



# ANNUAL STATEMENT

## For the Year Ending DECEMBER 31, 2018

### 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>			(Area Code) (Telephone Number) 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>			(501)228-7111 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.qualchoice.com					
Statutory Statement Contact	Greg Moore <small>(Name)</small>		(501)219-5156 <small>(Area Code)(Telephone Number)(Extension)</small>			
	gregory.moore@qualchoice.com <small>(E-Mail Address)</small>		(501)707-6728 <small>(Fax Number)</small>			

### OFFICERS

Name	Title
Randall Alvin Crow	President #
Gregory Porter Moore	CFO #
Charles William Hanson	Secretary

### OTHERS

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

### DIRECTORS OR TRUSTEES

Mark Fred Bjornson	Steven Charles Schramm
Philip Linwood Foster	Charles William Hanson
Jeremy Stephen Dressen #	

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> <b>Randall Alvin Crow</b> <small>(Printed Name)</small> 1. <b>President</b> <small>(Title)</small>	_____ <small>(Signature)</small> <b>Gregory Porter Moore</b> <small>(Printed Name)</small> 2. <b>CFO</b> <small>(Title)</small>	_____ <small>(Signature)</small> <b>Charles Hanson</b> <small>(Printed Name)</small> 3. <b>Secretary</b> <small>(Title)</small>
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019

- 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) .....	24,322,108		24,322,108	20,098,653
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 (\$.....38,018,830, Schedule E Part 1), cash equivalents (\$.....40,200, Schedule E Part 2) and short-term investments (\$.....0, Schedule DA) .....	38,059,030		38,059,030	31,194,297
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
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	62,381,138		62,381,138	51,292,951
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	133,028		133,028	72,462
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	473,023	791	472,232	989,068
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) .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	63,542		63,542	996,119
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 .....	204,486		204,486	500,684
18.2 Net deferred tax asset .....	266,972	25,658	241,314	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 .....	1,215,672		1,215,672	26,433
24. Health care (\$.....836,854) and other amounts receivable .....	1,701,169	864,316	836,853	548,070
25. Aggregate write-ins for other than invested assets .....	9,334,779	75,000	9,259,779	
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	75,773,809	965,765	74,808,044	54,451,054
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. TOTAL (Lines 26 and 27) .....	75,773,809	965,765	74,808,044	54,451,054
<b>DETAILS OF WRITE-INS</b>				
1101. Rounding .....				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
2501. Insurance Charter .....	75,000	75,000		
2502. CSR Cost Sharing Receivable .....	9,259,779		9,259,779	
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	9,334,779	75,000	9,259,779	

