

**ANNUAL STATEMENT**

OF THE

**ALTUS DENTAL**

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**INSURANCE COMPANY, INC**

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of **PROVIDENCE**

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in the state of **RHODE ISLAND**

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TO THE

**Insurance Department**

OF THE

**STATE OF RHODE ISLAND**

**FOR THE YEAR ENDED**

**December 31, 2007**

HEALTH

**2007**



52632200720100100

**ANNUAL STATEMENT**  
**FOR THE YEAR ENDING DECEMBER 31, 2007**  
OF THE CONDITION AND AFFAIRS OF THE  
**ALTUS DENTAL INSURANCE CO., INC.**

**NAIC Group Code** 1571 (Current Period) 1571 (Prior Period) **NAIC Company Code** 52632 **Employer's ID Number** 05-0513223

**Organized under the Laws of** RHODE ISLAND, **State of Domicile or Port of Entry** RHODE ISLAND

**Country of Domicile** UNITED STATES OF AMERICA

**Licensed as business type:** Life, Accident & Health  Property/Casualty  Hospital, Medical & Dental Service or Indemnity   
Dental Service Corporation  Vision Service Corporation  Health Maintenance Organization   
Other  Is HMO Federally Qualified? YES  NO

**Incorporated/Organized:** August 1, 2000 **Commenced Business:** September 1, 2001

**Statutory Home Office:** 10 CHARLES STREET PROVIDENCE, RI 02904  
(Street and Number) (City, State and Zip Code)

**Main Administrative Office:** 10 CHARLES STREET PROVIDENCE, RI 02904 877-223-0577  
(Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

**Mail Address:** 10 CHARLES STREET PROVIDENCE, RI 02904  
(Street and Number) (City, State and Zip Code)

**Primary Location of Books and Records:** 10 CHARLES STREET PROVIDENCE, RI 02904 877-223-0588  
(Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

**Internet Website Address:** www.altusdental.com

**Statutory Statement Contact:** GEORGE J. BEDARD (Name) 877-223-0577 (Area Code)(Telephone Number)(Extension)  
gbedard@altusdental.com 401-457-7260 (E-Mail Address) (Fax Number)  
(E-Mail Address)

**OFFICERS**

	Name	Title
1.	JOSEPH A. NAGLE	PRESIDENT
2.	KATHRYN M. SHANLEY	SECRETARY
3.	RICHARD A. FRITZ	TREASURER

**Vice-Presidents**

Name	Title	Name	Title
RICHARD A. FRITZ	VP - FINANCE	KATHRYN M. SHANLEY	VP - EXTERNAL AFFAIRS
STEPHEN J. SPERANDIO	VP - OPERATIONS/ADMINISTRATION	JOSEPH PERRONI	VP - SALES

**DIRECTORS OR TRUSTEES**

EDWARD ALMON	MARIA M. ASCIOLLA, DMD	PHILLIP C. BARNER, DDS	FRED K. BUTLER
VINCENT DELNERO	DAVID DUFFY	ALMON C. HALL	DONALD IANNAZZI
WILLIAM A. MEKRUT	SANDRA PARRILLO	EDWIN SANTOS	KARL SHERRY
PATRICIA A. SULLIVAN	LEONARD C. TADDEI, DMD	VANESSA TOLEDO-VICKERS	

State of Rhode Island  
County of Providence ss

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)  
JOSEPH A. NAGLE  
(Printed Name)  
1.  
PRESIDENT  
(Title)

(Signature)  
KATHRYN M. SHANLEY  
(Printed Name)  
2.  
SECRETARY  
(Title)

(Signature)  
RICHARD A. FRITZ  
(Printed Name)  
3.  
TREASURER  
(Title)

Subscribed and sworn to before me this  
29th day of February, 2008

a. Is this an original filing? YES  NO   
b. If no: 1. State the amendment number .....  
2. Date filed .....  
3. Number of pages attached .....



## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	4,835,094		4,835,094	5,332,544
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (145,401), Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 1,024,524, Schedule DA)	879,123		879,123	715,761
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	5,714,217		5,714,217	6,048,305
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	59,848		59,848	67,967
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	291,785		291,785	205,140
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	23,413	23,413		
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	3,430,067	3,430,067		
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	9,519,330	3,453,480	6,065,850	6,321,412
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	9,519,330	3,453,480	6,065,850	6,321,412

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	688,380		688,380	722,820
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	39,329		39,329	45,291
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	241,717		241,717	241,030
9. General expenses due or accrued	196,641		196,641	159,343
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	1,189,798		1,189,798	383,955
16. Payable for securities				
17. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans				
21. Aggregate write-ins for other liabilities (including \$ 0 current)	10,000		10,000	10,000
22. Total liabilities (Lines 1 to 21)	2,365,865		2,365,865	1,562,439
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	3,000,000	3,000,000
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	2,069,861	2,069,861
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	(1,369,876)	(310,888)
30. Less treasury stock, at cost:				
30.1 0 shares common (value included in Line 24 \$ 0 )	X X X	X X X		
30.2 0 shares preferred (value included in Line 25 \$ 0 )	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	3,699,985	4,758,973
32. Total liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	6,065,850	6,321,412

