (1c-1d)	27,919,707	8,777,573	36,697,280	32,710,112	11,557,683	44,267,795	(4,790,405)	(2,780,110)	(7,570,515)
f. Deferred tax liabilities	263,176	38,039,353	38,302,529	277,295	29,270,189	29,547,484	(14,119)	8,769,164	8,755,045
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 27,656,531	$ (29,261,780)	$ (1,605,249)	$ 32,432,817	$ (17,712,506)	$ 14,720,311	$ (4,776,286)	$ (11,549,274)	$ (16,325,560)

2. Admission Calculation Components

	2016			2015			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	$ 20,298,494	$	$ 20,298,494	$ 24,234,538	$	$ 24,234,538	$ (3,936,044)	$	$ (3,936,044)

	taxes paid in prior years recoverable through loss carrybacks								
b.	Adjusted gross deferred tax assets expected to be realized (excluding 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:	6,195,415		6,195,415	8,198,279		8,198,279	(2,002,864)		(2,002,864)
	Adjusted gross deferred tax assets expected to be realized following the balance sheet date	6,195,415		6,195,415	8,198,279		8,198,279	(2,002,864)		(2,002,864)
	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	1,425,798	8,777,573	10,203,371	277,295	11,557,683	11,834,978	1,148,503	(2,780,110)	(1,631,607)
d.	Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c)	$ 27,919,707	$ 8,777,573	$ 36,697,280	$ 32,710,112	$ 11,557,683	$ 44,267,795	$ (4,790,405)	$ (2,780,110)	$ (7,570,515)

3. Other Admissibility Criteria

		2016	2015
a.	Ratio percentage used to determine recovery period and threshold limitation amount	835.000%	983.000%
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 739,878,761	$ 730,519,638

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.

	12/31/2016		12/31/2015		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)	$ 97,921,018	$ 8,777,573	$ 101,597,172	$ 11,557,683	$ (3,676,154)	$ (2,780,110)
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)	$ 27,919,707	$ 8,777,573	$ 32,710,112	$ 11,557,683	$ (4,790,405)	$ (2,780,110)
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

NOTES TO FINANCIAL STATEMENTS

B. Deferred Tax Liabilities Not Recognized: N/A

C. Current and Deferred Income Taxes

1. Current Income Tax

	1 2016	2 2015	3 (Col 1-2) Change
a. Federal	$ 3,999,029	$ 24,258,316	$ (20,259,287)
b. Foreign			
c. Subtotal	$ 3,999,029	$ 24,258,316	$ (20,259,287)
d. Federal income tax on net capital gains	2,155,460	(910,618)	3,066,078
e. Utilization of capital loss carry-forwards			
f. Other	(3,545,995)	665,497	(4,211,492)
g. Federal and Foreign income taxes incurred	$ 2,608,494	$ 24,013,195	$ (21,404,701)

2. Deferred Tax Assets

	1 2016	2 2015	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	$ 5,345,490	$ 4,157,192	$ 1,188,298
2. Unearned premium reserve			
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs	6,712,823	6,910,883	(198,060)
6. Policyholder dividends accrual			
7. Fixed assets	5,546,130	8,959,908	(3,413,778)
8. Compensation and benefits accrual	71,465,834	65,787,299	5,678,535
9. Pension accrual			
10. Receivables - nonadmitted			
11. Net operating loss carry-forward			
12. Tax credit carry-forward	6,195,415	8,198,279	(2,002,864)
13. Other (including items <5% of total ordinary tax assets)	2,655,326	7,583,611	(4,928,285)
99. Subtotal	$ 97,921,018	$ 101,597,172	$ (3,676,154)
b. Statutory valuation allowance adjustment			
c. Nonadmitted	70,001,311	68,887,060	1,114,251
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	$ 27,919,707	$ 32,710,112	$ (4,790,405)
e. Capital:			
1. Investments	$ 9,126,885	$ 9,353,894	$ (227,009)
2. Net capital loss carry-forward			
3. Real estate			
4. Other (including items <5% of total capital tax assets)	2,188,188	2,203,789	(15,601)
99. Subtotal	$ 11,315,073	$ 11,557,683	$ (242,610)
f. Statutory valuation allowance adjustment	2,537,500		2,537,500
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	8,777,573	11,557,683	(2,780,110)
i. Admitted deferred tax assets (2d+2h)	$ 36,697,280	$ 44,267,795	$ (7,570,515)

3. Deferred Tax Liabilities

	1 2016	2 2015	3 (Col 1–2) Change
a. Ordinary:			
1. Investments	$ 263,176	$ 277,295	$ (14,119)
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (including items <5% of total ordinary tax liabilities)			
99. Subtotal	$ 263,176	$ 277,295	$ (14,119)
b. Capital:			
1. Investments	$ 36,876,731	$ 29,270,189	$ 7,606,542
2. Real estate			
3. Other (including items <5% of total capital tax liabilities)	1,162,622		1,162,622
99. Subtotal	38,039,353	29,270,189	8,769,164
c. Deferred tax liabilities (3a99+3b99)	$ 38,302,529	$ 29,547,484	$ 8,755,045

