



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

Arkansas Community Care, Inc.

NAIC Group Code 3681 3681 NAIC Company Code 12282 Employer's ID Number 20-2036444
(Current) (Prior)

Organized under the Laws of Arkansas, State of Domicile or Port of Entry Arkansas

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [] No []

Incorporated/Organized 01/31/2005 Commenced Business 01/01/2006

Statutory Home Office 10025 W Markham St., Suite 220, Little Rock , AR 72205
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 500 12th Street, Ste 350
(Street and Number)
Oakland , CA 94607, 510-832-0311
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 500 12th Street, Ste 350, Oakland , CA 94607
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 500 12th Street, Ste 350
(Street and Number)
Oakland , CA 94607, 510-832-0311
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.arcadianhealth.com

Statutory Statement Contact Stacy Elise Parsons, 510-817-1815
(Name) (Area Code) (Telephone Number)
sparsons@arcadianhealth.com, 510-817-1895
(E-mail Address) (FAX Number)

OFFICERS

CEO and President Robert Lawrence Fahlman CFO David Carl Buhler
Treasurer Kenneth Benjamin Zimmerman Secretary James Francis Novello #

OTHER

DIRECTORS OR TRUSTEES

Robert Lawrence Fahlman Chase Spencer Milbrandt Jeffrey Craig McManus

State of California SS:
County of _____

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.

Robert Lawrence Fahlman
CEO and President

Kenneth Benjamin Zimmerman
Treasurer

David Carl Buhler
CFO

Subscribed and sworn to before me this _____ day of _____

- a. Is this an original filing? Yes [] No []
b. If no,
1. State the amendment number.....
2. Date filed.....
3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	14,041,581		14,041,581	15,301,254
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$84,701 , Schedule E - Part 1), cash equivalents (\$0 , Schedule E - Part 2) and short-term investments (\$5,992,970 , Schedule DA)	6,077,670		6,077,670	8,134,415
6. Contract loans, (including \$ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets (Schedule BA)			0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	20,119,251	0	20,119,251	23,435,669
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	176,611		176,611	185,077
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	4,437,996	14,929	4,423,067	1,971,643
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	163,171	0	163,171	462,207
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans	2,434,099		2,434,099	1,240,642
18.1 Current federal and foreign income tax recoverable and interest thereon			0	42,230
18.2 Net deferred tax asset	796,645	209,240	587,405	601,346
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets (\$)	6,575	6,575	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	1,012,926		1,012,926	0
24. Health care (\$964,811) and other amounts receivable	1,533,384	549,891	983,493	497,556
25. Aggregate write-ins for other than invested assets	696,123	696,123	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	31,376,781	1,476,758	29,900,023	28,436,370
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	31,376,781	1,476,758	29,900,023	28,436,370
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Prepaid Expenses	694,969	694,969	0	0
2502. Non-Statutory Deposits	1,154	1,154	0	0
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	696,123	696,123	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$11,122 reinsurance ceded)	8,193,435	727,199	8,920,634	8,865,278
2. Accrued medical incentive pool and bonus amounts	294,515		294,515	475,504
3. Unpaid claims adjustment expenses.....	203,123		203,123	234,342
4. Aggregate health policy reserves.....			0	0
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance.....			0	0
9. General expenses due or accrued.....	350,254		350,254	446,880
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....	20,372		20,372	24,684
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	769,441		769,441	3,433,955
16. Derivatives.....			0	0
17. Payable for securities.....			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
20. Reinsurance in unauthorized companies.....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans.....			0	0
23. Aggregate write-ins for other liabilities (including \$ current).....	0	0	0	0
24. Total liabilities (Lines 1 to 23).....	9,831,140	727,199	10,558,339	13,480,643
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX		
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	13,469,452	13,469,452
29. Surplus notes.....	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	5,872,233	1,486,275
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$).....	XXX	XXX		
32.2 shares preferred (value included in Line 27 \$).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	19,341,685	14,955,727
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	29,900,024	28,436,370
DETAILS OF WRITE-INS				
2301.				
2302.				
2303.				
2308. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2309. Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above)	0	0	0	0
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	138,918	102,284
2. Net premium income (including \$ non-health premium income)	XXX	106,523,650	81,171,880
3. Change in unearned premium reserves and reserve for rate credits	XXX	0	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	106,523,650	81,171,880
Hospital and Medical:			
9. Hospital/medical benefits		45,470,669	38,081,130
10. Other professional services		16,198,339	5,994,573
11. Outside referrals	5,345,242	5,345,243	5,153,771
12. Emergency room and out-of-area	891,820	3,359,873	2,223,144
13. Prescription drugs		10,932,554	9,494,769
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts		498,972	859,397
16. Subtotal (Lines 9 to 15)	6,237,062	81,805,650	61,806,784
Less:			
17. Net reinsurance recoveries		293,384	445,132
18. Total hospital and medical (Lines 16 minus 17)	6,237,062	81,512,266	61,361,652
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 884,855 cost containment expenses		3,146,119	1,989,137
21. General administrative expenses		13,500,426	9,397,701
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)		0	0
23. Total underwriting deductions (Lines 18 through 22).....	6,237,062	98,158,811	72,748,490
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	8,364,839	8,423,390
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		611,445	673,671
26. Net realized capital gains (losses) less capital gains tax of \$		4,138	20,481
27. Net investment gains (losses) (Lines 25 plus 26)	0	615,583	694,152
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	8,980,422	9,117,542
31. Federal and foreign income taxes incurred	XXX	3,013,551	2,370,606
32. Net income (loss) (Lines 30 minus 31)	XXX	5,966,871	6,746,936
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	14,955,727	10,477,923
34. Net income or (loss) from Line 32.....	5,966,871	6,746,936
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....	21,224	(21,223)
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	(64,110)	(416,196)
39. Change in nonadmitted assets.....	159,212	(831,713)
40. Change in unauthorized reinsurance.....	0	0
41. Change in treasury stock.....	0	0
42. Change in surplus notes.....	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in.....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....	0	0
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....	(1,450,000)	(1,000,000)
47. Aggregate write-ins for gains or (losses) in surplus.....	(247,228)	0
48. Net change in capital and surplus (Lines 34 to 47).....	4,385,969	4,477,804
49. Capital and surplus end of reporting period (Line 33 plus 48)	19,341,696	14,955,727
DETAILS OF WRITE-INS		
4701. 2009 Audit Adjustments.....	(247,228)	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	(247,228)	0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	104,062,598	81,200,149
2. Net investment income	680,213	744,963
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	104,742,811	81,945,112
5. Benefit and loss related payments	81,338,863	61,514,673
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	17,967,847	12,791,621
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	2,971,321	2,412,836
10. Total (Lines 5 through 9)	102,278,031	76,719,130
11. Net cash from operations (Line 4 minus Line 10)	2,464,780	5,225,982
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,945,601	8,397,100
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	4,742
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,945,601	8,401,842
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,720,868	9,473,753
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,720,868	9,473,753
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	1,224,733	(1,071,911)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	1,450,000	1,000,000
16.6 Other cash provided (applied)	(4,296,256)	1,130,679
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(5,746,256)	130,679
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)	(2,056,743)	4,284,750
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	8,134,414	3,849,664
19.2 End of year (Line 18 plus Line 19.1)	6,077,671	8,134,414

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

--	--	--

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

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	106,523,650						106,523,650			
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	106,523,650	0	0	0	0	0	106,523,650	0	0	0
8. Hospital/medical benefits	45,470,669						45,470,669			XXX
9. Other professional services	16,198,339						16,198,339			XXX
10. Outside referrals	5,345,243						5,345,243			XXX
11. Emergency room and out-of-area	3,359,873						3,359,873			XXX
12. Prescription drugs	10,932,554						10,932,554			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	498,972						498,972			XXX
15. Subtotal (Lines 8 to 14)	81,805,650	0	0	0	0	0	81,805,650	0	0	XXX
16. Net reinsurance recoveries	293,384						293,384			XXX
17. Total medical and hospital (Lines 15 minus 16)	81,512,266	0	0	0	0	0	81,512,266	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ cost containment expenses	3,146,117						3,146,117			
20. General administrative expenses	13,500,425						13,500,425			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	98,158,808	0	0	0	0	0	98,158,808	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	8,364,842	0	0	0	0	0	8,364,842	0	0	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				0
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan	0			0
6. Title XVIII - Medicare	107,125,729		602,078	106,523,651
7. Title XIX - Medicaid	0			0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	107,125,729	0	602,078	106,523,651
10. Life	0			0
11. Property/casualty	0			0
12. Totals (Lines 9 to 11)	107,125,729	0	602,078	106,523,651

