

**2010 SUPPLEMENTAL HEALTH CARE EXHIBIT'S EXPENSE ALLOCATION  
 REPORT - DESCRIPTION OF ALLOCATION METHODOLOGY - 217  
 97055 - Mega Life & Hlth Ins Co The**

	Line	Explanation
01	Description of allocation methodology	All Quality Improvement expenses included in Part 3 were recorded in column 3 "Improve Patient Safety and Reduce Medical Errors." We believe the criteria for column 3 most applies to the Company's quality improvement initiatives. These expenses were allocated to each state based on the amount of paid claims for each state as a percentage of total paid claims.

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**2010 SUPPLEMENTAL HEALTH CARE EXHIBIT'S EXPENSE ALLOCATION  
 REPORT - DESC OF QUALITY IMPROVEMENT EXPENSES - 217  
 97055 - Mega Life & Hlth Ins Co The**

	Line	Expense Type from Part 3	New	Detailed Description of Expense
03.0001	Improve Patient Safety and Reduce Medical Errors:			<p>The Company uses several vendors to handle certain chemotherapy and transplant cases as well as accrediting certain transplant facilities. These vendors provide services to the patient such as validation and monitoring the treatment plans. Certain costs are incurred to monitor quality of care issues and report and track trends for any issues. Further investigations may be completed if necessary. Additionally, costs are incurred to monitor and review clinical quality of facilities such as readmission and infection monitoring.</p>

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	Line	State Code	Individual	Small Group Employer	Large Group Employer	Government Business (excluded by statute)	Other Business (excluded by statute)	Other Health	Subtotal (Cols 1 thru 6)	Uninsured Plans	Total (Cols 7 + 8)
01.1	Health premiums earned (from Part 2, Line 1.8) (premium)	LA	5,041,829	0	0	0	131,386	289,127	5,462,342		5,462,342
01.10	Other adjustments due to MLR calculations - premiums (premium)	LA	0	0	0	0	0	0	0		0
01.11	Risk revenue (premium)	LA	0	0	0	0	0	0	0		0
01.12	Net adjusted premiums earned after reinsurance (Lines 1.8+1.9+1.10+1.11) (premium)	LA	4,180,652	0	0	0	119,023	290,453	4,590,128		4,590,128
01.2	Federal high risk pools (premium)	LA	0	0	0	0	0	0	0		0
01.3	State high risk pools (premium)	LA	0	0	0	0	0	0	0		0
01.4	Premiums earned including state and federal high risk programs (Lines 1.1 + 1.2 + 1.3) (premium)	LA	5,041,829	0	0	0	131,386	289,127	5,462,342		5,462,342
01.5	Federal taxes and federal assessments (premium)	LA	592,991	0	0	0	8,821	-13,825	587,987	0	587,987
01.6	State insurance, premium and other taxes (similar local taxes of \$0) (premium)	LA	130,728	0	0	0	3,452	7,552	141,732	0	141,732
01.7	Regulatory authority licenses and fees (premium)	LA	3,426	0	0	0	90	198	3,714	0	3,714
01.8	Adjusted premiums earned (Lines 1.4 - 1.5 - 1.6 - 1.7) (premium)	LA	4,314,684	0	0	0	119,023	295,202	4,728,909		4,728,909
01.9	Net assumed less ceded reinsurance premiums earned (premium)	LA	-134,032	0	0	0	0	-4,749	-138,781		-138,781
02.1	Incurred claims excluding prescription drugs (claims)	LA	1,730,334	0	0	0	5,420	139,490	1,875,244		1,875,244
02.2	Prescription drugs (claims)	LA	320,416	0	0	0	0	0	320,416		320,416
02.3	Pharmaceutical rebates (claims)	LA	56,818	0	0	0	0	0	56,818		56,818
	State stop loss, market stabilization										

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02.4	and claim/census based assessments (claims)	LA	0	0	0	0	0	0	0	0	0
03	Incurred medical incentive pools and bonuses	LA	0	0	0	0	0	0	0	0	0
04	Deductible fraud and abuse detection/recovery expenses (for MLR use only)	LA	31,680	0	0	0	110	1,830	33,620	0	33,620
05.0	Total incurred claims (Lines 2.1 + 2.2 - 2.3 - 2.4 + 3) (From Part 2, Line 2.10)	LA	1,993,932	0	0	0	5,420	139,490	2,138,842		2,138,842
05.1	Net assumed less ceded reinsurance claims incurred	LA	-52,631	0	0	0	0	-5,372	-58,003		-58,003
05.2	Other adjustments due to MLR calculations - claims	LA	0	0	0	0	0	0	0		0
05.3	Rebates paid	LA	0	0	0	0	0	0	0		0
05.4	Estimated rebates unpaid prior year	LA	0	0	0	0	0	0	0		0
05.5	Estimated rebates unpaid current year	LA	0	0	0	0	0	0	0		0
05.6	Fee for service and co-pay revenue	LA	0	0	0	0	0	0	0		0
05.7	Net incurred claims after reinsurance (Lines 5.0+5.1+5.2+5.3-5.4+5.5-5.6)	LA	1,941,301	0	0	0	5,420	134,118	2,080,839		2,080,839
06.1	Type A. Expenses for health improvements other than Health Information Technology (improving health care quality expenses incurred)	LA	5,510	0	0	0	0	0	5,510	0	5,510
06.2	Type B. Health Information Technology expenses related to health improvement (improving health care quality expenses incurred)	LA	0	0	0	0	0	0	0	0	0
06.3	Total of defined expenses incurred for improving health care quality (Lines 6.1 + 6.2)	LA	5,510	0	0	0	0	0	5,510	0	5,510
07	Preliminary medical loss ratio: MLR (Lines 4 + 5.0 + 6.3)/Line 1.8	LA	0	0	0						
	Cost containment										