4. Net Deferred Tax Assets (2i – 3c)	$ (1,605,249)	$ 14,720,311	$ (16,325,560)

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 (%)
Permanent Differences:		
Provision computed at statutory rate	$ 4,359,369	35.0%

NOTES TO FINANCIAL STATEMENTS

Proration of tax exempt investment income		%
Tax exempt income deduction	(88,287)	-0.7%
Dividends received deduction	(583,042)	-4.7%
Disallowed travel and entertainment	13,981,786	112.3%
Other permanent differences	(2,464,087)	-19.8%
Temporary Differences:		
Total ordinary DTAs	$	%
Total ordinary DTLs		%
Total capital DTAs		%
Total capital DTLs		%
Other:		
Statutory valuation allowance adjustment	$	%
Accrual adjustment – prior year		%
Other	2,131,089	17.1%
Totals	$ 17,336,828	139.2%
Federal and foreign income taxes incurred	453,034	3.6%
Realized capital gains (losses) tax	2,155,460	17.3%
Change in net deferred income taxes	14,728,334	118.2%
Total statutory income taxes	$ 17,336,828	139.2%

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

At December 31, 2016, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

The following is income tax expense for 2016 and 2015 that is available for recoupment in the event of future net losses:

Year	Amount
2016	$ 6,423,716
2015	$ 19,312,919

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

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

2. 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 losses. Intercompany tax balances are paid quarterly based on estimates and settled annually upon the 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

A. USAble Mutual Insurance Company, d.b.a. Arkansas Blue Cross Blue Shield, owns 100% of USAble Corporation 50% of HMO Partners, Inc and LSV Partners, LLC. LSV Partners, LLC owns 100% of Florida Combined Life Insurance Company and 41.1% of Life and Specialty Ventures, LLC. In December, 2015, Arkansas Blue Cross Blue Shield became a 20% partner in Partnership for a Healthier Arkansas, LLC. As of December 31, 2015, USAble Corporation owns 100% of AHIN, LLC, 50% of Medsite Health Mgmt, LLC, 100% of Group Service Underwriters, and 100% of USAble Partners. In June, 2015, USAble Corporation invested $6,060,000 in New Directions Behavioral Health Holding Company, LLC. This additional contribution increased its ownership from 5% to 10%. In October, 2015, Shareware was dissolved.

In 2007, Arkansas Blue Cross Blue Shield invested $3.7 million in B.P. Informatics LLC, a Delaware LLC. Additional capital contributions made in 2009, 2010, and 2011 totaling $2,070,558 brought the percentage ownership in B. P. Informatics, LLC to 19.085%. On December 31, 2012 B.P. Informatics, LLC made a capital distribution in the form of 2,211 Health Intelligence Company, LLC preferred A units totaling $2,211,014. These units were then transferred to USAble Corporation, January, 2014. On December 16, 2015, a distribution was made to Arkansas Blue Cross Blue Shield to liquidate B.P. Informatics, LLC.

On January 1, 2010, Arkansas Blue Cross assumed the role of third party administrator of those employee health benefit plans that were formerly administered by its subsidiary, USAble Corporation. State laws in almost every state require that a third party administrator that administers health benefit plans that cover citizens of the state be registered with or be licensed by state regulatory authorities. Because of a concern that using a legal name that includes the Blue Cross® or Blue Shield® brands in these TPA filings would result in confusion with the local Blue Cross or Blue Shield Plan in

NOTES TO FINANCIAL STATEMENTS

those respective states, the Board of Directors recommended and the members of the company at their Annual Meeting on March 15, 2010 voted to approve an amendment to the Articles of Incorporation changing the legal name of the company to “USAble Mutual Insurance Company." The new name became effective on March 23, 2010 when the Arkansas Insurance Commissioner approved the amendment to the Articles of Incorporation.

B. N/A

C. N/A

D. At December 31, 2016, the Company reported the folloiwing admitted amounts due from Affiliates:

HMO Partners, Inc.	$ 9,115,724
USAble Corporation	721,188
NE MAPPO	483,742
AHIN, LLC.	235,178
Group Service Underwriters	96,395
Life and Specialty Ventures	34,382
Blue & You Foundation	24,939
Medsite Health Management, LLC	1,910
Total	$10,713,458

At December 31, 2016, the Company reported the following amounts due to Affiliates:

USAble Corporation	$ 570,331
Life and Specialty Ventures	35,659
Total	$ 605,990

E. N/A

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

G. N/A

H. N/A

I. N/A

J. N/A

K. N/A

L. N/A

M. All SCA Investments

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi 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	100.000 %	129,129,733	129,129,733	
Partnership for a Healthier Arkansas, LLC	20.000	50,670	50,670	
Total SSAP No. 97 8b(iii) Entities	XXX	$ 129,180,403	$ 129,180,403	$
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	$ 129,180,403	$ 129,180,403	$
f. Aggregate Total (a + e)	XXX	$ 129,180,403	$ 129,180,403	$

(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. N/A

Note 11 – Debt

A. As of December 31, 2016, the Company has no capital notes. As of December 31, 2016, the Company's liability for borrowed money was zero ($-0-).

