

ANNUAL STATEMENT

OF THE

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

of PROVIDENCE COUNTY

in the state of RHODE ISLAND

TO THE

Insurance Department

OF THE

RHODE ISLAND

FOR THE YEAR ENDED

December 31, 2008

HEALTH

2008



53473200820100010

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

NAIC Group Code 0000 0000 NAIC Company Code 53473 Employer's ID Number 05-0158952
(Current Period) (Prior Period)

Organized under the Laws of UNITED STATES, State of Domicile or Port of Entry RHODE ISLAND
Country of Domicile UNITED STATES

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

Incorporated/Organized: February 27, 1939 Commenced Business: September 1, 1939

Statutory Home Office: 444 WESTMINSTER STREET, PROVIDENCE, RI 02903
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 444 WESTMINSTER STREET
(Street and Number)
PROVIDENCE, RI 02903 401-459-1000
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address: 444 WESTMINSTER STREET, PROVIDENCE, RI 02903
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records: ONE EMPIRE PLAZA PROVIDENCE, RI 02903 401-459-1000
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address: WWW.BCBSRI.COM

Statutory Statement Contact: BRIAN M. O'MALLEY 401-459-1924
(Name) (Area Code) (Telephone Number) (Extension)
BRIAN.O'MALLEY@BCBSRI.ORG 401-459-1198
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title
1. <u>JAMES E. PURCELL</u>	<u>PRESIDENT & CEO</u>
2. <u>MICHELE B. LEDERBERG ESQ.</u>	<u>EXEC V.P. & GENERAL COUNSEL</u>
3. _____	_____

VICE-PRESIDENTS

Name	Title	Name	Title
<u>THOMAS A. BOYD</u>	<u>EXEC. VICE PRESIDENT</u>	<u>RICHARD P. FARIAS</u>	<u>EXEC. VICE PRESIDENT</u>
<u>ERIC GASBARRO</u>	<u>V.P.-HUMAN RESOURCES</u>	<u>JAMES JOY</u>	<u>SR. V.P. & CHIEF FINANCIAL OFFICER</u>
<u>MICHELE B. LEDERBERG ESQ.</u>	<u>EXEC V.P. & GENERAL COUNSEL</u>	<u>SHANNA C. MARZILLI</u>	<u>V.P.-OPERATIONS & STRAT. PLAN.</u>
<u>LINDA H. NEWTON</u>	<u>V.P.-COMMUNITY AND DIVERSITY REL</u>	<u>MICHAEL H. SAMUELSON</u>	<u>V.P.- HEALTH & WELLNESS</u>
_____	_____	_____	_____
_____	_____	_____	_____

DIRECTORS OR TRUSTEES

<u>FRANCIS X. BASILE JR. M.D.</u>	<u>FREDRIC V. CHRISTIAN M.D.</u>	<u>JUDGE EDWARD C. CLIFTON</u>	<u>MEREDITH CURREN #</u>
<u>THOMAS L. FALCONE</u>	<u>SAMUEL H. HAVENS</u>	<u>MONICA HORAN ESQ.</u>	<u>JUANA I. HORTON</u>
<u>DEBORAH R. JACOBSON</u>	<u>CHUCK LOCURTO</u>	<u>JOHN P. MAGUIRE</u>	<u>WILLIAM C. MCGOWAN</u>
<u>ANNE E. POWERS</u>	<u>EDWIN L. RUSSELL</u>	<u>GARY G. WHARTON M.D.</u>	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____

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) <u>JAMES E. PURCELL</u>	(Signature) <u>MICHELE B. LEDERBERG</u>	(Signature) _____
(Printed Name) 1. <u>PRESIDENT & CHIEF EXECUTIVE OFFICER</u>	(Printed Name) 2. <u>EXEC. V.P. & GENERAL COUNSEL</u>	(Printed Name) 3. _____
(Title)	(Title)	(Title)

Subscribed and sworn to before me this _____ day of _____, 2009

a. Is this an original filing? [X] 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)	472,371,240		472,371,240	506,246,100
2. Stocks (Schedule D):				
2.1 Preferred stocks	515,258		515,258	714,492
2.2 Common stocks	60,110,119		60,110,119	69,590,839
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)				19,652,395
4.2 Properties held for the production of income (less \$ 44,651,946 encumbrances)	32,641,622		32,641,622	
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (23,797,864), Schedule E - Part 1), cash equivalents (\$ 19,881,669, Schedule E - Part 2), and short-term investments (\$ 23,843,563, Schedule DA)	19,927,368		19,927,368	25,757,120
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	3,956,436		3,956,436	694,224
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	589,522,043		589,522,043	622,655,170
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	4,421,278		4,421,278	5,131,375
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	43,114,031	287,016	42,827,015	37,116,186
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				351,552
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	733,267		733,267	89,163
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	26,234,199		26,234,199	18,054,380
16.1 Current federal and foreign income tax recoverable and interest thereon	9,754,590		9,754,590	34,280
16.2 Net deferred tax asset	11,176,296	5,300,737	5,875,559	5,504,861
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software	39,434,207	39,230,168	204,039	873,700
19. Furniture and equipment, including health care delivery assets (\$ 0)	2,010,003	2,010,003		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	462,652		462,652	438,219
22. Health care (\$ 13,824,629) and other amounts receivable	16,006,999	2,182,370	13,824,629	19,390,645
23. Aggregate write-ins for other than invested assets	82,630,870	65,923,139	16,707,731	19,054,718
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	825,500,435	114,933,433	710,567,002	728,694,249
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	825,500,435	114,933,433	710,567,002	728,694,249

DETAILS OF WRITE-IN LINES				
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. PREPAID EXPENSES	60,616,669	60,616,669		
2302. NOTE RECEIVABLE - PEROT SYSTEMS	5,122,512	5,122,512		(463,790)
2303. OTHER RECEIVABLES	10,096,832		10,096,832	10,999,159
2398. Summary of remaining write-ins for Line 23 from overflow page	6,794,857	183,958	6,610,899	8,519,349
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	82,630,870	65,923,139	16,707,731	19,054,718

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	131,757,388		131,757,388	145,161,108
2. Accrued medical incentive pool and bonus amounts	415,000		415,000	480,000
3. Unpaid claims adjustment expenses	37,680,531		37,680,531	24,410,968
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves	1,395,000		1,395,000	1,675,000
8. Premiums received in advance	26,558,469		26,558,469	23,835,970
9. General expenses due or accrued	48,224,019		48,224,019	32,333,397
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))				1,933,311
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	2,084,685		2,084,685	2,093,326
13. Remittances and items not allocated	180,797		180,797	284,762
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	2,246,608		2,246,608	487,548
16. Payable for securities	32,948		32,948	679,736
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	23,635,456		23,635,456	25,597,039
21. Aggregate write-ins for other liabilities (including \$ 11,465,473 current)	21,521,353		21,521,353	40,911,729
22. Total liabilities (Lines 1 to 21)	295,732,254		295,732,254	299,883,894
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X		
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X		
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	414,834,748	428,810,355
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	414,834,748	428,810,355
32. Total liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	710,567,002	728,694,249

DETAILS OF WRITE-IN LINES				
2101. UNFUNDED BENEFIT OBLIG/OTHER CARRIER PAYABLES	934,999		934,999	796,390
2102. LIABILITY FOR DIRECT PAY PREMIUM ASSISTANCE PROGRAM	8,113,791		8,113,791	7,973,575
2103. OTHER ACCOUNTS PAYABLE	6,029,614		6,029,614	7,411,416
2198. Summary of remaining write-ins for Line 21 from overflow page	6,442,949		6,442,949	24,730,348
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	21,521,353		21,521,353	40,911,729
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	5,979,122	6,140,208
2. Net premium income (including \$ 0 non-health premium income)	X X X	1,755,800,556	1,768,935,383
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	1,755,800,556	1,768,935,383
Hospital and Medical:			
9. Hospital/medical benefits		1,066,413,853	1,097,762,958
10. Other professional services		26,398,127	24,230,507
11. Outside referrals			
12. Emergency room and out-of-area		128,411,316	125,228,472
13. Prescription drugs		202,251,613	197,365,442
14. Aggregate write-ins for other hospital and medical		52,633,894	54,262,185
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		1,476,108,803	1,498,849,564
Less:			
17. Net reinsurance recoveries		816,184	(133,670)
18. Total hospital and medical (Lines 16 minus 17)		1,475,292,619	1,498,983,234
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 18,843,114 cost containment expenses		77,527,212	66,783,345
21. General administrative expenses		156,091,304	133,819,685
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)		1,708,911,135	1,699,586,264
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	46,889,421	69,349,119
25. Net investment income earned		24,712,879	25,145,369
26. Net realized capital gains (losses) less capital gains tax of \$ 0		(19,634,413)	660,651
27. Net investment gains (losses) (Lines 25 plus 26)		5,078,466	25,806,020
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		(2,300,079)	(19,602,956)
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	49,667,808	75,552,183
31. Federal and foreign income taxes incurred	X X X	3,612,237	14,237,885
32. Net income (loss) (Lines 30 minus 31)	X X X	46,055,571	61,314,298

DETAILS OF WRITE-IN LINES			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 06 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 07 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X		
1401. MENTAL HEALTH		52,633,894	54,262,185
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)		52,633,894	54,262,185
2901. RI FOUNDATION - TRUST FUND			(20,000,000)
2902. DIRECT PAY PREMIUM ASSISTANCE		(2,000,000)	
2903. ELECTRONIC HEALTH RECORDS		(1,122,100)	(1,603,579)
2998. Summary of remaining write-ins for Line 29 from overflow page		822,021	2,000,623
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		(2,300,079)	(19,602,956)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	428,810,355	371,767,812
34. Net income or (loss) from Line 32	46,055,571	61,314,298
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	(12,332,448)	(690,179)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	3,636,814	(6,885,650)
39. Change in nonadmitted assets	(49,742,645)	(9,786,466)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	(1,592,899)	13,090,540
48. Net change in capital and surplus (Lines 34 to 47)	(13,975,607)	57,042,543
49. Capital and surplus end of reporting period (Line 33 plus 48)	414,834,748	428,810,355

DETAILS OF WRITE-IN LINES		
4701. OTHER COMPREHENSIVE INCOME		13,160,665
4702. CHANGE IN UNRECOGNIZED PRIOR SERVICE COST	(440,816)	(70,125)
4703. CHANGE IN PENSION PLAN INTANGIBLE ASSET	(1,152,083)	
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(1,592,899)	13,090,540

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,746,773,861	1,759,068,794
2. Net investment income	25,374,520	24,877,272
3. Miscellaneous income	(2,159,863)	(2,255,186)
4. Total (Lines 1 through 3)	1,769,988,518	1,781,690,880
5. Benefit and loss related payments	1,582,001,143	1,557,488,792
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	138,844,667	131,926,457
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	14,477,446	14,303,192
10. Total (Lines 5 through 9)	1,735,323,256	1,703,718,441
11. Net cash from operations (Line 4 minus Line 10)	34,665,262	77,972,439
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	187,396,373	136,457,238
12.2 Stocks	28,983,304	26,563,831
12.3 Mortgage loans		
12.4 Real estate	24,327,842	
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	45,152,646	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	285,860,165	163,021,069
13. Cost of investments acquired (long-term only):		
13.1 Bonds	155,965,681	156,905,873
13.2 Stocks	50,634,924	49,865,119
13.3 Mortgage loans		
13.4 Real estate	68,850,449	1,697,394
13.5 Other invested assets	2,122,629	198,082
13.6 Miscellaneous applications	47,248,251	21,706,063
13.7 Total investments acquired (Lines 13.1 to 13.6)	324,821,934	230,372,531
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(38,961,769)	(67,351,462)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(1,533,245)	(1,054,158)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(1,533,245)	(1,054,158)
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)	(5,829,752)	9,566,819
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	25,757,120	16,190,301
19.2 End of year (Line 18 plus Line 19.1)	19,927,368	25,757,120