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08.1	expenses not included in quality of care expenses in Line 6.3 (claims adjustment expenses)	LA	74,036	0	0	0	57	1,674	75,767	0	75,767
08.2	All other claims adjustment expenses (claims adjustment expenses)	LA	132,177	0	0	0	8	165	132,350	0	132,350
08.3	Total claims adjustment expenses (Lines 8.1 + 8.2)	LA	206,213	0	0	0	65	1,839	208,117	0	208,117
09	Claims adjustment expense ratio (Line 8.3 divided by Line 1.8)	LA	0	0	0	0	0	0			
10.1	Direct sales salaries and benefits (general and administrative expenses)	LA	0	0	0	0	0	0	0	0	0
10.2	Agents and brokers fees and commissions (general and administrative expenses)	LA	194,575	0	0	0	5,138	11,240	210,953	0	210,953
10.3	Other taxes (excluding taxes on Lines 1.5 through 1.7 and Line 14 below) (general and administrative expenses)	LA	30,635	0	0	0	4,499	8,516	43,650	0	43,650
10.4	Other general and administrative expenses (general and administrative expenses)	LA	485,169	0	0	0	84,305	165,450	734,924	0	734,924
10.5	Total general and administrative (Lines 10.1 + 10.2 + 10.3 + 10.4)	LA	710,379	0	0	0	93,942	185,206	989,527	0	989,527
11	Underwriting gain/(loss) (Lines 1.12 - 5.7 - 6.3 - 8.3 - 10.5)	LA	1,317,249	0	0	0	19,596	-30,711	1,306,134		1,306,134
12	Income from fees of uninsured plans	LA								0	0
13	Net investment and other gain/(loss)	LA							199,838		199,838
14	Federal income taxes (excluding taxes on Line 1.5 above)	LA	44,833	0	0	0	434	16,769	62,036	0	62,036
15	Net gain or (loss) (Lines 11 + 12 + 13 - 14)	LA							1,443,936		1,443,936
	ICD-10										

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16	implementation expenses (informational only; already included in general expenses)	LA	0	0	0	0	0	0	0	0	0
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**2010 SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 1 - OTHER  
INDICATORS - 216**

**97055 - Mega Life & Hlth Ins Co The  
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	Line	State Code	Individual	Small Group Employer	Large Group Employer	Government Business (excluded by statute)	Other Business (excluded by statute)	Other Health	Subtotal (Cols 1 thru 6)	Uninsured Plans	Total (Cols 7 + 8)
01	Number of certificates/policies	LA	833	0	0	0	557	1,434	2,824	0	2,824
02	Number of covered lives	LA	1,406	0	0	0	909	2,323	4,638	0	4,638
03	Number of groups	LA		0	0	0	0	0	0	0	0
04	Member months	LA	20,744	0	0	0	11,372	30,902	63,018	0	63,018