B. As of December 31, 2016, the Company has no FHLB agreements.

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						
			Neither Overfunded nor Underfunded			
b.	Postretirement Benefits		2016	2015		
	1.	Benefit obligation at beginning of year	$ 138,698,000	$ 156,163,000		
	2.	Service cost	1,021,000	1,179,000		
	3.	Interest cost	5,886,000	6,068,000		
	4.	Continuation by plan participants		0		
	5.	Actuarial gain (loss)	12,943,000	(20,345,000)		
	6.	Foreign currency exchange rate changes	0	0		
	7.	Benefits paid	(4,315,000)	(4,367,000)		
	8.	Plan amendments		0		
	9.	Business combinations, divestitures, curtailments, settlements and special termination benefits	0	0		
	10.	Benefit obligation at end of year	$ 154,233,000	$ 138,698,000		

(2) N/A

(3) N/A

(4)

Components of net periodic benefit cost		Pension Benefits		Postretirement Benefits		Special or Contractual Benefits per SSAP No. 11	
		2016	2015	2016	2015	2016	2015
a.	Service cost	$	$	$ 1,021,000	$ 1,179,000	$	$
b.	Interest cost			5,886,000	6,068,000		
c.	Expected return on plan assets						
d.	Transition asset or obligation						
e.	Gains and losses				2,664,000		
f.	Prior service cost or credit			(2,614,000)	(2,664,000)		
g.	Gain or loss recognized due to a settlements curtailment						
h.	Total net periodic benefit cost	$	$	$ 4,293,000	$ 7,247,000	$	$

(5) N/A

(6) N/A

(7) N/A

NOTES TO FINANCIAL STATEMENTS

(8)

Weighted-average assumptions used to determine net periodic benefit cost as of December 31		2016	2015
a.	Weighted-average discount rate	0.041%	0.043%
b.	Expected long-term rate of return on plan assets	%	%
c.	Rate of compensation increase	0.035%	0.035%
Weighted-average assumptions used to determine projected benefit obligations as of December 31			
d.	Weighted-average discount rate	0.041%	0.043%
e.	Rate of compensation increase	0.035%	0.035%

(9) N/A

(10) N/A

(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	$ (393,000)	$ 355,000
b.	Effect on postretirement benefit obligation	$ (10,104,000)	$ 9,514,000

(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.	2017	$ 5,332,000
b.	2018	$ 5,882,000
c.	2019	$ 6,254,000
d.	2020	$ 6,692,000
e.	2021	$ 7,242,000
f.	2022 through 20__	$ 41,897,000

B. Investment Policies and Strategies - N/A Unfunded Plan

C. Fair Value of Plan Assets - N/A Unfunded Plan

D. Basis Used to Determine Expected Long-Term Rate-of-Return - N/A 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 2016, 3% has been used to calculate the Company's contribution of $5,611,614.

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

F. Multiemployer Plans - the Compnay does not participate in mutliemployer plans.

G. Consolidated/Holding Company Plans - N/A

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) - N/A

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

(1) As of December 31, 2016, 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 polices and the Company does not issue participating polices.

5) N/A

6) The Company had no restrictions on its unassigned surplus.

7) The Company does not have any advances to surplus.

8) N/A

9) The Company has no special surplus funds.

NOTES TO FINANCIAL STATEMENTS

10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and loss is $20,889,839 gain.

11) The Company has no Surplus Notes as of December 31, 2016.

12) The Company was not involved in a quasi-reorganization.

13) The Company was not involved in a quasi-reorganization.

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 - 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) The Company leases office equipment and space under various noncancelable operating lease agreements that expire through January 2024. Rental expense for 2016, and 2015 was approximately $7,436,577 and $7,672,478.

(2)

a. At January 1, 2017 the minimum aggregate rental commitments are as follows:

	Year Ending December 31	Operating Leases
1.	2017	$ 5,887,766
2.	2018	$ 5,228,306
3.	2019	$ 5,265,920
4.	2020	$ 2,618,938
5.	2021	$ 2,122,296
6.	Total	$ 21,123,227

(3) N/A

B. Revenue, Net Income or Assets with Respect to Leases

(1) For operating leases: N/A

(2) For leveraged leases: N/A

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

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

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

A. The Company did not have any transfers of Receivables reported as Sales.

B. The Company did not have any transfers or servicing of Financial Assets.

C. The Company did not have any Wash Sales.

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 he uninsured portion of partially insured plans was as follows during 2016:

		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	$ 56,648	$	$ 56,648
b.	Total net other income or expenses (including interest paid to or receive from plans)			