DETAILS OF WRITE-INS				
2101. ADVANCE DEPOSITS	10,000		10,000	10,000
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	10,000		10,000	10,000
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	X X X	X X X		
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	670,748	649,232
2. Net premium income (including \$ 0 non-health premium income)	X X X	17,597,322	16,094,054
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	17,597,322	16,094,054
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits			
10. Other professional services		13,950,787	13,077,968
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Lines 9 to 15)		13,950,787	13,077,968
<b>Less:</b>			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		13,950,787	13,077,968
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 177,319 cost containment expenses		668,923	677,877
21. General administrative expenses		2,709,017	2,478,663
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		17,328,727	16,234,508
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	268,595	(140,454)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		302,790	301,906
26. Net realized capital gains (losses) less capital gains tax of \$ 0			
27. Net investment gains (losses) (Lines 25 plus 26)		302,790	301,906
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			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	571,385	161,452
31. Federal and foreign income taxes incurred	X X X	194,271	53,054
32. Net income (loss) (Lines 30 minus 31)	X X X	377,114	108,398

DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

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

<b>CAPITAL &amp; SURPLUS ACCOUNT</b>	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting year .....	4,758,973	4,095,727
34. Net income or (loss) from Line 32 .....	377,114	108,398
35. Change in valuation basis of aggregate policy and claim reserves .....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0 .....		
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....		
39. Change in nonadmitted assets .....	(1,436,102)	554,848
40. Change in unauthorized reinsurance .....		
41. Change in treasury stock .....		
42. Change in surplus notes .....		
43. Cumulative effect of changes in accounting principles .....		
44. Capital Changes:		
44.1 Paid in .....		
44.2 Transferred from surplus (Stock Dividend) .....		
44.3 Transferred to surplus .....		
45. Surplus adjustments:		
45.1 Paid in .....		
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....		
47. Aggregate write-ins for gains or (losses) in surplus .....		
48. Net change in capital and surplus (Lines 34 to 47) .....	(1,058,988)	663,246
49. Capital and surplus end of reporting year (Line 33 plus 48) .....	3,699,985	4,758,973

<b>DETAILS OF WRITE-INS</b>		
4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	17,556,565	15,902,058
2. Net investment income	310,909	301,306
3. Miscellaneous income		
4. Total (Lines 1 through 3)	17,867,474	16,203,364
5. Benefit and loss related payments	13,985,227	12,936,568
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	3,540,607	3,239,407
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	17,525,834	16,175,975
11. Net cash from operations (Line 4 minus Line 10)	341,640	27,389
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,800,000	1,500,000
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,800,000	1,500,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,300,937	1,490,411
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,300,937	1,490,411
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	499,063	9,589
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(677,341)	731,669
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(677,341)	731,669
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	163,362	768,647
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	715,761	(52,886)
19.2 End of year (Line 18 plus Line 19.1)	879,123	715,761

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

20.0001. ....		
20.0002. ....		
20.0003. ....		



**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)				
2. Medicare Supplement				
3. Dental only	17,597,322			17,597,322
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid				
8. Other health				
9. Health subtotal (Lines 1 through 8)	17,597,322			17,597,322
10. Life				
11. Property / casualty				
12. Totals (Lines 9 to 11)	17,597,322			17,597,322

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	13,985,227			13,985,227						
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	13,985,227			13,985,227						
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	688,380			688,380						
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	688,380			688,380						
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	722,820			722,820						
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	722,820			722,820						
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	13,950,787			13,950,787						
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	13,950,787			13,950,787						
13. Incurred medical incentive pools and bonuses										

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

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

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct	688,380			688,380						
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	688,380			688,380						
3. Amount Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	688,380			688,380						
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	688,380			688,380						

**UNDERWRITING AND INVESTMENT EXHIBIT**

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental Only	600,057	13,385,171	11,204	677,176	611,261	722,820
4. Vision Only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)	600,057	13,385,171	11,204	677,176	611,261	722,820
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)	600,057	13,385,171	11,204	677,176	611,261	722,820

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

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
 (000 Omitted)  
**Hospital & Medical**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS  
(000 Omitted)**

**Medicare Supplement**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

1 2

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
(000 Omitted)

Dental Only

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	122	2			
2. 2003	3,734	292	2		
3. 2004	X X X	6,065	341	4	1
4. 2005	X X X	X X X	9,218	475	8
5. 2006	X X X	X X X	X X X	12,458	591
6. 2007	X X X	X X X	X X X	X X X	13,385

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	125	2			
2. 2003	4,073	307	2		
3. 2004	X X X	6,575	343	4	1
4. 2005	X X X	X X X	9,797	481	8
5. 2006	X X X	X X X	X X X	13,175	602
6. 2007	X X X	X X X	X X X	X X X	14,063

