

**2010 SUPPLEMENTAL HEALTH CARE EXHIBIT'S EXPENSE ALLOCATION REPORT -
 DESCRIPTION OF ALLOCATION METHODOLOGY - 217
 69477 - Time Ins Co**

	Line	Explanation
01	Description of allocation methodology	<p>QUALITY IMPROVEMENT EXPENSES AS DESCRIBED BELOW ARE FIRST ALLOCATED TO THE COMPANY'S INDIVIDUAL, EMPLOYER GROUP, AND OTHER PRODUCTS BASED ON DRIVERS ASSIGNED TO EACH COST CENTER WHERE THE EXPENSE WAS INCURRED. THESE PRODUCT-ASSIGNMENT DRIVERS ARE PRIMARILY DETERMINED BASED ON PERIODIC TIME STUDIES OF THE ACTIVITIES AND PRODUCTS BENEFITTING FROM THE SERVICES PROVIDED BY THOSE EMPLOYEES. IN SOME CASES SUCH AS TECHNOLOGY EXPENSES, THE PRODUCT-ASSIGNMENT DRIVER MAY BE EARNED PREMIUMS. THE EMPLOYER GROUP EXPENSES ARE ALLOCATED BETWEEN SMALL GROUP AND LARGE GROUP BASED ON DIRECT PREMIUMS EARNED. THE EXPENSES WITHIN EACH PRODUCT ARE THEN ALLOCATED TO STATES BASED ON PART 2, LINE 1.8 TOTAL DIRECT PREMIUMS EARNED. QUALITY IMPROVEMENT EXPENSES ARE ASSIGNED TO THE SPECIFIC LINES OF PART 3A IN ACCORDANCE WITH THE NAIC INSTRUCTIONS FOR THIS SUPPLEMENTAL EXHIBIT. THE EXPENSES ARE ALLOCATED TO THE COLUMNS 1 THROUGH 5 OF PART 3A AND 3B BASED ON ESTIMATES AS DESCRIBED BELOW. IN MOST CASES, THES</p>