NOTES TO FINANCIAL STATEMENTS

c.	Net gain or (loss) from operations	56,648		56,648
d.	Total claim payment volume	$ 202,410,093	$	$ 202,410,093

B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and he uninsured portion of partially insured plans was as follows during 2016:

		ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a.	Gross reimbursement for medical cost incurred	$ 2,898,639,732	$	$ 2,898,639,732
b.	Gross administrative fees accrued	228,221,664		228,221,664
c.	Other income or expenses (including interest paid to or received from plans)	7,326		7,326
d.	Gross expenses incurred (claims and administrative)	3,107,989,494		3,107,989,494
e.	Total net gain or loss from operations	$ 18,879,228	$	$ 18,879,228

C. Medicare or Similarly Structured Cost Based Reimbursement Contract - N/A

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.

(1) Fair Value Measurements at Reporting Date

Assets at Fair Value	Level 1	Level 2	Level 3	Total
Bonds	$	$	$	$
Industrial and Misc		10,664,262		10,664,262
Common Stock				
Industrial and Misc	78,046,853	30,549,173		108,596,025
Mutual Fund		848,484		848,484
Parent, Subsididaries and Affiliates			158,297,966	158,297,966
Total	$ 78,046,853	$ 42,061,919	$ 158,297,966	$ 278,406,737

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

a. Assets	Beginning Balance at 1/1/2016	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	Settlements	Ending Balance at 12/31/2016
Parent, Subsididaries and Affiliates	$ 153,302,313	$	$	$	$ 4,995,653	$	$	$	$	$ 158,297,966
Total	$ 153,302,313	$	$	$	$ 4,995,653	$	$	$	$	$ 158,297,966

(3) N/A

(4) 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) N/A

B. N/A

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	$ 10,664,262	$ 10,664,262	$	$ 10,664,262	$	$
Common Stock	267,742,475		78,046,853	31,397,657	158,297,966	

D. N/A

Note 21 – Other Items

A. The Company had no unusual or infrequent items.

B. The Company had no troubled debt restructuring as of December 31, 2016.

C. The Company did not have any other disclosures items.

D. The Company has no business interruption insurance recoveries.

E. The Company has no state transferrable or non-transferrable tax credits.

F. Subprime Mortgage Related Risk Exposure

NOTES TO FINANCIAL STATEMENTS

(1) 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 market value of the Company's investment in the equity securities of commercial enterprises that engage in residential mortgage lending accumulates to $7,571,058. This represents1.1% of the Company's long-term bonds of $590,794,530 and the Company's non related investments in equity securities of $114,384,025.

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

(3) The Company has no material direct exposure through other investments.

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

G. The Company has no retained assets.

H. 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	$	$ 35,300,000
C	ACA fee assessment paid	35,736,935	31,948,392
D.	Premium written subject to ACA 9010 assessment	2,182,466,787	1,957,483,552
E.	Total adjusted capital before surplus adjustment (Five-Year Historical Line 14)	815,212,343	
F.	Total adjusted capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	815,212,343	
G.	Authorized control level (Five-Year Historical Line 15)	$ 97,587,971	

H. Would reporting the ACA assessment as of December 31, 2016 have triggered an RBC action level (YES/NO)? Yes [ ] No [X]

Note 23 – Reinsurance

A. Ceded Reinsurance Report

Section1 – 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? No

(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? No

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? No

(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? No

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? No

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.

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

NOTES TO FINANCIAL STATEMENTS

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

B. The Company records accrued retrospective premium adjustments to earned premium.

C. The amount of net premiums written by the Company at December 31, 2016 that are subject to retrospective rating features was $ 2.182 billion, that represented 90% 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 Individual	2 Small Group Employer	3 Large Group Employer	4 Other Categories with Rebates	5 Total
Prior Reporting Year						
(1)	Medical loss ratio rebates incurred	$	$ 1,660,034	$	$ 4,049,033	$ 5,709,067
(2)	Medical loss ratio rebates paid		724,883			724,883
(3)	Medical loss ratio rebates unpaid		935,151		4,049,033	4,984,184
(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	4,984,184
Current Reporting Year-to-Date						
(7)	Medical loss ratio rebates incurred	$	$ 197,722	$	$ 3,086,450	$ 3,284,172
(8)	Medical loss ratio rebates paid		1,132,873		2,937,183	4,070,056
(9)	Medical loss ratio rebates unpaid				4,198,300	4,198,300
(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	4,198,300

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 [ ] No [ ]