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003	5,447	4,028			4,028	73.949			4,028	73.949
2. 2004	8,774	6,411			6,411	73.068			6,411	73.068
3. 2005	12,387	9,701			9,701	78.316			9,701	78.316
4. 2006	16,094	13,049	1	0.008	13,050	81.086	11	1	13,062	81.161
5. 2007	17,597	13,385	44	0.329	13,429	76.314	677	38	14,144	80.377

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS  
(000 Omitted)**

**Vision Only**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

1 2

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS**  
(000 Omitted)

**Federal Employees Health Benefits Plan**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

1 2

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS  
(000 Omitted)**

**Title XVIII - Medicare**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

1 2

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF INCURRED HEALTH CLAIMS  
(000 Omitted)**

**Title XIX - Medicaid**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

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

**Other**  
**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	X X X				
4. 2005	X X X	X X X			
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

1 2

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

Grand Total

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	122	2			
2. 2003	3,734	292	2		
3. 2004	X X X	6,065	341	4	1
4. 2005	X X X	X X X	9,218	475	8
5. 2006	X X X	X X X	X X X	12,458	591
6. 2007	X X X	X X X	X X X	X X X	13,385

**Section B - Incurred Health Claims**

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 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	125	2			
2. 2003	4,073	307	2		
3. 2004	X X X	6,575	343	4	1
4. 2005	X X X	X X X	9,797	481	8
5. 2006	X X X	X X X	X X X	13,175	602
6. 2007	X X X	X X X	X X X	X X X	14,063

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2003	5,447	4,028			4,028	73.949			4,028	73.949
2. 2004	8,774	6,411			6,411	73.068			6,411	73.068
3. 2005	12,387	9,701			9,701	78.316			9,701	78.316
4. 2006	16,094	13,049	1	0.008	13,050	81.086	11	1	13,062	81.161
5. 2007	17,597	13,385	44	0.329	13,429	76.314	677	38	14,144	80.377

**UNDERWRITING AND INVESTMENT EXHIBIT**

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ 0 ) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Total (Net) (Page 3, Line 4)									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Total (Net) (Page 3, Line 7)									

**NONE**

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

**NONE**

**NONE**

(a) Includes \$ 0 premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ 0 for occupancy of own building)					
2. Salaries, wages and other benefits					
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)					
4. Legal fees and expenses					
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services					
7. Traveling expenses					
8. Marketing and advertising					
9. Postage, express and telephone					
10. Printing and office supplies					
11. Occupancy, depreciation and amortization					
12. Equipment					
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services					
15. Boards, bureaus and association fees					
16. Insurance, except on real estate					
17. Collection and bank service charges					
18. Group service and administration fees					
19. Reimbursements by uninsured plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes					
23.3 Regulatory authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses	177,319	491,604	2,709,017		3,377,940
26. Total expenses incurred (Lines 1 to 25)	177,319	491,604	2,709,017		(a) 3,377,940
27. Less expenses unpaid December 31, current year		39,329	196,641		235,970
28. Add expenses unpaid December 31, prior year		45,291	159,343		204,634
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	177,319	497,566	2,671,719		3,346,604

DETAILS OF WRITE-INS					
2501.	177,319	491,604	2,709,017		3,377,940
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	177,319	491,604	2,709,017		3,377,940

(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) 113,062	118,125
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 133,875	136,171
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 69,757	69,757
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	77,511	77,511
10. Total gross investment income	394,205	401,564
11. Investment expenses		(g)
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)
15. Aggregate write-ins for deductions from investment income		98,774
16. Total deductions (Lines 11 through 15)		98,774
17. Net investment income (Line 10 minus Line 16)		302,790
<b>DETAILS OF WRITE-INS</b>		
0901. INTERCOMPANY INTEREST ALLOCATIONS	77,511	77,511
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	77,511	77,511
1501. BANK FEES		98,774
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		98,774
(a) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.		
(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.		
(i) Includes \$ 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					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)					
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants ( for Title insurers only )			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection		45,201	45,201
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	23,413	23,681	268
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates	3,430,067	1,948,496	(1,481,571)
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,453,480	2,017,378	(1,436,102)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,453,480	2,017,378	(1,436,102)

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)			

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

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations	57,156	59,017	60,315	52,538	52,905	670,748
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	57,156	59,017	60,315	52,538	52,905	670,748

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **(A) Basis of Presentation**

The Annual Statement of Altus Dental Insurance Company, Inc. for the year ended December 31, 2007 has been completed in accordance with the NAIC *Annual Statement Instructions* and the *Accounting Practices and Procedures* manual. Note management is not aware of any deviations from this NAIC guidance, as interpreted by the Rhode Island Department of Business Regulation, as it relates to the financial information contained in this annual statement.