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**2010 SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 2 - 216**  
**97055 - Mega Life & Hlth Ins Co The**  
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	Line	State Code	Individual	Small Group Employer	Large Group Employer	Government Business (excluded by statute)	Other Business (excluded by statute)	Other Health	Total
01.1	Direct premiums written (health premiums earned)	LA	4,956,577	0	0	0	130,891	286,332	5,373,800
01.10	Net assumed less ceded premiums earned from affiliates (health premiums earned)	LA	-134,032	0	0	0	0	-4,749	-138,781
01.11	Ceded premiums earned to non-affiliates (health premiums earned)	LA	0	0	0	0	0	0	0
01.12	Other adjustments due to MLR calculation - premiums (health premiums earned)	LA	0	0	0	0	0	0	0
01.13	Net premiums earned (Lines 1.8 + 1.9 + 1.10 - 1.11 - 1.12)	LA	4,907,797	0	0	0	131,386	284,378	5,323,561
01.2	Unearned premium prior year (health premiums earned)	LA	316,680	0	0	0	5,734	15,121	337,535
01.3	Unearned premium current year (health premiums earned)	LA	231,428	0	0	0	5,239	12,326	248,993
01.4	Change in unearned premium (Lines 1.2 - 1.3) (health premiums earned)	LA	85,252	0	0	0	495	2,795	88,542
01.5	Reserve for rate credits prior year (health premiums earned)	LA							
01.6	Reserve for rate credits current year (health premiums earned)	LA							
01.7	Change in reserve for rate credits (Lines 1.5 - 1.6) (health premiums earned)	LA							
01.8	Total direct premiums earned (Lines 1.1 + 1.4 less \$0 write offs) (health premiums earned)	LA	5,041,829	0	0	0	131,386	289,127	5,462,342
01.9	Assumed premiums earned from non-affiliates (health premiums earned)	LA	0	0	0	0	0	0	0
02.1	Paid claims during the year (direct claims incurred)	LA	2,736,250	0	0	0	9,468	158,052	2,903,770
02.10	Total incurred claims (Lines 2.1 + 2.2 - 2.3 + 2.4 - 2.5 + 2.6 - 2.7 + 2.8 - 2.9)	LA	1,993,933	0	0	0	5,420	139,490	2,138,843
02.11	Assumed incurred claims from non-affiliates (direct claims incurred)	LA	0	0	0	0	0	0	0
02.12	Net assumed less ceded incurred claims from affiliates (direct claims incurred)	LA	-52,631	0	0	0	0	-5,372	-58,003
02.13	Ceded incurred claims to non-affiliates (direct claims incurred)	LA	0	0	0	0	0	0	0
02.14	Other adjustments due to MLR calculation - claims (direct claims incurred)	LA	0	0	0	0	0	0	0
02.15	Net incurred claims (Lines 2.10 + 2.11 + 2.12 - 2.13 - 2.14)	LA	1,941,302	0	0	0	5,420	134,118	2,080,840
02.2	Direct claim liability current year (direct claims incurred)	LA	899,977	0	0	0	7,503	23,108	930,588
02.3	Direct claim liability prior year (direct claims incurred)	LA	1,642,620	0	0	0	11,551	28,447	1,682,618
02.4	Direct claim reserves current year (direct claims incurred)	LA	0	0	0	0	0	4,738	4,738
02.5	Direct claim reserves prior year (direct claims incurred)	LA	0	0	0	0	0	0	0
02.6	Direct contract reserves current year (direct claims incurred)	LA	5,371	0	0	0	0	531,468	536,839

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02.7	Direct contract reserves prior year (direct claims incurred)	LA	5,045	0	0	0	0	549,429	554,474
02.8	Incurred medical incentive pools and bonuses (Lines 2.8A + 2.8B - 2.8C) (direct claims incurred)	LA	0	0	0	0	0	0	0
02.8A	Paid medical incentive pools and bonuses current year	LA	0	0	0	0	0	0	0
02.8B	Accrued medical incentive pools and bonuses current year	LA	0	0	0	0	0	0	0
02.8C	Accrued medical incentive pools and bonuses prior year	LA	0	0	0	0	0	0	0
02.9	Net healthcare receivables (Lines 2.9A - 2.9B) (direct claims incurred)	LA	0	0	0	0	0	0	0
02.9A	Healthcare receivables current year	LA	0	0	0	0	0	0	0
02.9B	Healthcare receivables prior year	LA	0	0	0	0	0	0	0
03	Fraud and abuse recoveries that reduced PAID claims in Line 2.1 above (informational only)	LA	134,433	0	0	0	465	7,765	142,663

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**2010 SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 3B - 216**  
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Line	State Code	Improve Health Outcomes	Activities to Prevent Hospital Readmissions	Improve Patient Safety and Reduce Medical Errors	Wellness and Health Promotion Activities	Total (Cols. 1 to 4)
01.1 HIT expenses (individual comprehensive coverage expenses)	LA	0	0	0	0	0
01.2 Other than HIT expenses (individual comprehensive coverage expenses)	LA	0	0	5,510	0	5,510
02.1 HIT expenses (small group comprehensive coverage expenses)	LA	0	0	0	0	0
02.2 Other than HIT expenses (small group comprehensive coverage expenses)	LA	0	0	0	0	0
03.1 HIT expenses (large group comprehensive coverage expenses)	LA	0	0	0	0	0
03.2 Other than HIT expenses (large group comprehensive coverage expenses)	LA	0	0	0	0	0
04.1 Subtotal HIT expenses (Lines 1.1 + 2.1 + 3.1)	LA	0	0	0	0	0
04.2 Subtotal other than HIT expenses (Lines 1.2 + 2.2 + 3.2)	LA	0	0	5,510	0	5,510
04.3 Total (Lines 4.1 + 4.2)	LA	0	0	5,510	0	5,510

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