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

20.0001		
20.0002		
20.0003		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	1,755,800,556	1,079,151,863	47,614,941	31,057,572		97,943,136	445,821,864	41,220,548	12,990,632	
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$ 0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. Total revenues (Lines 1 to 6)	1,755,800,556	1,079,151,863	47,614,941	31,057,572		97,943,136	445,821,864	41,220,548	12,990,632	
8. Hospital/medical benefits	1,066,413,853	614,708,952	39,126,498			90,660,678	297,739,255	22,677,422	1,501,048	X X X
9. Other professional services	26,398,127			26,398,127						X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area	128,411,316	92,037,204					32,925,624	3,267,741	180,747	X X X
12. Prescription drugs	202,251,613	151,313,339					34,144,804	7,721,495	9,071,975	X X X
13. Aggregate write-ins for other hospital and medical	52,633,894	41,945,951					6,795,524	3,892,419		X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	1,476,108,803	900,005,446	39,126,498	26,398,127		90,660,678	371,605,207	37,559,077	10,753,770	X X X
16. Net reinsurance recoveries	816,184	260,028					(111,479)	667,635		X X X
17. Total hospital and medical (Lines 15 minus 16)	1,475,292,619	899,745,418	39,126,498	26,398,127		90,660,678	371,716,686	36,891,442	10,753,770	X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$ 18,843,114 cost containment expenses	77,527,212	53,895,463	2,211,507	1,057,236		2,972,451	14,669,314	2,091,462	629,779	
20. General administrative expenses	156,091,304	121,463,184	3,397,185	1,624,063		2,892,543	22,534,121	3,212,778	967,430	
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. Total underwriting deductions (Lines 17 to 22)	1,708,911,135	1,075,104,065	44,735,190	29,079,426		96,525,672	408,920,121	42,195,682	12,350,979	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	46,889,421	4,047,798	2,879,751	1,978,146		1,417,464	36,901,743	(975,134)	639,653	

DETAILS OF WRITE-IN LINES										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 05 from overflow page										X X X
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)										X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 06 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301. MENTAL HEALTH	52,633,894	41,945,951					6,795,524	3,892,419		X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	52,633,894	41,945,951					6,795,524	3,892,419		X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 – PREMIUMS

	1	2	3	4
	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	1,079,507,848		355,985	1,079,151,863
2. Medicare Supplement	47,614,941			47,614,941
3. Dental only	31,057,572			31,057,572
4. Vision only				
5. Federal Employees Health Benefits Plan	97,943,136			97,943,136
6. Title XVIII – Medicare	445,821,864			445,821,864
7. Title XIX – Medicaid	41,499,576		279,028	41,220,548
8. Other health	18,319,054		5,328,422	12,990,632
9. Health subtotal (Lines 1 through 8)	1,761,763,991		5,963,435	1,755,800,556
10. Life				
11. Property/casualty				
12. Totals (Lines 9 to 11)	1,761,763,991		5,963,435	1,755,800,556

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	1,489,792,523	910,983,651	39,508,498	26,017,127		92,498,386	372,007,932	37,827,333	10,949,596	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	816,184	260,028					(111,479)	667,635		
1.4 Net	1,488,976,339	910,723,623	39,508,498	26,017,127		92,498,386	372,119,411	37,159,698	10,949,596	
2. Paid medical incentive pools and bonuses	35,000	28,000					6,300	700		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	131,757,388	83,103,314	5,819,000	1,650,000		6,190,929	30,785,802	3,340,120	868,223	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	131,757,388	83,103,314	5,819,000	1,650,000		6,190,929	30,785,802	3,340,120	868,223	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	1,395,000	1,395,000								
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	1,395,000	1,395,000								
5. Accrued medical incentive pools and bonuses, current year	415,000	208,000					207,000			
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year	733,267	65,632						667,635		
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	145,161,108	93,016,206	6,201,000	1,269,000		8,028,637	31,188,527	3,608,377	1,849,361	
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	145,161,108	93,016,206	6,201,000	1,269,000		8,028,637	31,188,527	3,608,377	1,849,361	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	1,675,000	1,675,000								
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net	1,675,000	1,675,000								
10. Accrued medical incentive pools and bonuses, prior year	480,000	240,000					240,000			
11. Amounts recoverable from reinsurers December 31, prior year	89,163						89,163			
12. Incurred benefits:										
12.1 Direct	1,476,108,803	900,790,759	39,126,498	26,398,127		90,660,678	371,605,207	37,559,076	9,968,458	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	1,460,288	325,660					(200,642)	1,335,270		
12.4 Net	1,474,648,515	900,465,099	39,126,498	26,398,127		90,660,678	371,805,849	36,223,806	9,968,458	
13. Incurred medical incentive pools and bonuses	(30,000)	(4,000)					(26,700)	700		

(a) Excludes \$ 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 & 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	41,684,759	29,954,844	290,950	465,300		1,095,794	8,068,075	941,573	868,223	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	41,684,759	29,954,844	290,950	465,300		1,095,794	8,068,075	941,573	868,223	
2. Incurred but Unreported:										
2.1 Direct	90,072,629	53,148,470	5,528,050	1,184,700		5,095,135	22,717,727	2,398,547		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	90,072,629	53,148,470	5,528,050	1,184,700		5,095,135	22,717,727	2,398,547		
3. Amounts 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	131,757,388	83,103,314	5,819,000	1,650,000		6,190,929	30,785,802	3,340,120	868,223	
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	131,757,388	83,103,314	5,819,000	1,650,000		6,190,929	30,785,802	3,340,120	868,223	

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)	79,407,736	831,315,887	2,246,579	81,308,735	81,654,315	98,156,667
2. Medicare Supplement	4,750,660	34,757,838	308,194	5,510,806	5,058,854	6,201,000
3. Dental only	1,179,470	24,837,657	12,077	1,637,923	1,191,547	1,269,000
4. Vision only						
5. Federal Employees Health Benefits Plan	8,204,791	84,293,595	81,313	7,052,616	8,286,104	8,028,637
6. Title XVIII – Medicare	29,006,248	343,113,163	544,409	30,241,393	29,550,657	28,044,227
7. Title XIX – Medicaid	2,837,728	34,321,970	122,930	3,217,190	2,960,658	3,287,216
8. Other health	1,372,039	9,577,557		868,223	1,372,039	1,849,361
9. Health subtotal (Lines 1 through 8)	126,758,672	1,362,217,667	3,315,502	129,836,886	130,074,174	146,836,108
10. Health care receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts	35,000			415,000	35,000	480,000
13. Totals (Lines 9 - 10 + 11 + 12)	126,793,672	1,362,217,667	3,315,502	130,251,886	130,109,174	147,316,108

(a) Excludes \$ 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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	833,521	832,800	832,586	832,309	829,594
2. 2004	802,598	917,126	917,249	916,808	916,788
3. 2005	X X X	785,611	851,126	850,666	850,530
4. 2006	X X X	X X X	849,007	911,836	911,500
5. 2007	X X X	X X X	X X X	854,995	937,610
6. 2008	X X X	X X X	X X X	X X X	831,316

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	833,521	832,800	832,586	832,309	829,594
2. 2004	802,598	917,126	917,249	916,808	916,788
3. 2005	X X X	785,611	851,126	850,666	850,530
4. 2006	X X X	X X X	849,007	911,836	911,500
5. 2007	X X X	X X X	X X X	854,995	939,857
6. 2008	X X X	X X X	X X X	X X X	912,625

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. 2004	1,084,759	916,788			916,788	84.515			916,788	84.515
2. 2005	1,015,326	850,530			850,530	83.769			850,530	83.769
3. 2006	1,074,800	911,500			911,500	84.806			911,500	84.806
4. 2007	1,108,196	937,610	19,395	2.069	957,005	86.357	2,247	612	959,864	86.615
5. 2008	1,079,152	831,316	19,395	2.333	850,711	78.831	81,309	22,135	954,155	88.417

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Medicare Supplement

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	46,646	46,871	46,871	46,849	46,840
2. 2004	42,251	49,995	50,025	50,020	50,057
3. 2005	X X X	35,885	40,846	41,175	40,290
4. 2006	X X X	X X X	33,581	40,140	40,595
5. 2007	X X X	X X X	X X X	35,435	39,552
6. 2008	X X X	X X X	X X X	X X X	34,758

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	46,646	46,871	46,871	46,849	46,840
2. 2004	42,251	49,995	50,025	50,020	50,057
3. 2005	X X X	35,885	40,846	41,175	40,290
4. 2006	X X X	X X X	33,581	40,140	40,595
5. 2007	X X X	X X X	X X X	35,435	39,860
6. 2008	X X X	X X X	X X X	X X X	40,269

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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. 2004	56,663	50,057			50,057	88.342			50,057	88.342
2. 2005	42,306	40,290			40,290	95.235			40,290	95.235
3. 2006	45,091	40,595			40,595	90.029			40,595	90.029
4. 2007	46,978	39,552	870	2.200	40,422	86.045	308	54	40,784	86.815
5. 2008	476,915	34,758	870	2.503	35,628	7.471	5,511	966	42,105	8.829

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Dental Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	34,518	34,521	34,521	34,521	34,519
2. 2004	35,247	37,453	37,465	37,457	37,457
3. 2005	X X X	34,822	36,539	36,533	36,532
4. 2006	X X X	X X X	24,231	25,544	25,560
5. 2007	X X X	X X X	X X X	23,086	24,252
6. 2008	X X X	X X X	X X X	X X X	24,838

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	34,518	34,521	34,521	34,521	34,519
2. 2004	35,247	37,453	37,465	37,457	37,457
3. 2005	X X X	34,822	36,539	36,533	36,532
4. 2006	X X X	X X X	24,231	25,544	25,560
5. 2007	X X X	X X X	X X X	23,086	24,264
6. 2008	X X X	X X X	X X X	X X X	26,476

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. 2004	41,714	37,457			37,457	89.795			37,457	89.795
2. 2005	41,222	36,532			36,532	88.623			36,532	88.623
3. 2006	30,174	25,560			25,560	84.709			25,560	84.709
4. 2007	29,142	24,252	573	2.363	24,825	85.186	12	5	24,842	85.245
5. 2008	31,058	24,838	573	2.307	25,411	81.818	1,638	667	27,716	89.239

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)
 Vision Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

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. 2004										
2. 2005										
3. 2006										
4. 2007										
5. 2008										