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

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	82,297,437						82,297,437			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	581,298						581,298			
1.4 Net	81,716,139	0	0	0	0	0	81,716,139	0	0	0
2. Paid medical incentive pools and bonuses	526,249						526,249			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	8,931,756	0	0	0	0	0	8,931,756	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	11,122	0	0	0	0	0	11,122	0	0	0
3.4 Net	8,920,634	0	0	0	0	0	8,920,634	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	294,515						294,515			
6. Net healthcare receivables (a)	1,057,237						1,057,237			
7. Amounts recoverable from reinsurers December 31, current year	163,171						163,171			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	8,865,278	0	0	0	0	0	8,865,278	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	8,865,278	0	0	0	0	0	8,865,278	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	475,504						475,504			
11. Amounts recoverable from reinsurers December 31, prior year	462,207						462,207			
12. Incurred Benefits:										
12.1 Direct	81,306,678	0	0	0	0	0	81,306,678	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	293,384	0	0	0	0	0	293,384	0	0	0
12.4 Net	81,013,294	0	0	0	0	0	81,013,294	0	0	0
13. Incurred medical incentive pools and bonuses	345,260	0	0	0	0	0	345,260	0	0	0

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

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

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	2,197,278						2,197,278			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	2,197,278	0	0	0	0	0	2,197,278	0	0	0
2. Incurred but Unreported:										
2.1 Direct	6,734,478						6,734,478			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	11,122						11,122			
2.4 Net	6,723,356	0	0	0	0	0	6,723,356	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	8,931,756	0	0	0	0	0	8,931,756	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	11,122	0	0	0	0	0	11,122	0	0	0
4.4 Net	8,920,634	0	0	0	0	0	8,920,634	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

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	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare	7,898,414	74,718,498	55,384	8,865,250	7,953,798	8,865,278
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	7,898,414	74,718,498	55,384	8,865,250	7,953,798	8,865,278
10. Healthcare receivables (a)	87,704	1,417,562			87,704	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	490,366	35,883	127,082	167,433	617,448	475,504
13. Totals (Lines 9 - 10 + 11 + 12)	8,301,076	73,336,819	182,466	9,032,683	8,483,542	9,340,782

(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)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	0	0	0	0	0
2. 2006	7,401	3,908	112	(13)	11,404
3. 2007	XXX	32,984	7,414	(35)	40,348
4. 2008	XXX	XXX	46,762	8,385	55,282
5. 2009	XXX	XXX	XXX	52,879	60,574
6. 2010	XXX	XXX	XXX	XXX	73,326

Section B - Incurred Health Claims - Title XVIII

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 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	0	0	0	0	0
2. 2006	10,810	4,212	112	(13)	11,404
3. 2007	XXX	41,655	7,644	(32)	40,348
4. 2008	XXX	XXX	55,728	8,860	55,335
5. 2009	XXX	XXX	XXX	61,742	60,757
6. 2010	XXX	XXX	XXX	XXX	82,369

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	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. 2006	14,584	11,404	870	7.6	12,274	84.2	0	0	12,274	84.2
2. 2007	50,532	40,348	3,375	8.4	43,723	86.5	0	0	43,723	86.5
3. 2008	67,746	55,282	1,947	3.5	57,229	84.5	2	0	57,231	84.5
4. 2009	81,172	60,574	2,080	3.4	62,654	77.2	180	4	62,838	77.4
5. 2010	107,126	73,337	3,177	4.3	76,514	71.4	9,033	199	85,746	80.0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

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

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	0	0	0	0	0
2. 2006	7,401	3,908	112	(13)	11,404
3. 2007	XXX	32,984	7,414	(35)	40,348
4. 2008	XXX	XXX	46,762	8,385	55,282
5. 2009	XXX	XXX	XXX	52,879	60,574
6. 2010	XXX	XXX	XXX	XXX	73,326

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	0	0	0	0	0
2. 2006	10,810	4,212	112	(13)	11,404
3. 2007	XXX	41,655	7,644	(32)	40,348
4. 2008	XXX	XXX	55,728	8,860	55,335
5. 2009	XXX	XXX	XXX	61,742	60,757
6. 2010	XXX	XXX	XXX	XXX	82,369

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	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. 2006	14,584	11,404	870	7.6	12,274	84.2	0	0	12,274	84.2
2. 2007	50,532	40,348	3,375	8.4	43,723	86.5	0	0	43,723	86.5
3. 2008	67,746	55,282	1,947	3.5	57,229	84.5	2	0	57,231	84.5
4. 2009	81,172	60,574	2,080	3.4	62,654	77.2	180	4	62,838	77.4
5. 2010	107,126	73,337	3,177	4.3	76,514	71.4	9,033	199	85,746	80.0

12.GT

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$) 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									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net)(Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page.....									
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)									

NONE

(a) Includes \$ 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 (\$ for occupancy of own building)		135,274	57,139		192,413
2. Salary, wages and other benefits	818,867	1,149,577	2,988,557		4,957,001
3. Commissions (less \$ ceded plus \$ assumed)			3,321,630		3,321,630
4. Legal fees and expenses		31,610	219,922		251,532
5. Certifications and accreditation fees		7,746	2,440		10,186
6. Auditing, actuarial and other consulting services		98,031	1,460,219		1,558,250
7. Traveling expenses		34,260	179,278		213,538
8. Marketing and advertising		12	1,120,782		1,120,794
9. Postage, express and telephone		135,336	188,980		324,316
10. Printing and office supplies		97,966	78,087		176,053
11. Occupancy, depreciation and amortization		309,624	149,303		458,927
12. Equipment		10,900	14,544		25,444
13. Cost or depreciation of EDP equipment and software			0		0
14. Outsourced services including EDP, claims, and other services		159,568	2,973,917		3,133,485
15. Boards, bureaus and association fees			0		0
16. Insurance, except on real estate		0	15,288		15,288
17. Collection and bank service charges		604	34,799		35,403
18. Group service and administration fees			289		289
19. Reimbursements by uninsured plans			0		0
20. Reimbursements from fiscal intermediaries			0		0
21. Real estate expenses			0		0
22. Real estate taxes		2,644	866		3,510
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			0		0
23.2 State premium taxes	0	2	1,257		1,259
23.3 Regulatory authority licenses and fees		2,621	483,961		486,582
23.4 Payroll taxes	65,988	75,715	234,547		376,250
23.5 Other (excluding federal income and real estate taxes)		4,504	1,419		5,923
24. Investment expenses not included elsewhere			0	50,974	50,974
25. Aggregate write-ins for expenses	0	5,270	(26,798)	0	(21,528)
26. Total expenses incurred (Lines 1 to 25)	884,855	2,261,264	13,500,426	50,974	(a) 16,697,519
27. Less expenses unpaid December 31, current year		203,123	350,254		553,377
28. Add expenses unpaid December 31, prior year		234,342	446,883		681,225
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	884,855	2,292,483	13,597,055	50,974	16,825,367
DETAILS OF WRITE-INS					
2501. ---Bad Debt Expense		4,782	3,054		7,836
2502. ---Charitable Contributions		488	699		1,187
2503. ---Misc Expense	0	0	(30,551)	0	(30,551)
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	5,270	(26,798)	0	(21,528)

(a) Includes management fees of \$ 4,664,583 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) 234,982	241,400
1.1 Bonds exempt from U.S. tax	(a) .....	.....
1.2 Other bonds (unaffiliated)	(a) 427,049	418,319
1.3 Bonds of affiliates	(a) .....	.....
2.1 Preferred stocks (unaffiliated)	(b) .....	.....
2.11 Preferred stocks of affiliates	(b) .....	.....
2.2 Common stocks (unaffiliated) .....	.....	.....
2.21 Common stocks of affiliates .....	.....	.....
3. Mortgage loans	(c) .....	.....
4. Real estate	(d) .....	.....
5. Contract Loans .....	.....	.....
6. Cash, cash equivalents and short-term investments	(e) 8,841	2,700
7. Derivative instruments	(f) .....	.....
8. Other invested assets .....	.....	.....
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	670,872	662,419
11. Investment expenses .....	.....	(g) 50,974
12. Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g) 0
13. Interest expense .....	.....	(h)
14. Depreciation on real estate and other invested assets .....	.....	(i)
15. Aggregate write-ins for deductions from investment income .....	.....	0
16. Total deductions (Lines 11 through 15) .....	.....	50,974
17. Net investment income (Line 10 minus Line 16) .....	.....	611,445
DETAILS OF WRITE-INS		
0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....	.....	0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....	.....	0