#### **(B) Use of Estimates in the Preparation of the Financial Statements**

The preparation of the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **(C) Accounting Policies**

##### **Bonds**

Bond investments are stated at amortized cost and consist of United States Treasury and government agency securities as well as "Investment Grade" corporate notes with fixed rates and maturities. Interest income is accrued as earned. The Company has both the intent and ability to hold all securities until maturity and, accordingly, has categorized all investments as "held-to-maturity" securities. As a result, unrealized gains and losses are excluded from net income.

##### **Claims and Claims Adjudication Expenses**

The estimated liability for claims incurred but unpaid is actuarially determined based on an analysis of historical claims experience, modified for changes in enrollment, inflation and benefit coverage. The estimated liability for accrued claims adjudication expense represents the anticipated cost of processing claims incurred but unpaid at the balance sheet date. The estimates for claims and claims adjudication expenses may be more or less than the amount ultimately paid when claims are settled. Such changes in estimates are reflected in current period operations.

### NOTE 2 - - ACCOUNTING CHANGES AND CORRECTION OF ERRORS

As part of this current year's annual statement preparation, the Company's financial statements contain no items that resulted from corrections of errors or changes in accounting principles. Additionally, in 2001 the Company implemented the Codification of the NAIC Accounting Practices and Procedures Manual. This implementation had no material impact on the 2007 and 2006 accounting practices or resulting statutory income and surplus as reported by the Company.

### NOTE 3 - - BUSINESS COMBINATIONS AND GOODWILL

During the year the Company had no business combinations, direct purchases or mergers with other companies.

### NOTE 4 - - DISCONTINUED OPERATIONS

During the year the Company's financial results include no gains or losses from discontinued operations.

### NOTE 5 - - INVESTMENTS

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## NOTES TO FINANCIAL STATEMENTS

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The Company's bond investments described in Note 1 represent all of the Company's statutory recorded investments at December 31, 2007 and 2006. Accordingly, the Company maintains no investments in the following categories:

- Mortgage loans
- Debt restructuring issues
- Reverse Mortgages
- Loan Backed Securities
- Repurchase Agreements

### NOTE 6 - - JOINT VENTURES, PARTNERSHIPS and LIMITED LIABILITY COMPANIES

During 2007 and 2006 the Company did not participate in any joint ventures, partnerships or LLCs.

### NOTE 7 - - INVESTMENT INCOME

Interest income is accrued as earned. At December 31, 2007, the Company had no income due or accrued that it considered a nonadmitted asset, as collection on accrued interest is reasonably assured for all Company investments.

### NOTE 8 - - DERIVATIVE INSTRUMENTS

As disclosed in Note 1 above, all investments consist of United States government and government agency securities, and "investment grade" corporate notes with fixed rates and maturities. During the years ended December 31, 2007 and 2006, the Company had not utilized any derivative financial instruments.

### NOTE 9 - - FEDERAL INCOME TAXES

The income tax benefit differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax loss as a result of the following:

	<u>2007</u>	<u>2006</u>
Current Provision	\$194,003	54,894
Other Deferred differences	<u>268</u>	<u>(1,840)</u>
Computed "expected" tax expense	<u>\$194,271</u>	<u>53,054</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

## NOTES TO FINANCIAL STATEMENTS

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Amortization of start up costs	\$ —	—
Claims incurred but unpaid	6,296	6,611
Advanced subscriber premiums	<u>17,117</u>	<u>17,070</u>
Net deferred tax asset	<u>\$ 23,413</u>	<u>23,681</u>

For Statutory reporting purposes the above net deferred tax assets are reported as nonadmitted assets .

Altus Dental Insurance Company is incorporated in the State of Rhode Island as a for profit company. The Company pays premium and investment income taxes to the State of Massachusetts.

Additionally, for federal tax purposes the Company's taxable operations are included within the consolidated group tax filings of its parent, the Altus Group. The other subsidiaries of The Altus Group are Altus Systems, Inc and Altus Dental, Inc., which are included in the consolidated returns for both federal and state tax reporting.

Presently the consolidated operations of The Altus Group have resulted in a cumulative loss for federal and state tax reporting purposes. Accordingly, the tax provision of Altus Dental Insurance Company is reflected as a payable to the Altus Group, where at the Altus Group level (the consolidated filing entity) there are no taxes due. Since there are no taxes currently payable this tax provision expense on Altus Dental Insurance Company is reflected as a "tax benefit" on other subsidiaries that generated these cumulative losses for tax purposes. This activity is similarly reflected through recording a receivable from the Altus Group on the books of Altus Dental, Inc.

## NOTE 10 - - INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

Altus Dental Insurance Company, Inc. is a wholly owned subsidiary of The Altus Group, Inc. which itself is a wholly owned subsidiary of Delta Dental of Rhode Island. This group of affiliated for-profit entities was established in 1999 for the purpose of expanding the ultimate parent company's offering of prepaid dental care products to organizations based outside the State of Rhode Island.

For the years ended December 31, 2007 and 2006, after elimination of intercompany transactions, The Altus Group, Inc., generated losses of \$554,000 and \$577,000, respectively.