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

Federal Employee Health Benefits Plan

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	48,557	48,664	48,664	48,681	48,666
2. 2004	51,090	57,462	57,483	57,470	57,456
3. 2005	X X X	73,907	79,108	79,109	79,087
4. 2006	X X X	X X X	76,659	82,706	82,797
5. 2007	X X X	X X X	X X X	83,633	91,798
6. 2008	X X X	X X X	X X X	X X X	84,294

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	48,557	48,664	48,664	48,681	48,666
2. 2004	51,090	57,462	57,483	57,470	57,456
3. 2005	X X X	73,907	79,108	79,109	79,087
4. 2006	X X X	X X X	76,659	82,706	82,797
5. 2007	X X X	X X X	X X X	83,633	91,879
6. 2008	X X X	X X X	X X X	X X X	91,347

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. 2004	61,050	57,456			57,456	94.113			57,456	94.113
2. 2005	86,914	79,087			79,087	90.995			79,087	90.995
3. 2006	87,317	82,797			82,797	94.823			82,797	94.823
4. 2007	98,531	91,798	2,037	2.219	93,835	95.234	81	27	93,943	95.344
5. 2008	97,943	84,294	2,037	2.417	86,331	88.144	7,053	2,362	95,746	97.757

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Title XVIII - Medicare

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	276,927	244,724	277,429	277,309	277,274
2. 2004	277,388	305,501	305,697	305,569	305,574
3. 2005	X X X	269,790	295,739	290,984	291,061
4. 2006	X X X	X X X	324,778	351,033	352,706
5. 2007	X X X	X X X	X X X	332,349	359,635
6. 2008	X X X	X X X	X X X	X X X	343,113

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	276,927	244,724	277,429	277,309	277,274
2. 2004	277,388	305,501	305,697	305,569	305,574
3. 2005	X X X	269,790	295,739	290,984	291,061
4. 2006	X X X	X X X	324,778	351,033	352,706
5. 2007	X X X	X X X	X X X	332,349	360,179
6. 2008	X X X	X X X	X X X	X X X	373,354

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. 2004	317,270	305,574			305,574	96.314			305,574	96.314
2. 2005	337,644	291,061			291,061	86.204			291,061	86.204
3. 2006	365,451	352,706			352,706	96.513			352,706	96.513
4. 2007	411,897	359,635	8,195	2.279	367,830	89.301	544	170	368,544	89.475
5. 2008	445,822	343,113	8,195	2.388	351,308	78.800	30,241	9,441	390,990	87.701

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Title XIX - Medicaid

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	19,264	19,097	19,089	19,083	19,082
2. 2004	20,359	24,079	24,092	24,084	24,080
3. 2005	X X X	24,421	26,730	26,725	26,680
4. 2006	X X X	X X X	32,072	34,869	34,838
5. 2007	X X X	X X X	X X X	27,609	30,528
6. 2008	X X X	X X X	X X X	X X X	34,322

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	19,264	19,097	19,089	19,083	19,082
2. 2004	20,359	24,079	24,092	24,084	24,080
3. 2005	X X X	24,421	26,730	26,725	26,680
4. 2006	X X X	X X X	32,072	34,869	34,838
5. 2007	X X X	X X X	X X X	27,609	30,651
6. 2008	X X X	X X X	X X X	X X X	37,539

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. 2004	26,537	24,080			24,080	90.741			24,080	90.741
2. 2005	35,092	26,680			26,680	76.029			26,680	76.029
3. 2006	37,168	34,838			34,838	93.731			34,838	93.731
4. 2007	36,850	30,528	818	2.680	31,346	85.064	123	35	31,504	85.493
5. 2008	41,221	34,322	818	2.383	35,140	85.248	3,217	924	39,281	95.294

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Other

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	X X X				
4. 2006	X X X	X X X	7,843	8,808	8,808
5. 2007	X X X	X X X	X X X	10,459	11,269
6. 2008	X X X	X X X	X X X	X X X	10,949

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	X X X				
4. 2006	X X X	X X X	7,843	8,808	8,808
5. 2007	X X X	X X X	X X X	10,459	11,274
6. 2008	X X X	X X X	X X X	X X X	11,817

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. 2004										
2. 2005										
3. 2006	10,306	8,808			8,808	85.465			8,808	85.465
4. 2007	13,929	11,269	241	2.139	11,510	82.633			11,510	82.633
5. 2008	12,991	10,949	241	2.201	11,190	86.137	868	283	12,341	94.997

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Grand Total

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,259,433	1,226,677	1,259,160	1,258,752	1,255,975
2. 2004	1,228,933	1,391,616	1,392,011	1,391,408	1,391,412
3. 2005	X X X	1,224,436	1,330,088	1,325,192	1,324,180
4. 2006	X X X	X X X	1,348,171	1,454,936	1,456,804
5. 2007	X X X	X X X	X X X	1,367,566	1,494,644
6. 2008	X X X	X X X	X X X	X X X	1,363,590

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 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,259,433	1,226,677	1,259,160	1,258,752	1,255,975
2. 2004	1,228,933	1,391,616	1,392,011	1,391,408	1,391,412
3. 2005	X X X	1,224,436	1,330,088	1,325,192	1,324,180
4. 2006	X X X	X X X	1,348,171	1,454,936	1,456,804
5. 2007	X X X	X X X	X X X	1,367,566	1,497,964
6. 2008	X X X	X X X	X X X	X X X	1,493,427

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. 2004	1,587,993	1,391,412			1,391,412	87.621			1,391,412	87.621
2. 2005	1,558,504	1,324,180			1,324,180	84.965			1,324,180	84.965
3. 2006	1,650,307	1,456,804			1,456,804	88.275			1,456,804	88.275
4. 2007	1,745,523	1,494,644	32,129	2.150	1,526,773	87.468	3,315	903	1,530,991	87.710
5. 2008	2,185,102	1,363,590	32,129	2.356	1,395,719	63.874	129,837	36,778	1,562,334	71.499

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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 Benefits 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. Totals (Net) (Page 3, Line 4)									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits	700,000	700,000							
11. Aggregate write-ins for other claim reserves	695,000	695,000							
12. Totals (gross)	1,395,000	1,395,000							
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)	1,395,000	1,395,000							

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DETAILS OF WRITE-IN LINES									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 05 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)									
1101. DEFERRED MATERNITY BENEFITS	695,000	695,000							
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)	695,000	695,000							

(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)		3,054,002	6,731,384		9,785,386
2. Salaries, wages and other benefits	21,344,685	9,247,695	68,626,036		99,218,416
3. Commissions (less \$ 0 ceded plus \$ 0 assumed)			14,245,862		14,245,862
4. Legal fees and expenses			1,054,448		1,054,448
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	1,795,781	8,787,637	23,773,448		34,356,866
7. Traveling expenses	157,988	462,089	1,366,597		1,986,674
8. Marketing and advertising			3,321,394		3,321,394
9. Postage, express and telephone	679,487	1,446,179	4,685,224		6,810,890
10. Printing and office supplies	204,926	434,135	1,408,567		2,047,628
11. Occupancy, depreciation and amortization	140,678	850,209	2,184,034		3,174,921
12. Equipment					
13. Cost or depreciation of EDP equipment and software	1,581,078	1,953,756	7,581,496		11,116,330
14. Outsourced services including EDP, claims, and other services	1,352,077	53,243,964	32,248,627		86,844,668
15. Boards, bureaus and association fees			4,897,711		4,897,711
16. Insurance, except on real estate		426,667	940,424		1,367,091
17. Collection and bank service charges		15,567	34,312		49,879
18. Group service and administration fees			4,839,383		4,839,383
19. Reimbursements by uninsured plans	(5,950,475)	(18,579,766)	(37,746,276)		(62,276,517)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses				1,022,776	1,022,776
22. Real estate taxes				340,568	340,568
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			13,393,318		13,393,318
23.3 Regulatory authority licenses and fees	14,366		31,665		46,031
23.4 Payroll taxes	1,318,708	401,886	3,792,396		5,512,990
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses	(3,796,185)	(3,059,921)	(1,318,746)	1,187,452	(6,987,400)
26. Total expenses incurred (Lines 1 to 25)	18,843,114	58,684,099	156,091,304	2,550,796	(a) 236,169,313
27. Less expenses unpaid December 31, current year	9,140,435	28,540,097	48,224,018		85,904,550
28. Add expenses unpaid December 31, prior year	7,085,071	17,325,897	30,977,381	1,356,016	56,744,365
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)	16,787,750	47,469,899	138,844,667	3,906,812	207,009,128

DETAILS OF WRITE-IN LINES					
2501. ADMINISTRATIVE ALLOWANCES	251,429	765,940	(280,815)		736,554
2502. MISCELLANEOUS	24,587	1,326	57,784		83,697
2503. HOME PLAN SERVICE CHARGE		9,341,354			9,341,354
2598. Summary of remaining write-ins for Line 25 from overflow page	(4,072,201)	(13,168,541)	(1,095,715)	1,187,452	(17,149,005)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(3,796,185)	(3,059,921)	(1,318,746)	1,187,452	(6,987,400)

(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) 14,671,875	13,940,742
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 9,111,110	9,144,069
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	1,511,284	1,511,284
3. Mortgage loans	(c)	
4. Real estate	(d) 1,555,521	1,555,521
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,328,427	1,328,427
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		(28,441)
10. Total gross investment income	28,178,217	27,451,602
11. Investment expenses		(g) 2,550,796
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) 187,927
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		2,738,723
17. Net investment income (Line 10 minus Line 16)		24,712,879

DETAILS OF WRITE-IN LINES		
0901. PROMPT PAY INTEREST		(62,269)
0902. INCOME FROM PARKING LOT		33,828
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)		(28,441)
1501.		
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)		

- (a) Includes \$ 797,967 accrual of discount less \$ 1,467,263 amortization of premium and less \$ 948,636 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 \$ 1,555,521 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 \$ 2,550,796 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 \$ 187,297 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	2,598,610		2,598,610		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(2,198,519)	(2,174,961)	(4,373,480)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates				(199,234)	
2.2 Common stocks (unaffiliated)	(2,220,815)	(15,638,728)	(17,859,543)	(13,306,976)	
2.21 Common stocks of affiliates				34,179	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets				1,139,582	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(1,820,724)	(17,813,689)	(19,634,413)	(12,332,449)	

DETAILS OF WRITE-IN LINES					
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)					

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)			
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	287,016	240,917	(46,099)
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	5,300,737	2,034,621	(3,266,116)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	39,230,167	19,744,390	(19,485,777)
19. Furniture and equipment, including health care delivery assets	2,010,003	2,677,861	667,858
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable	2,182,371	4,061,033	1,878,662
23. Aggregate write-ins for other than invested assets	65,923,139	36,431,966	(29,491,173)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	114,933,433	65,190,788	(49,742,645)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	114,933,433	65,190,788	(49,742,645)

DETAILS OF WRITE-IN LINES			
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. PREPAID EXPENSES	60,625,790	28,042,455	(32,583,335)
2302. LEASEHOLD IMPROVEMENTS	174,837	25,337	(149,500)
2303. UNFUNDED ACCUMULATED BENEFIT OBLIGATION		114,174	114,174
2398. Summary of remaining write-ins for Line 23 from overflow page	5,122,512	8,250,000	3,127,488
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	65,923,139	36,431,966	(29,491,173)

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	355,809	337,857	334,504	324,753	324,322	3,983,337
4. Point of Service						
5. Indemnity Only	8,821	8,218	7,929	7,429	7,124	93,273
6. Aggregate write-ins for other lines of business	148,168	151,639	151,983	163,127	167,705	1,902,512
7. Total	512,798	497,714	494,416	495,309	499,151	5,979,122

DETAILS OF WRITE-IN LINES						
0601. MEDICARE SUPPLEMENT	25,569	25,445	25,359	25,450	25,337	305,652
0602. DENTAL ONLY	24,642	28,434	28,902	28,323	28,551	340,513
0603. STOP LOSS	97,957	97,760	97,722	109,354	113,817	1,256,347
0698. Summary of remaining write-ins for Line 06 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	148,168	151,639	151,983	163,127	167,705	1,902,512

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

- (1) The annual statement has been completed in accordance with the NAIC Accounting Practices and Procedures manual.
- (2) The Plan's 2008 annual statement excludes Administrative Service Contract (ASC) business from revenue, and medical and hospital claims. The ASC reimbursement has been classified as a reduction to claims adjustment and general administrative expenses.
- (3) Effective for 2006, the Plan obtained a permitted practice to recognize a liability for premium assistance for direct pay subscribers in addressing healthcare affordability. The liability at December 31, 2008 and 2007, was \$8,113,791 and \$7,973,575, respectively. The Plan, working with the Office of the Health Insurance Commissioner to address affordability, has committed \$2,000,000 to premium assistance for Direct Pay subscribers and has recorded a charge for this amount in other expenses in the statutory statement of operations during 2008.
- (4) Non-Applicable.