- (a) Includes \$ 15,516 accrual of discount less \$ 75,818 amortization of premium and less \$ 18,048 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 \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 1 accrual of discount less \$ 10,731 amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	1,160	0	1,160	0	0
1.1 Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2 Other bonds (unaffiliated)	2,978	0	2,978	21,220	0
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	0	0	0	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	4,138	0	4,138	21,220	0
DETAILS OF WRITE-INS					
0901. ....	.....	.....	.....	.....	.....
0902. ....	.....	.....	.....	.....	.....
0903. ....	.....	.....	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets			0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	14,929	5,301	(9,628)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0		0
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans			0
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset	209,240	259,409	50,169
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software			0
21. Furniture and equipment, including health care delivery assets	6,575	8,008	1,433
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivable from parent, subsidiaries and affiliates			0
24. Health care and other amounts receivable	549,891	598,353	48,462
25. Aggregate write-ins for other than invested assets	696,123	764,899	68,776
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,476,758	1,635,970	159,212
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. Total (Lines 26 and 27)	1,476,758	1,635,970	159,212
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501. Prepaid Expenses	694,969	764,745	69,776
2502. Non-Statutory Deposits	1,154	154	(1,000)
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	696,123	764,899	68,776

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	8,860	11,269	11,665	11,716	11,850	138,918
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	8,860	11,269	11,665	11,716	11,850	138,918
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

1. **Summary of Significant Accounting Policies**

A. Accounting Practices

For the purposes of this narrative the “end of the period” refers to December 31, 2010.

The accompanying financial statements of Arkansas Community Care, Inc. (“The Company”) have been prepared in conformity with the Statutory Accounting Practices (“SAP”) set forth in the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual*, version effective March 2010.

The Arkansas Insurance Department (“ARDOI”) requires that insurance companies domiciled in Arkansas prepare their statutory basis financial statements in accordance with NAIC SAP to the extent that the practices and procedures contained in the manual do not conflict with any other provisions of Arkansas Insurance Code. Title 23, subtitle of the Arkansas Insurance Code contains differences from NAIC SAP. These sections that supersede the NAIC SAP rules pertain primarily to limitations on investments, and reserve requirements. The differences between the ARDOI requirements and the NAIC requirements did not result in differences in financial results.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements as prescribed by SAP 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

Investments

Investments are stated in accordance with methods and values adopted by the NAIC and, as such, bonds are generally stated at amortized cost. The retrospective method is used to value mortgage-backed securities. Premiums and discounts on fixed maturity investments are accreted to income using the scientific method over the anticipated life of the security. Short-term investments and U.S. Treasury Bills are carried at amortized cost, which approximates fair market value. Market values are determined using prices published by the NAIC Securities Valuation Office (“SVO”), IDC or Bloomberg. Residential mortgage-backed securities with an NAIC rating below a 2 are carried at market value as of the statement date. The value of these securities are calculated in accordance with SSAP 43R.

Net investment income earned consists of interest less investment related expense. Interest is recognized on an accrual basis. Realized gains or losses on the sale of investments are determined on the specific identification method. Unrealized gains or losses are reflected directly in unassigned surplus and, accordingly, do not affect the statements of income.

Cash and Short-Term Investments

Cash includes balances held in banks and certificates of deposit with maturities of less than one year. Investments which have a maturity of one year or less, at the date of purchase, including money market mutual funds, are considered short-term investments and are carried at cost or amortized cost.

Other Accounting Policies

Unpaid claims 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 yet reported. Such estimates are based on assumptions and while management believes the amount to be adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and establishing the resulting liabilities are continually reviewed and adjustments are reflected in the period determined.

Expenses incurred in connection with acquiring new insurance business, with the exception of broker commissions, are charged to operations as incurred. Broker commissions are carried as prepaid assets until the member’s effective date, at which point it is expensed to operations.

2. **Accounting Changes and Correction of Errors**

There have been no changes since the 2009 annual filing.

3. **Business Combinations and Goodwill**

A, B, C & D. Not Applicable

4. **Discontinued Operations**

Not Applicable

5. **Investments**

A, B & C. Not Applicable

D. The Company currently has no other-than-temporarily impaired loan-backed securities. All lower rated mortgage securities have been tested and there is no case where the cash flows are less than the amortized cost. However, securities that meet these criteria would be handled as follows. Any loan-backed security rated NAIC6 would be considered impaired if the present value of discounted future cash flows were less than amortized cost. Bloomberg or Intex cash flows would be used and default rates and severities assumed as the actual values of the last six months. These assumptions are conservative due to the significant issues experienced with mortgage loans during this period.

E, F & G. Not Applicable

6. **Joint Ventures, Partnerships and Limited Liability Companies**

A & B. Not Applicable

7. **Investment Income**

At the end of the period the Company reported net investment income due and accrued of \$176,611, all of which has been admitted.

8. **Derivative Instruments**

A – F. Not Applicable

9. **Income Taxes**

A. The Company has deferred tax assets as follows:

	<u>2010</u>	<u>2009</u>
Total deferred tax assets	\$796,644	\$860,755
Non-admitted deferred tax assets	(209,240)	(259,409)
Valuation allowance	-	-
Admitted deferred tax assets	<u>\$587,404</u>	<u>\$601,346</u>

B. Not Applicable

C. The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Deferred tax asset			
Depreciation and amortization	253,254	277,850	(24,596)
Unpaid losses and LAE	525,064	526,603	(1,539)
Unearned premiums	(420)	-	(420)
Accruals and reserves	21,565	56,366	(34,801)
Net operating loss carry forwards	-	-	-
Other	(2,819)	(64)	(2,755)
Total deferred tax assets	796,644	860,755	(64,111)
Non-admitted deferred tax assets	(209,240)	(259,409)	50,169
Net deferred tax assets	587,404	601,346	(13,942)

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before federal income taxes. The significant items causing this difference are as follows:

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Income (Loss) before taxes	8,980,417		9,117,542	
US Tax at statutory rate	3,053,342	34.00%	3,099,964	34.00%
Expenses deducted on books but not on return	1,237	0.01%	(313,161)	-3.43%
Deferred tax	(11,713)	-0.13%	(369,613)	-4.05%
Change in valuation allowance		0.00%		0.00%
Change in non-admitted deferred tax	(29,315)	-0.33%	(46,584)	-0.51%
Current Tax expense (benefit)	3,013,551	33.56%	2,370,606	26.00%

E. At the end of the period the Company did not have any operating loss carry-forwards

F. The Company's federal income tax return is consolidated with Arcadian Management Services, Inc. ("AMS"), Arcadian Health Plan, Inc. ("AHP"), Arcadian Health Plan of Georgia, Inc. ("AHPGA"), Arcadian Health Plan of Louisiana, Inc. ("AHPLA") Arcadian Health Plan of North Carolina, Inc. ("AHPNC") and Arcadian Health Plan of New York, Inc. ("AHPNY"). The agreement established among the companies is to use a pure separate company approach with no current credit for any net operating losses or other items utilized in the consolidated tax return. This arrangement is discussed further in Note 10.F.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is owned 60% by AHP and 40% by AMS. The Company was granted a Certificate of Authority by the Arkansas Insurance Commissioner on March 21, 2005.

B & C. The Company paid common stock dividends as discussed in Note 13.4.

D. At the end of the period, the Company had the following receivables and payables, net from its parent and affiliated companies:

	<u>Receivable</u>	<u>Payable</u>
AMS	-	\$769,441
AHP	\$1,003,226	-
AHPGA	9,700	-
AHPNY	-	292
Total		
Receivable/Payable	\$1,012,926	\$769,733

Included in the amount due to AMS are management fees and general and administrative expenses (see note 10.F, paragraph 2).

The terms of all intercompany agreements amongst the affiliates require that these balances be settled within 30 days.

E. Not Applicable

F. AMS provides certain services to the Company under an Administrative Services Agreement. Those services include enrollment processing, claims processing, professional credentialing, information technology, treasury, financial and tax services. A new service contract was approved and went in to effect in 2010. The compensation under the contract is based on actual costs incurred by AMS related to the services supplied. The total amount of compensation under this contract was \$4,664,583 as of the end of the period.