Altus Dental Insurance Company, Inc. is allocated expenses from affiliated entities based on allocation methods, which are analyzed and updated by management on an annual basis. The resulting total expense allocations are disclosed on Schedule Y of this Annual Statement filing. Total expenses, including these allocated expenses, are disclosed in more descriptive detail in the Underwriting and Investment Exhibit Part 3 - Analysis of Expenses.

At December 31, 2007 and 2006 the Company has intercompany receivables from the Altus Group, Inc. and other affiliates. Some of these balances resulted from advances that were provided to fund operating expenses of The Altus Group, Inc. and its subsidiaries. For Statutory filing purposes the intercompany receivable balances from The Altus Group are considered non-admitted assets. This parent and affiliated entities, which are in a start up phase, do not currently possess the necessary liquidity to repay these receivables within 90 days, and are therefore treated as nonadmitted assets in accordance with SSAP #25.

Management's cash flow projections for The Altus Group, Inc. and its subsidiaries are made

## NOTES TO FINANCIAL STATEMENTS

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based on a number of factors, which affect the changes in the receivable balances over the period of time being analyzed. The most significant factors include: the relative and absolute growth in enrollment levels for Altus Dental Insurance Company, Inc.; the amount and rate of increase in operating and administrative expenses; the level of success Altus Dental, Inc. experiences in developing and maintaining its dental network; and the level of resources required by Altus Dental, Inc. for recruitment and marketing functions. Management's current cash flow projections for The Altus Group, Inc. and its subsidiaries projects profitability to begin in 2009 and that the intercompany advances will begin to be reduced at that time.

### NOTE 11 - - DEBT

During the year the Company had no outstanding capital notes or any debt arrangements.

### NOTE 12 - - EMPLOYEE RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company maintains no retirement or other post retirement benefit plans.

### NOTE 13 - - CAPITAL AND SURPLUS

Altus Dental Insurance Company, Inc. is a subsidiary of The Altus Group, Inc. and is a for-profit corporation. The Company's capital stock consists of 30 shares issued and outstanding. Each share has \$100,000 par value amounting to the \$3,000,000 total reflected on the balance sheet. All of the Company's outstanding shares of stock are owned by The Altus Group, Inc. The Company has no dividend restrictions, and has not been involved in any quasi-reorganization.

The contributed surplus of \$2,069,861 results from the additional capitalization of the Company when bond and fixed income notes (the investment portfolio) were transferred from its parent to the Company. The initial and subsequent additional capitalization (from these investment portfolio transfers) were to fulfill capitalization requirements of the Rhode Island Department of Business Regulation and the Massachusetts Division of Insurance.

### NOTE 14 - - CONTINGENT LIABILITIES

There are no contingent liabilities arising from litigation which would be considered material in relation to the Company's financial position. Accordingly, the Company has committed no reserves to cover any contingent liabilities.

### NOTE 15 - - LEASES

The Company has no lease obligations for office space or other such commitments.

### NOTE 16 - - INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company maintains no financial instruments with off-balance sheet risk or any financial instruments with concentrations of credit risk.

### NOTE 17 - - SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS

The Company has no transactions relating to transfers of receivables reported as sales, transfer and servicing of financial assets or wash sales.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 18 - - GAIN OR LOSS FROM UNINSURED ACCIDENT & HEALTH PLANS

The Company's policy regarding underwriting and pricing for uninsured or partially insured accident and health plans has been to determine that the administrative premium charged to each account covers all incremental costs (directly associated with servicing the specific account) plus a share of fixed and variable operating expenses to be incurred by the Company during the contract period.

As discussed in Note 2, for the December 31, 2001 annual filing the Company implemented the Codification of the NAIC Accounting Practices and Procedures Manual. This included the implementation of Statement on Statutory Accounting Principles (SSAP) # 47 "Uninsured Plans". The Company's 2006 and 2005 financial operations respectively exclude approximately \$248,000 and \$186,000 of revenues from such plans and there are no significant gains or losses related to such transactions.

### NOTE 19 - - DIRECT PREMIUM WRITTEN / PRODUCED BY MANAGING GENERAL AGENTS / THIRD PARTY ADMINISTRATORS

The Company maintains no relationships with managing general agents or third party administrators. The Company does utilize in-house sales efforts, as well as independent brokers to market its products. Premiums earned are reported gross of brokers' commissions of approximately \$776,000 and \$599,000 for the years ended December 31, 2007 and 2006.

### NOTE 20 - - OTHER ITEMS

The Company has no extraordinary items, subprime mortgage related risk exposure, troubled debt restructuring or other required disclosures of unusual items. Additionally, the Company has no additional disclosure requirements regarding Retirement Plans, Deferred Compensation and Postretirement Benefits.

### NOTE 21 - - EVENTS SUBSEQUENT

The Company has no events subsequent to December 31, 2007 that would warrant disclosure in these statutory 2007 financial statements.

### NOTE 22 - - REINSURANCE

The Company utilizes no reinsurance arrangements in its underwriting of dental premiums.