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded) .....	14,212,725	1,337,265	15,549,990	12,625,207
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....	316,514		316,514	280,547
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act .....	5,364,810		5,364,810	6,458,220
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserves .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	20,554		20,554	
9. General expenses due or accrued .....	1,512,259		1,512,259	1,185,919
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....	1,051,583		1,051,583	
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....	83,835		83,835	60,930
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
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
23. Aggregate write-ins for other liabilities (including \$.....0 current) .....				2
24. TOTAL Liabilities (Lines 1 to 23) .....	22,562,280	1,337,265	23,899,545	26,830,220
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	(2,142,461)	(27,385,031)
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0) .....	X X X	X X X		
32.2 .....0 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	50,908,495	27,620,834
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....	X X X	X X X	74,808,040	54,451,054
<b>DETAILS OF WRITE-INS</b>				
2301. Rounding .....				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
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	346,338	336,798
2. Net premium income (including \$.....0 non-health premium income) .....	X X X	126,667,623	114,322,860
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	23,498	23,690
8. TOTAL Revenues (Lines 2 to 7) .....	X X X	126,691,121	114,346,550
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....	5,600,996	57,158,273	73,144,747
10. Other professional services .....			
11. Outside referrals .....			
12. Emergency room and out-of-area .....	775,366	7,912,621	13,220,418
13. Prescription drugs .....		18,022,888	16,039,310
14. Aggregate write-ins for other hospital and medical .....			
15. Incentive pool, withhold adjustments and bonus amounts .....			
16. Subtotal (Lines 9 to 15) .....	6,376,362	83,093,782	102,404,475
<b>Less:</b>			
17. Net reinsurance recoveries .....		97,560	897,057
18. TOTAL Hospital and Medical (Lines 16 minus 17) .....	6,376,362	82,996,222	101,507,418
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$.....2,767,210 cost containment expenses .....		4,430,870	4,217,230
21. General administrative expenses .....		15,884,109	11,680,488
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....			
23. TOTAL Underwriting Deductions (Lines 18 through 22) .....	6,376,362	103,311,201	117,405,136
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	23,379,920	(3,058,586)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		953,402	386,546
26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....		(136,268)	(24,818)
27. Net investment gains (losses) (Lines 25 plus 26) .....		817,134	361,728
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	24,197,054	(2,696,858)
31. Federal and foreign income taxes incurred .....	X X X	1,054,196	(296,035)
32. Net income (loss) (Lines 30 minus 31) .....	X X X	23,142,858	(2,400,823)
<b>DETAILS OF WRITE-INS</b>			
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	23,498	23,690
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	23,498	23,690
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
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33.	Capital and surplus prior reporting year .....	27,620,834	29,917,638
34.	Net income or (loss) from Line 32 .....	23,142,858	(2,400,823)
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 .....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....	238,095	28,877
39.	Change in nonadmitted assets .....	(93,294)	75,143
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 .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		(1)
48.	Net change in capital and surplus (Lines 34 to 47) .....	23,287,659	(2,296,804)
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	50,908,493	27,620,834
<b>DETAILS OF WRITE-INS</b>			
4701.	rounding .....		(1)
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		(1)

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	126,133,748	122,132,192
2. Net investment income .....	921,714	431,551
3. Miscellaneous income .....	23,498	(101,523)
4. TOTAL (Lines 1 through 3) .....	127,078,960	122,462,220
5. Benefit and loss related payments .....	79,138,862	102,674,964
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	25,848,320	10,087,053
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	(561,838)	
10. TOTAL (Lines 5 through 9) .....	104,425,344	112,762,017
11. Net cash from operations (Line 4 minus Line 10) .....	22,653,616	9,700,203
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	12,869,943	11,976,766
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) .....	12,869,943	11,976,766
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	17,258,546	13,160,950
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) .....	17,258,546	13,160,950
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) .....	(4,388,603)	(1,184,184)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	(11,400,280)	4,333,216
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(11,400,280)	4,333,216
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	6,864,733	12,849,235
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	31,194,297	18,345,062
19.2 End of year (Line 18 plus Line 19.1) .....	38,059,030	31,194,297