All of the departmental costs associated with finance/accounting, health/member/physician services, pharmacy management, corporate sales, regulatory compliance, and new market development are originally recorded on the books of AHP and then allocated to the company's subsidiary and affiliates based on membership (enrollment). The costs being allocated include the salaries, bonuses, expenses, and benefits of all employees that are listed as AHP employees that perform job functions for AHP, ACC, AHPGA, AHPLA, AHPNC and AHPNY. Other costs that are allocated to the subsidiary and affiliate health plans include, but are not limited to: postage, utilities, general consulting and legal fees, temporary help and employee recruitment for the previously mentioned departments, as well as office supplies and depreciation on office furniture/equipment, software licenses, and overhead costs associated with overall design and production of health plan marketing materials. The total amount of costs allocated to the Company under this agreement was \$5,043,256 as of the end of the period.

The Company remits current federal income taxes to its parent, AMS' under a tax allocation agreement which became effective on January 1, 2009. This agreement permits the Company to remit taxes to its parent that would otherwise be payable to the federal government if taxes were calculated on a single-entity basis. AMS files a consolidated federal income tax return in which income generated by the Company is sheltered by subsidiary, affiliate and parent company losses.

G. 60% of the outstanding shares of the Company are owned by AHP, a health maintenance organization domiciled in Washington. The remaining 40% is owned by AMS, a management services organization domiciled in Delaware.

H, I, J & K. Not Applicable.

11. Debt

A. AMS, the holding company of the Company, has the following debt obligations as of the end of the period:

Arcadian Management Services, Inc.	Amount
Short-Term Debt Summary	
Morgan Stanley Senior Funding; plus accrued interest of \$9,590,861	\$22,593,664
Morgan Stanley Dean Witter Venture Partners IV, LP; plus accrued interest of \$5,493,390	1,400,000
Various stockholders; plus accrued interest of \$77,305	3,340,000
Three Arch Partners loans; plus accrued interest of \$11,637,854	15,000,000
Notes payable (not including short term interest listed above)	1,500,000
Total short-term debt	\$43,833,664

In 2004, AMS borrowed a total of \$3,000,000 from its then Chief Executive Officer and Senior Vice President of Finance. Warrants for 75,000 shares were issued in connection with this funding at \$1.00 per share. These warrants were exercised in 2005 and 2006 and there were no outstanding warrants as of the current period. The debt (including accrued interest) was originally due on August 17, 2008. However, as of November 27, 2006, this debt was subordinated to the Three Arch Partners debt (discussed below), effectively extending the due date to July, 2011.

	<u>Amount</u>	<u>Interest Rate</u>
(Former) Chief Executive Officer	\$ 1,070,000	32.5%
Senior Vice President of Finance	430,000	32.5%
Total Notes Payable	\$ 1,500,000	

On February 7, 2007, AMS entered into an agreement with Morgan Stanley Senior Funding for a \$20.0 million loan. The loan was originally a three-year facility with interest accruing at LIBOR rates plus 7%, with both principal and interest due at the end of three years. The loan is secured by the stock of AMS and its subsidiaries and included a warrant for 108,973 shares of common stock exercisable immediately after the close. The warrants were valued at fair market value of \$432,537 and this amount was treated as a discount to the note and as an addition to paid in capital. The discount has been fully amortized as of the current period.

On December 17, 2009 AMS amended the loan agreement with Morgan Stanley which resulted in the maturity date for the loan being extended to October 8, 2010. The loan maturity date was further extended on October 8, 2010, December 7, 2010, December 14, 2010, December 21, 2010, January 13, 2011 and February 28, 2011. The maturity date as of the last extension is March 15, 2011. The December 17, 2009 amendment changed the interest rate on the loan to 19%, 10% of which is due and payable in cash at the end of each month. The remaining 9% of interest is due on the revised maturity date. The December 7th, 2010 agreement added a minimum liquidity covenant to the loan agreement. The Company is required to maintain not less than \$3.0 million in cash in accounts subject to control agreements in favor of Morgan Stanley & Co. The December 14, 2010 agreement changed the monthly cash interest payments from 10% to 19%.

The amendments to the loan agreement with Morgan Stanley resulted in three separate charges totaling \$1,507,638 as of the end of the period of which, \$933,948 was converted to debt obligations and included in the outstanding principle and \$643,690 was expensed.

On February 7, 2007, AMS entered into an agreement with Morgan Stanley Senior Funding for a \$20.0 million loan. The loan was originally a three-year facility with interest accruing at LIBOR rates plus 7%, with both principal and interest due at the end of three years. On December 17, 2009 AMS amended the loan agreement with Morgan Stanley which resulted in the maturity date for the loan being extended to October 8, 2010. The loan maturity date was further extended on October 8, 2010, December 7, 2010, December 14, 2010, December 21, 2010, and January 13, 2011. The maturity date as of the last extension is January 28, 2011. The December 17, 2009 amendment changed the interest rate on the loan to 19%, 10% of which is due and payable at the end of each month. The remaining 9% of interest is due on the revised maturity date. The December 10, 2010 agreement added a minimum liquidity covenant to the loan agreement. The Company is required to maintain not less than \$3,000,000 in cash in accounts subject to control agreements in favor of Morgan Stanley & Co. The December 14, 2010 agreement changed the monthly interest payments from 10% to 19%

The amendments to the loan agreement with Morgan Stanley resulted in three separate charges totaling \$1,507,638 as of the end of the period of which, \$933,948 was converted to debt obligations and included in the outstanding principle and \$643,690 was expensed.

On July 5, 2007, AMS entered into agreements with Three Arch Partners for \$15.0 million in loans. The loans are four-year facilities with interest accruing at LIBOR plus 16.5%, with both principal and interest due at the end of four years. The current interest rate on the loan is 21.89%. The loans are secured by the stock of AMS and its subsidiaries. The security interest is a second lien subordinate to the agreement with Morgan Stanley Senior Funding.

On May 23, 2008 AMS entered into agreements with Morgan Stanley Dean Witter Venture Partners IV, LP and various stockholders for \$4.74 million in loans. The loans are six month facilities with interest accruing at 22.5% for the first six months. Pursuant to the original agreement, the maturity date was automatically extended for six month periods until the earlier of a private placement debt offering or October 31, 2010. The loan agreement was amended on October 1, 2010 and again on January 20, 2011 to extend the loan maturity date to March 31, 2011. Per the terms of the loan, the interest rate beyond the first six-month

anniversary date was increased to 32.5% for the remaining term of the facility beginning November 1, 2008. There are no warrants associated with this facility. The security interest is fully perfected in all existing and after-acquired assets of AMS and any unrestricted subsidiaries.

The schedule of maturities on debt is as follows:

Year of Maturity	Morgan Stanley	Three Arch	Notes Payable	Morgan Stanley		Total
				Dean Witter	Various Stockholders	
2010	22,593,664	15,000,000	1,500,000	1,400,000	3,340,000	43,833,664
Thereafter	-	-	-	-	-	-
Total	22,593,664	15,000,000	1,500,000	1,400,000	3,340,000	43,833,664

No events of default have occurred with respect to any of AMS's debt agreements as of the end of the period. Additionally, the company was in compliance with all debt covenants as of the end of the period.

The January 13, 2011 and February 28, 2011 extensions obtained on the Morgan Stanley Senior Funding loan agreement with AMS, resulted in \$509,507 in additional loan fees incurred and expensed on the books of AMS in 2011.

B. Not applicable.

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

A, B & C. Not applicable.

D. The Company participates in a qualified, 401(k) plan sponsored by its parent company, AMS. All employees with three or more months of service are eligible for a Company match of up to 5% of their annual income that is contributed to the plan. Employer match contributions are made on a quarterly basis, with a true up performed following the plan year. The liability for this contribution is reflected in the balance of the amounts withheld on or retained for the account of others on page 3 of this filing. The Company's employer match liability at the end of the period is \$10,190.

The 401(k) plan is administered by Fidelity Investments and therefore the Company assumes none of the liabilities associated with its administration.

E. The Company accrues a liability for paid time off for its employees on a monthly basis. The liability for compensated absences can be reasonably estimated and is reflected as part of the general expenses due and accrued on page 3 of this filing.

F. Not applicable.

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

1. The Company has 10 shares authorized and 5 shares issued and outstanding of \$0.01 par value common stock as of the current period.

