



ANNUAL STATEMENT

For the Year Ending DECEMBER 31, 2017

OF THE CONDITION AND AFFAIRS OF THE

QualChoice Life and Health Insurance Company, Inc.

NAIC Group Code	4807 <small>(Current Period)</small>	4807 <small>(Prior Period)</small>	NAIC Company Code	70998	Employer's ID Number	71-0386640
Organized under the Laws of	Arkansas		State of Domicile or Port of Entry	AR		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[X] Dental Service Corporation[] Other[]	Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[]			
Incorporated/Organized	10/17/1992		Commenced Business	04/25/1965		
Statutory Home Office	12615 Chenal Parkway, Suite 300 <small>(Street and Number)</small>		Little Rock, AR, 72211 <small>(City or Town, State, Country and Zip Code)</small>			
Main Administrative Office	12615 Chenal Parkway, Suite 300 <small>(Street and Number)</small> Little Rock, AR, 72211 <small>(City or Town, State, Country and Zip Code)</small>					
Mail Address	12615 Chenal Parkway, Suite 300 <small>(Street and Number or P.O. Box)</small>		Little Rock, AR, 72211 <small>(City or Town, State, Country and Zip Code)</small>			
Primary Location of Books and Records	12615 Chenal Parkway, Suite 300 <small>(Street and Number)</small> Little Rock, AR, 72211 <small>(City or Town, State, Country and Zip Code)</small>					
Internet Website Address	www.qualchoice.com		(501)228-7111 <small>(Area Code)(Telephone Number)</small>			
Statutory Statement Contact	Randall Crow <small>(Name)</small> randall.crow@qualchoice.com <small>(E-Mail Address)</small>		(501)219-5109 <small>(Area Code)(Telephone Number)(Extension)</small> (501)228-0135 <small>(Fax Number)</small>			

OFFICERS

Name	Title
Michael Edward Stock	President
Randall Alvin Crow	Treasurer
Charles Hanson	Secretary

OTHERS

Joni Self Daniels, Vice President - Operations
Betty Jo Tatum-Himes, Vice President - Sales & Marketing

Win Hammerly M.D., Vice President - Medical Affairs

DIRECTORS OR TRUSTEES

Mark Fred Bjornson Philip Linwood Foster David Allen Sorenson	Steven Charles Schramm Charles Hanson
---	--

State of Arkansas
County of Pulaski ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the 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.

_____ <small>(Signature)</small> Michael Edward Stock <small>(Printed Name)</small> 1. President <small>(Title)</small>	_____ <small>(Signature)</small> Randall Alvin Crow <small>(Printed Name)</small> 2. Treasurer <small>(Title)</small>	_____ <small>(Signature)</small> Charles Hanson <small>(Printed Name)</small> 3. Secretary <small>(Title)</small>
---	---	---

Subscribed and sworn to before me this _____ day of _____, 2018

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

Yes[X] No[]

(Notary Public Signature)

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)	20,098,653		20,098,653	18,994,718
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common Stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....27,327,420, Schedule E Part 1), cash equivalents (\$.....1,680,693, Schedule E Part 2) and short-term investments (\$.....2,186,185, Schedule DA)	31,194,297		31,194,297	18,345,062
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets	1		1	
12. Subtotals, cash and invested assets (Lines 1 to 11)	51,292,951		51,292,951	37,339,780
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	72,462		72,462	62,036
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	989,099	31	989,068	25,625
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0)				2,597,296
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	996,119		996,119	6,371,383
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	768,937	268,253	500,684	204,486
18.2 Net deferred tax asset	28,877	3,610	25,267	
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	26,433		26,433	1,141,539
24. Health care (\$.....548,070) and other amounts receivable	1,073,647	525,577	548,070	493,867
25. Aggregate write-ins for other than invested assets	75,000	75,000		2,894,362
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	55,323,525	872,471	54,451,054	51,130,374
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	55,323,525	872,471	54,451,054	51,130,374
DETAILS OF WRITE-INS				
1101. Rounding	1		1	
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	1		1	
2501. Insurance Charter	75,000	75,000		
2502. Cost Sharing Reduction Rec				2,894,362
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	75,000	75,000		2,894,362

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	11,445,433	1,179,774	12,625,207	19,316,058
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	280,547		280,547	401,509
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act	6,458,220		6,458,220	119,961
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	1,185,919		1,185,919	1,149,940
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable	60,930		60,930	225,268
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	323,747		323,747	
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$.....0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans	5,895,648		5,895,648	
23. Aggregate write-ins for other liabilities (including \$.....0 current)	2		2	
24. TOTAL Liabilities (Lines 1 to 23)	25,650,446	1,179,774	26,830,220	21,212,736
25. Aggregate write-ins for special surplus funds	X X X	X X X	1,954,909	
26. Common capital stock	X X X	X X X	1,013,750	1,013,750
27. Preferred capital stock	X X X	X X X	1,500,000	1,500,000
28. Gross paid in and contributed surplus	X X X	X X X	45,537,206	45,537,206
29. Surplus notes	X X X	X X X	5,000,000	5,000,000
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	(27,385,031)	(23,133,318)
32. Less treasury stock, at cost:				
32.10 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.20 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	27,620,834	29,917,638
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	54,451,054	51,130,374
DETAILS OF WRITE-INS				
2301. Rounding	2		2	
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	2		2	
2501. ACA Section 9010 Assessment	X X X	X X X	1,954,909	
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X	1,954,909	
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	327,047	385,028
2. Net premium income (including \$.....0 non-health premium income)	X X X	114,322,860	129,205,518
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	23,690	23,206
8. TOTAL Revenues (Lines 2 to 7)	X X X	114,346,550	129,228,724
Hospital and Medical:			
9. Hospital/medical benefits	6,099,971	74,318,397	97,069,838
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area	904,244	11,016,770	14,968,294
13. Prescription drugs		17,069,308	20,876,753
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)	7,004,215	102,404,475	132,914,885
Less:			
17. Net reinsurance recoveries		897,057	5,194,210
18. TOTAL Hospital and Medical (Lines 16 minus 17)	7,004,215	101,507,418	127,720,675
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....2,462,402 cost containment expenses		4,217,230	1,266,114
21. General administrative expenses		11,680,488	16,580,029
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			(500,000)
23. TOTAL Underwriting Deductions (Lines 18 through 22)	7,004,215	117,405,136	145,066,818
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(3,058,586)	(15,838,094)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		386,546	319,879
26. Net realized capital gains (losses) less capital gains tax of \$.....0		(24,818)	(381)
27. Net investment gains (losses) (Lines 25 plus 26)		361,728	319,498
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(2,696,858)	(15,518,596)
31. Federal and foreign income taxes incurred	X X X	(296,035)	
32. Net income (loss) (Lines 30 minus 31)	X X X	(2,400,823)	(15,518,596)
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701. Commission on Life Product	X X X	23,690	23,206
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X	23,690	23,206
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. rounding			
2902. 0			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	29,917,638	21,347,750
34.	Net income or (loss) from Line 32	(2,400,823)	(15,518,596)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		(93,178)
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	28,877	(257,119)
39.	Change in nonadmitted assets	75,143	(799,792)
40.	Change in unauthorized and certified reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		25,000,000
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		238,573
48.	Net change in capital and surplus (Lines 34 to 47)	(2,296,803)	8,569,888
49.	Capital and surplus end of reporting year (Line 33 plus 48)	27,620,835	29,917,638
DETAILS OF WRITE-INS			
4701.	rounding		1
4702.	SSAP 3 Error Correction - Return to Provision		238,572
4703.		
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		238,573