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

20.0001			
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## 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 .....	126,667,623	120,477,880	4,959,299						1,071,207	159,237
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 .....	23,498	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	23,498
7. TOTAL Revenues (Lines 1 to 6) .....	126,691,121	120,477,880	4,959,299						1,071,207	182,735
8. Hospital/medical benefits .....	57,158,273	52,475,107	3,929,866						753,300	X X X
9. Other professional services .....										X X X
10. Outside referrals .....										X X X
11. Emergency room and out-of-area .....	7,912,621	7,264,314	544,025						104,282	X X X
12. Prescription drugs .....	18,022,888	18,022,888								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) .....	83,093,782	77,762,309	4,473,891						857,582	X X X
16. Net reinsurance recoveries .....	97,560	97,560								X X X
17. TOTAL Hospital and Medical (Lines 15 minus 16) .....	82,996,222	77,664,749	4,473,891						857,582	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 \$.....2,767,210 cost containment expenses .....	4,430,870	4,333,040	97,830							
20. General administrative expenses .....	15,884,109	15,615,959	252,879						15,271	
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) .....	103,311,201	97,613,748	4,824,600						872,853	
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	23,379,920	22,864,132	134,699						198,354	182,735
<b>DETAILS OF WRITE-INS</b>										
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 .....	23,498	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	23,498
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) .....	23,498	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	23,498
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) .....	121,289,622		822,924	120,466,698
2.	Medicare Supplement .....	4,959,299			4,959,299
3.	Dental only .....				
4.	Vision only .....				
5.	Federal Employees Health Benefits Plan .....				
6.	Title XVIII - Medicare .....				
7.	Title XIX - Medicaid .....				
8.	Other health .....	1,082,390			1,082,390
9.	Health subtotal (Lines 1 through 8) .....	127,331,311		822,924	126,508,387
10.	Life .....	911,577		752,339	159,238
11.	Property/casualty .....				
12.	<b>TOTALS (Lines 9 to 11) .....</b>	<b>128,242,888</b>		<b>1,575,263</b>	<b>126,667,625</b>

## 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 .....	80,457,784	74,912,811	4,877,736						667,237	
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....	(1,060,137)	(1,060,137)								
1.4 Net .....	81,517,921	75,972,948	4,877,736						667,237	
2. Paid medical incentive pools and bonuses .....										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	15,549,990	14,517,241	562,230						470,519	
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....	15,549,990	14,517,241	562,230						470,519	
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) .....	288,784	288,784								
7. Amounts recoverable from reinsurers December 31, current year .....	33,542	33,542								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	12,625,209	11,998,442	428,621						198,146	
8.2 Reinsurance assumed .....										
8.3 Reinsurance ceded .....										
8.4 Net .....	12,625,209	11,998,442	428,621						198,146	
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 .....	996,119	996,119								
12. Incurred benefits:										
12.1 Direct .....	83,093,781	77,142,826	5,011,345						939,610	
12.2 Reinsurance assumed .....										
12.3 Reinsurance ceded .....	(2,022,714)	(2,022,714)								
12.4 Net .....	85,116,495	79,165,540	5,011,345						939,610	
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 .....	747,192	671,283	41,325						34,584	
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....										
1.4 Net .....	747,192	671,283	41,325						34,584	
2. Incurred but Unreported:										
2.1 Direct .....	14,802,798	13,845,958	520,905						435,935	
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....										
2.4 Net .....	14,802,798	13,845,958	520,905						435,935	
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 .....	15,549,990	14,517,241	562,230						470,519	
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....	15,549,990	14,517,241	562,230						470,519	

## 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) .....	7,107,015	71,625,130	403,420	14,196,016	7,510,435	11,998,442
2.	Medicare Supplement .....	186,284	4,691,452	2,622	559,440	188,906	428,621
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....						
8.	Other health .....	105,453	561,785	1,671	386,820	107,124	198,146
9.	Health subtotal (Lines 1 to 8) .....	7,398,752	76,878,367	407,713	15,142,276	7,806,465	12,625,209
10.	Healthcare receivables (a) .....	1,997,920	2,881,551	33,542	836,854	2,031,462	1,544,189
11.	Other non-health .....						
12.	Medical incentive pool and bonus amounts .....						
13.	<b>TOTALS (Lines 9 - 10 + 11 + 12) .....</b>	<b>5,400,832</b>	<b>73,996,816</b>	<b>374,171</b>	<b>14,305,422</b>	<b>5,775,003</b>	<b>11,081,020</b>

(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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior .....	5,438	5,438	5,438	5,438	5,438
2.	2014 .....	4,845	5,214	5,214	5,214	5,214
3.	2015 .....	X X X	39,123	56,564	56,214	56,214
4.	2016 .....	X X X	X X X	113,735	132,823	132,806
5.	2017 .....	X X X	X X X	X X X	86,768	94,326
6.	2018 .....	X X X	X X X	X X X	X X X	78,092