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 revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the effective interest rate method.
- (3) Common stocks at fair market value except that investments in stocks of uncombined subsidiaries and affiliates in which the Plan has an interest of 20% or more are carried on the equity basis.
- (4) Preferred stock is stated at cost.
- (5) The Plan does not have mortgage loans on real estate.
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The prospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative.
- (7) The Plan has an investment in a non-insurance wholly owned subsidiary, Health and Wellness Institute, LLC. The carrying value is on a GAAP basis of \$3,956,436 in accordance with SSAP 88.
- (8) The Plan does not have ownership interests in joint ventures.
- (9) The Plan does not own derivative investments.
- (10) The Plan does not anticipate investment income as a factor in premium deficiency calculation.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Plan has not modified its capitalization policy from the prior period.
- (13) The Plan's pharmacy benefit manager provides estimated pharmacy rebates on a quarterly basis.

2. Accounting Changes and Correction of Errors

NOTES TO FINANCIAL STATEMENTS

There were no Accounting Changes and Correction of Errors in 2008.

3. Business Combinations and Goodwill

There were no Business Combinations and resulting Goodwill in 2008.

4. Discontinued Operations

The Plan did not incur discontinued operations for 2008.

5. Investments

A. The Plan did not have any outstanding mortgage loans in 2008.

B. The Plan did not have any debt restructuring in 2008.

C. The Plan did not have any reverse mortgages in 2008.

D. Loan-Backed Securities

(1) The Plan utilizes the prospective method for loan backed securities.

(2) The Plan obtains the prepayment assumptions for mortgage-backed/asset-backed securities from the following hierarchy: Bloomberg median speed; if none, then 6 month historical CPR; if none, then YieldBook prepayment model that runs fixed rate MBS at 100% of the model and Hybrid Arms at 100% of MTB (Model to Balloon). CMBS are run at a 0% constant prepayment rate. If this information is not obtainable from one of these sources then analysts determine the cash flows to be used.

(3) The Plan utilizes the fair market value as published by the NAIC Valuation Securities Manual. If the rate is not published by the Securities Valuation Office (SVO), the security is carried at amortized value in accordance with NAIC guidelines.

(4) The Plan did not change methodology in determining yields on securities.

E. Repurchase Agreements

1) For repurchase agreements, the Plan ensures that the fair market value of the collateralized security is equal to or exceeds the amount under agreement to repurchase.

2) The Plan has investments pledged as collateral. The securities are US Treasury Bonds with a carrying value of \$22,437,700.

F. The Plan does not hold real estate for investment purposes.

G. The Plan does not have any low-income housing tax credits.

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan does not have an investment interest in joint ventures, partnerships and limited liability companies that exceeds 10% of its admitted assets.

7. Investment Income

The Plan has not excluded from assigned funds (surplus) any investment income due and accrued.

8. Derivative Instruments

The Plan does not own any derivative instruments.

9. Income Taxes

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

	<u>Dec. 31, 2008</u>	<u>Jan 1, 2008</u>
(1) Total of all deferred tax assets (admitted and nonadmitted)	\$129,856,649	\$115,902,517
(2) Total of all deferred tax liabilities	\$0	\$1,498,317
(3) Total deferred tax assets nonadmitted in accordance with SSAP No. 10 Income Tax	\$123,981,090	\$108,899,338
(4) Increase (decrease) in deferred tax assets nonadmitted	\$15,081,752	\$20,049,098

B. Non Applicable

NOTES TO FINANCIAL STATEMENTS

C. Current income taxes incurred consist of the following major components:

	<u>2008</u>	<u>2007</u>
Net Gain/(Loss) Before Taxes	\$17,383,732	\$26,443,263
<u>Tax Adjustments:</u>		
Employee Benefits (Pension, Postretirement, Postemployment, Workers Compensation, etc.)	(12,061,061)	(731,629)
Claims Reserve Discounting	(29,950)	129,750
Allowance for Doubtful Accounts	(28,928)	63,154
Abandonment of Intangible Assets	(62,203)	(131,307)
Maternity Benefits	(98,000)	(51,450)
Investments (Unrealized, Sale, Maturity, Bond Discounting)	(72,199)	(110,022)
Interest	(262,712)	(221,188)
Nondeductible Expenses (Travel, Dues, Contributions, etc.)	180,143	7,331,895
Contributions Carryforward (net of Nondeductible contribution)	44,130	0
Direct Pay Premium Assistance	49,076	(263,281)
Lobbying	19,245	21,933
Contingent Reserve	0	51,227
Fixed Assets (Depreciation, Sales)	1,768,537	100,302
Dividends	55,540	35,350
Dividends Received Deduction	(370,265)	(235,664)
Special 3 Months Reserve Deduction	(6,515,086)	(32,432,334)
Tax Contingent	0	4,437,915
Other Adjustments	0	68,888
AMT Tax/ (Credit)	3,645,951	18,633,155
Adjustment for 2006/2005 Taxes	<u>(33,713)</u>	<u>(26,242)</u>
Total	<u>\$ 3,612,237</u>	<u>\$14,237,885</u>

The main components of the 2008 deferred tax amounts are as follows:

DTAs	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
Amount Receivable to Uninsured Plans	\$ 0	\$28,237,528	\$28,237,528	\$9,883,136
Securities	53,996,617	542,075,977	9,079,360	3,177,776
Deferred Gain on Sale of Building	(4,460,695)	0	4,460,695	1,561,243
Health Care Receivables	13,828,321	16,012,868	2,184,547	764,591
Other Receivables	10,098,319	10,098,319	0	0
Prepaid Expenses	0	3,119,719	3,119,719	1,091,902
Property, Plant and Equipment	77,497,607	119,018,931	41,521,324	14,532,463
Allowance for Doubtful Accounts	(292,953)	0	292,953	102,534
Discount of Reserves	(191,501,751)	(187,728,784)	3,772,967	1,320,538
Post Retire. & Post Employ Benefits	(28,867,758)	0	28,867,758	10,103,715
Pension	(4,570,685)	0	4,570,685	1,599,740
Maternity Benefits	(695,000)	0	695,000	243,250
Audit Findings	(3,659,444)	0	3,659,444	1,280,805
Contingent Reserve	(2,646,363)	0	2,646,363	926,227
Direct Pay Premium Assistance	(8,113,791)	0	8,113,791	2,839,827
AMT Credits	(80,428,902)	0	<u>80,428,902</u>	<u>80,428,902</u>
0299. Total DTAs			\$221,651,036	\$129,856,649
0399. Total DTAs nonadmitted			\$192,273,239	\$123,981,090

DTLs

Bonds	0	0	<u>0</u>	<u>0</u>
0499. Total DTLs			\$0	\$0

The changes in main components of DTAs and DTLs are as follows:

NOTES TO FINANCIAL STATEMENTS

DTAs resulting from book/tax differences in	<u>Dec. 31, 2008</u>	<u>Jan. 1, 2008</u>	<u>Change</u>
Deferred Gain on Sale of Building	\$1,561,244	\$0	\$1,561,244
Allowance for Doubtful Accounts	102,534	131,462	(28,928)
Health Care Receivable	764,591	1,421,362	(656,771)
Securities	3,177,776	0	3,177,776
Property, Plant and Equipment	14,532,463	7,792,622	6,739,841
Prepaid Expenses	1,091,902	1,780,215	(688,313)
Discount of Reserves	1,320,538	1,350,488	(29,950)
Post Retirement & Post Employment Benefits	10,103,715	9,558,478	545,237
Pension	1,599,740	1,160,040	439,700
Maternity Benefits	243,250	341,250	(98,000)
Tax Contingent	1,280,805	1,543,518	(262,713)
Intangible Assets	9,883,135	9,945,338	(62,203)
Direct Pay Premium Assistance	2,839,827	2,790,751	49,076
Contingent Reserve	926,227	926,227	0
Additional Minimum Pension Liability	0	0	0
AMT Credit	<u>80,428,902</u>	<u>77,160,767</u>	<u>3,268,135</u>
Total Deferred Tax Asset	\$129,856,649	\$115,902,518	\$13,954,131
Nonadmitted Deferred Tax Asset	<u>123,981,090</u>	<u>108,899,338</u>	<u>15,081,752</u>
Admitted Deferred Tax Asset	<u>\$ 5,875,559</u>	<u>\$ 7,003,178</u>	<u>\$ (1,127,621)</u>

DTAs resulting from book/tax differences in

Prepaid Expenses	0	0	0
Bonds	<u>0</u>	<u>1,498,317</u>	<u>(1,498,317)</u>
Total Deferred Tax Liabilities	<u>\$ 0</u>	<u>\$ 1,498,317</u>	<u>\$(1,498,317)</u>
Net Admitted Deferred Tax Asset	<u>\$ 5,875,559</u>	<u>\$ 5,504,861</u>	<u>\$ 370,696</u>

<u>The change in net deferred income taxes is as follows:</u>	<u>Dec. 31, 2008</u>	<u>Jan. 1, 2008</u>	<u>Change</u>
Total Deferred Tax Assets	\$129,856,649	\$115,902,517	\$13,954,132
Total Deferred Tax Liabilities	<u>0</u>	<u>1,498,317</u>	<u>(1,498,317)</u>
Net Deferred Tax Asset	<u>\$129,856,649</u>	<u>\$114,404,200</u>	<u>\$15,452,449</u>
Tax Effect of Unrealized Gains			<u>0</u>
Change in Net Deferred Income Tax			<u>\$15,452,449</u>