2. Not Applicable

3. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Arkansas, to the greater of 10% of insurer's equity or the net income, excluding realized capital gains, as of previous December 31st.

4. The Company paid has paid out the following dividends since its inception:

<u>Year of Issuance</u>	<u>Ordinary</u>	<u>Extraordinary</u>
2009	1,000,000	-
2010	1,450,000	-
Cumulative	2,450,000	-

5. Within the limitations of (13.3) above, there are no restrictions placed on the portion of the Company profits that may be paid as ordinary dividends to stockholder.

6, 7, 8 & 9. Not Applicable.

10. Unassigned surplus includes an increase of \$21,224 from the sale of a bond (CUSIP 02635P-TD-5). The unrealized gain recorded in 2010 is an offset of a corresponding unrealized loss associated with this security recorded in 2009.

11, 12 & 13. Not Applicable.

14. **Contingencies**

A - E. Not Applicable.

15. **Leases**

A. The Company leases office equipment under various non-cancelable operating agreements that expire on, or before 2013. In addition, the Company has entered into a lease for office space that expires in 2013. Total equipment and rental expenses related to lease payments was \$70,615 as of the end of the period.

As of the end of the period, the Company has the following aggregate non-cancelable lease commitments:

Aggregate Lease Commitments	
Year	Amount
2011	\$70,047
2012	69,831
2013	25,069
2014	-
2015	-
Total	\$164,947

B. Leasing is not a significant part of the Company's business activities in terms of revenue, net income or assets.

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

1, 2, 3 & 4. Not Applicable

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

A, B & C. Not Applicable

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

A. ASO Plans - Not applicable

B. ASC Plans – Not applicable

C. Medicare Plans – Low Income Cost Sharing (“LICS”) reconciliation payable.

The Company receives LICS advance payments from the Center of Medicare and Medicaid Services (“CMS”) on a monthly basis. These payments represent the difference in dollar

amount that CMS pays on behalf of low income beneficiaries for their prescriptions versus non-low income beneficiaries. It is paid to the Company on a prospective basis. Plans are paid dollar for dollar for the low income subsidy cost sharing, and since plans are paid prospectively, an annual reconciliation will be performed. The difference between the actual LICS pharmacy costs incurred for the 2010 plan service year and the advance payments received will be recognized as a payable (if advance payments are higher than costs) or a receivable (if advance payments are less than costs), and settled with CMS approximately six-months after year end.

The Company receives Reinsurance advance payments from CMS on a monthly basis. These payments represent the anticipated catastrophic coverage amounts that CMS will cover as projected in bids for all the Company's beneficiaries. The Company tracks the catastrophic spend amounts, also known as Actual Reinsurance Subsidy, which is 80 percent of allowable drug costs above the out-of-pocket threshold, net of any other remuneration (e.g., rebates, coupons, discounts collectively referred to as direct and indirect remuneration), spent within the plan for the benefit year. Reinsurance reconciliation is the difference between the sum of all prospective reinsurance payments received for the coverage year and the actual Reinsurance subsidy amount within the same coverage year. CMS will collect the amount of Reinsurance dollars that exceed subsidized Reinsurance amounts. Conversely, CMS will pay the difference in the final reconciliation if the Reinsurance subsidy is less than the Reinsurance amounts received.

At the end of the period, the Company's receivables related to LICS and Reinsurance were \$1,664,765 and \$769,334, respectively.

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

Not Applicable

20. **Fair Market Value Measurement**

A, B, C & D. Not Applicable

21. **Other Items**

A – G. Not Applicable

22. **Events Subsequent**

Not applicable.

23. **Reinsurance**

A. Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% of controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the Company?

Yes () No (X)

(2) Have any policies issued by the Company been reinsured with a company chartered in a country other than United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes () No (X)

A. Section 2 – Ceded Reinsurance Report – Part A

(1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for non-payment of premium or other similar credit?

Yes () No (X)

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

A. Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected on Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of business reinsured in making this estimate. \$ 163,171

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes () No (X)

B. Uncollectible Reinsurance – Not Applicable (None)

C. Commutation of Ceded Reinsurance – Not Applicable (None)

24. **Retrospectively Rated Contracts & Contracts Subject to Redetermination**

A. The Company estimates accrued retrospective premium adjustments through a mathematical approach using an algorithm provided by CMS in the *CMS Prescription Drug Event Data Training Participant Guide*.

B. The Company records accrued retrospective premium as an adjustment of earned premium.

C. The amount of net premiums written by the Company at the end of the period that are subject to retrospective rating features was \$1,089,353 that represented 1.02% of the total net premiums written. No other premiums written by the Company are subject to retrospective rating features.

25. **Change in Incurred Claims and Claim Adjustment Expenses**

Reserves as of December 31, 2009 were \$9,575,124. As of the end of the period \$8,535,418 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$182,466 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on the Company's Medicare Advantage line of business. Therefore, there has been an \$857,240 favorable prior-year development since December 31, 2009 to the end of the period. The 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.

26. **Intercompany Pooling Arrangements**

A – G. Not Applicable

27. **Structured Settlements**

Not Applicable

28. **Health Care Receivables**

A. Pharmaceutical Rebate Receivables – The Company booked pharmacy rebates for prior years expenses that it expects to receive from its pharmaceutical vendor. Total pharmaceutical rebate receivables at the end of the period are \$444,708.

In addition, the Company had incurred pharmacy claims on members that were subsequently transferred to other health plans by CMS. Pursuant to Medicare Part D reimbursement regulations, the Company is able to bill the other plans for these claims and report any non-payment to CMS after 30-days. Accordingly, the Company has admitted a net receivable for plan to plan receivables of \$849 as of the end of the period.

B. Risk Sharing Receivables – Risk sharing can fluctuate between a liability (reported on page 3, line 4 of the financials) or an asset (reported on page 2, line 23 of the financials). CMS advances funds to the Company for pharmacy expenses based on bids submitted by the Company in the previous year. A portion of the difference between actual pharmacy expenses paid and the amounts received from CMS is listed as either a payable or receivable and is settled up with CMS the following year. The Company’s risk sharing receivable from CMS at the end of the period was \$519,190.

C. Other – (Claims Receivable Due from Providers and A/R –P2P)

The Company paid medical and hospital claims on members that were subsequently terminated retroactively by CMS. As most of the claims paid were with contracted providers, the Company is able to seek reimbursement from the providers for these non-eligible members’ claims per provisions of the contracts. The receivable is recorded when billed and an allowance for doubtful accounts is provided based on historical collection rates and other factors. The Company did not admit a receivable due from providers at the end of the period.

As of the end of the period, the Company had a receivable, net of allowances for doubtful accounts and over 90-day non-admitted, due from its agents of \$18,682. This receivable is driven primarily by commissions paid on retroactively terminated members. The Company expects that it will be able to fully recover these agent balances as it will be able to offset them against its ongoing payment of retention and renewal commissions.

29. **Participating Policies**

Not Applicable

30. **Premium Deficiency Reserves**

Not Applicable

31. **Anticipated Salvage and Subrogation**

Not Applicable

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? Arkansas
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No []
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2010
- 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. 12/31/2007
- 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). 09/26/2008
- 3.4 By what department or departments?
Arkansas Department of Insurance
- 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 []
- 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 []
- 7.2 If yes,
7.21 State the percentage of foreign control; 0.0 %
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 or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

GENERAL INTERROGATORIES

- 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?
Ernst & Young LLP
18111 Von Karman Ave. Ste 1000
Irvine, CA 92612-1007
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
.....
- 10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
.....
- 10.5 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
- 10.6 If the response to 10.5 is yes, provide information related to this exemption:
.....
- 10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
- 10.8 If the response to 10.7 is no or n/a, please explain
.....
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Glenn Geise, Principal/employee
Oliver Wyman Consulting Actuaries
411 E. Wisconsin Ave., Suite 1600
Milwaukee, WI 53202-4419
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 12.11 Name of real estate holding company
12.12 Number of parcels involved 0
12.13 Total book/adjusted carrying value \$ 0
- 12.2 If, yes provide explanation:
.....
- 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
.....
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is No, please explain:
.....
- 14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
.....
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
.....