**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 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior .....	5,437	5,438	5,438	5,438	5,438
2.	2014 .....	4,845	5,214	5,214	5,214	5,214
3.	2015 .....	X X X	57,791	56,566	56,214	56,214
4.	2016 .....	X X X	X X X	133,191	132,824	132,840
5.	2017 .....	X X X	X X X	X X X	98,765	94,696
6.	2018 .....	X X X	X X X	X X X	X X X	93,237

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

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2014 .....	6,512	5,214	185	3.548	5,399	82.908			5,399	82.908
2. 2015 .....	64,299	56,214	995	1.770	57,209	88.973			57,209	88.973
3. 2016 .....	130,937	132,806	1,057	0.796	133,863	102.235	34		133,897	102.260
4. 2017 .....	112,482	94,326	2,838	3.008	97,164	86.382	370		97,534	86.710
5. 2018 .....	125,296	78,092	2,393	3.064	80,485	64.236	15,145	317	95,947	76.576

12 Grand 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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior .....	5,381	5,381	5,381	5,381	5,381
2. 2014 .....	4,556	4,925	4,925	4,925	4,925
3. 2015 .....	X X X	38,044	54,509	54,159	54,159
4. 2016 .....	X X X	X X X	110,289	128,961	128,950
5. 2017 .....	X X X	X X X	X X X	82,104	89,365
6. 2018 .....	X X X	X X X	X X X	X X X	72,839

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior .....	5,380	5,381	5,381	5,381	5,381
2. 2014 .....	4,556	4,925	4,925	4,925	4,925
3. 2015 .....	X X X	56,082	54,511	54,159	54,159
4. 2016 .....	X X X	X X X	129,337	128,962	128,979
5. 2017 .....	X X X	X X X	X X X	94,101	89,738
6. 2018 .....	X X X	X X X	X X X	X X X	87,036

**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. 2014 .....	6,014	4,925	171	3.472	5,096	84.736			5,096	84.736
2. 2015 .....	62,233	54,159	963	1.778	55,122	88.574			55,122	88.574
3. 2016 .....	126,671	128,950	1,023	0.793	129,973	102.607	29		130,002	102.630
4. 2017 .....	108,591	89,365	2,735	3.061	92,100	84.814	373		92,473	85.157
5. 2018 .....	119,084	72,839	2,271	3.118	75,110	63.073	14,197	301	89,608	75.248

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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior .....	57	57	57	57	57
2. 2014 .....	289	289	289	289	289
3. 2015 .....	X X X	1,079	2,055	2,055	2,055
4. 2016 .....	X X X	X X X	3,304	3,689	3,683
5. 2017 .....	X X X	X X X	X X X	3,665	3,857
6. 2018 .....	X X X	X X X	X X X	X X X	4,691

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior .....	57	57	57	57	57
2. 2014 .....	289	289	289	289	289
3. 2015 .....	X X X	1,709	2,055	2,055	2,055
4. 2016 .....	X X X	X X X	3,712	3,689	3,688
5. 2017 .....	X X X	X X X	X X X	3,665	3,854
6. 2018 .....	X X X	X X X	X X X	X X X	5,251

**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. 2014 .....	498	289	14	4.844	303	60.843			303	60.843
2. 2015 .....	2,066	2,055	32	1.557	2,087	101.016			2,087	101.016
3. 2016 .....	3,994	3,683	32	0.867	3,715	93.013	5		3,720	93.138
4. 2017 .....	3,148	3,857	82	2.122	3,939	125.122	(3)		3,936	125.027
5. 2018 .....	4,959	4,691	98	2.094	4,789	96.576	560	13	5,362	108.131

12 Medicare Supplement

- 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

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

**Other**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior .....					
2. 2014 .....					
3. 2015 .....	X X X				
4. 2016 .....	X X X	X X X	142	173	173
5. 2017 .....	X X X	X X X	X X X	999	1,104
6. 2018 .....	X X X	X X X	X X X	X X X	562