D. Nature of significant reconciling items for income taxes incurred and change in DTAs and DTLs

	<u>Dec. 31, 2008</u>	<u>Effective Tax Rate</u>
Net Gain/(Loss) Before Taxes	\$ 17,383,732	35.00%
<u>Tax Adjustments:</u>		
Provision to return to true-up	33,499	0.07%
Nondeductible Expenses (Travel, Dues, Contributions, etc.)	243,518	0.49%
Special 3 Month Reserve Deduction	(6,515,086)	-13.12%
Change in non-admitted assets	(22,691,920)	-45.69%
Other	<u>(293,954)</u>	<u>-0.59%</u>
Total	<u>\$ (11,840,211)</u>	<u>-23.84%</u>
Federal Income Taxes Incurred	\$ 3,612,237	7.27%
Change in net deferred income taxes	<u>(15,452,448)</u>	<u>-31.11%</u>
Total statutory income taxes	<u>\$ (11,840,211)</u>	<u>-23.84%</u>

NOTES TO FINANCIAL STATEMENTS

- E. (1) At December 31, 2008, the Plan had no operating loss carryforwards. The Plan has available approximately \$80,428,901 of alternative minimum tax credit carryforwards that do not expire.
- (2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

(a) 2008	\$ 3,645,951
(b) 2007	\$18,599,640

- F. The Plan's Federal Income Tax return is consolidated with the following entities:
Health & Wellness Institute, LLC

The consolidated Federal Income Tax Liability shall be apportioned among the companies in accordance with Section 1552 (a) (1) of the Internal Revenue Code and the provisions of Reg. 1.1502-33 (d) (2) (ii) (b) which entitles each of the consolidated entities to its allocable share of Federal Income Taxes calculated as the ratio each member of the consolidated entity having taxable income bears to the total consolidated taxable income. The taxable income of a member is determined under the provisions of Reg. 1-1552-1 (a) (1) (ii). If taxable income of a member results in an excess of deductions over gross income, then that member's taxable income shall be considered zero in the use of this calculation.

Any member who incurs a taxable loss will be paid for the use of their losses. This payment will be made at the time the loss is utilized on the consolidated Federal Income Tax return and will be based on the amount of taxes saved due to change in tax liability.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. The Plan contributed equipment of \$193,082 and \$5,000 in cash on January 1, 2007 to the Health & Wellness Institute, LLC (HWI). In 2008, the Plan contributed \$2,200,000 in cash to HWI.
- B. See "A" above
- C. See "A" above
- D. At December 31, 2008 the Plan reported \$462,652 as amounts due from HWI. The terms of the agreement require these amounts to be settled within 90 days.
- E. Non-Applicable
- F. Non-Applicable
- G. Non-Applicable
- H. Non-Applicable
- I. Non-Applicable
- J. Non-Applicable
- K. Non-Applicable
- L. The HWI is valued at \$3,956,436 based on a GAAP audit.

11. Debt

- (1) Date issued is January 14, 2008.
- (2) Bank construction loan for new corporate office building.
- (3) The maximum loan amount is \$90,000,000.
- (4) Carrying value of loan is \$44,651,946.
- (5) The rate at which interest accrues is 30-day LIBOR plus an agreed upon spread (basis points).
- (6) The effective interest rate is equivalent to the 30-day LIBOR plus an agreed upon spread (basis points).
- (7) Office building structure.
- (8) Interest paid year to date is \$871,469.
- (9) Loan to convert to fixed rate mortgage instrument.
- (10) Non-Applicable
- (11) Non-Applicable
- (12) Non-Applicable
- (13) Non-Applicable

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

NOTES TO FINANCIAL STATEMENTS

Defined Benefit Plan

The Plan has a qualified defined benefit pension plan covering substantially all employees. Pension plan benefits are based on years of service and the employee's compensation during the highest three consecutive years of service.

The Plan's funding policy is to contribute amounts at least necessary to satisfy the requirements of the Pension Protection Act of 2006 (PPA). Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Assets of the pension plan consist of insurance company group annuity contracts, which invest in a diversified portfolio of fixed income and equity securities.

Supplemental Executive Retirement Plans (SERP)

The Supplemental Executive Retirement Plans (SERP) are non-qualified defined benefit pension plans for certain executives as designated by the Board of Directors. Certain beneficiaries received distributions from SERP of \$117,000 and \$857,000 for the calendar years ending December 31, 2008 and 2007, respectively.

The Plan uses a September 30 measurement date.

The following tables set forth the funding status and amounts recognized in the Plan's Statutory Statements of Admitted Assets, Liabilities and Reserves at December 31, 2008 and 2007 for the Defined Benefit Plan and for the SERP:

	(In Thousands)			
	Defined Benefit		SERP	
	Plan		SERP	
	2008	2007	2008	2007
Change in Projected Benefit Obligation:				
Projected benefit obligation				
at beginning of year	\$ 185,925	\$ 186,674	\$ 6,602	\$ 5,707
Service cost	6,256	6,205	381	368
Interest cost	11,399	10,546	396	349
Amendments	--	--	--	665
Actuarial loss/(gain) due to assumptions	(24,150)	(10,372)	(424)	124
Settlements	--	--	(244)	246
Benefit and administrative expenses paid	(7,613)	(7,128)	(118)	(857)
Projected benefit obligation at end of year	<u>\$171,817</u>	<u>\$185,925</u>	<u>\$6,593</u>	<u>\$6,602</u>

	(In Thousands)			
	Defined Benefit		SERP	
	Plan		SERP	
	2008	2007	2008	2007
Funded Status:				
Projected benefit obligation	\$(171,817)	\$(185,925)	\$(6,593)	\$(6,602)
Plan assets at fair value	<u>172,171</u>	<u>190,473</u>	<u>--</u>	<u>--</u>
Plan assets in excess (shortfall)				
of projected benefit obligation	354	4,548	(6,593)	(6,602)
Unrecognized net actuarial loss/(gain)	32,391	16,869	1,170	1,713
Unrecognized prior service cost	--	--	488	696
Contributions after measurement date	25,000	--	6	250
Unrecognized net obligation at January 1, 2008 and 2007 being recognized over approximately 9 years	<u>459</u>	<u>498</u>	<u>2,252</u>	<u>2,440</u>
Prepaid (accrued) benefit cost	<u>\$58,204</u>	<u>\$21,915</u>	<u>\$(2,677)</u>	<u>\$(1,503)</u>

Change in Plan Assets:				
Fair value of assets at beginning of year	\$190,473	\$153,689	\$ --	\$ --
Actual return on plan assets	(25,689)	19,912	--	--

NOTES TO FINANCIAL STATEMENTS

Employer contributions	15,000	24,000	118	857
Benefit and administrative expenses paid	<u>(7,613)</u>	<u>(7,128)</u>	<u>(118)</u>	<u>(857)</u>
Fair value of assets at end of year	<u>\$172,171</u>	<u>\$190,473</u>	<u>\$ --</u>	<u>\$ --</u>

Net periodic pension cost for 2008 and 2007 included the following components:

	(In Thousands)			
	Defined Benefit Plan		SERP	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Service cost	\$ 6,256	\$ 6,205	\$ 381	\$ 368
Interest cost	11,399	10,546	396	350
Expected return on plan assets	(14,599)	(12,716)	--	--
Net amortization and deferral	<u>655</u>	<u>2,029</u>	<u>515</u>	<u>543</u>
Net periodic pension cost	<u>\$ 3,711</u>	<u>\$ 6,064</u>	<u>\$ 1,292</u>	<u>\$ 1,261</u>

Actuarial assumptions used in the accounting at the measurement date were:

	Defined Benefit Plan		SERP	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Weighted-average assumptions			
Discount Rate	7.50%	6.25%	7.50%	6.25%
Rate of compensation increase	4.20%	4.20%	4.20%	4.20%
Expected return on plan assets	8.20%	8.20%	-	-

<u>Asset Category</u>	Plan Assets	
	<u>2008</u>	<u>2007</u>
	Equity Securities	42.50%
Debt Securities	34.10%	24.77%
Other	<u>23.40%</u>	<u>15.87%</u>
Total	100.00%	100.00%

The investment policy includes a periodic review of the pension plan's investment in the various asset classes. The current asset allocation target is 60% equities and 40% fixed income.

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

<u>Year</u>	<u>Pension Benefits</u>	<u>Postretirement Benefits*</u>	<u>Medicare Part- D Subsidy</u>
2009	\$8,064,000	\$2,975,000	274,000
2010	11,344,000	3,102,000	302,000
2011	8,492,000	3,189,000	347,000
2012	9,015,000	3,244,000	392,000
2013	9,928,000	3,313,000	428,000
2014 - 2018	64,430,000	17,540,000	2,585,000

*excludes receivables for Medicare Part D subsidy

The Plan expects to contribute \$10,000,000 to its regular pension plan, \$348,000 to its SERP and \$2,702,000 to its postretirement benefits in 2009.

Employee Savings Plan

Participant contributions to the Plan are derived from voluntary salary reduction agreements with the employer. The participant may, subject to the Internal Revenue Service (IRS) compensation deferral limits, contribute from 1% to 60% of his or her plan compensation, as defined, as a pre-tax basic contribution. The participant may then contribute a supplemental pre-tax contribution which, when combined with the participant's basic contribution, shall not exceed 60% of the participant's plan compensation, as defined. In addition, after-tax

NOTES TO FINANCIAL STATEMENTS

contributions up to 8% of the participant's plan compensation, as defined, may be made as long as total contributions do not exceed IRS guidelines. The employer contributes an amount equal to 50% of the participant's basic salary deferral contribution subject to a maximum of 6% of compensation.

Upon enrollment in the Plan, a participant may direct participant and employer contributions in 1% increments with a minimum contribution of 1% in any of the investment options. Participants may change their investment options daily. Total employer contributions to the 401(k) savings plan in 2008 and 2007 were approximately \$1,649,000 and \$1,550,000, respectively.

Comprehensive Pension (Expense)/Income

The Plan recorded comprehensive pension (expense)/income of \$(1,592,899) and \$13,090,540 at December 31, 2008 and 2007, respectively. The expense represents the excess of the accumulated benefit obligation exceeding the defined benefit plan assets. The income represents the pension assets exceeding the minimum accumulated net benefit obligation for its defined benefit plan and supplemental executive retirement plans. The net comprehensive pension (expense)/income is included as a separate component.

Postretirement Benefit Plans

Eligible employees hired prior to January 1, 1992, who retire on or after attaining normal retirement age and who have rendered specific years of service under the provisions of the Blue Cross & Blue Shield of Rhode Island Retirement Plan are entitled to certain postretirement health care, medical coverage and life insurance benefits. The Plan may amend or change the postretirement benefits periodically. Effective January 1, 1993, except for those employees who have an exemption based on circumstances previously existing, these benefits are now subject to copayment provisions and other limitations. The Plan's postretirement benefits other than pensions are not funded. Approximately \$2,121,000 and \$2,019,000 of postretirement benefits were paid in 2008 and 2007, respectively.