### NOTE 23 - - RETROSPECTIVELY RATED CONTRACTS

The Company presently does not underwrite premiums that are subject to retrospective rating or are contingent premiums (based on actual claims incurred) for the year ended December 31, 2007.

### NOTE 24 - - CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As reported in the Underwriting and Investment Exhibit Part 2b - "Analysis of claims unpaid - prior year" reserves for incurred claims attributable to insured events of prior years has decreased by \$112,000 from \$723,000 at the beginning of the current year as a result of reestimation of unpaid claims. This favorable decrease is generally the result of an ongoing analysis of paid

## NOTES TO FINANCIAL STATEMENTS

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claims and recent loss development trends.

### NOTE 25 - - INTERCOMPANY POOLING ARRANGEMENTS

The Company utilizes no intercompany pooling arrangements in its dental premium underwriting.

### NOTE 26 - - STRUCTURED SETTLEMENTS

As documented in the NAIC Annual Statement filing instructions for 2006, this footnote is not applicable to health insurance insurers.

### NOTE 27- - HEALTH CARE RECEIVABLES

The Company has no receivables that would be considered Health Care Receivables under SSAP #84. Accordingly, pharmacy rebates and risk sharing receivables are not currently applicable to the Company's operations.

### NOTE 28 - - PARTICIPATING POLICIES

The Company does not underwrite any business that would result in group accident or health participating policies. Accordingly, policy dividends are not applicable to the Company's operations.

### NOTE 29 - - PREMIUM DEFICIENCY RESERVES

The Company does not maintain any amount of premium deficiency reserves.

### NOTE 30 - - ANTICIPATED SALVAGE AND SUBROGATION

The Company's liability for unpaid claims is actuarially determined based on an analysis of historical claims experience, modified for changes in enrollment, inflation and benefit coverage. This liability reflects no reductions for salvage and subrogation recoveries, which are recorded in the year of receipt.

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities				
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	2,025,719	35.451	2,025,719	35.451
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	2,809,375	49.165	2,809,375	49.165
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	879,123	15.385	879,123	15.385
9. Other invested assets				
10. Total invested assets	5,714,217	100.000	5,714,217	100.000



## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 KPMG  
 PROVIDENCE, RI 02903
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? KPMG  
 PROVIDENCE, RI 02903
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]  
     11.11 Name of real estate holding company \_\_\_\_\_  
     11.12 Number of parcels involved \_\_\_\_\_  
     11.13 Total book/adjusted carrying value \$ \_\_\_\_\_
- 11.2 If yes, provide explanation \_\_\_\_\_
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
 \_\_\_\_\_
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]  
 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]  
 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [X] N/A [ ]
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
 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. Yes [X] No [ ]
- 13.11 If the response to 13.1 is No, please explain: \_\_\_\_\_
- 13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]  
 13.21 If the response to 13.2 is Yes, provide information related to amendment(s). \_\_\_\_\_
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]  
 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s). \_\_\_\_\_

### BOARD OF DIRECTORS

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

### FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
     18.11 To directors or other officers \$ \_\_\_\_\_  
     18.12 To stockholders not officers \$ \_\_\_\_\_  
     18.13 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_
- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  
     18.21 To directors or other officers \$ \_\_\_\_\_  
     18.22 To stockholders not officers \$ \_\_\_\_\_  
     18.23 Trustees, supreme or grand (Fraternal only) \$ \_\_\_\_\_

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |       |                      |          |
|-------|----------------------|----------|
| 19.21 | Rented from others   | \$ _____ |
| 19.22 | Borrowed from others | \$ _____ |
| 19.23 | Leased from others   | \$ _____ |
| 19.24 | Other                | \$ _____ |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 20.2 If answer is yes:
- |       |  |          |
|-------|--|----------|
| 20.21 | Amount paid as losses or risk adjustment | \$ _____ |
| 20.22 | Amount paid as expenses                  | \$ _____ |
| 20.23 | Other amounts paid                       | \$ _____ |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_ 3,430,067

### INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No [ ]
- 22.2 If no, give full and complete information, relating thereto \_\_\_\_\_
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1). Yes [ ] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |        |  |          |
|--------|--|----------|
| 23.21  | Loaned to others                                 | \$ _____ |
| 23.22  | Subject to repurchase agreements                 | \$ _____ |
| 23.23  | Subject to reverse repurchase agreements         | \$ _____ |
| 23.24  | Subject to dollar repurchase agreements          | \$ _____ |
| 23.25  | Subject to reverse dollar repurchase agreements  | \$ _____ |
| 23.26  | Pledged as collateral                            | \$ _____ |
| 23.27  | Placed under option agreements                   | \$ _____ |
| 23.28  | Letter stock or securities restricted as to sale | \$ _____ |
| 23.29  | On deposit with state or other regulatory body   | \$ _____ |
| 23.291 | Other  | \$ _____ |

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]  
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_
26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]
- 26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
CITIZENS BANK	RWR110 PO BOX 9587, PROVIDENCE, RI 02904

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

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

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address

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

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999	Total	

27.3 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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	5,859,618	5,861,551	1,933
28.2 Preferred stocks			
28.3 Totals	5,859,618	5,861,551	1,933

28.4 Describe the sources or methods utilized in determining the fair values: The reported December 31, 2007 fair values of securities were obtained from bank statements from the Company's custodian.