**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 2014	2 2015	3 2016	4 2017	5 2018
1. Prior .....					
2. 2014 .....					
3. 2015 .....	X X X				
4. 2016 .....	X X X	X X X	142	173	173
5. 2017 .....	X X X	X X X	X X X	999	1,104
6. 2018 .....	X X X	X X X	X X X	X X X	950

**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. 2014 .....										
2. 2015 .....										
3. 2016 .....	272	173	2	1.156	175	64.338			175	64.338
4. 2017 .....	743	1,104	21	1.863	1,125	151.354			1,125	151.354
5. 2018 .....	1,253	562	23	4.170	585	46.723	388	3	976	77.928

12 Other

## 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 .....	5,364,810	5,364,810							
6. TOTALS (Gross) .....	5,364,810	5,364,810							
7. Reinsurance ceded .....									
8. TOTALS (Net) (Page 3, Line 4) .....	5,364,810	5,364,810							
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) .....									
<b>DETAILS OF WRITE-INS</b>									
0501. ACA Risk Sharing Payable .....	5,364,810	5,364,810							
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) .....	5,364,810	5,364,810							
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) .....	111,287	44,396	245,349		401,032
2. Salaries, wages and other benefits .....	2,151,968	858,494	4,744,315		7,754,777
3. Commissions (less \$.....0 ceded plus \$.....0 assumed) .....			2,011,628		2,011,628
4. Legal fees and expenses .....					
5. Certifications and accreditation fees .....					
6. Auditing, actuarial and other consulting services .....			70,289		70,289
7. Traveling expenses .....	12,659	3,981	29,516		46,156
8. Marketing and advertising .....	2,088		239,229		241,317
9. Postage, express and telephone .....	12,704	207,197	256,294		476,195
10. Printing and office supplies .....	48,556	109,488	143,261		301,305
11. Occupancy, depreciation and amortization .....			97,885		97,885
12. Equipment .....					
13. Cost or depreciation of EDP equipment and software .....					
14. Outsourced services including EDP, claims, and other services .....	286,081	371,367	2,511,793		3,169,241
15. Boards, bureaus and association fees .....					
16. Insurance, except on real estate .....			99,031		99,031
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 .....			2,429,784		2,429,784
23.3 Regulatory authority licenses and fees .....			2,543,548		2,543,548
23.4 Payroll taxes .....	125,043	50,859	275,976		451,878
23.5 Other (excluding federal income and real estate taxes) .....					
24. Investment expenses not included elsewhere .....				7,563	7,563
25. Aggregate write-ins for expenses .....	16,824	17,878	182,308		217,010
26. TOTAL Expenses Incurred (Lines 1 to 25) .....	2,767,210	1,663,660	15,880,206	7,563	(a) 20,318,639
27. Less expenses unpaid December 31, current year .....		316,514	1,512,259		1,828,773
28. Add expenses unpaid December 31, prior year .....		375,913	1,185,919		1,561,832
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) .....	2,767,210	1,723,059	15,553,866	7,563	20,051,698
<b>DETAILS OF WRITE-INS</b>					
2501. Other Employee Expenses .....	16,312	5,994	79,589		101,895
2502. Donations .....			9,079		9,079
2503. Miscellaneous .....	512	11,884	57,673		70,069
2598. Summary of remaining write-ins for Line 25 from overflow page .....			35,967		35,967
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	16,824	17,878	182,308		217,010

(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) 156,124	188,198
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 298,509	298,509
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) 474,258	474,258
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. TOTAL gross investment income	928,891	960,965
11. Investment expenses		(g) 7,563
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)		7,563
17. Net Investment income (Line 10 minus Line 16)		953,402

**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	(89,270)		(89,270)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(46,999)		(46,999)		
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					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	(136,269)		(136,269)		