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	122,132,192	126,248,486
2.	Net investment income	431,551	364,355
3.	Miscellaneous income	(101,523)	(776,173)
4.	TOTAL (Lines 1 through 3)	122,462,220	125,836,668
5.	Benefit and loss related payments	102,674,964	125,644,314
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	10,087,053	17,398,935
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)		566,080
10.	TOTAL (Lines 5 through 9)	112,762,017	143,609,329
11.	Net cash from operations (Line 4 minus Line 10)	9,700,203	(17,772,661)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	11,976,766	29,359,239
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	TOTAL Investment proceeds (Lines 12.1 to 12.7)	11,976,766	29,359,239
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	13,160,950	26,871,779
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	TOTAL Investments acquired (Lines 13.1 to 13.6)	13,160,950	26,871,779
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(1,184,184)	2,487,460
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		25,000,000
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	4,333,216	(5,882,784)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	4,333,216	19,117,216
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)	12,849,235	3,832,015
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	18,345,062	14,513,047
19.2	End of year (Line 18 plus Line 19.1)	31,194,297	18,345,062

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
---------	-------	--	--

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 Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	114,322,860	109,333,669	4,873,913							115,278
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$.....0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues	23,690	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	23,690
7. TOTAL Revenues (Lines 1 to 6)	114,346,550	109,333,669	4,873,913							138,968
8. Hospital/medical benefits	74,318,397	70,771,982	3,546,415							X X X
9. Other professional services										X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area	11,016,770	10,491,059	525,711							X X X
12. Prescription drugs	17,069,308	17,069,308								X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	102,404,475	98,332,349	4,072,126							X X X
16. Net reinsurance recoveries	897,057	897,057								X X X
17. TOTAL Hospital and Medical (Lines 15 minus 16)	101,507,418	97,435,292	4,072,126							X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$.....2,462,402 cost containment expenses	4,217,230	4,037,475	179,755							
20. General administrative expenses	11,680,488	11,182,618	497,870							
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. TOTAL Underwriting Deductions (Lines 17 to 22)	117,405,136	112,655,385	4,749,751							
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(3,058,586)	(3,321,716)	124,162							138,968
DETAILS OF WRITE-INS										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 5 from overflow page										X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601. Commissions on Life Product	23,690	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	23,690
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	23,690	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	23,690
1301.										X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)										X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
	Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical)	110,065,933	752,027	1,484,291	109,333,669
2.	Medicare Supplement	4,873,913			4,873,913
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan				
6.	Title XVIII - Medicare				
7.	Title XIX - Medicaid				
8.	Other health				
9.	Health subtotal (Lines 1 through 8)	114,939,846	752,027	1,484,291	114,207,582
10.	Life	685,883		570,605	115,278
11.	Property/casualty				
12.	TOTALS (Lines 9 to 11)	115,625,729	752,027	2,054,896	114,322,860

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	108,694,961	104,259,533	4,435,428							
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	(99,062)	(99,062)								
1.4 Net	108,794,023	104,358,595	4,435,428							
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	12,625,207	12,196,586	428,621							
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	12,625,207	12,196,586	428,621							
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)	(400,364)	(400,364)								
7. Amounts recoverable from reinsurers December 31, current year	996,119	996,119								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	19,316,058	18,649,887	666,171							
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	19,316,058	18,649,887	666,171							
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	102,404,474	98,206,596	4,197,878							
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	897,057	897,057								
12.4 Net	101,507,417	97,309,539	4,197,878							
13. Incurred medical incentive pools and bonuses										

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (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	493,766	474,907	18,859							
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	493,766	474,907	18,859							
2. Incurred but Unreported:										
2.1 Direct	12,131,441	11,721,679	409,762							
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	12,131,441	11,721,679	409,762							
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	12,625,207	12,196,586	428,621							
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	12,625,207	12,196,586	428,621							

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	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical)	19,159,048	87,382,473	129	12,196,459	19,159,177	18,649,887
2.	Medicare Supplement	385,006	4,050,422	827	427,794	385,833	666,171
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid						
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	19,544,054	91,432,895	956	12,624,253	19,545,010	19,316,058
10.	Healthcare receivables (a)	948,434	1,234,492	996,119	548,070	1,944,553	948,434
11.	Other non-health						
12.	Medical incentive pool and bonus amounts						
13.	TOTALS (Lines 9 - 10 + 11 + 12)	18,595,620	90,198,403	(995,163)	12,076,183	17,600,457	18,367,624

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

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

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	105	105	105	105	105
2. 2013	4,948	5,438	5,438	5,438	5,438
3. 2014	X X X	4,845	5,214	5,214	5,214
4. 2015	X X X	X X X	39,753	56,564	56,214
5. 2016	X X X	X X X	X X X	113,735	132,823
6. 2017	X X X	X X X	X X X	X X X	91,432

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	105	105	105	105	105
2. 2013	4,938	5,437	5,438	5,438	5,438
3. 2014	X X X	4,845	5,214	5,214	5,214
4. 2015	X X X	X X X	57,791	56,566	56,214
5. 2016	X X X	X X X	X X X	133,049	132,824
6. 2017	X X X	X X X	X X X	X X X	104,056

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2013	6,150	5,438	211	3.872	5,649	91.846			5,649	91.846
2. 2014	6,512	5,214	328	6.285	5,542	85.100			5,542	85.100
3. 2015	64,299	56,214	1,228	2.185	57,442	89.336			57,442	89.336
4. 2016	130,665	132,823	1,390	1.046	134,213	102.715	1		134,214	102.716
5. 2017	109,449	91,432	333	0.364	91,765	83.843	12,624	281	104,670	95.634

12 Total

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

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	105	105	105	105	105
2. 2013	4,891	5,381	5,381	5,381	5,381
3. 2014	X X X	4,556	4,925	4,925	4,925
4. 2015	X X X	X X X	38,044	54,509	54,159
5. 2016	X X X	X X X	X X X	110,431	129,134
6. 2017	X X X	X X X	X X X	X X X	87,382

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	105	105	105	105	105
2. 2013	4,881	5,380	5,381	5,381	5,381
3. 2014	X X X	4,556	4,925	4,925	4,925
4. 2015	X X X	X X X	56,082	54,511	54,159
5. 2016	X X X	X X X	X X X	129,337	129,135
6. 2017	X X X	X X X	X X X	X X X	99,578

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2013	5,967	5,381	211	3.913	5,592	93.708			5,592	93.708
2. 2014	6,014	4,925	328	6.654	5,253	87.341			5,253	87.341
3. 2015	62,233	54,159	1,228	2.268	55,387	89.000			55,387	89.000
4. 2016	126,671	129,134	1,390	1.076	130,524	103.042	1		130,525	103.042
5. 2017	109,449	87,382	333	0.381	87,715	80.142	12,196	270	100,181	91.532

12 Hospital and Medical

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

Medicare Supplement
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior					
2. 2013	57	57	57	57	57
3. 2014	X X X	289	289	289	289
4. 2015	X X X	X X X	1,709	2,055	2,055
5. 2016	X X X	X X X	X X X	3,304	3,689
6. 2017	X X X	X X X	X X X	X X X	4,050

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior					
2. 2013	57	57	57	57	57
3. 2014	X X X	289	289	289	289
4. 2015	X X X	X X X	1,709	2,055	2,055
5. 2016	X X X	X X X	X X X	3,712	3,689
6. 2017	X X X	X X X	X X X	X X X	4,478

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2013	183	57			57	31.148			57	31.148
2. 2014	498	289			289	58.032			289	58.032
3. 2015	2,066	2,055			2,055	99.468			2,055	99.468
4. 2016	3,994	3,689			3,689	92.364			3,689	92.364
5. 2017		4,050			4,050		428	11	4,489	

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income)									
5. Aggregate write-ins for other policy reserves	6,458,220	6,458,220							
6. TOTALS (Gross)	6,458,220	6,458,220							
7. Reinsurance ceded									
8. TOTALS (Net) (Page 3, Line 4)	6,458,220	6,458,220							
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. ACA Risk Sharing Payable	6,458,220	6,458,220							
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	6,458,220	6,458,220							
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)									