GENERAL INTERROGATORIES

BOARD OF DIRECTORS

15. 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 No
16. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes No
17. 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 with the official duties of such person? Yes No

FINANCIAL

18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes No
- 19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----------|---|
| | 19.11 To directors or other officers..... | \$ | 0 |
| | 19.12 To stockholders not officers..... | \$ | 0 |
| | 19.13 Trustees, supreme or grand (Fraternal Only) | \$ | 0 |
- 19.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----------|---|
| | 19.21 To directors or other officers..... | \$ | 0 |
| | 19.22 To stockholders not officers..... | \$ | 0 |
| | 19.23 Trustees, supreme or grand (Fraternal Only) | \$ | 0 |
- 20.1 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
- 20.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|---------------------------------|----------|---|
| | 20.21 Rented from others..... | \$ | 0 |
| | 20.22 Borrowed from others..... | \$ | 0 |
| | 20.23 Leased from others..... | \$ | 0 |
| | 20.24 Other | \$ | 0 |
- 21.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
- 21.2 If answer is yes:
- | | | | |
|--|---|----------|---|
| | 21.21 Amount paid as losses or risk adjustment \$ | \$ | 0 |
| | 21.22 Amount paid as expenses | \$ | 0 |
| | 21.23 Other amounts paid | \$ | 0 |
- 22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$1,012,926

INVESTMENT

- 23.1 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 23.3)..... Yes No
- 23.2 If no, give full and complete information relating thereto
.....
- 23.3 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 17 where this information is also provided)
.....
- 23.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs. \$
- 23.6 If answer to 23.4 is no, report amount of collateral for other programs. \$
- 23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A
- 23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A
- 23.9 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes No N/A

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

GENERAL INTERROGATORIES

24.1 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 20.1 and 23.3) Yes [X] No []

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

24.21 Subject to repurchase agreements	\$	0
24.22 Subject to reverse repurchase agreements	\$	0
24.23 Subject to dollar repurchase agreements	\$	0
24.24 Subject to reverse dollar repurchase agreements	\$	0
24.25 Pledged as collateral	\$	0
24.26 Placed under option agreements	\$	0
24.27 Letter stock or other securities restricted as to sale	\$	0
24.28 On deposit with state or other regulatory body	\$	748,053
24.29 Other	\$	0

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

26.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

26.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

27. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

27.01 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
Morgan Keegan	

27.02 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)
Bank of the West	Oakland, CA	Unable to obtain safekeeping agreement due to the nature of the overnight investment nature of the account.

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year? Yes [] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
112629	Parkway Advisors LLP	6550 Directors Parkway Abilene, TX 79606

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

GENERAL INTERROGATORIES

- 28.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [] No [X]
- 28.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
28.2999 - Total		0

- 28.3 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

29. 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 (+)
29.1 Bonds	20,114,775	20,297,178	182,403
29.2 Preferred stocks	0		0
29.3 Totals	20,114,775	20,297,178	182,403

- 29.4 Describe the sources or methods utilized in determining the fair values:
-

- 30.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

- 30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [X]

- 30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
NAIC, IDC or Bloomberg

- 31.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

- 31.2 If no, list exceptions:
.....

GENERAL INTERROGATORIES

OTHER

32.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$0

32.2 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

33.1 Amount of payments for legal expenses, if any?\$113,786

33.2 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
Sheppard Mullin	28,615
Sonnenschein Nath & Rosenthal LLP	33,821

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$0

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

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only. \$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above \$ 0

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	106,523,650	81,171,880
2.2 Premium Denominator	106,523,650	81,171,880
2.3 Premium Ratio (2.1/2.2)	1.000	1.000
2.4 Reserve Numerator	9,215,149	9,340,782
2.5 Reserve Denominator	9,215,149	9,340,782
2.6 Reserve Ratio (2.4/2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical \$ 255,000

5.32 Medical Only \$ 0

5.33 Medicare Supplement \$ 0

5.34 Dental & Vision \$ 0

5.35 Other Limited Benefit Plan \$ 0

5.36 Other \$ 0

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

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []

7.2 If no, give details
1.Contractual Obligations of Contracted Providers

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 9,221

8.2 Number of providers at end of reporting year 4,055

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months.. \$ 0

9.22 Business with rate guarantees over 36 months \$ 0

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [X] No []
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses.....\$2,757,441
 - 10.22 Amount actually paid for year bonuses.....\$426,448
 - 10.23 Maximum amount payable withholds.....\$0
 - 10.24 Amount actually paid for year withholds.....\$0

- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes [] No [X]
 - 11.13 An Individual Practice Association (IPA), or, .. Yes [] No [X]
 - 11.14 A Mixed Model (combination of above)? Yes [] No [X]

- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []
- 11.3 If yes, show the name of the state requiring such net worth. Arkansas
- 11.4 If yes, show the amount required.\$3,648,454
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation
Authorized Control Level RBC

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

1 Name of Service Area
ARKANSAS – Benton, Boone, Carroll, Clark, Cleburne, Columbia, Conway, Crawford, Franklin, Garland, Hempstead, Hot Spring, Howard, Independence, Johnson, Lafayette, Little River, Logan, Lonoke, Madison, Miller, Montgomery, Nevada, Ouachita, Perry, Pike, Polk, Pope, Pulaski, Saline, Sebastian, Sevier, Scott, Sharp, Stone, Washington, White, Yell counties
TEXAS – Bowie, Cass, Red River, Titus counties
OKLAHOMA – Adair, Delaware, Haskell, Le Flore, McCurtain, Pushmataha, Sequoyah

- 13.1 Do you act as a custodian for health savings accounts? Yes [] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date.\$0
- 13.3 Do you act as an administrator for health savings accounts? Yes [] No [X]
- 13.4 If yes, please provide the balance of funds administered as of the reporting date.\$0

**GENERAL INTERROGATORIES PART 2
RESPONSE TO QUESTION 6**

1) Reinsurance

Arkansas Community Care, Inc ("the Company") obtained reinsurance through HCC Life Insurance Company for catastrophic loss cases with the following terms: Two hundred thousand dollars (\$200,000) deductible per member with ninety percent (90%) reimbursement thereafter up to a two million dollar (\$2,000,000) contract year maximum. In the event of the insolvency of the Company all Reinsurance will be payable directly to the liquidator, receiver, or statutory successor of the Company, on the basis of the liability of the Company with regard to its contract with HCC Life Insurance Company, without diminution due to the insolvency of the Company.

2) Contractual Obligations of Contracted Providers

- a. Hospital Contracts for Inpatient Services: the Company has contracts with several area hospitals that specify that the hospitals have the responsibility to treat all patients of the Company based on agreed upon fee arrangements. As a Medicare Advantage health plan, the Company's maximum compensation is limited to contracted rates, or one hundred percent (100%) of the then current allowable Medicare rate for the service area for non-contracted hospitals. Included within the contract are the following provisions regarding insolvency:
- i. No Billing of Members (Member Hold Harmless Provision): Hospital hereby agrees that in no event, including, without limitation, non-payment by the Company, the Company's insolvency or breach of this Agreement, shall Hospital or any of its Hospital Providers bill, charge, collect a deposit from, seek compensation, remuneration, or reimbursement from, or have any recourse against a Member or person, other than the Company, acting on his or her behalf, for services provided pursuant to this Agreement except for non-covered services where an Advanced Beneficiary Notice was obtained or those services which are a specific exclusion from the Medicare program. This provision shall not prohibit collection of deductibles, Copayments, co-insurance and/or non-Covered Services, which have not otherwise been paid by a primary or secondary carrier in accordance with regulatory standards for coordination of benefits, from Members in accordance with the terms of the Member's Subscriber Agreement and Evidence of Coverage. Hospital and its Hospital Providers shall not maintain any action at law or equity against a Member to collect sums owed by the Company to Hospital. Upon notice of any such action, the Company may terminate this Agreement as provided above and take all other appropriate action consistent with the terms of this Agreement to eliminate such charges, including, without limitation, requiring Hospital and its Hospital Providers to return all sums collected as surcharges from Members or their representatives. For purposes of this Agreement, "Surcharges" are additional fees for Covered Services which are not disclosed to Members in the Subscriber Agreement and Evidence of Coverage, are not allowable Copayments and are not authorized by this Agreement. Nothing in this Agreement shall be construed to prevent Hospital from providing non-Covered Services on a usual and customary fee-for-service basis to Members.
 - ii. Hospital or its Hospital Providers may not bill the Member for Hospital Services (except for deductibles, Copayments, co-insurance) where the Company denies payments because Hospital has failed to comply with the terms of this Agreement.
- b. Obligations if the Company Ceases Operating or Termination of Agreement for Nonpayment. Notwithstanding any other provisions of this Agreement, Hospital agrees that in the event the Company ceases operations for any reason, including insolvency, Hospital and its Hospital Providers shall provide or arrange Hospital Services and shall not bill, charge, collect or receive any form of payment from any Member for Hospital Services provided after the Company ceases operations. This continuation of Hospital Services obligation shall be for those Members who are hospitalized on an inpatient basis as provided below.
- i. In the event the Company ceases operations or Hospital terminates this Agreement on the basis of the Company's failure to make timely payments, Hospital and its Hospital Providers shall continue to provide or arrange for Hospital Services to those Members who are hospitalized on an inpatient basis at the time the Company ceases operations or Hospital terminates this Agreement until such Members are discharged from the

hospital. Hospital shall not bill, charge, collect or receive any form of payment from any Member for such Covered Services.