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

		Permanent ACA Risk Adjustment Program	AMOUNT
a.		Assets	
	1.	Premium adjustments receivable due to ACA Risk Adjustment	$ 20,484,310
		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	22,708,817
	5.	Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	$ 189,802
b.		Transitional ACA Reinsurance Program	
		Assets	
	1.	Amounts recoverable for claims paid due to ACA Reinsurance	$ 35,339,853
	2.	Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability)	4,768,745
	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	7,654,690
	5.	Ceded reinsurance premiums payable due to ACA Reinsurance	4,497,407
	6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	$ 148,991
		Operations (Revenue & Expenses)	
	7.	Ceded reinsurance premiums due to ACA Reinsurance	$ 4,497,407
	8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	40,311,483
	9.	ACA Reinsurance contributions – not reported as ceded premium	$ 8,215,454
c.		Temporary ACA Risk Corridors Program	
		Assets	
	1.	Accrued retrospective premium due to ACA Risk Corridors	$
		Liabilities	
	2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	
		Operations (Revenue & Expenses)	
	3.	Effect of ACA Risk Corridors on net premium income (paid/received)	7,883
	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 December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Cumulative Balance from Prior Years (Col. 1-3+7)	Unsettled Balances as of the Reporting Date Cumulative Balance from Prior Years (Col. 2-4+8)
						Prior Year Accrued Less Payments (Col. 1-3)	Prior Year Accrued Less Payments (Col. 2-4)	To Prior Year Balances	To Prior Year Balances			
		1	2	3	4	5	6	7	8		9	10
		Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a.	Permanent ACA Risk Adjustment Program											
	1. Premium adjustments	$ 7,725,943	$	$ 9,685,468	$	$ (1,959,525)	$	$ 1,959,525	$	A	$	$

NOTES TO FINANCIAL STATEMENTS

		receivable											
	2.	Premium adjustments (payable)									B		
	3.	Subtotal ACA Permanent Risk Adjustment Program	$ 7,725,943	$	$ 9,685,468	$	$ (1,959,525)	$	$ 1,959,525	$		$	$
b.		Transitional ACA Reinsurance Program											
	1.	Amounts recoverable for claims paid	$ 49,777,382	$	$ 57,706,961	$	$ (7,929,579)	$	$ 15,009,042	$	C	$ 7,079,463	$
	2.	Amounts recoverable for claims unpaid (contra liability)	7,726,705		7,726,705						D		
	3.	Amounts receivable relating to uninsured plans									E		
	4.	Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premiums		12,936,819		12,936,819					F		
	5.	Ceded reinsurance premiums payable		6,598,184		6,598,184					G		
	6.	Liability for amounts held under uninsured plans		238,215		238,215					H		
	7.	Subtotal ACA Transitional Reinsurance Program	$ 57,504,087	$ 19,773,218	$ 65,433,666	$ 19,773,218	$ (7,929,579)	$	$ 15,009,042	$		$ 7,079,463	$
c.		Temporary ACA Risk Corridors Program											
	1.	Accrued retrospective premium	$	$	$	$ 7,883	$	$ (7,883)	$	$ 7,883	I	$	$
	2.	Reserve for rate credits or policy experience rating refunds									J		
	3.	Subtotal ACA Risk Corridors Program				7,883		(7,883)		7,883			
d.		Total for ACA Risk Sharing Provisions	$ 65,230,030	$ 19,773,218	$ 75,119,134	$ 19,781,101	$ (9,889,104)	$ (7,883)	$ 16,968,567	$ 7,883		$ 7,079,463	$

Explanations of Adjustments

A. Amount received in excess of prior year accrual.

B.

C. Amount received in excess of prior year accrual.

D.

E.

F.

G.

H.

I. Amount was paid but not accrued

J.

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

			Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
							Prior Year Accrued Less Payments (Col. 1-3)	Prior Year Accrued Less Payments (Col. 2-4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col. 1-3+7)	Cumulative Balance from Prior Years (Col. 2-4+8)
			1	2	3	4	5	6	7	8		9	10
			Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a.		2014											
	1.	Accrued retrospective premium	$	$	$	$	$	$	$	$	A	$	$
	2.	Reserve for rate credits for policy experience rating refunds									B		
b.		2015											
	1.	Accrued retrospective premium	$	$	$	$	$	$	$	$	C	$	$
	2.	Reserve for rate credits for policy experience rating refunds									D		
c.		2016											
	1.	Accrued retrospective premium	$	$	$	$ 7,883	$	$ (7,883)	$	$ 7,883	E	$	$
	2.	Reserve for rate credits or policy experience rating refunds									F		
d.		Total for Risk Corridors	$	$	$	$ 7,883	$	$ (7,883)	$	$ 7,883		$	$

A.

B.

C.

D.

E. Amount was paid but not accrued

F.