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building)	92,388	37,352	203,236		332,976
2. Salaries, wages and other benefits	1,786,099	722,112	3,929,057		6,437,268
3. Commissions (less \$.....0 ceded plus \$.....0 assumed)			1,605,242		1,605,242
4. Legal fees and expenses					
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			48,358		48,358
7. Traveling expenses	9,714	2,312	28,680		40,706
8. Marketing and advertising	174	366	329,297		329,837
9. Postage, express and telephone	51,260	185,721	213,037		450,018
10. Printing and office supplies	27,993	224,488	155,271		407,752
11. Occupancy, depreciation and amortization			73,876		73,876
12. Equipment					
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services	361,217	523,956	2,122,327		3,007,500
15. Boards, bureaus and association fees					
16. Insurance, except on real estate			84,177		84,177
17. Collection and bank service charges					
18. Group service and administration fees					
19. Reimbursements by uninsured plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			2,463,539		2,463,539
23.3 Regulatory authority licenses and fees			119,707		119,707
23.4 Payroll taxes	129,674	41,810	178,374		349,858
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere				7,605	7,605
25. Aggregate write-ins for expenses	3,883	16,711	118,704		139,298
26. TOTAL Expenses Incurred (Lines 1 to 25)	2,462,402	1,754,828	11,672,882	7,605	(a) 15,897,717
27. Less expenses unpaid December 31, current year		375,913	1,185,919		1,561,832
28. Add expenses unpaid December 31, prior year		401,509	1,149,940		1,551,449
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	2,462,402	1,780,424	11,636,903	7,605	15,887,334
DETAILS OF WRITE-INS					
2501. Other Employee Expenses	3,744	3,778	57,011		64,533
2502. Donations	139		17,959		18,098
2503. National Assessment					
2598. Summary of remaining write-ins for Line 25 from overflow page		12,933	43,734		56,667
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,883	16,711	118,704		139,298

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 161,274	171,700
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 170,485	170,485
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) 51,966	51,966
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. TOTAL Gross investment income	383,725	394,151
11. Investment expenses		(g) 7,605
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. TOTAL Deductions (Lines 11 through 15)		7,605
17. Net Investment income (Line 10 minus Line 16)		386,546

DETAILS OF WRITE-INS

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	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	(5,510)		(5,510)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(19,308)		(19,308)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	1		1		
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	(24,817)		(24,817)		

DETAILS OF WRITE-INS

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Invested income due and accrued			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	31	1,590	1,559
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers		148,041	148,041
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon	268,253	268,416	163
18.2 Net deferred tax asset	3,610		(3,610)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	525,577	454,567	(71,010)
25. Aggregate write-ins for other than invested assets	75,000	75,000	
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	872,471	947,614	75,143
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. TOTAL (Lines 26 and 27)	872,471	947,614	75,143
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Insurance Charter	75,000	75,000	
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	75,000	75,000	

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations	34,945	23,892	23,860	25,078	25,546	296,176
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	2,716	2,583	2,565	2,558	2,543	30,871
7. TOTAL	37,661	26,475	26,425	27,636	28,089	327,047
DETAILS OF WRITE-INS						
0601. Medicare Supplement	2,716	2,583	2,565	2,558	2,543	30,871
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	2,716	2,583	2,565	2,558	2,543	30,871

Notes to Financial Statements

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Summary of Significant Accounting Policies and Going Concern

Organization and Operation

QualChoice Life and Health Insurance Company, Inc. (the Company), is a licensed health insurance company in the state of Arkansas and is subject to regulation by the Arkansas Insurance Department. The Company was incorporated in Arkansas on October 17, 1992. The Company's parent company is QualChoice Holdings, Inc. (Qualchoice). The Company is engaged in a variety of activities such as providing coverage for its enrollees, substantially all of whom are residents of the state of Arkansas, as well as claims and administrative services for self-insured groups both within and outside the state of Arkansas. QualChoice Holdings is a subsidiary of QualChoice Health Plan Services, Inc (QHPS). QHPS is a direct subsidiary of QualChoice Health Inc. (QHI). QHPS owns all health insurance subsidiaries of QHI.

A. Accounting Practices

The following is a summary of the significant accounting policies used in the preparation of the accompanying financial statements. Such policies are in conformity with the Annual Statement Instructions and the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners ("NAIC") and the accounting practices as prescribed or permitted by the Arkansas Insurance Department and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

	State of Domicile	2017	2016
Net Income (Loss)			
Company state basis	Arkansas	\$(2,400,823)	\$(15,518,596)
State prescribed practices that increase/(decrease) NAIC SAP: None	Arkansas		
State permitted practices that increase/(decrease) NAIC SAP: None	Arkansas		
NAIC SAP (1 - 2 - 3 = 4)	Arkansas	\$(2,400,823)	\$(15,518,596)
Capital and Surplus			
Company State basis	Arkansas	\$27,620,834	\$29,917,638
State prescribed practices that increase/(decrease) NAIC SAP: None	Arkansas		
State permitted practices that increase/(decrease) NAIC SAP: None	Arkansas		
NAIC SAP (5 - 6 - 7 = 8)	Arkansas	\$27,620,834	\$29,917,638

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Life premiums are recognized as income over the premium-paying period of the related policies. Health Premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost.
- (3) The Company holds no ownership in common stocks.
- (4) The Company holds no ownership in preferred stock.
- (5) The Company does not have mortgage loan investments.
- (6) The commercial mortgage-backed and other loan-backed securities are stated at amortized cost using the effective interest method.

Notes to Financial Statements

- (7) The Company holds no derivatives.
- (8) The Company does not have premium deficiency reserves.
- (9) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
- (10) Expenditures for assets are capitalized at \$3,000 and all other costs are expensed.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. There were no accounting changes or correction or errors from the prior period.

3. Business Combinations and Goodwill

The Company has no business combinations or goodwill as of December 31, 2017.

4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2017.

5. Investments

- A. The Company acquired commercial mortgage-backed securities during the year of 2017. The Company is relying on Bank of New York Mellon as a source used to determine the currently estimated cash flows. The Company has no mortgage-backed securities with a recognized other-than-temporary impairment.
 - (3) There were no taxes, assessments or any amounts advances not included in mortgage loan total.
 - (4) N/A
 - (5) There were no investments in impaired loans.
 - (6) N/A
 - (7) There was no activity in the allowance for credit losses account.
 - (8) There were no mortgage loans derecognized as a result of foreclosure.
- B. The Company has no debt restructuring at this time.
- C. The Company has no reverse mortgages at this time.
- D. The Company acquired commercial loan-backed securities during the year of 2017. The Company is relying on Bank of New York Mellon as a source used to determine the currently estimated cash flows. The Company has no loan-backed securities with a recognized other-than-temporary impairment.
 - (2) There were no securities within the scope of SSAP No. 43R – Loan-Backed and Structured Securities with a recognized other-than-temporary impairment;
 - (3) N/A
 - (4) N/A
- E. The Company has no repurchase agreements and/or Securities Lending Transactions at this time.
- F. The Company has no investments in real estate at this time.
- G. The Company has no investments in low-income housing tax credits.
- H. The Company has no restricted assets.
- I. The Company has no Working Capital Finance Investments.
- J. The Company does not offset or net Assets and Liabilities other than Cost Sharing Reduction and ACA Risk Adjustment.
- K. The Company does not hold Structured Notes at this time.

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
- B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

- A. The Company's investment income was earned on cash and cash equivalents, bonds, and stocks and no investment income was excluded from surplus for the years ended

Notes to Financial Statements

December 31, 2017 and 2016. All investment income due and accrued is included in investment income.

B. N/A

8. Derivative Instruments

The Company has no derivative instruments.