Summary information on the postretirement benefit plan is as follows:

	(In Thousands)	
	<u>2008</u>	<u>2007</u>
Change in Accumulated Postretirement Benefit Obligation:		
Benefit obligation at beginning of year	\$35,267	\$37,438
Service cost	411	207
Interest cost	2,121	2,081
Actuarial loss/(gain) due to assumption and other	(2,856)	(2,440)
Benefits paid	<u>(2,121)</u>	<u>(2,019)</u>
Benefit obligation at end of year	<u>\$32,822</u>	<u>\$35,267</u>
Change in Plan Assets:		
Fair value of assets at beginning of year	\$ --	\$ --
Actual return on plan assets	--	--
Employer contributions	2,121	2,019
Benefits paid	<u>(2,121)</u>	<u>(2,019)</u>
Fair value of assets at end of year	<u>\$ --</u>	<u>\$ --</u>
Accumulated postretirement benefit obligation:		
Retirees and dependents	\$(30,785)	\$(32,571)
Fully eligible active participants	<u>(2,037)</u>	<u>(2,696)</u>
Total	\$(32,822)	\$(35,267)
Plan assets at fair value:	<u>--</u>	<u>--</u>
Accumulated postretirement benefit obligation in excess of plan assets	(32,822)	(35,267)
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	3,624	6,918

NOTES TO FINANCIAL STATEMENTS

Unrecognized transition obligation	1,262	1,578
Contributions after measurement date	<u>530</u>	<u>511</u>
Accrued postretirement benefit cost	<u><u>\$(27,406)</u></u>	<u><u>\$(26,260)</u></u>

Net periodic postretirement benefit cost for 2008 and 2007 included the following components:

	(In Thousands)	
	<u>2008</u>	<u>2007</u>
Service cost	\$ 411	\$ 207
Interest cost	2,121	2,081
Amortization of net (gain)/loss	<u>753</u>	<u>935</u>
Net periodic postretirement benefit cost	<u><u>\$ 3,285</u></u>	<u><u>\$ 3,223</u></u>

The weighted average assumptions include a discount rate of 7.50% and 6.25%, respectively for the years ended December 31, 2008 and 2007.

The assumed annual rate of increase in the per capita cost of medical benefits is 9% in 2009 and 8.5% in 2010, and is assumed to decrease through years 2017 and remain level at 5% thereafter.

A one percentage point increase in the healthcare cost trend rate, holding all other assumptions constant, would result in an increase of \$2,255,300 at December 31, 2008 in the postretirement benefit obligation and an increase of \$194,400 for the year ended December 31, 2008 in the aggregate of the service and interest cost components of the net periodic postretirement benefit cost.

Postemployment Benefits

The Plan provides for certain postemployment benefits including disability benefits for eligible employees. The Plan has recorded a liability for these benefits of approximately \$739,000 and \$1,064,000 at December 31, 2008 and 2007, respectively.

Impact of Medicare Modernization Act on Postretirement Benefits

(2) Effects of the subsidy in measuring the net postretirement benefit cost

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law in December of 2003. The Act includes the following two new features to Medicare Part D that could affect the measurement of the accumulated postretirement benefit obligation (APBO) and net periodic postretirement cost for the Plan:

* A federal subsidy (based on 28% of an individual beneficiary's annual prescription drug costs between \$250 and \$5,000), which is not taxable, to sponsors of retiree healthcare benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare Part D; and

* The opportunity for a retiree to obtain a prescription drug benefit under Medicare.

The effect of the Act was a \$766,074 reduction in the Plan's net postretirement benefit cost for the subsidy related to benefits attributed to former employees. The Act also had the following effects on the net postretirement benefit cost; a \$331,016 decrease as a result of an actuarial gain; a decrease to the current period service cost \$73,966 due to the subsidy; and \$361,092 decrease to the interest cost.

(3) Disclosure of gross benefit payments

The Plan's gross benefit payments for 2008 were \$2,139,129 including the prescription drug benefit and estimates future payments to be \$3,336,000 annually. The Plan's subsidy related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was \$60,000 for 2008 and estimates future subsidies to be \$59,836 annually.

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

NOTES TO FINANCIAL STATEMENTS

- 1) The Plan does not have any capital stock.
- 2) The Plan does not have any preferred stock.
- 3) The Plan does not have any dividend restrictions.
- 4) The Plan does not have any ordinary dividends.
- 5) The Plan does not have any dividends.
- 6) The Plan does not have any restrictions on unassigned funds.
- 7) The Plan does not have any advances to surplus unpaid.
- 8) The Plan does not have any conversion of preferred stock, employee stock options and stock purchase warrants.
- 9) The Plan did not have any changes to the balances of any special surplus funds from the prior period.
- 10) The portion of unassigned funds (surplus) represented was reduced by each of the following items:
 - a) Unrealized gains and losses - \$11,321,122
 - b) Nonadmitted assets - \$114,933,433
- 11) The Plan does not have any surplus notes.
- 12) The Plan did not have any quasi-reorganization in 2008.
- 13) The Plan did not have any quasi-reorganization in 2008.

14. Contingencies

A) Contingent Commitments

The Plan is a co-defendant in a class action lawsuit in federal court relating to allegations that the Plan has acted in conspiracy with other Blue Cross and Blue Shield plans to delay and reduce payments to physicians. As of year end a court approved final settlement agreement was in place, although the settlement was the subject of several appeals. The outcome of those appeals will dictate whether the settlement ultimately remains in place.

Management has recorded accruals related to this exposure, which they believe are reasonable and appropriate based on available information. Such accruals are reflected in claims incurred but unpaid on the accompanying Liabilities, Capital and Surplus page. It is possible that a court decision or amended settlement in favor of the plaintiffs in the above suit could have an unanticipated material adverse effect on the Plan's financial position, results of operations, statutory reserves and risk based capital.

The Plan is a defendant in a number of other legal proceedings arising in the normal course of business. While the Plan's ultimate liability in the disposition of these matters is presently difficult to estimate, it is management's belief that the outcome is not likely to have a material adverse effect on the Plan's financial position or results of operations, statutory reserves and risk based capital.

- B) The Plan does not have any assessments.
- C) The Plan does not have any gain contingencies.
- D) The Plan did not have any claims related extra contractual obligation and bad faith losses stemming from lawsuits.
- E) All other contingencies see "A" above.

15. Leases

- A) 1) The Plan leases office space under operating leases. Rent expense for operating leases in 2008 and 2007 was approximately \$7,830,453 and \$3,163,715, respectively.

2) The Plan is committed, under long-term noncancelable operating leases and installment purchase agreements to minimum payments as follows:

	Leases	
	Operating	Capital
2009	\$ 5,337,363	\$ 87,030
2010	1,738,751	79,777
2011	34,535	--
Less Interest	--	(11,508)
Total minimum future payments	\$ 7,110,649	\$ 155,299

NOTES TO FINANCIAL STATEMENTS

Certain rental commitments have renewal options extending through the year 2013. Some of these renewals are subject to adjustments in future periods.

In June of 2003, the Plan entered into a long-term agreement with Perot Systems Healthcare Services Corporation (PSHS) whereby, PSHS agreed to provide claims processing, information technology, membership administrative and cash disbursement services at Plan facilities, under the direction of PSHS staff. Services include operational services for technology and claims operations and business project services.

The agreement which runs through 2013, calls for increasing annual minimum commitments of \$64.0 million for calendar year 2008, and is subject to adjustments for changes in service levels, cost management by the Plan and performance incentives for PSHS. The aggregate value of the contract is approximately \$566.0 million.

The contract provides for termination of the agreement between the parties based on events that may occur during the course of the contract. There are critical service levels that PSHS must meet on an ongoing basis. The Plan is obligated to reimburse PSHS for services performed in accordance with the contract. The financial penalties are based on a sliding scale relating to the applicable month in which such termination was effective, ranging from approximately \$18.0 million as of December 31, 2008 to \$0 as of May 31, 2013.

3) The Plan entered into a purchase and sales agreement on February 29, 2008 for real estate property. The Plan sold two properties for a selling price of \$26,700,000 on April 30, 2008.

The Plan subsequently lease backed the properties for a term not to extend beyond April 30, 2010. However, the Plan has an option to extend the term for an additional three months, upon twelve months prior written notice. The base rent for both properties is \$3,589,558 per year. In addition, the Plan must pay most operating expenses for the properties including a management fee on a monthly basis.

B) The Plan does not have any lessor leases.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Eight U.S. Treasury Notes with a combined par value of \$21,325,000 are pledged to satisfy Blue Cross Blue Shield Association membership standards for out-of-area provider claim settlements.

The Plan also has a \$500,000 par value U.S. Treasury Note that is on deposit with the Department of Labor as collateral for the Plan's run-out of the self-insured worker's compensation fund.

The Plan also has a \$582,000 par value U.S. Treasury Note that is on deposit with the Department of Human Services Office of Managed Care relating to the Plan's administration of the State of Rhode Island managed Medicaid program, RItE Care.

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

The Plan did not have a sale, transfer and servicing of financial assets and extinguishments of liabilities.

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

A) The Plan is not an ASO Administrator for uninsured A&H Plans and the uninsured portion of partially insured plans.

B) The Plan is an ASC Administrator for uninsured A&H Plans and the uninsured portion of partially insured plans.

NOTES TO FINANCIAL STATEMENTS

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2008:

	<u>ASC</u> <u>Uninsured</u> <u>Plans</u>	<u>Uninsured</u> <u>Portion of</u> <u>Partially</u> <u>Insured Plans</u>	<u>Total</u> <u>ASC</u>
a. Gross reimbursement for medical cost incurred	\$808,156,490	--	\$808,156,490
b. Gross administrative fees accrued	62,276,517	--	62,276,517
c. Other income or expenses (including interest paid to or received from plans)	--	--	--
d. Gross expenses incurred (claims and administrative)	889,984,709	--	889,984,709
e. Total net gain or (loss) from operations	(19,551,702)	--	(19,551,702)

C) The Plan did not have a Medicare or similarly structured cost based reimbursement contract during 2008.

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

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

20. Other Items

- A) The Plan does not have any extraordinary items.
- B) The Plan does not have any troubled debt restructuring.
- C) The Plan has commenced construction of a new corporate office building. The building is expected to be completed and occupied by April 2010. Total costs, net of debt, as reported on page 2, line 4.2 is \$32,641,622. As of December 31, 2008 total construction costs have amounted to \$77,293,568 and encumbrances are \$44,651,946.
- D) The Plan has estimated uncollectible amounts for premium and retro contract balances of \$579,969 and \$616,522 at December 31, 2008 and 2007, respectively. The Plan does not have any uncollectible amounts for uninsured plans.
- E) The Plan did not have any business interruption insurance recoveries in 2008.
- F) The Plan does not have any state transferable tax credits.
- G) Hybrid Securities

Cusip#	Name of Issuer	General Description	Book/Adjusted Value
3128JR-P7-5	FNMA	7/1 Hybrid ARM #847646	\$3,369,064
3128NH-BR-3	FHLMC	5/1 Hybrid ARM #1J0948	\$5,828,609
31411F-UW-2	FNMA	7/1 Hybrid ARM #906997	\$1,741,209
3128S4-FJ-1	FHLMC	3/1 Hybrid ARM #1Q0169	\$1,077,887
31403D-XF-1	FNMA	5/1 Hybrid ARM #745978	\$1,497,949
31409G-SV-9	FNMA	5/1 Hybrid ARM #870932	\$2,520,638
3128QJ-Q3-3	FHLMC	5/1 Hybrid ARM #1G1374	\$1,477,355
31411G-SF-0	FNMA	5/1 Hybrid ARM #907818	\$2,465,246
31411S-3C-8	FNMA	5/1 Hybrid ARM #914395	\$2,989,917

H) Subprime Mortgage Related Risk Exposure

- (1) The following is the Plan's narrative description of a subprime investment. A mortgage loan which has one or more of the following attributes: weak credit score

NOTES TO FINANCIAL STATEMENTS

(Fair Isaac Corporation), high debt-to-income-ratio, high loan-to-value ratio or undocumented income.