3) Physician and Provider Contracts

- a. Physician & Provider Contracts for Inpatient Services: The Company has contracts with local providers that specify that the providers have the responsibility to treat all patients of the Company based on agreed upon fee arrangements. As a Medicare Advantage health plan, the Company's maximum compensation is limited to contracted rates or one hundred percent (100%) of the then current Medicare allowable rate for the hospital service area for non-contracted providers. Included within the contract are the following provisions regarding potential the Company insolvency:
 - i. No Billing of Members (Member Hold Harmless Provision): Provider Group and its Participating Providers hereby agrees that in no event, including, without limitation, non-payment by the Company, the Company's insolvency or breach of this Agreement, shall Provider Group and its Participating Providers bill, charge, collect a deposit from, seek compensation, remuneration, or reimbursement from, or have any recourse against a Member or person, other than the Company, acting on his or her behalf, for Covered Services provided pursuant to this Agreement. This provision shall not prohibit collection of deductibles, Copayments, co-insurance and/or non-Covered Services, which have not otherwise been paid by a primary or secondary carrier in accordance with regulatory standards for coordination of benefits, from Members in accordance with the terms of the Member's Subscriber Agreement and Evidence of Coverage. Provider Group and its Participating Providers shall not maintain any action at law or equity against a Member to collect sums owed by the Company to Provider Group and its Participating Providers. Upon notice of any such action, the Company may terminate this Agreement as provided above and take all other appropriate action consistent with the terms of this Agreement to eliminate such charges, including, without limitation, requiring Provider Group and its Participating Providers to return all sums collected as surcharges from Members or their representatives. For purposes of this Agreement, "Surcharges" are additional fees for Covered Services which are not disclosed to Members in the Subscriber Agreement and Evidence of Coverage, are not allowable Copayments and are not authorized by this Agreement. Nothing in this Agreement shall be construed to prevent Provider Group and its Participating Providers from providing non- Covered Services on a usual and customary fee-for-service basis to Members. Provider Group and its Participating Providers may not bill the Member for Covered Services (except for deductibles, Copayments, or co-insurance) where the Company denies payments because Provider Group and its Participating Providers have failed to comply with the terms of this Agreement.
- b. Obligations if the Company Ceases Operating or Termination of Agreement for Nonpayment: Notwithstanding any other provisions of this Agreement, Provider Group and its Participating Providers agrees that in the event the Company ceases operations for any reason, including insolvency, Provider Group and its Participating Providers shall provide Covered Services and shall not bill, charge, collect or receive any form of payment from any Member for Covered Services provided after the Company ceases operations. Such obligation shall be for the period for which premium has been paid, except for those Members who are hospitalized on an inpatient basis as provided below.
 - i. In the event the Company ceases operations or Provider Group terminates this Agreement on the basis of the Company's failure to make timely payments, Provider Group and its Participating Providers shall continue to provide for Covered Services to those Members who are hospitalized on an inpatient basis at the time the Company ceases operations or Provider Group terminates this Agreement until such Members are discharged from the hospital. Provider Group and its Participating Providers shall not bill, charge, collect or receive any form of payment from any Member for such Covered Services.

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.

FIVE-YEAR HISTORICAL DATA

	1 2010	2 2009	3 2008	4 2007	5 2006
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	29,900,023	28,436,370	22,231,409	24,774,716	8,790,470
2. Total liabilities (Page 3, Line 24)	10,558,339	13,480,643	11,753,486	17,565,947	6,035,108
3. Statutory surplus	3,648,454	3,000,000	3,000,000	7,208,766	2,755,362
4. Total capital and surplus (Page 3, Line 33)	19,341,685	14,955,727	10,477,922	7,208,769	2,755,362
Income Statement (Page 4)					
5. Total revenues (Line 8)	106,523,650	81,171,880	67,746,008	50,531,693	14,584,006
6. Total medical and hospital expenses (Line 18)	81,512,266	61,361,652	54,509,857	42,314,694	10,810,370
7. Claims adjustment expenses (Line 20)	3,146,119	1,989,137	2,100,468	3,415,437	1,002,308
8. Total administrative expenses (Line 21)	13,500,426	9,397,701	9,854,878	7,246,075	5,381,819
9. Net underwriting gain (loss) (Line 24)	8,364,839	8,423,390	1,280,805	(2,444,513)	(2,610,491)
10. Net investment gain (loss) (Line 27)	615,583	694,152	902,249	817,838	287,593
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	5,966,871	6,746,936	2,183,054	(1,626,675)	(2,322,898)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	2,464,780	5,225,982	(3,525,543)	6,126,976	3,270,454
Risk-Based Capital Analysis					
14. Total adjusted capital	19,341,685	14,955,727	10,477,922	7,208,766	2,755,362
15. Authorized control level risk-based capital	3,648,454	2,854,214	2,657,095	2,219,200	865,822
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	11,850	8,860	7,464	5,827	2,739
17. Total members months (Column 6, Line 7)	138,918	102,284	89,533	70,809	21,314
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)	76.5	75.6	80.5	83.7	74.1
20. Cost containment expenses	0.8	0.9	0.5	2.6	3.5
21. Other claims adjustment expenses	2.1	1.5	2.6	4.1	3.3
22. Total underwriting deductions (Line 23)	92.1	89.6	98.1	104.8	117.9
23. Total underwriting gain (loss) (Line 24)	7.9	10.4	1.9	(4.8)	(17.9)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	8,483,542	8,814,989	7,756,079	4,211,927	
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	9,340,782	9,195,345	8,973,959	3,408,105	
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0		0	
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)			0		
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)			0		
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []
 If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE ARKANSAS COMMUNITY CARE, INC.
SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, etc.	1 Active Status	Direct Business Only								
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts	
1. Alabama	AL	N							0	
2. Alaska	AK	N							0	
3. Arizona	AZ	N							0	
4. Arkansas	AR	L							86,105,358	
5. California	CA	N							0	
6. Colorado	CO	N							0	
7. Connecticut	CT	N							0	
8. Delaware	DE	N							0	
9. District of Columbia	DC	N							0	
10. Florida	FL	N							0	
11. Georgia	GA	N							0	
12. Hawaii	HI	N							0	
13. Idaho	ID	N							0	
14. Illinois	IL	N							0	
15. Indiana	IN	N							0	
16. Iowa	IA	N							0	
17. Kansas	KS	N							0	
18. Kentucky	KY	N							0	
19. Louisiana	LA	N							0	
20. Maine	ME	N							0	
21. Maryland	MD	N							0	
22. Massachusetts	MA	N							0	
23. Michigan	MI	N							0	
24. Minnesota	MN	N							0	
25. Mississippi	MS	N							0	
26. Missouri	MO	N							0	
27. Montana	MT	N							0	
28. Nebraska	NE	N							0	
29. Nevada	NV	N							0	
30. New Hampshire	NH	N							0	
31. New Jersey	NJ	N							0	
32. New Mexico	NM	N							0	
33. New York	NY	N							0	
34. North Carolina	NC	N							0	
35. North Dakota	ND	N							0	
36. Ohio	OH	N							0	
37. Oklahoma	OK	L							11,903,015	
38. Oregon	OR	N							0	
39. Pennsylvania	PA	N							0	
40. Rhode Island	RI	N							0	
41. South Carolina	SC	N							0	
42. South Dakota	SD	N							0	
43. Tennessee	TN	N							0	
44. Texas	TX	L							9,117,356	
45. Utah	UT	N							0	
46. Vermont	VT	N							0	
47. Virginia	VA	N							0	
48. Washington	WA	N							0	
49. West Virginia	WV	N							0	
50. Wisconsin	WI	N							0	
51. Wyoming	WY	N							0	
52. American Samoa	AS	N							0	
53. Guam	GU	N							0	
54. Puerto Rico	PR	N							0	
55. U.S. Virgin Islands	VI	N							0	
56. Northern Mariana Islands	MP	N							0	
57. Canada	CN	N							0	
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	0	107,125,729	0	0	0	0	0	107,125,729	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 3	0	107,125,729	0	0	0	0	0	107,125,729	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX	0	0	0	0	0	0	0	0	0