9. Income Taxes

A. Components of Deferred Tax Assets (DTA's) and Deferred Tax Liabilities (DTL's):

(1) Description	2017			2016			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a Gross deferred tax assets	4,759,677	-	4,759,677	7,293,132	-	638,175	(2,533,455)	-	(2,533,455)
b Statutory valuation allowance adjustment	(4,730,800)	-	(4,730,800)	(7,293,132)	-	(638,175)	2,562,332	-	2,562,332
c Adjusted gross deferred tax assets (1a-1b)	28,877	-	28,877	-	-	-	28,877	-	28,877
d Deferred tax assets nonadmitted	3,610	-	3,610	-	-	-	3,610	-	3,610
e Net admitted deferred tax asset (1c-1d)	25,267	-	25,267	-	-	-	25,267	-	25,267
f Deferred tax liabilities	-	-	-	-	-	-	-	-	-
g Net deferred tax asset/(liability)	25,267	-	25,267	-	-	-	25,267	-	25,267

(2) Admission Calculation Components under SSAP No. 101

Admission Calculation Components	2017			2016			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a Federal income taxes paid in prior years recoverable through loss carrybacks	-	-	-	-	-	-	-	-	-
b Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lessor of 2(b) 1 and 2(b) 2 below:	25,267	-	25,267	-	-	-	25,267	-	25,267
(1) Adjusted gross deferred tax assets expected to be realized following the balance sheet date	25,267	-	25,267	-	-	-	25,267	-	25,267
(2) Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	4,139,335	-	-	753,158	xxxx	xxxx	3,386,178
c Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	-	-	-	-	-	-	-	-	-
d Deferred tax assets admitted as the result of application of SSAP 101. Total 2(a) + 2(b) + 2(c)	25,267	-	25,267	-	-	-	25,267	-	25,267
Deferred tax Liabilities	-	-	-	-	-	-	-	-	-
Net Admitted Deferred Tax Asset (Liability)	25,267	-	25,267	-	-	-	25,267	-	25,267

(3) Other Admissibility Criteria

	2017	2016
a Ratio percentage used to determine recovery period and threshold limitation amount	>400%	>400%
b Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b) 2 above.	27,595,568	29,917,638

(4) Impact of Tax Planning strategies

a Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.	2017			2016			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(1) Adjusted Gross DTAs amount from Note 9A (c).	28,877	-	28,877	-	-	-	28,877	-	28,877
(2) Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies.	0%	0%	0%	0%	0%	0%	0%	0%	0%
(3) Net Admitted Adjusted Gross DTAs amount from Note 9A1 (e).	25,267	-	25,267	-	-	-	25,267	-	25,267
(4) Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning	0%	0%	0%	0%	0%	0%	0%	0%	0%
b Does the company's tax planning strategies include the use of reinsurance?		Yes []	No [X]						

B. There are no deferred tax liabilities for which temporary differences have not been established.

C. Current tax and change in deferred tax:

(1) Current income taxes incurred consist of the following major components:

	2017	2016	Change
a Current federal income tax expense	(296,198)	-	(296,198)
b Foreign taxes	-	-	-
c Subtotal	(296,198)	-	(296,198)
d Tax on capital gains/(losses)	-	-	-
e Utilization of capital loss carryforwards	-	-	-
f SSAP3, Error Correction	-	(238,572)	238,572
g Other, including prior year under accrual/(over accrual)	163	-	163
h Federal and foreign income taxes incurred	(296,035)	(238,572)	(57,463)

Notes to Financial Statements

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

	December 31, 2017	December 31, 2016	Change
(2) Deferred Tax Assets:			
(a) Ordinary			
(1) Discount on unpaid losses	19,570	53,208	(33,638)
(2) Unearned premium reserves	-	-	-
(3) Minimum tax credit	28,877	28,877	-
(4) Accrued vacation	-	5,866	(5,866)
(5) Fixed assets	-	-	-
(6) Accrued bonus	-	-	-
(7) Accrued broker commissions	-	-	-
(8) Allowance for bad debts	-	-	-
(9) Net operating losses	4,582,736	6,966,827	(2,384,091)
(10) Nonadmitted assets	126,128	237,719	(111,591)
(11) Premium Delinquency Reserve	-	-	-
(12) Accrued other expenses	-	-	-
(13) Intangibles	-	-	-
(14) Sick Time Benefits	2,365	-	2,365
(15) Accrued Premium Tax	-	635	(635)
Subtotal	4,759,676	7,293,132	(2,533,456)
(b) Statutory valuation allowance adjustment	4,730,800	7,293,132	(2,562,332)
(c) Nonadmitted	3,610	-	3,610
(d) Admitted ordinary deferred tax assets	25,266	-	25,266
(e) Capital			
(1) Investments	-	-	-
(2) Capital loss carry-forward	-	-	-
(3) Tax effect of unrealized capital losses	-	-	-
Gross Capital Deferred Tax Assets	-	-	-
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets	-	-	-
(i) Total admitted deferred tax assets	25,266	-	25,266
(3) Deferred Tax Liabilities:			
(a) Ordinary			
(1) Fixed Assets	-	-	-
(2) Intangibles	-	-	-
(3) Other (required to disclose items > 5%)	-	-	-
Ordinary Deferred Tax Liabilities	-	-	-
(b) Capital			
(1) Intangibles	-	-	-
(2) Other (required to disclose items > 5%)	-	-	-
(3) Tax effect of unrealized capital gains	-	-	-
Capital Deferred Tax Liabilities	-	-	-
(c) Total Deferred Tax Liabilities	-	-	-
(4) Net deferred tax assets/liabilities	25,266	-	25,266

The change in net deferred income taxes is composed of the following (this analysis is exclusive of nonadmitted DTAs as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	December 31, 2017	December 31, 2016	Change
Total deferred tax assets	28,876	-	28,876
Total deferred tax liabilities	-	-	-
Net deferred tax assets/liabilities	28,876	-	28,876
Tax effect of unrealized gains/(losses)	-	-	-
Change in net deferred income tax [(expense)/benefit]	-	-	28,876
	December 31, 2016	December 31, 2015	Change
Total deferred tax assets	-	-	-
Total deferred tax liabilities	-	-	-
Net deferred tax assets/liabilities	-	-	-
Tax effect of unrealized gains/(losses)	-	-	-
Change in net deferred income tax [(expense)/benefit]	-	-	-

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) bonus depreciation that will allow for full expensing of qualified property; (4) and changing rules regarding the discounting of property and casualty reserves for tax return purposes.

As a result of the Tax Act, the company re-measured its deferred tax inventory at the date of enactment and released \$28,876 of valuation allowance against its DTA for AMT Credits. The entire \$28,876 increase in net deferred income taxes charged to surplus in the current year was related to this valuation allowance release. Illustrated below is the impact of the tax rate change on deferred taxes (before valuation allowance) as a result of the Tax Act. The re-measurement resulted in a \$3,153,866 decrease in net deferred income taxes charged to surplus in the current year, which was fully offset by a corresponding change in the recorded valuation allowance. The re-measurement also resulted in a \$0 in taxes associated with the change in unrealized gains and losses as a charge to surplus, which was fully offset by a corresponding change in the recorded valuation allowance.

	Deferred Taxes at 35%	Deferred Taxes at 21%	Tax rate impact
Operating Deferred Tax Items	7,913,542	4,759,676	3,153,866
Unrealized Deferred Tax Items	-	-	-
Net Deferred Taxes	7,913,542	4,759,676	3,153,866

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

The Statutory Accounting Principles (E) Working Group issued *NT 18-01: Updated tax Estimates under the Tax Cuts and Jobs Act* which provided that year-end 2017 financials should reflect the income tax effects of the Act in which the accounting estimates under SSAP No. 101 are complete. Further, the financials shall recognize impacts for accounting estimates under the Act that may be considered incomplete when a reasonable estimate is determinable. Furthermore, consistent with SAB 118, for specific income tax effects of the Act for which a reasonable estimate cannot be determined, reporting entities shall not recognize provisional amounts in the 2017 statutory financial statements. Furthermore, the guidance provided for disclosure for amounts that are incomplete similar to the disclosures required in SAB 118.

Notes to Financial Statements

Our accounting for the following elements of the Tax Act is complete.

Reduction of U.S. federal corporate tax rate: The Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, we have recorded a decrease related to net DTAs before valuation allowance and non-admittance of \$3,153,866. A corresponding decrease to surplus for change in net deferred taxes of \$3,153,866 and an \$0 decrease to surplus for change in tax associated with unrealized gains and losses was recorded for this amount.

Our accounting for the following elements of the Tax Act is incomplete, and we were unable to make reasonable estimates of the effects.