**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 .....	791	31	(760)
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 .....			
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	268,253
18.2 Net deferred tax asset .....	25,658	3,610	(22,048)
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 .....	864,316	525,577	(338,739)
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) .....	965,765	872,471	(93,294)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28. TOTAL (Lines 26 and 27) .....	965,765	872,471	(93,294)
<b>DETAILS OF WRITE-INS</b>			
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 .....	25,597	25,851	25,855	24,928	24,186	303,678
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business .....	3,379	3,587	3,496	3,524	3,570	42,660
7. TOTAL .....	28,976	29,438	29,351	28,452	27,756	346,338
<b>DETAILS OF WRITE-INS</b>						
0601. Medicare Supplement .....	2,538	2,557	2,566	2,597	2,588	30,920
0602. Stop Loss .....	841	1,030	930	927	982	11,740
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	3,379	3,587	3,496	3,524	3,570	42,660

## Notes to Financial Statements

### NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

#### 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.

	SSAP#	F/S Page	F/S Line#	2018	2017
<b>Net Income (Loss)</b>					
(1) QualChoice Life and Health state basis (Page 4, Line 32, Columns 2 & 3)				\$23,142,858	\$(2,400,823)
(2) State prescribed practices that increase/(decrease) NAIC SAP					
(3) State permitted practices that increase/(decrease) NAIC SAP					
(4) NAIC SAP (1 - 2 - 3 = 4)				\$23,142,858	\$(2,400,823)
<b>Surplus</b>					
(5) QCA Health Plan, Inc. state basis (Page 3, Line 33, Columns 3 & 4)				\$50,908,495	\$27,620,834
(6) State prescribed practices that increase/(decrease) NAIC SAP					
(7) State permitted practices that increase/(decrease) NAIC SAP					
(8) NAIC SAP (5 - 6 - 7 = 8)				\$50,908,495	\$27,620,834

#### 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 holds no mortgage loans.
- (6) The commercial loan-backed securities are stated at amortized cost.
- (7) The Company holds no ownership in preferred stock.
- (8) The Company does not have investments in joint ventures, partnerships or limited liability companies
- (9) The Company holds no derivatives.
- (10) The Company does not have premium deficiency reserves.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such

## Notes to Financial Statements

estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

(12) Expenditures for assets are capitalized at \$3,000 and all other costs are expensed.

(13) Pharmacy rebate receivable is estimated based on historical payments received.

### 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, 2018.

### 4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2018.

### 5. Investments

A. The Company acquired commercial mortgage-backed securities during the year of 2018. 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 2018. 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 dollar repurchase agreements and/or Securities Lending Transactions at this time.

F. The Company had no repurchase agreements transactions accounted for as secured borrowing.

G. The Company had no reverse repurchase agreements transactions accounted for as secured borrowing.

H. The Company had no repurchase agreements transactions accounted for as a sale.

I. The Company had no reverse repurchase agreements transactions accounted for as a sale.

J. The Company has no investments in real estate at this time.

K. The Company has no investments in low-income housing tax credits.

L. The Company has no restricted assets other than a Statutory Deposit with the State of Arkansas of \$1,605,373 at book value.

M. The Company has no Working Capital Finance Investments.

N. The Company does not offset or net Assets and Liabilities other than Cost Sharing Reduction and ACA Risk Adjustment.

O. The Company does not hold Structured Notes at this time.

P. The Company does not hold 5\* Securities at this time.

Q. The Company does not hold Short Sales 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.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement period.