29.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes [  ] No [  ]

29.2 If no, list exceptions: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

### OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ \_\_\_\_\_

30.2 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
	\$
	\$
	\$

31.1 Amount of payments for legal expenses, if any? \$ \_\_\_\_\_ 518

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

31.2 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
Blish & Cavanagh, LLP	\$ 518
	\$
	\$

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

32.2 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 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES [ ] NO [ X ]

1.2 If yes, indicate premium earned on U.S. business only. \$ \_\_\_\_\_

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?  
 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 \$ \_\_\_\_\_

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ \_\_\_\_\_

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ \_\_\_\_\_

1.62 Total incurred claims \$ \_\_\_\_\_

1.63 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.64 Total premium earned \$ \_\_\_\_\_

1.65 Total incurred claims \$ \_\_\_\_\_

1.66 Number of covered lives \_\_\_\_\_

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ \_\_\_\_\_

1.72 Total incurred claims \$ \_\_\_\_\_

1.73 Number of covered lives \_\_\_\_\_

All years prior to most current three years:

1.74 Total premium earned \$ \_\_\_\_\_

1.75 Total incurred claims \$ \_\_\_\_\_

1.76 Number of covered lives \_\_\_\_\_

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 17,597,322	\$ 16,094,054
2.2 Premium Denominator	\$ 17,597,322	\$ 16,094,054
2.3 Premium Ratio (2.1/2.2)	1.00	1.00
2.4 Reserve Numerator	\$ 688,380	\$ 722,820
2.5 Reserve Denominator	\$ 688,380	\$ 722,820
2.6 Reserve Ratio (2.4/2.5)	1.00	1.00

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	\$ _____
5.32 Medical Only	\$ _____
5.33 Medicare Supplement	\$ _____
5.34 Dental	\$ 2,500
5.35 Other Limited Benefit Plan	\$ _____
5.36 Other	\$ _____

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: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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	2,253
8.2 Number of providers at end of reporting year	2,396

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months	10,752,169
9.22 Business with rate guarantees over 36 months	113,415

## GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? YES [ ] NO [ X ]
- 10.2 If yes:
- |  |   |          |
|--|---|----------|
|  | 10.21 Maximum amount payable bonuses          | \$ _____ |
|  | 10.22 Amount actually paid for year bonuses   | \$ _____ |
|  | 10.23 Maximum amount payable withholds        | \$ _____ |
|  | 10.24 Amount actually paid for year withholds | \$ _____ |
- 11.1 Is the reporting entity organized as:
- |  |   |                  |
|--|---|------------------|
|  | 11.12 A Medical Group/Staff Model,                  | YES [ ] NO [ X ] |
|  | 11.13 An Individual Practice Association (IPA), or, | YES [ ] NO [ X ] |
|  | 11.14 A Mixed Model (combination of above)?         | YES [ ] NO [ X ] |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? YES [ X ] NO [ ]
- 11.3 If yes, show the name of the state requiring such net worth. RHODE ISLAND
- 11.4 If yes, show the amount required. \$ 1,000,000
- 11.5 Is this amount included as part of 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		

**FIVE-YEAR HISTORICAL DATA**

	1	2	3	4	5
	2007	2006	2005	2004	2003
<b>BALANCE SHEET</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	6,065,850	6,321,412	5,441,858	5,352,306	5,523,700
2. Total liabilities (Page 3, Line 22)	2,365,865	1,562,439	1,346,131	984,416	627,247
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 31)	3,699,985	4,758,973	4,095,727	4,367,890	4,896,453
<b>INCOME STATEMENT</b> (Page 4)					
5. Total revenues (Line 8)	17,597,322	16,094,054	12,387,280	8,773,912	5,446,943
6. Total medical and hospital expenses (Line 18)	13,950,787	13,077,968	9,617,649	6,541,563	4,043,664
7. Claims adjustment expenses (Line 20)	668,923	677,877	480,501	442,972	141,345
8. Total administrative expenses (Line 21)	2,709,017	2,478,663	1,917,185	1,279,773	1,066,708
9. Net underwriting gain (loss) (Line 24)	268,595	(140,454)	371,945	509,604	195,226
10. Net investment gain (loss) (Line 27)	302,790	301,906	249,617	241,763	307,326
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	377,114	108,398	406,872	495,902	331,625
<b>CASH FLOW</b> (Page 6)					
13. Net cash from operations (Line 11)	341,640	27,389	602,933	783,957	419,778
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. Total adjusted capital	3,699,985	4,758,973	4,095,727	4,367,890	4,896,453
15. Authorized control level risk-based capital	635,717	557,083	449,249	299,554	218,773
<b>ENROLLMENT</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	52,905	57,156	39,173	30,097	19,671
17. Total members months (Column 6, Line 7)	670,748	649,232	428,035	303,801	193,633
<b>OPERATING PERCENTAGE</b> (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)	79.3	81.2	77.6	74.6	74.2
20. Cost containment expenses	1.0	1.4	1.1	0.5	X X X
21. Other claims adjustment expenses	3.8	6.2	2.8	4.5	2.6
22. Total underwriting deductions (Line 23)	98.5	101.0	97.0	94.2	96.4
23. Total underwriting gain (loss) (Line 24)	1.5	(1.0)	3.0	5.8	3.6
<b>UNPAID CLAIMS ANALYSIS</b> (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	611,261	485,809	353,259	310,229	123,747
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	722,820	581,420	524,280	342,110	154,030
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	3,430,067	1,948,496	2,550,384	1,874,889	853,600
32. Total of above Lines 26 to 31	3,430,067	1,948,496	2,550,384	1,874,889	853,600