Property and casualty loss reserves: The Act changes the discount rate and payment patterns utilized to discount certain lines of business when computing the allowable tax reserve deduction. No guidance has been issued regarding the appropriate interest rate and appropriate payment patterns to use to revalue the reserves. The Company expects the ultimate amount to record will be immaterial.

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

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

	Amount	Tax Effect	Tax Rate
2017			
Provision computed at statutory rate	(2,696,859)	(943,901)	35.0%
Change in nonadmitted assets	78,590	27,507	-1.0%
Impact of Tax Rate Change	20,784,504	3,153,866	-116.3%
Change in valuation allowance	1,743,111	(2,562,332)	95.0%
Other, incl. Prior year adjustment	(150)	(51)	0.0%
ACA Fee	-	-	0.0%
Total statutory income tax		(324,911)	12.0%
Federal income taxes incurred		(296,198)	11.0%
Tax on capital gains/(losses)		-	0.0%
Prior year overaccrual/(underaccrual)		163	0.0%
Change in net deferred income tax [expense/(benefit)]		(28,876)	1.1%
Total statutory income tax		(324,911)	12.0%
2016			
Provision computed at statutory rate	(15,518,445)	(5,431,456)	35.0%
Change in nonadmitted assets	(531,376)	(185,982)	1.0%
ACA Fee	1,008,355	352,924	0.0%
NOL Waived	(306,844)	(107,396)	0.0%
Prior year true-up	-	(225,928)	-4.3%
Change in valuation allowance	20,783,890	5,389,265	-32.2%
Total		(238,572)	-1.1%
Federal income taxes incurred		-	0.0%
Tax on capital gains/(losses)		-	0.0%
SSAP3 Error Correction		(238,572)	-1.1%
Change in net deferred income taxes		-	0.0%
Prior year overaccrual/(underaccrual)		-	0.0%
Total statutory income taxes		(238,572)	-1.1%

E. (1) Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

	December 31, 2017	December 31, 2016
The Company had net operating losses of:	21,822,550	19,905,221
The Company had capital loss carryforwards of:	-	-
The Company had AMT credit carryforwards of:	28,877	28,877

Year Ending	2017	2016	Expires
12/31/2006	82,190	82,190	2025
12/31/2007	63,003	63,003	2026
12/31/2008	82,854	82,854	2027
12/31/2009	57,957	57,957	2028
12/31/2012	107,020	107,020	2031
12/31/2013	23,079	23,079	2032
12/31/2014	105,175	105,175	2033
12/31/2015	4,870,677	4,870,212	2035
12/31/2016	10,963,533	14,513,731	2036
12/31/2017	5,467,062	-	2037
	21,822,550	19,905,221	

As a result of acquisition by QualChoice Health on April 30, 2014, certain tax attributes may be limited under the provisions of IRC Section 382.

- (2) The following represents income tax expense for tax years ending 12/2017, 12/2016, and 12/2015 that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
Dec-15	-	-	-
Dec-16	-	-	-
Dec-17	-	-	-

- (3) The aggregate amounts of deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code was zero as of December 31, 2017.

F. Consolidated Federal Income Tax Return

- (1) The Company files a consolidated return with the following entities:

QualChoice Health, Inc.	46-1222808
QualChoice Health Plan Services, Inc.	46-1224037
QualChoice of Nebraska, Inc.	81-0739227
QualChoice Holdings, Inc.	27-4076520
QCA Health Plan, Inc.	71-0794605
QualChoice Life and Health Insurance Company, Inc.	71-0386840
Soundpath Health	42-1720801
ClearRiver Health	46-4495960
Heartland Plains Health	46-4368223
Riverlink Health	46-4380824
Riverlink Health of Kentucky, Inc.	46-4828332
Stableview Health, Inc.	46-4373713
Harvest Plains Health of Iowa	47-3457150
Qualchoice Advantage, Inc.	47-3433912

- (2) The method of allocation between the companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis, with the company receiving a current benefit for losses generated to the extent federal taxes are reduced for the consolidated tax group.

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A-N. The company is party to a service agreement with an affiliate whereby the affiliate provides a full range of administrative, managerial and technological services. The Company paid this affiliate \$11,795,055 and \$12,947,277 during 2017 and 2016, respectively, for these services.

Under the provisions of various provider contracts, the Company paid \$8,864,066 and \$8,187,429 to hospitals owned by or affiliated with stockholders during 2017 and 2016, respectively.

The Company was due \$26,433 and \$1,141,539 from affiliates as of December 31, 2017 and 2016, respectively.

The Company owed \$323,747 and \$0 to affiliates as of December 31, 2017 and 2016, respectively, for general expenses paid on behalf of the Company.

Notes to Financial Statements

QualChoice Life and Health Insurance Company, Inc. (the Company), is a licensed health insurance company in the state of Arkansas and is subject to regulation by the Arkansas Insurance Department. The Company was incorporated in Arkansas on October 17, 1992. The Company's parent company is QualChoice Holdings, Inc. (Qualchoice). The Company is engaged in a variety of activities such as providing coverage for its enrollees, substantially all of whom are residents of the state of Arkansas, as well as claims and administrative services for self-insured groups both within and outside the state of Arkansas. QualChoice Holdings is a subsidiary of QualChoice Health Plan Services, Inc (QHPS). QHPS is a direct subsidiary of QualChoice Health Inc. (QHI). QHPS owns all health insurance subsidiaries of QHI. The new names are reflected in Schedule Y. Upon completion of the stock-purchase agreements QualChoice Life and Health Insurance Company, Inc. became part of a Holding Company.

11. Debt

A. The Company had the following surplus notes payable at December 31, 2017:

	<u>2017</u>	<u>2016</u>
Surplus note payable to Prominence Health Plan Services, Inc. With interest at 6% beginning in December 2014 \$5,000,000	\$5,000,000	

B. As of December 31, 2017, the Company has no outstanding Federal Home Loan Bank Agreements.

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

The Company has no defined benefit plan.

- A. N/A
- B. N/A
- C. N/A
- D. N/A
- E. Defined Contribution Plans

The Company has an employee 401(k) Plan in which the Company matches 100% of the first 1% of eligible employee pay contribution and 50% of the next 5% of the eligible pay contribution. The Company will make an annual contribution, whether or not the employee contributes to the 401k equal to 2.5% of eligible pay. Contributions by the Company to the plan during 2017 and 2016 totaled \$52,658 and \$72,077, respectively.

F. Multiemployer Plans

The Company does not participate in multiemployer plans.

G. Consolidated/Holding Company Plans

N/A

A. Postemployment Benefits and Compensated Absences

The Company does not offer a postretirement benefit plan.

B. N/A

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

(1) The Company has 10,000 shares of \$100 per share par value common stock authorized and 20,000 shares of \$1 per share par value common stock authorized, of which only 13,750 shares of \$1 par value common stock were outstanding as of December 31, 2017. The Company also has 1,500 shares of \$1,000 per share par value preferred stock authorized and none outstanding at December 31, 2017 and 2016.

(2) In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Company the holders of the preferred stock shall be entitled to share ratably in any assets of the Company available for distribution to the Company's stockholders. The amount will be equal to the greater of (a) \$1,000 per share of preferred stock, subject

Notes to Financial Statements

to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization, plus all declared, approved, but unpaid dividends through such distribution payment date or (b) the amount per share such shareholder would receive if such shareholder converted such shares of preferred stock into common stock in accordance with the conversion factor set out in the "Statement of Preferences and Terms of Preferred Stock" immediately prior to such liquidation, dissolution, or winding up of the affairs of the Company. Any payments or distributions to the preferred stockholders shall be made before any such payments or distributions shall be made to common stockholders.