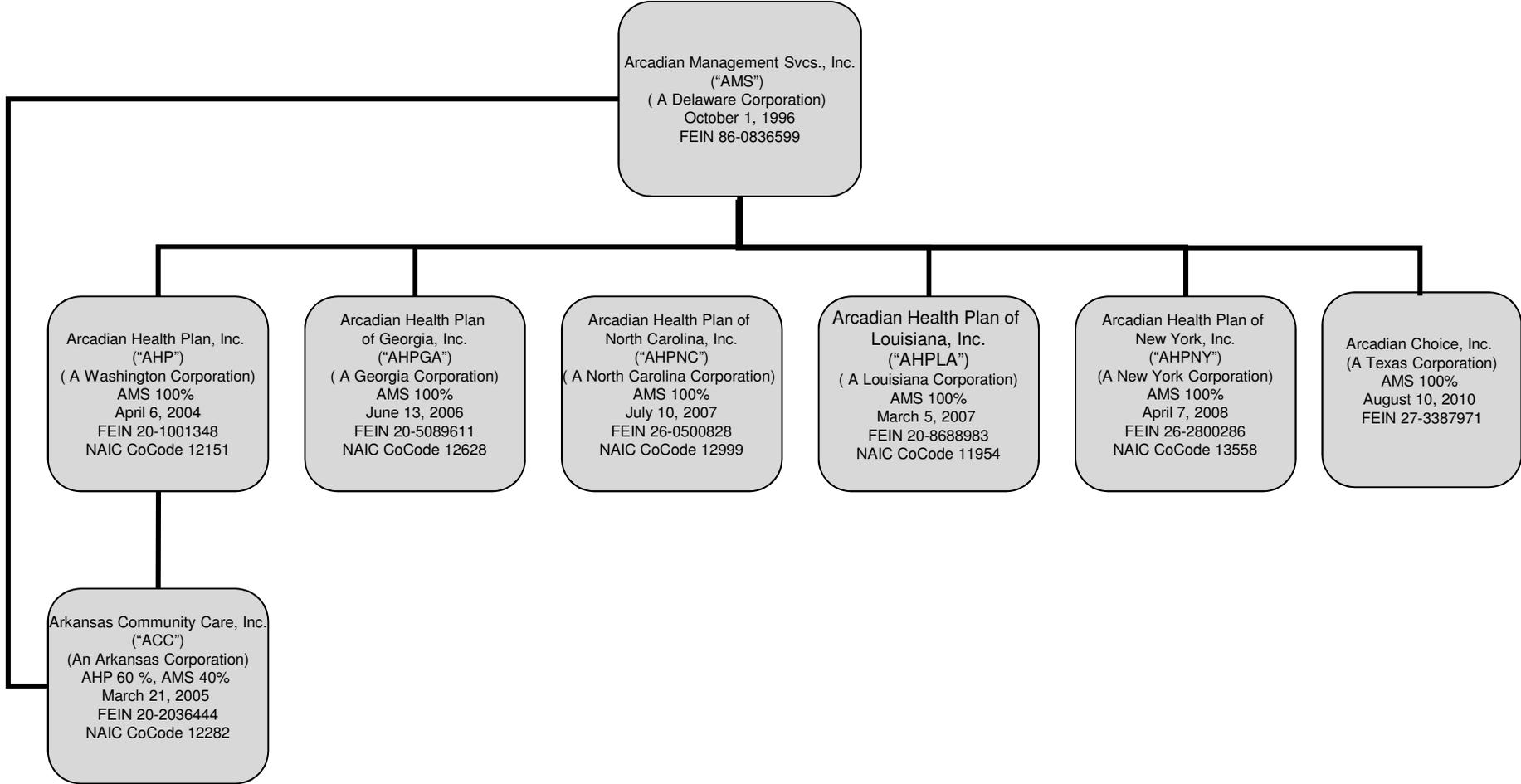
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

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

Medicare Advantage organizations contract with the Center for Medicare and Medicaid Services - "CMS" at the state level. Individual plans, set to bid and approved by CMS, are designed to service specific geographic areas within the Contract - or state. Plan premiums are allocated at a member level determined by the member's plan choice and specific member demographics, including but not limited to geographic location, age, gender, and health status. Plan membership is determined based on where the member resides and member's specific plan choice in the event that multiple plans cover the same service area.

(a) Insert the number of L responses except for Canada and Other Alien.

STATEMENT AS OF December 31, 2010
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Analysis of Operations By Lines of Business	7
Assets	2
Cash Flow	6
Exhibit 1 - Enrollment By Product Type for Health Business Only	17
Exhibit 2 - Accident and Health Premiums Due and Unpaid	18
Exhibit 3 - Health Care Receivables	19
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus	20
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates	21
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates	22
Exhibit 7 - Part 1 - Summary of Transactions With Providers	23
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries	23
Exhibit 8 - Furniture, Equipment and Supplies Owned	24
Exhibit of Capital Gains (Losses)	15
Exhibit of Net Investment Income	15
Exhibit of Nonadmitted Assets	16
Exhibit of Premiums, Enrollment and Utilization (State Page)	29
Five-Year Historical Data	28
General Interrogatories	26
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	25
Overflow Page For Write-ins	41
Schedule A - Part 1	E01
Schedule A - Part 2	E02
Schedule A - Part 3	E03
Schedule A - Verification Between Years	SI02
Schedule B - Part 1	E04
Schedule B - Part 2	E05
Schedule B - Part 3	E06
Schedule B - Verification Between Years	SI02
Schedule BA - Part 1	E07
Schedule BA - Part 2	E08
Schedule BA - Part 3	E09
Schedule BA - Verification Between Years	SI03
Schedule D - Part 1	E10
Schedule D - Part 1A - Section 1	SI05
Schedule D - Part 1A - Section 2	SI08
Schedule D - Part 2 - Section 1	E11
Schedule D - Part 2 - Section 2	E12
Schedule D - Part 3	E13
Schedule D - Part 4	E14
Schedule D - Part 5	E15
Schedule D - Part 6 - Section 1	E16
Schedule D - Part 6 - Section 2	E16
Schedule D - Summary By Country	SI04
Schedule D - Verification Between Years	SI03
Schedule DA - Part 1	E17
Schedule DA - Verification Between Years	SI11
Schedule DB - Part A - Section 1	E18
Schedule DB - Part A - Section 2	E19
Schedule DB - Part A - Verification Between Years	SI12
Schedule DB - Part B - Section 1	E20
Schedule DB - Part B - Section 2	E21
Schedule DB - Part B - Verification Between Years	SI12
Schedule DB - Part C - Section 1	SI13
Schedule DB - Part C - Section 2	SI14
Schedule DB - Part D	E22
Schedule DB - Verification	SI15
Schedule DL - Part 1	E23
Schedule DL - Part 2	E24
Schedule E - Part 1 - Cash	E25
Schedule E - Part 2 - Cash Equivalents	E26
Schedule E - Part 3 - Special Deposits	E27
Schedule E - Verification Between Years	SI16

ANNUAL STATEMENT BLANK (Continued)

Schedule S - Part 1 - Section 2	30
Schedule S - Part 2	31
Schedule S - Part 3 - Section 2	32
Schedule S - Part 4	33
Schedule S - Part 5	34
Schedule S - Part 6	35
Schedule T - Part 2 - Interstate Compact	37
Schedule T - Premiums and Other Considerations	36
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group	38
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	39
Statement of Revenue and Expenses	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	40
Underwriting and Investment Exhibit - Part 1	8
Underwriting and Investment Exhibit - Part 2	9
Underwriting and Investment Exhibit - Part 2A	10
Underwriting and Investment Exhibit - Part 2B	11
Underwriting and Investment Exhibit - Part 2C	12
Underwriting and Investment Exhibit - Part 2D	13
Underwriting and Investment Exhibit - Part 3	14