(5) ACA Risk Corridors Receivable as of Reporting Date

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

NOTES TO FINANCIAL STATEMENTS

b. 2015	$ 15,919,592	$ 15,919,592	$	$	$
c. 2016	$ 20,031,341	$ 20,031,341	$	$	$
d. Total (a+b+c)	$ 35,950,933	$ 35,950,933	$	$	$

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

12/31/2015 Reserves	$ 214,745,632	(includes Due and Unpaid)
2015 Claims paid in 2016	(165,057,293)	
2015 Claims Due and Unpaid	(24,925,093)	
Adjusted Net Reserves	$ 24,763,246	
2015 Remaining Reserves @ 12/31/16	1,364,248	
Favorable Development	$ 23,398,998	

Note 26 – Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

A. N/A

B. N/A

C. N/A

D. N/A

E. N/A

F. N/A

G. N/A

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
12/31/2016	$ 15,688,909	$	$	$	$
09/30/2016	14,728,098	15,688,909	7,667,093		
06/30/2016	13,524,921	14,728,098	7,468,116	4,049,588	
03/31/2016	13,767,900	13,524,921	7,565,271	3,757,674	1,490,081
12/31/2015	16,344,628	13,767,900	7,146,604	3,967,868	2,280,938
09/30/2015	14,436,451	16,344,628	8,603,405	3,973,559	2,331,050
06/30/2015	14,910,953	14,725,744	5,719,908	3,989,741	1,824,531
03/31/2015	14,508,931	12,914,527	5,791,496	3,660,535	3,184,263
12/31/2014	12,768,757	9,677,687	5,169,912	3,548,684	644,633
09/30/2014	9,614,053	9,846,596	5,327,438	3,429,343	(73,419)
06/30/2014	10,220,515	5,899,794	793,849	1,857,814	2,997,882
03/31/2014	10,005,639	5,377,535	147,967	2,188,233	2,770,310

B. The Company has no risk sharing receivables as of December 31, 2016.

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, 2015.

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, Line1. This disclosure is presented by annual statement line of business. Amounts presented are as of December 31 of the prior year and December 31 of the year for which this annual statement is being filed.

NOTES TO FINANCIAL STATEMENTS

Line of Business	Year Incurred	December 31 2016	December 31 2015
Accident and Health			
	2012	$ 350	$ 12,721
	2013	$ 448	$ 39,051
	2014	$ 33,669	$ 837,155
	2015	$ 506,625	$ 2,663,965
	2016	$ 2,485,322	
	Total	$ 3,026,414	$ 3,552,892

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? If yes, complete Schedule Y, Parts 1, 1A and 2. — Yes [X] No [ ]

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

1.3 State regulating? ARKANSAS

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

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. — 12/31/2015

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. — 12/31/2010

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). — 05/17/2012

3.4 By what department or departments?
Arkansas Insurance Department

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? — Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? — Yes [X] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

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

4.12 renewals? — Yes [ ] No [X]

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

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

4.22 renewals? — Yes [ ] No [X]

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

5.2 If yes, provide the name of 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 [X]

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control — %

7.22 State the nationality(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 [X]

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

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

8.4 If the response to 8.3 is yes, please provide below the names and 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 [X]

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 [X]

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 [X] 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 $

21.22 Borrowed from others $

21.23 Leased from others $

21.24 Other $

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 $

22.22 Amount paid as expenses $

22.23 Other amounts paid $

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

INVESTMENT

24.01 Were all of 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 [X] No [ ]

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 *Risk-Based Capital Instructions*? Yes [ ] No [ ] N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $

24.06 If answer to 24.04 is no, report amount of collateral for other programs $

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 [ ] No [ ] N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]

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 [ ] No [ ] N/A [X]

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 [X] No [ ]

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	$ 99,721
25.29	On deposit with other regulatory bodies	$ 0
25.30	Pledged as collateral – excluding collateral pledged to an FHLB	$ 16,252,551
25.31	Pledged as collateral to FHLB – including assets backing funding agreements	$
25.32	Other	$ 256,221

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		$

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

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 [ ] No [X]

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

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 *Financial Condition Examiners Handbook*? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
US Bank Institutional Trust & Custody	PO Box 387, St. Louis, MO 61366-0387

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

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

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

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

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

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"].

1 Name of Firm or Individual	2 Affiliation
Foundation Resource Management	U
Wells Capital Managment Inc.	U

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Gray D. Dillard	I

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 [X] 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 [X] 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 Managment Inc.	54300B3H2IOO2L85I90	SEC	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 [X] 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	848,484
29.2999 TOTAL		848,484

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	26,048	12/31/2016
TEMPLETON DRAGON CF	ROYAL DUTCH SHELL PLC	23,758	12/31/2016
TEMPLETON DRAGON CF	CITIGROUP INC	20,364	12/31/2016
TEMPLETON DRAGON CF	TEVA PHARMACEUTICAL INDUSTRIES LTD	17,648	12/31/2016
TEMPLETON DRAGON CF	ORACLE CORP	16,630	12/31/2016

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	761,698,910	753,789,525	(7,909,385)
30.2	Preferred Stocks	0	0	0
30.3	Totals	761,698,910	753,789,525	(7,909,385)

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 [X] 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 [X] 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 [X] No [ ]

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 3,490,073

33.2 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 Assocation	$ 2,724,637