**SCHEDULE D - SUMMARY BY COUNTRY**  
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	2,025,719	2,038,849	1,985,898	2,050,000
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	2,025,719	2,038,849	1,985,898	2,050,000
States, Territories and Possessions (Direct and guaranteed)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....				
	14. Canada .....				
	15. Other Countries .....				
	16. Totals				
Public Utilities (unaffiliated)	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	2,809,375	2,798,178	2,872,578	2,800,000
	22. Canada .....				
	23. Other Countries .....				
	24. Totals	2,809,375	2,798,178	2,872,578	2,800,000
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	<b>4,835,094</b>	<b>4,837,027</b>	<b>4,858,476</b>	<b>4,850,000</b>
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>				
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	<b>54. Total Common Stocks</b>				
	55. Total Stocks				
	56. Total Bonds and Stocks	4,835,094	4,837,027	4,858,476	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	5,332,544	7. Amortization of premium .....	18,614
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	1,300,937	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	20,227	8.1 Column 15, Part 1 .....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....		8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....		8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Section 2 .....		9. Book/adjusted carrying value at end of current period .....	4,835,094
4.4 Column 11 - 13, Part 4 .....		10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....		11. Subtotal (Lines 9 plus 10) .....	4,835,094
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	1,800,000	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	4,835,094

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

**Allocated by States and Territories**

State, Etc.	1 Is Insurer Licensed (Yes or No)	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama	AL NO								
2. Alaska	AK NO								
3. Arizona	AZ NO								
4. Arkansas	AR NO								
5. California	CA NO								
6. Colorado	CO NO								
7. Connecticut	CT NO								
8. Delaware	DE NO								
9. Dist. Columbia	DC NO								
10. Florida	FL NO								
11. Georgia	GA NO								
12. Hawaii	HI NO								
13. Idaho	ID NO								
14. Illinois	IL NO								
15. Indiana	IN NO								
16. Iowa	IA NO								
17. Kansas	KS NO								
18. Kentucky	KY NO								
19. Louisiana	LA NO								
20. Maine	ME NO								
21. Maryland	MD NO								
22. Massachusetts	MA YES	17,597,322						17,597,322	
23. Michigan	MI NO								
24. Minnesota	MN NO								
25. Mississippi	MS NO								
26. Missouri	MO NO								
27. Montana	MT NO								
28. Nebraska	NE NO								
29. Nevada	NV NO								
30. New Hampshire	NH NO								
31. New Jersey	NJ NO								
32. New Mexico	NM NO								
33. New York	NY NO								
34. North Carolina	NC NO								
35. North Dakota	ND NO								
36. Ohio	OH NO								
37. Oklahoma	OK NO								
38. Oregon	OR NO								
39. Pennsylvania	PA NO								
40. Rhode Island	RI YES								
41. South Carolina	SC NO								
42. South Dakota	SD NO								
43. Tennessee	TN NO								
44. Texas	TX NO								
45. Utah	UT NO								
46. Vermont	VT NO								
47. Virginia	VA NO								
48. Washington	WA NO								
49. West Virginia	WV NO								
50. Wisconsin	WI NO								
51. Wyoming	WY NO								
52. American Samoa	AS NO								
53. Guam	GU NO								
54. Puerto Rico	PR NO								
55. U.S. Virgin Islands	VI NO								
56. Northern Mariana Islands	MP NO								
57. Canada	CN NO								
58. Aggregate other alien	OT X X X								
59. Subtotal	X X X	17,597,322						17,597,322	
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. Total (Direct Business)	(a) 2	17,597,322						17,597,322	

DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

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

.....

.....

.....

(a) Insert the number of yes responses except for Canada and other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

1571	DELTA DENTAL OF RHODE ISLAND	52632	RI	05-0513223	ALTUS DENTAL INSURANCE COMPANY INC.
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**OVERFLOW PAGE FOR WRITE-INS**

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