- (2) Non-applicable
- (3) Non-applicable
- (4) Non-applicable

I) The Plan does not have any Federal Home Loan Bank (FHLB) agreements.

21. Events Subsequent

There are no subsequent events that occurred as of the March 1st 2009 filing date of the Plan's 2008 annual statement.

22. Reinsurance

A. Ceded Insurance Report

Section 1 – General Interrogatories

- (1) The Plan does not own or control any of the reinsurers listed on Schedule S.
- (2) There are no policies issued by the Plan that are reinsured with a company chartered in a country other than the United States that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business.

Section 2 – Ceded Reinsurance Report – Part A

- (1) The Plan does not 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 credit.
- (2) The Plan does not 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.

Section 3 – Ceded Reinsurance Report – Part B

- (1) 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 or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, is not applicable to the Plan since it does not cede its reinsurance.
- (2) The Plan has not executed or amended any existing agreements, 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.

B) The Plan did not experience a write-off for uncollectible reinsurance.

C) The Plan did not experience a commutation of ceded reinsurance.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A) The Plan estimates accrued retrospective premium adjustments for its group health insurance business based on the Plan's underwriting policies, experience rating practices and claims reserve calculation.
- B) The Plan records accrued retrospective premium as an adjustment to earned premium.
- C) The amount of net premiums written by the Company at December 31, 2008 that are subject to retrospective rating features was \$40,277,000, that represented 2.29% of the total net premiums written. No other net premiums written by the Company are subject to retrospective rating features.

24. Change in Incurred Claims and Claim Adjustment Expenses

NOTES TO FINANCIAL STATEMENTS

Reserves for incurred claims decreased by \$16,762,000 and claim adjustment expenses decreased by \$881,000 in 2008 which is attributable to insured events of prior years as a result of reestimation of unpaid claims and claim adjustment expenses principally on comprehensive lines of insurance. This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

25. Intercompany Pooling Arrangements

The Plan is not part of any intercompany pooling arrangement.

26. Structured Settlements

Not Applicable for Health Insurance entities.

27. Health Care Receivables

A) Pharmaceutical Rebate Receivables

<u>Quarter</u>	<u>Estimated Pharmacy Rebates as Reported on Financial Statements</u>	<u>Pharmacy Rebates as Invoiced/Confirmed</u>	<u>Actual Rebates Collected Within 90 Days of Invoicing/Confirmation</u>	<u>Actual Rebates Collected Within 91 to 180 Days of Invoicing/Confirmation</u>	<u>Actual Rebates Collected More Than 180 Days After Invoicing/Confirmation</u>
12/31/08	\$6,192,000	\$ --	\$ --	\$ --	\$ --
9/30/08	5,500,000	6,192,000	187,000	--	--
6/30/08	5,535,000	5,502,000	257,000	4,349,000	--
3/31/08	5,808,000	5,507,000	749,000	3,113,000	743,000
12/31/07	\$5,248,000	\$5,841,000	\$ 906,000	\$3,405,000	\$1,272,000
9/30/07	5,216,000	5,266,000	244,000	3,436,000	1,572,000
6/30/07	5,408,000	5,295,000	255,000	3,627,000	1,335,000
3/31/07	5,173,000	5,584,000	210,000	2,688,000	2,686,000
12/31/06	\$4,659,000	\$5,191,000	\$ --	\$3,751,000	\$1,440,000
9/30/06	4,916,000	4,726,000	239,000	3,688,000	799,000
6/30/06	3,536,000	4,925,000	248,000	3,991,000	686,000
3/31/06	3,522,000	4,686,000	--	3,814,000	872,000

B) Risk Share Receivables

<u>Actual Sharing</u>	<u>Risk Sharing Evaluation</u>	<u>Risk Sharing Receivable</u>	<u>Risk Sharing Receivable</u>	<u>Risk Sharing Receivable</u>	<u>Risk Sharing Not Yet Billed</u>	<u>Actual Risk Sharing Amounts Received in Year Billed</u>	<u>Actual Risk Sharing Amounts Received First Year</u>	<u>Actual Risk Sharing Amounts Received Second Year</u>	<u>Risk All</u>
<u>Amounts Calendar Year Received Others</u>	<u>Per Year-End</u>	<u>as Estimated in the Prior Year</u>	<u>as Estimated in the Current Year</u>	<u>Risk Sharing Receivable Billed</u>	<u>Not Yet Billed</u>	<u>Received in Year Billed</u>	<u>Received First Year</u>	<u>Received Second Year</u>	
2008	2008	N/A	\$ 3,136,395	\$ 2,223,371	\$ 913,024	\$ 2,223,371	\$ -		
	2009	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
2007	2007	N/A	\$ 5,549,079	\$ 4,282,052	\$ 1,267,027	\$ 4,282,052	\$ 1,267,027		
	2008	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
2006	2006	N/A	\$ 3,713,410	\$ 1,655,816	\$ 2,057,594	\$ 1,655,816	\$ 2,057,594		
	2007	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A

28. Participating Policies

Participating policies do not apply to the Plan.

29. Premium Deficiency Reserves

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2008, the Plan had liabilities of \$186,000 related to premium deficiency reserves for its Medicaid contract with the State of Rhode Island. The Plan did not consider anticipated investment income when calculating its premium deficiency reserves.

30. Anticipated Salvage and Subrogation

The amount of undiscounted estimated salvage and subrogation recoverable, taken into account in determining the undiscounted unpaid losses as reported in the Underwriting and Investment Exhibit and Page 3 – Liabilities, Reserves and Special Funds, Line I for December 31, 2008 and 2007, was \$10,419,000 and \$11,762,000, respectively.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? RHODE ISLAND
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: 09/04/2008
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2005
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/29/2007
- 3.4 By what department or departments?
 RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION-INSURANCE DIVISION

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC 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

GENERAL INTERROGATORIES

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 by the Federal Reserve Board?

Yes [] No [X]

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

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

PRICEWATERHOUSE COOPERS, LLP 125 HIGH STREET, 9TH FLOOR, BOSTON, MA 02110

.....

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?

JOHN LYNCH, 444 WESTMINSTER STREET, PROVIDENCE, RI 02903. ACTUARY EMPLOYED BY BLUE CROSS AND BLUE SHIELD OF RHODE ISLAND

.....

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

\$ _____

11.2 If yes, provide explanation:

.....

GENERAL INTERROGATORIES

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)	\$ _____

GENERAL INTERROGATORIES

- 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) | \$ | |
- 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: \$

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)? Yes [] No [X]
- 22.2 If no, give full and complete information relating thereto:
 THE SECURITIES ARE HELD BY THE REPORTING ENTITY'S CUSTODIAN BANK, STATE STREET BANK

- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [X]
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$
- 22.6 If answer to 22.4 is no, report amount of collateral. \$
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|--|----|------------|
| | 23.21 Subject to repurchase agreements | \$ | 19,881,669 |
| | 23.22 Subject to reverse repurchase agreements | \$ | |
| | 23.23 Subject to dollar repurchase agreements | \$ | |
| | 23.24 Subject to reverse dollar repurchase agreements | \$ | |
| | 23.25 Pledged as collateral | \$ | 22,407,000 |
| | 23.26 Placed under option agreements | \$ | |
| | 23.27 Letter stock or securities restricted as to sale | \$ | |
| | 23.28 On deposit with state or other regulatory body | \$ | |
| | 23.29 Other | \$ | |

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [X] N/A []
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 [X] No []

25.2 If yes, state the amount thereof at December 31 of the current year. \$ 801,000

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

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

1 Name of Custodian(s)	2 Custodian's Address
STATE STREET BANK	200 CLARENDON STREET BOSTON, MA 02111

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
107423	CONNING ASSET MANAGEMENT	ONE FINANCIAL PLAZA HARTFORD CT 06103
108254	ADVISORY RESEARCH	TWO PRUDENTIAL PLAZA 180 N. STETSON
108254	ADVISORY RESEARCH	SUITE 5780, CHOCAGO, IL 60601
145923	GLOBAL CURRENTS INVESTMENT	DELAWARE CORPORATE CENTER II
145923	GLOBAL CURRENTS INVESTMENT	2 RIGHTER PARKWAY
145923	GLOBAL CURRENTS INVESTMENT	WILMINGTON, DE 19803

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

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
464287-61-4	ISHARES RUSSELL 1000 GROWTH	13,050,605
784924-9U-8	SSGA SP 500 INDEX FUND	11,539,594
233203-82-7	DIMENSIONAL LARGE CAP VALUE S	8,114,150
27.2999 TOTAL		32,704,349

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
SSGA SP 500 INDEX FUND	EXXON MOBIL CORP	582,749	12/31/2008
ISHARES RUSSELL 1000 GRO	MICROSOFT CORP	459,382	12/31/2008
DIMENSIONAL LARGE CAP V	VERIZON COMMUNICATIONS	373,251	12/31/2008

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	496,214,804	510,090,785	13,875,981
28.2 Preferred stocks	515,258	515,258	
28.3 Totals	496,730,062	510,606,043	13,875,981

28.4 Describe the sources or methods utilized in determining the fair values:
 PROVIDED BY RATING SOURCES USED BY CUSTODIAN, STATE STREET BANK. PRICING SOURCES INCLUDE IDC AND FUNDWEB.

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] 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? \$ 1,604,547

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
BLUE CROSS & BLUE SHIELD ASSOCIATION	924,963
.....	

31.1 Amount of payments for legal expenses, if any? \$ 986,857

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
PARTRIDEG SNOW & HAHN	294,044
.....	

GENERAL INTERROGATORIES

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

\$ 155,968

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 TREASURER OF THE STATE OF RHODE ISLAND	69,515
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS	39,339

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only. \$ 47,614,941
- 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. \$ 39,126,498
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$ 12,539,268
- 1.62 Total incurred claims \$ 10,559,654
- 1.63 Number of covered lives 6,391
- All years prior to most current three years:
- 1.64 Total premium earned \$ 24,309,425
- 1.65 Total incurred claims \$ 20,471,619
- 1.66 Number of covered lives 12,390
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$ 5,059,611
- 1.72 Total incurred claims \$ 3,804,361
- 1.73 Number of covered lives 3,081
- All years prior to most current three years:
- 1.74 Total premium earned \$ 5,706,637
- 1.75 Total incurred claims \$ 4,290,864
- 1.76 Number of covered lives 3,475

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ <u>1,755,800,556</u>	\$ <u>1,768,935,383</u>
2.2 Premium Denominator	\$ <u>1,755,800,556</u>	\$ <u>1,768,935,383</u>
2.3 Premium Ratio (2.1 / 2.2)	<u>1.000</u>	<u>1.000</u>
2.4 Reserve Numerator	\$ <u>133,567,388</u>	\$ <u>147,316,108</u>
2.5 Reserve Denominator	\$ <u>133,567,388</u>	\$ <u>147,316,108</u>
2.6 Reserve Ratio (2.4 / 2.5)	<u>1.000</u>	<u>1.000</u>

- 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
- 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 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
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
.....
.....
.....

- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$ 750,000
- 5.32 Medical Only \$ _____
- 5.33 Medicare Supplement \$ 750,000
- 5.34 Dental and vision \$ 2,000
- 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:
STATE INSURANCE LAW MANDATES THE PLAN HAVE TOTAL RESERVES SUFFICIENT TO PAY CLAIMS AND ADMINISTRATIVE EXPENSES FOR NOT LESS THAN ONE MONTH. ALSO, THE PLAN HAS HOLD HARMLESS PROVISIONS IN ITS CONTRACTS WITH PARTICIPATING HOSPITALS AND PROVIDERS.
.....
.....

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes No
- 7.2 If no, give details

8. Provide the following information regarding participating providers:
- | | |
|--|-------|
| 8.1 Number of providers at start of reporting year | 3,630 |
| 8.2 Number of providers at end of reporting year | 3,484 |
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes No
- 9.2 If yes, direct premium earned:
- | | |
|---|--|
| 9.21 Business with rate guarantees between 15-36 months | |
| 9.22 Business with rate guarantees over 36 months | |
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 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 <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above)? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes 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. \$ 142,409,261
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation
 TOTAL UNDERWRITING DEDUCTIONS PAGE 4 LINE 23 \$1,708,911,135 DIVIDED BY 12 MONTHS TO DERIVE THE MINIMUM NET
 WORTH OF \$142,409,261

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

1	
Name of Service Area	
RHODE ISLAND	
.....
.....

FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2008	2007	2006	2005	2004
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	710,567,002	728,694,249	659,488,933	594,436,785	577,748,453
2. Total liabilities (Page 3, Line 22)	295,732,254	299,883,894	287,966,061	278,534,488	291,218,296
3. Statutory surplus	142,409,261	141,632,189	136,313,617	129,665,552	87,505,933
4. Total capital and surplus (Page 3, Line 31)	414,834,748	428,810,355	371,767,812	315,902,297	286,530,157
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,755,800,556	1,768,935,383	1,696,753,816	1,586,311,420	1,066,573,617
6. Total medical and hospital expenses (Line 18)	1,475,292,619	1,498,983,234	1,451,550,780	1,388,829,608	921,199,106
7. Claims adjustment expenses (Line 20)	77,527,212	66,783,345	65,951,281	57,681,083	48,983,849
8. Total administrative expenses (Line 21)	156,091,304	133,819,685	118,261,346	109,475,928	79,888,241
9. Net underwriting gain (loss) (Line 24)	46,889,421	69,349,119	60,990,409	30,324,801	16,502,421
10. Net investment gain (loss) (Line 27)	5,078,466	25,806,020	23,744,065	18,727,589	12,639,628
11. Total other income (Lines 28 plus 29)	(2,300,079)	(19,602,956)	(20,865,438)	(11,096,601)	(9,688,229)
12. Net income or (loss) (Line 32)	46,055,571	61,314,298	49,979,879	31,054,531	14,234,662
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	34,665,262	77,972,439	54,623,447	35,195,183	69,629,646
Risk-Based Capital Analysis					
14. Total adjusted capital	414,834,748	428,810,355	371,767,812	315,902,297	286,530,157
15. Authorized control level risk-based capital	55,857,112	56,252,134	54,258,491	51,455,218	53,211,629
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	499,151	512,798	465,262	443,447	367,888
17. Total members months (Column 6, Line 7)	5,979,122	6,137,377	5,188,278	5,305,000	4,313,831
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 (Lines 18 plus Line 19)	84.0	84.7	85.5	87.6	86.4
20. Cost containment expenses	1.1	1.1	1.2	1.2	1.5
21. Other claims adjustment expenses	3.3	2.7	2.7	2.4	3.1
22. Total underwriting deductions (Line 23)	97.3	96.1	96.4	98.1	98.5
23. Total underwriting gain (loss) (Line 24)	2.7	3.9	3.6	1.9	1.5
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	129,572,186	124,113,125	108,982,185	171,835,852	131,274,648
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	147,316,108	135,959,416	137,053,161	195,294,592	121,156,015
Investments In Parent, Subsidiaries and Affiliates					
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)					105,719,258
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated	3,956,436	694,224			
32. Total of above Lines 26 to 31	3,956,436	694,224			105,719,258

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N							
2. Alaska	AK	N							
3. Arizona	AZ	N							
4. Arkansas	AR	N							
5. California	CA	N							
6. Colorado	CO	N							
7. Connecticut	CT	N							
8. Delaware	DE	N							
9. District of Columbia	DC	N							
10. Florida	FL	N							
11. Georgia	GA	N							
12. Hawaii	HI	N							
13. Idaho	ID	N							
14. Illinois	IL	N							
15. Indiana	IN	N							
16. Iowa	IA	N							
17. Kansas	KS	N							
18. Kentucky	KY	N							
19. Louisiana	LA	N							
20. Maine	ME	N							
21. Maryland	MD	N							
22. Massachusetts	MA	N							
23. Michigan	MI	N							
24. Minnesota	MN	N							
25. Mississippi	MS	N							
26. Missouri	MO	N							
27. Montana	MT	N							
28. Nebraska	NE	N							
29. Nevada	NV	N							
30. New Hampshire	NH	N							
31. New Jersey	NJ	N							
32. New Mexico	NM	N							
33. New York	NY	N							
34. North Carolina	NC	N							
35. North Dakota	ND	N							
36. Ohio	OH	N							
37. Oklahoma	OK	N							
38. Oregon	OR	N							
39. Pennsylvania	PA	N							
40. Rhode Island	RI	L	1,160,888,040	445,696,752	41,499,575	97,943,136		1,746,027,503	
41. South Carolina	SC	N							
42. South Dakota	SD	N							
43. Tennessee	TN	N							
44. Texas	TX	N							
45. Utah	UT	N							
46. Vermont	VT	N							
47. Virginia	VA	N							
48. Washington	WA	N							
49. West Virginia	WV	N							
50. Wisconsin	WI	N							
51. Wyoming	WY	N							
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N							
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate other alien	OT	X X X							
59. Subtotal	X X X		1,160,888,040	445,696,752	41,499,575	97,943,136		1,746,027,503	
60. Reporting entity contributions for Employee Benefit Plans	X X X		15,611,376	125,112				15,736,488	
61. Totals (Direct Business)	(a) 1		1,176,499,416	445,821,864	41,499,575	97,943,136		1,761,763,991	

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.

ALL PREMIUMS ARE ALLOCATED TO RHODE ISLAND

(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

NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	Federal ID Number	Company Name
0000	BLUE CROSS & BLUE SHIELD OF RHODE ISLAN	53473	RI	05-0158952	BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
0000	HEALTH & WELLNESS INSTITUTE	00000	RI	20-4336322	HEALTH & WELLNESS INSTITUTE

OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. FEP UNPAID CLAIMS	6,186,000		6,186,000	8,022,000
2305. COLLATERAL FUND HOME & HOST	424,899		424,899	445,548
2306. PNS EQUIPMENT/BLUE CROSS MDSE INVENTORY	9,121	9,121		51,801
2307. LEASEHOLD IMPROVEMENTS	174,837	174,837		
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	6,794,857	183,958	6,610,899	8,519,349

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
REMAINING WRITE-INS AGGREGATED AT LINE 21 FOR OTHER LIABILITIES				
2104. PAYABLE FOR ANNUAL EXPERIENCE ACCOUNTING	869,707		869,707	3,864,671
2105. FEP & MISCELLANEOUS CLAIMS PAYABLES	957,248		957,248	637,501
2106. CAPITAL LEASES	155,299		155,299	228,176
2107. RI FOUNDATON - TRUST FUND				20,000,000
2108. DEFERRED GAIN ON SALE OF BUILDING	4,460,695		4,460,695	
2109.				
2110.				
2111.				
2112.				
2113.				
2114.				
2115.				
2116.				
2117.				
2118.				
2119.				
2120.				
2121.				
2122.				
2121.				
2124.				
2125.				
2197. Totals (Lines 2104 through 2125) (Page 3, Line 2198)	6,442,949		6,442,949	24,730,348

OVERFLOW PAGE FOR WRITE-INS

Page 4 - Continuation

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
REMAINING WRITE-INS AGGREGATED AT LINE 29 FOR OTHER INCOME OR EXPENSES			
2904. MEDICARE TERMINATION EXPENSE			1,900,000
2905. BAD DEBT LANDMARK HOSPITAL		(2,526,079)	
2906. REALIZED GAIN ON SALE OF BUILDING		2,230,344	
2907. HEALTH INFORMATION EXCHANGE		(570,000)	
2908. INTEREST INCOME (NET OF PENALTIES)		66,734	(4,894)
2909. STOP-LOSS COMMISSION FEES		28,786	400,016
2910. OTHER INCOME (NOTE RECEIVABLE)		276,718	386,616
2911. BANK SERVICE CHARGES		(301,301)	(302,608)
2912. INVESTMENT EXPENSE (PREMIUM ASSISTANCE PROGRAM)		(330,370)	(378,507)
2913. INTEREST ON SETTLEMENT FROM PBM		918,377	
2914. INTEREST ON IRS SETTLEMENT		949,144	
2915. OTHER INCOME FROM REFUNDS		79,668	
2916.			
2917.			
2918.			
2919.			
2920.			
2921.			
2922.			
2923.			
2924.			
2925.			
2997. Totals (Lines 2904 through 2925) (Page 4, Line 2998)		822,021	2,000,623

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation

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			
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR EXPENSES					
2504. AGENCY & PORTFOLIO MANAGEMENT FEES				1,187,452	1,187,452
2505. CLAIMS HANDLING EXPENSE		(453,500)			(453,500)
2506. BLUECARD ADMIN FEE INCOME	(3,599,522)	(11,239,149)			(14,838,671)
2507. WORKER'S COMPENSATION CLMS PROCESSING FEES	(472,679)	(1,475,892)			(1,948,571)
2508. HEALTH & WELLNESS PURCHASED SERVICES			(1,095,715)		(1,095,715)
2509.					
2510.					
2511.					
2512.					
2513.					
2514.					
2515.					
2516.					
2517.					
2518.					
2519.					
2520.					
2521.					
2522.					
2523.					
2524.					
2525.					
2597. Totals (Lines 2504 through 2525) (Page 14, Line 2598)	(4,072,201)	(13,168,541)	(1,095,715)	1,187,452	(17,149,005)

OVERFLOW PAGE FOR WRITE-INS

**Page 16 - Continuation
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)
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS			
2304. NOTE RECEIVABLE - PEROT SYSTEMS & OTHER	5,122,512	8,250,000	3,127,488
2305.			
2306.			
2307.			
2308.			
2309.			
2310.			
2311.			
2312.			
2313.			
2314.			
2315.			
2316.			
2317.			
2318.			
2319.			
2320.			
2321.			
2322.			
2323.			
2324.			
2325.			
2397. Totals (Lines 2304 through 2325) (Page 16, Line 2398)	5,122,512	8,250,000	3,127,488

ALPHABETICAL INDEX TO HEALTH ANNUAL STATEMENT

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