34.1 Amount of payments for legal expenses, if any? $ 2,707,953

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

1 Name	2 Amount Paid
Foley & Lardner LLP	$ 2,112,714

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 505,937

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

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

BlueCross BlueShield Assocation	$	263,370

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?		Yes [X] No [ ]
1.2	If yes, indicate premium earned on U.S. business only.	$	245,615,618
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.	$	197,675,198
1.6	Individual policies:		
	Most current three years:		
1.61	Total premium earned	$	42,966,821
1.62	Total incurred claims	$	35,749,542
1.63	Number of covered lives	$	29,700
	All years prior to most current three years:		
1.64	Total premium earned	$	202,648,797
1.65	Total incurred claims	$	161,925,656
1.66	Number of covered lives	$	87,436
1.7	Group policies:		
	Most current three years:		
1.71	Total premium earned	$	0
1.72	Total incurred claims	$	0
1.73	Number of covered lives	$	0
	All years prior to most current three years:		
1.74	Total premium earned	$	0
1.75	Total incurred claims	$	0
1.76	Number of covered lives	$	0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 2,496,572,480	$ 2,243,936,280
2.2	Premium Denominator	$ 2,496,572,480	$ 2,243,936,280
2.3	Premium Ratio (2.1/2.2)	$ 100.000	$ 100.000
2.4	Reserve Numerator	$ 386,246,462	$ 349,286,189
2.5	Reserve Denominator	$ 389,882,727	$ 353,340,893
2.6	Reserve Ratio (2.4/2.5)	$ 99.067	$ 98.852

3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?	Yes [ ] No [X]
3.2	If yes, give particulars:	
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?	Yes [X] No [ ]
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?	Yes [ ] No [X]
5.1	Does the reporting entity have stop-loss reinsurance?	Yes [ ] No [X]
5.2	If no, explain:	

5.3	Maximum retained risk (see instructions)		
5.31	Comprehensive Medical	$	0
5.32	Medical Only	$	0
5.33	Medicare Supplement	$	0
5.34	Dental and Vision	$	0
5.35	Other Limited Benefit Plan	$	0
5.36	Other	$	0

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

Hold Harmless Agreements

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 [X] No [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1	Number of providers at start of reporting year	16,152
8.2	Number of providers at end of reporting year	16,527

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

9.2 If yes, direct premium earned:

9.21	Business with rate guarantees 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 [X] No [ ]

10.2 If yes:

10.21	Maximum amount payable bonuses	$ 14,550,099
10.22	Amount actually paid for year bonuses	$ 12,795,406
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 [X]
11.13	An Individual Practice Association (IPA), or,	Yes [ ] No [X]
11.14	A Mixed Model (combination of above)?	Yes [ ] No [X]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes [X] 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 [X]

11.6 If the amount is calculated, show the calculation

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

1 Name of Service Area
State of Arkansas
State of Texas

13.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

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 [X]

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 [X] 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 2016	2 2015	3 2014	4 2013	5 2012
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	1,597,732,623	1,579,924,693	1,580,839,043	1,454,455,405	1,283,220,576
2. Total liabilities (Page 3, Line 24)	782,520,280	762,122,594	760,796,664	687,264,327	604,505,198
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)	815,212,343	817,802,098	820,042,378	767,191,081	678,715,376
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	2,487,002,821	2,239,651,009	1,983,555,398	1,392,968,703	1,309,595,463
6. Total medical and hospital expenses (Line 18)	2,172,445,035	1,909,694,390	1,658,377,522	1,172,580,737	1,093,337,319
7. Claims adjustment expenses (Line 20)	89,593,220	87,397,134	106,161,287	88,551,728	61,159,159
8. Total administrative expenses (Line 21)	243,499,179	226,645,938	167,872,733	101,714,302	101,137,752
9. Net underwriting gain (loss) (Line 24)	(9,332,399)	20,622,427	55,871,787	27,274,703	48,712,112
10. Net investment gain (loss) (Line 27)	17,488,063	8,512,007	11,572,419	24,800,512	10,714,928
11. Total other income (Lines 28 plus 29)	2,144,339	54,711	(126,070)	(1,210,765)	(3,903)
12. Net income or (loss) (Line 32)	9,846,969	4,265,332	45,991,337	37,734,631	48,045,410
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	14,314,223	12,274,499	103,104,801	87,230,415	46,047,619
Risk-Based Capital Analysis					
14. Total adjusted capital	815,212,343	817,802,098	820,042,378	767,191,081	678,715,376
15. Authorized control level risk-based capital	97,587,971	87,713,627	82,304,221	67,293,726	67,107,345
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	667,690	646,607	626,471	447,901	438,799
17. Total member months (Column 6, Line 7)	7,992,408	7,868,278	7,083,695	5,340,080	5,202,907
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0**					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	87.4	85.3	83.6	84.2	83.5
20. Cost containment expenses	0.1	0.1	0.7	0.1	(3.0)
21. Other claims adjustment expenses	3.5	3.9	4.6	6.2	7.7
22. Total underwriting deductions (Line 23)	100.4	99.1	97.2	98.0	96.3
23. Total underwriting gain (loss) (Line 24)	(0.4)	0.9	2.8	2.0	3.7
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	165,424,003	152,601,922	104,522,360	95,547,471	90,883,642
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	215,906,819	207,562,965	126,226,771	117,441,514	114,026,807
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)	158,297,966	153,302,313	185,338,953	184,461,481	194,428,167
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	86,068,544	79,826,804	78,818,243	70,012,605	75,664,174
32. Total of above Lines 26 to 31	244,366,510	233,129,117	264,157,196	254,474,086	270,092,341
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 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	9 Deposit-Type Contracts
1. Alabama AL	N							0	
2. Alaska AK	N							0	
3. Arizona AZ	N							0	
4. Arkansas AR	L	1,998,472,621	154,146,397		275,088,817			2,427,707,834	
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	18,496,317						18,496,317	
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	2,016,968,938	154,146,397	0	275,088,817	0	0	2,446,204,151	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 2	2,016,968,938	154,146,397	0	275,088,817	0	0	2,446,204,151	0
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.