- (3) The Company has no dividend restrictions.
 (4) The Company does not intend to pay dividends on its common or preferred stock in the foreseeable future.
 (5) N/A
 (6) The Company had no restrictions on its unassigned surplus.
 (7) The Company does not have any advances to surplus.
 (8) N/A
 (9) The Company has no special surplus funds.
 (10) N/A
 (11) The Company issued the following surplus notes:

Date Issued	Interest Rate	Par Value Face Amount of Notes	Carrying Value of Note	Interest and/or Principal Paid Current Year	Total Interest and/or Principal Paid	Unapproved Interest and/or Principal	Maturity Date
12/2/2014	6%	\$ 5,000,000	\$ 5,000,000	-	-	-	N/A

The surplus note, in the amount of \$5,000,000, in the above table, was issued to QualChoice Health Plan Services in exchange for cash. The note has no specific liquidation preference, subordination or repayment conditions, or restrictions aside from each interest payment needing the prior approval of the Insurance Commissioner and only to the extent the Company has sufficient surplus earnings to make such payment.

- (12) The Company was not involved in a quasi-reorganization.
 (13) N/A

14. Liabilities, Contingencies and Assessments

- A. None
 B. None
 C. None
 D. None
 E. None
 F. None

The Company is a defendant in general litigation as of December 31, 2017, in the ordinary course of business. The Company's management believes, however, that any liability it may incur as a result of this litigation would not have a material or adverse effect on the financial statements and, accordingly, no contingencies have been recorded.

The Company is subject to various regulatory requirements, including maintenance of minimum capital and surplus. At December 31, 2017, the Company is in compliance with requirements established by the Arkansas Insurance Department. The Company is required to maintain restricted investments in the minimum maturity amount of \$1,601,000.

15. Leases

- A. (1) a. The Company has no lease agreements.
 (2) a. N/A
 B. N/A

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

The Company does not have any off-balance sheet risk.

Notes to Financial Statements

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A. The Company did not have any transfers of Receivables reported as Sales.
 - B. The Company did not have any transfers and servicing of Financial Assets.
 - C. The Company did not have any Wash Sales.
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
- A. N/A
 - B. N/A
 - C. Medicare or Similarly Structured Cost Based Reimbursement Contract
N/A
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

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

20. Fair Value Measurements
- A.
 - (1) The Company does not have any financial assets that are measured and reported at fair value on the statutory basis statements or admitted assets, and capital and surplus at December 31, 2017. All investments are recorded at amortized cost.
 - (2) – (5) N/A
 - B. N/A
 - C. N/A
 - D. N/A
21. Other Items
- A. The Company had no unusual or infrequent items as of December 31, 2017.
 - B. The Company had no troubled debt restructuring as of December 31, 2017.
 - C. The Company has no other disclosures as of December 31, 2017.
 - D. The Company has no business interruption insurance recoveries.
 - E. The Company has no state transferable tax credits.
 - F. The Company does not engage in sub-prime residential mortgage lending nor does it have any material direct investments in collateralized debt obligations or debt securities that are directly backed by residential mortgages.
 - G. The Company does not have any retained asset accounts for beneficiaries.
 - H. The Company has no insurance-linked securities.

22. Events Subsequent

Subsequent events have been considered through February 28, 2018, the date which the financial statements were filed. On January 1, 2018, the Company will, once again, be subject to an annual fee under section 9010 of the Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2018. As of December 31, 2017, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2018, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2018 to be \$1,954,909. This assessment is expected to impact risk based capital by 8%.

Notes to Financial Statements

23. Reinsurance

The Company is covered under a medical reinsurance agreement effective January 1, 2017 through December 31, 2017, that provides annual coverage for eligible in-area and out of area hospital services of 90% in excess of \$550,000 per member for group and Individual coverage. The policy covers medical services and pharmaceuticals including inpatient and outpatient hospital, sub-acute facility services, skilled nursing facility and rehabilitation facility services, hospice services, home health agency services, outpatient facility services, and other professional services. Physician services are not covered. Certain covered services have per unit or annual coverage limits. The maximum payable per covered person per agreement term is unlimited.

The reinsurance agreement contains a provision through which the Company may receive an experience refund of net profit in a contract year. At December 31, 2017 the Company recorded no receivable for experience refund related to the contract years that ended December 31, 2017 and December 31, 2016.

The Company has no return commission, which would have been due if the Company had cancelled the reinsurance. The Company has no retroactive reinsurance agreements. The reinsurance does not have retroactive termination arrangement clause.

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) There are no reinsurers listed on Schedule S as non-affiliated that are owned in excess of 10%, or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company.
- (2) The Company had no reinsurer chartered outside of the United States.

Section 2 – Ceded Reinsurance Report – Part A

- (1) The Company has no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits.
- (2) The Company has no reinsurance agreements in effect such that the amount of losses paid or accrued may result in a payment to the reinsurer of amounts that exceed the premium collected.

Section 3 – Ceded Reinsurance Reports – Part B

- (1) The estimated reduction in surplus if the reinsurance agreement was terminated would be \$0.
- (2) In 2016 the Company had an agreement with Munich Re, in 2017 the Company changed to Partners Re.

B. The Company did not have any uncollectible reinsurance written off during the year.

C. There was no commutation of reinsurance during the year.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation
N/A

24. Retrospectively Rate Contracts & Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments for its group health insurance business through a mathematical approach using an algorithm of the company's underwriting rules and experience rating practices.

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

Notes to Financial Statements

- C. No net premiums written by the company are subject to retrospective rating features.
- D. The Company had no medical loss ratio rebates required pursuant to the Public Health Service Act.

E. Risk Sharing Provisions of the Affordable Care Act (ACA)

- (1) The Company has accident and health insurance premiums in 2017 and 2016 subject to the risk-sharing provisions of the ACA. The ACA imposes fees and premium stabilization provisions on health insurance issuers offering comprehensive commercial health insurance.

- (2) The following table presents the current year impact of risk-sharing provisions of the ACA on assets, liabilities and operations.

a. Permanent ACA Risk Adjustment Program

Assets	Amount
1. Premium Adjustment Receivable due to ACA Risk Adj.	\$0
 Liabilities	
2. Risk Adjustment User Fees Payable for ACA Risk Adj.	\$49,188
3. Premium Adjustments Payable due to ACA Risk Adj.	\$6,458,220
 Operations (Revenue & Expense)	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$0
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$6,507,408

Notes to Financial Statements

(3) The following table is a rollforward of the prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balances.

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances	Cumulative Balance from Prior Years (Col 1-3+7)	Cumulative Balance from Prior Years (Col 2-4+8)
	1	2	3	4	5	6	7	8	9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program										
1. Premium adjustments receivable	\$6,304,771	\$.....	\$6,034,150	\$.....	\$621.....	\$.....	\$(621)...	\$.....	A	\$.....
2. Premium adjustments (payable)	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	B	\$.....
3. Subtotal ACA Permanent Risk Adjustment Program	\$6,304,771	\$.....	\$.....	\$.....	\$621.....	\$.....	\$(621)...	\$.....		\$.....
b. Transitional ACA Reinsurance Program										
1. Amounts recoverable for claims paid	\$5,587,010	\$.....	\$5,479,400	\$.....	\$107,610	\$.....	\$888,509	\$.....	C	\$996,119
2. Amounts recoverable for claims unpaid (contra liability)	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	D	\$.....
3. Amounts receivable relating to uninsured plans	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	E	\$.....
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	F	\$.....
5. Ceded reinsurance premiums payable	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	G	\$.....
6. Liability for amounts held under uninsured plans	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	H	\$.....
7. Subtotal ACA Transitional Reinsurance Program	\$5,587,010	\$.....	\$5,479,400	\$.....	\$107,610	\$.....	\$888,509	\$.....		\$996,119
c. Temporary ACA Risk Corridors Program										
1. Accrued retrospective premium	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	I	\$.....
2. Reserve for rate credits or policy experience rating refunds	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	J	\$.....
3. Subtotal ACA Risk Corridors Program	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....		\$.....
d. Total for ACA Risk-Sharing Provisions	\$11,621,781	\$.....	\$11,513,550	\$119,962	\$108,231	\$.....	\$887,888	\$.....		\$996,119

(5) ACA Risk Corridor Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated amount to be filed or final amounts filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset balance (gross of nonadmission) (1-2-3)	5 Nonadmitted amounts	6 Net admitted assets
a. 2014	\$0	\$0	\$0	\$0	\$0	\$0
b. 2015	\$4,524,488	\$4,524,488	\$0	\$0	\$0	\$0

Notes to Financial Statements

c. 2016	\$6,742,797	\$6,742,797	\$0	\$0	\$0	\$0
d. Total	\$11,267,285	\$11,267,285	\$0	\$0	\$0	\$0

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2017 were \$12,625,207. As of December 31, 2017, \$19,316,058 has been paid for incurred claims and claim adjustment expenses attributable to insured events incurred prior to January 1, 2017. Reserves remaining for prior years are now \$956 as a result of re-estimation of unpaid claims and claim adjustment expenses. 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

The Company has no intercompany pooling arrangement.