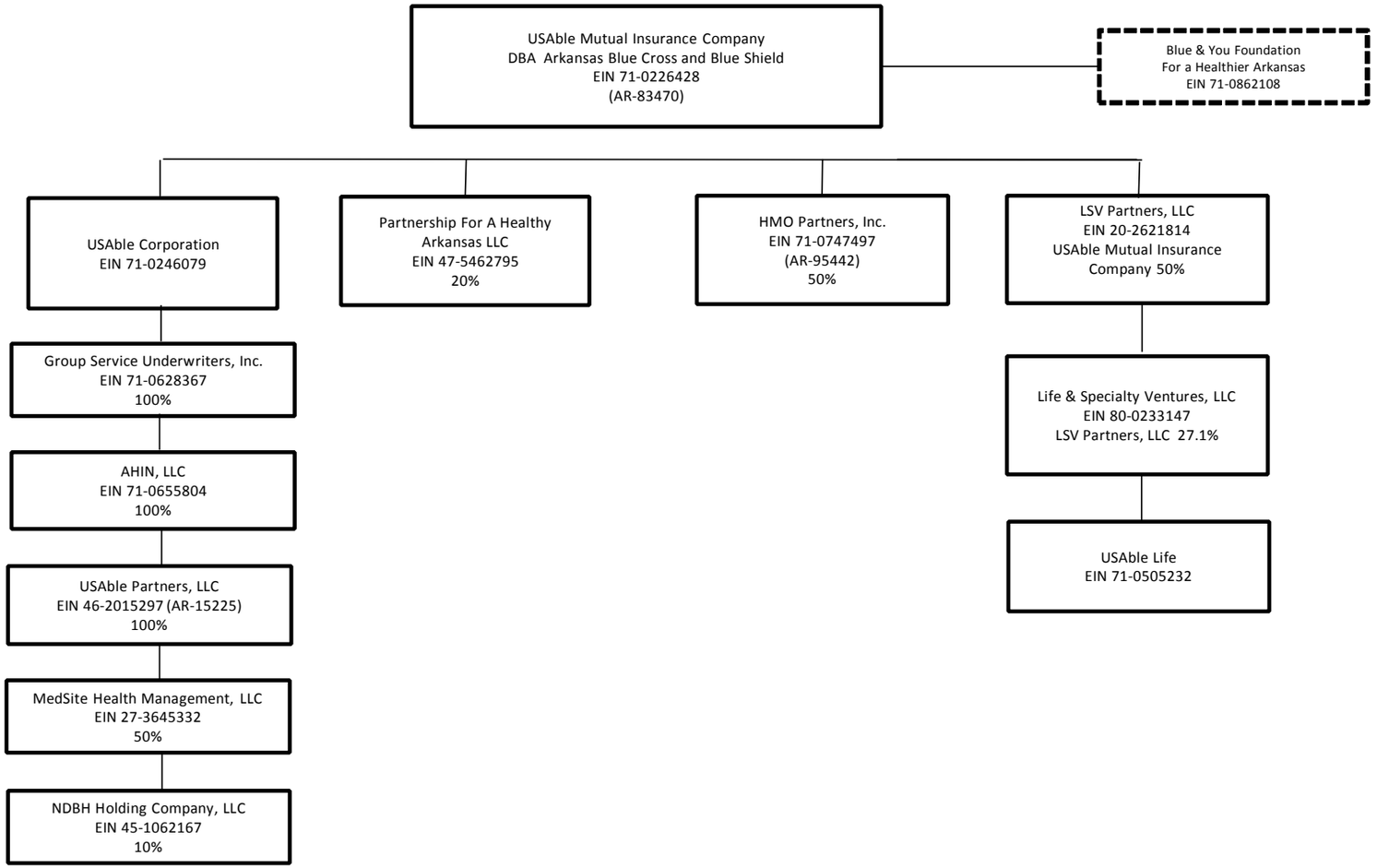
Explanation of basis of allocation by states, premiums by state, etc.

1

(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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HEALTH ANNUAL STATEMENT BLANK