A. – G. N/A

27. Structured Settlements

This note is not applicable to health entities.

28. Health Care Receivables.

A. Pharmaceutical Rebate Receivables

The Company experienced the following activity associated with the pharmaceutical rebate receivables by quarter for the previous three years from December 31, 2017:

For 2017 Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Confirmed	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2017	1,073,647				
9/30/2017	716,740	589,374	589,374		
6/30/2017	707,307	1,019,475	430,101	589,374	
3/31/2017	1,263,353	1,024,349	520,355	430,101	73,893
12/31/2016	1,073,647	975,023	454,668	520,355	
9/30/2016	716,740	853,882	399,214	454,668	
6/30/2016	707,307	479,345	80,131	399,214	
3/31/2016	1,263,353	297,915	217,783	80,131	
12/31/2015	149,055	230,949	13,166	217,783	

Notes to Financial Statements

9/30/2015	29,519	59,554	46,388	13,166	
6/30/2015	9,469	56,210	9,822	46,388	
3/31/2015	10,799	18,663	8,841	9,822	

B. Risk-Sharing Receivables – N/A

29. Participating Policies

The Company has no participating contracts.

N/A

30. Premium Deficiency Reserves

At December 31, 2017, the Company had no premium deficiency reserve.

31. Anticipated Salvage and Subrogation

Due to the type of business being written, the Company has no salvage. As of December 31, 2017 and 2016, the Company has no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid and aggregate health claim reserves.

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?
If yes, complete Schedule Y, Parts 1, 1A and 2. Yes[X] 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[X] 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[X]
- 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. 12/31/2014
- 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. 04/16/2016
- 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). 04/16/2016
- 3.4 By what department or departments?
- 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[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[] No[] N/A[X]
- 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[X]
- 4.12 renewals? Yes[] No[X]
- 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[X]
- 4.22 renewals? Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]
- 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[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, 0.000%
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the 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 FDIC	6 SEC
		No	No	No	No

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 370 17th Street, Suite 3300 Denver, Colorado 80202
- 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 response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes[] No[X]
- 10.4 If response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[X] No[] N/A[]
- 10.6 If the response to 10.5 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?
Mark Peterson QualChoice Health Plan Services 10050 Crosstown Circle, Suite 250 Eden Prairie, MN 55344
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[] No[X]

GENERAL INTERROGATORIES (Continued)

- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
 - 24.102 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ 0
 - 24.103 Total payable for securities lending reported on the liability page. \$ 0
- 25.1 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 21.1 and 24.03). Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$ 0
 - 25.22 Subject to reverse repurchase agreements \$ 0
 - 25.23 Subject to dollar repurchase agreements \$ 0
 - 25.24 Subject to reverse dollar repurchase agreements \$ 0
 - 25.25 Placed under option agreements \$ 0
 - 25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock \$ 0
 - 25.27 FHLB Capital Stock \$ 0
 - 25.28 On deposit with states \$ 0
 - 25.29 On deposit with other regulatory bodies \$ 0
 - 25.30 Pledged as collateral - excluding collateral pledged to an FHLB \$ 0
 - 25.31 Pledged as collateral to FHLB - including assets backing funding agreements \$ 0
 - 25.32 Other \$ 0

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 26.2 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.
- 27.1 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]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

28. 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 I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []
- 28.01 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
Arvest Asset Management	200 Commerce Dr. Ste. 100, Little Rock, AR
BNY Mellon	200 Park Avenue, New York, NY

28.02 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)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]
- 28.04 If yes, give full and complete information relating thereto:

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

28.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. [" that have access to the investment accounts"; " handle securities"]

1 Name of Firm or Individual	2 Affiliation
Catholic Health Initiatives - Treasury Department	A

- 28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes [] No [X]
- 28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [] No [X]
- 28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

GENERAL INTERROGATORIES (Continued)

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
N/a	Catholic Health Initiatives - Treasury Department	47-0617373		

29.1 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]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 Total		

29.3 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
.....

30. 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 (+)
30.1 Bonds	20,098,652	19,971,515	(127,137)
30.2 Preferred stocks			
30.3 Totals	20,098,652	19,971,515	(127,137)

30.4 Describe the sources or methods utilized in determining the fair values:

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[]
- 31.2 If the answer to 31.1 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] N/A[]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes[X] No[]
- 32.2 If no, list exceptions:
33. By self-designation 5*GI securities, the reporting entity is certifying the following elements for each self-designated 5*GI security:
- a. Documentation necessary to permit a full credit analysis of the security does not exist.
 - b. Issuer or obligor is current on all contracted interest and principal payments.
 - c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
- Has the reporting-entity self-designated 5*GI securities? Yes[] No[X]

OTHER

34.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$..... 0

34.2 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
.....	

35.1 Amount of payments for legal expenses, if any? \$..... 0

35.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	

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

36.2 List the name of 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.

GENERAL INTERROGATORIES (Continued)

1 Name	2 Amount Paid
.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[X] No[]
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 4,867,575
- 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. \$ 4,092,126
- 1.6 Individual policies - Most current three years:
- 1.61 TOTAL Premium earned \$ 4,283,130
- 1.62 TOTAL Incurred claims \$ 3,580,680
- 1.63 Number of covered lives 2,263
- All years prior to most current three years:
- 1.64 TOTAL Premium earned \$ 584,445
- 1.65 TOTAL Incurred claims \$ 511,446
- 1.66 Number of covered lives 275
- 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	114,207,582	129,082,457
2.2 Premium Denominator	114,322,860	129,205,518
2.3 Premium Ratio (2.1 / 2.2)	0.999	0.999
2.4 Reserve Numerator	19,083,427	19,316,058
2.5 Reserve Denominator	19,083,427	19,436,019
2.6 Reserve Ratio (2.4 / 2.5)	1.000	0.994

- 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 here with a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[] No[] N/A[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 \$ 0
- 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:
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes[X] No[]
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 18,028
- 8.2 Number of providers at end of reporting year 19,232
- 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
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes[] No[X]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$ 0
- 10.22 Amount actually paid for year bonuses \$ 0
- 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 Statutory Minimum Capital and Surplus Requirements? Yes[X] No[]
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus.
- Arkansas \$ 1,600,000
- 11.4 If yes, show the amount required.
- 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.
- Net worth requirement is based on RBC calculation included in report
- 12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
entire state of Arkansas, 75 counties
entire state of Nebraska

- 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 the funds administered as of the reporting date: \$ 0
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, as authorized reinsurers? Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
.....

15. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded)

15.1 Direct Premium Written	\$	0
15.2 Total incurred claims	\$	0
15.2 Number of covered lives	0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

FIVE-YEAR HISTORICAL DATA

	1 2017	2 2016	3 2015	4 2014	5 2013
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	54,451,054	51,130,374	44,731,101	7,484,480	2,406,132
2. TOTAL Liabilities (Page 3, Line 24)	26,830,220	21,212,736	23,383,351	1,202,086	702,239
3. Statutory minimum capital and surplus requirement	1,600,000	5,707,127	2,871,348	769,894	754,248
4. TOTAL Capital and Surplus (Page 3, Line 33)	27,620,834	29,917,638	21,347,750	6,282,394	1,703,893
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	114,346,550	129,228,724	61,879,954	6,067,435	6,123,222
6. TOTAL Medical and Hospital Expenses (Line 18)	101,507,418	127,720,675	57,060,489	5,726,864	5,100,797
7. Claims adjustment expenses (Line 20)	4,217,230	1,266,114	1,485,602	269,980	206,113
8. TOTAL Administrative Expenses (Line 21)	11,680,488	16,580,029	8,029,818	986,373	882,813
9. Net underwriting gain (loss) (Line 24)	(3,058,586)	(15,838,094)	(5,195,955)	(915,782)	(16,440)
10. Net investment gain (loss) (Line 27)	361,728	319,498	62,412	4,568	3,464
11. TOTAL Other Income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	(2,400,823)	(15,518,596)	(5,133,543)	(911,214)	(12,976)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	9,700,203	(17,772,661)	6,694,215	(610,581)	812
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	27,620,834	29,917,638	21,347,750	6,282,394	1,703,892
15. Authorized control level risk-based capital	4,551,469	5,707,127	2,871,348	769,894	754,248
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	28,089	37,661	23,168	2,333	2,037
17. TOTAL Members Months (Column 6, Line 7)	327,047	385,028	192,264	25,884	22,838
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)	88.8	98.9	92.2	94.6	83.5
20. Cost containment expenses	2.2	0.8	1.6	3.1	2.4
21. Other claims adjustment expenses	1.5	0.2	0.8	1.4	1.0
22. TOTAL Underwriting Deductions (Line 23)	102.7	112.3	108.4	115.4	100.5
23. TOTAL Underwriting Gain (Loss) (Line 24)	(2.7)	(12.3)	(8.4)	(15.1)	(0.3)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	17,600,457	16,812,985	369,945	491,092	107,368
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	18,367,624	17,888,690	951,215	559,299	511,199
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					
33. TOTAL Investment in Parent Included in Lines 26 to 31 above					

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[] N/A[X]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

State, Etc.	1 Active Status	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Plan 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								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	L	114,939,846				685,883	115,625,729		
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	L								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	N								
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	N								
55. U.S. Virgin Islands (VI)	N								
56. Northern Mariana Islands (MP)	N								
57. Canada (CAN)	N								
58. Aggregate other alien (OT)	X X X								
59. Subtotal	X X X	114,939,846				685,883	115,625,729		
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. TOTAL (Direct Business)	(a) - 2	114,939,846				685,883	115,625,729		
DETAILS OF WRITE-INS									
58001	X X X								
58002	X X X								
58003	X X X								
58998. Summary of remaining write-ins for Line 58 from overflow page	X X X								
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	X X X								

(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.

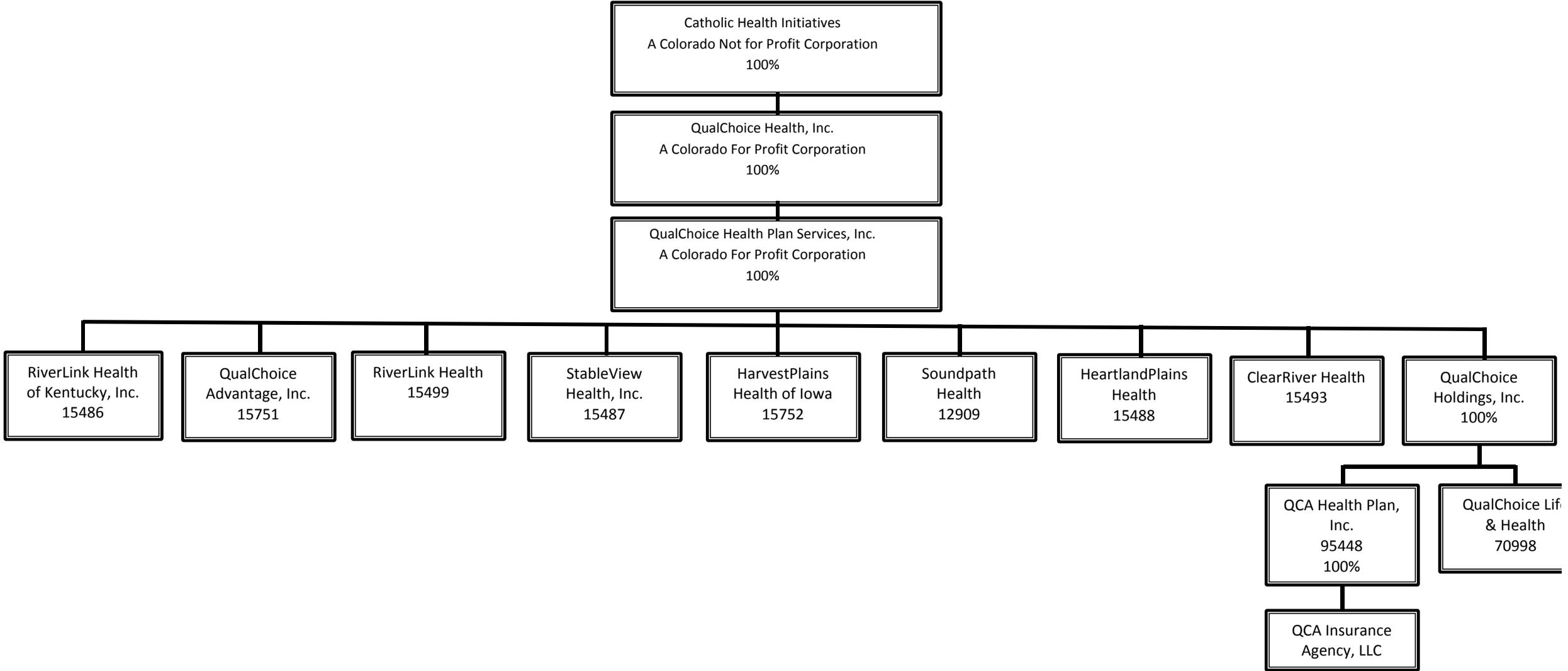
(a) Insert the number of L responses except for Canada and Other Alien.
Explanation of basis of allocation by state, premiums by state, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

40



INDEX TO HEALTH ANNUAL STATEMENT

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 3A - Analysis of Health Care Receivables Collected and Accrued	20
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus	21
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates	22
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates	23
Exhibit 7 - Part 1 - Summary of Transactions With Providers	24
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries	24
Exhibit 8 - Furniture, Equipment and Supplies Owned	25
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)	30
Five-Year Historical Data	29
General Interrogatories	27
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	26
Overflow Page For Write-ins	44
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	SI10
Schedule DB - Part A - Section 1	E18
Schedule DB - Part A - Section 2	E19
Schedule DB - Part A - Verification Between Years	SI11
Schedule DB - Part B - Section 1	E20
Schedule DB - Part B - Section 2	E21
Schedule DB - Part B - Verification Between Years	SI11
Schedule DB - Part C - Section 1	SI12
Schedule DB - Part C - Section 2	SI13
Schedule DB - Part D - Section 1	E22
Schedule DB - Part D - Section 2	E23

INDEX TO HEALTH ANNUAL STATEMENT

Schedule DB - Verification	SI14
Schedule DL - Part 1	E24
Schedule DL - Part 2	E25
Schedule E - Part 1 - Cash	E26
Schedule E - Part 2 - Cash Equivalents	E27
Schedule E - Part 3 - Special Deposits	E28
Schedule E - Verification Between Years	SI15
Schedule S - Part 1 - Section 2	31
Schedule S - Part 2	32
Schedule S - Part 3 - Section 2	33
Schedule S - Part 4	34
Schedule S - Part 5	35
Schedule S - Part 6	36
Schedule S - Part 7	37
Schedule T - Part 2 - Interstate Compact	39
Schedule T - Premiums and Other Considerations	38
Schedule Y - Part 1 - Information Concerning Activities of Insurer Members of a Holding Company Group	40
Schedule Y - Part 1A - Detail of Insurance Holding Company System	41
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	42
Statement of Revenue and Expenses	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	43
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