### 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 December 31, 2018 and 2017. 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

# Notes to Financial Statements

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

(1) Description	2018			2017			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a Gross deferred tax assets	350,710	33,828	384,538	4,759,677	-	4,759,677	(4,408,967)	33,828	(4,375,139)
b Statutory valuation allowance adjustment	(64,437)	(33,828)	(98,265)	(4,730,800)	-	(4,730,800)	4,666,363	(33,828)	4,632,535
c Adjusted gross deferred tax assets (1a-1b)	286,273	-	286,273	28,877	-	28,877	257,396	-	257,396
d Deferred tax assets nonadmitted	25,658	-	25,658	3,610	-	3,610	22,048	-	22,048
e Net admitted deferred tax asset (1c-1d)	260,615	-	260,615	25,267	-	25,267	235,348	-	235,348
f Deferred tax liabilities	19,301	-	19,301	-	-	-	19,301	-	19,301
g Net deferred tax asset/(liability)	241,314	-	241,314	25,267	-	25,267	216,047	-	216,047

(2) Admission Calculation Components under SSAP No. 101

Admission Calculation Components	2018			2017			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a Federal income taxes paid in prior years recoverable through loss carrybacks	233,762	-	233,762	-	-	-	233,762	-	233,762
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:	7,552	-	7,552	25,267	-	25,267	(17,715)	-	(17,715)
(1) Adjusted gross deferred tax assets expected to be realized following the balance sheet date	7,552	-	7,552	25,267	-	25,267	(17,715)	-	(17,715)
(2) Adjusted gross deferred tax assets allowed per limitation threshold	xxx	xxx	7,599,528	xxx	xxx	4,139,335	xxx	xxx	3,460,193
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	19,301	-	19,301	-	-	-	19,301	-	19,301
d Deferred tax assets admitted as the result of application of SSAP 101.	260,615	-	260,615	25,267	-	25,267	235,348	-	235,348
Total 2(a) + 2(b) + 2(c)	260,615	-	260,615	25,267	-	25,267	235,348	-	235,348
Deferred tax Liabilities	(19,301)	-	(19,301)	-	-	-	(19,301)	-	(19,301)
Net Admitted Deferred Tax Asset (Liability)	241,314	-	241,314	-	-	25,267	216,047	-	216,047

(3) Other Admissibility Criteria

	2018	2017
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.	50,663,520	27,595,568

(4) Impact of Tax Planning strategies

Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage.	2018			2017			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(1) Adjusted Gross DTAs amount from Note 9A (c).	286,273	-	286,273	28,877	-	28,877	257,396	-	257,396
(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).	260,615	-	260,615	25,267	-	25,267	235,348	-	235,348
(4) Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.	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:

	2018	2017	Change
a Current federal income tax expense	1,038,015	(296,198)	1,334,213
b Foreign taxes	-	-	-
c Subtotal	1,038,015	(296,198)	1,334,213
d Tax on capital gains/(losses)	-	-	-
e Utilization of capital loss carryforwards	-	-	-
f SSAP3, Error Correction	-	-	-
g Other, including prior year underaccrual/(overaccrual)	18,941	163	18,778
h Federal and foreign income taxes incurred	1,056,956	(296,035)	1,352,991

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

(2) Deferred Tax Assets:	December 31, 2018	December 31, 2017	Change
(a) Ordinary			
(1) Discount on unpaid losses	51,179	19,570	31,609
(2) Unearned premium reserves	863	-	863
(3) Minimum tax credit	297	28,877	(28,580)
(4) Net operating losses	100,949	4,582,736	(4,481,787)
(5) Nonadmitted assets	197,422	126,128	71,294
(6) Sick Time Benefits	-	2,365	(2,365)
(7) Other (required to disclose items > 5%)	-	-	-
Subtotal	350,710	4,759,676	(4,408,966)
(b) Statutory valuation allowance adjustment	64,437	4,730,800	(4,666,363)
(c) Nonadmitted	25,658	3,610	22,048
(d) Admitted ordinary deferred tax assets	260,615	25,266	235,349
(e) Capital			
(1) Investments	-	-	-
(2) Capital loss carry-forward	33,828	-	33,828
(3) Tax effect of unrealized capital losses	-	-	-
Gross Capital Deferred Tax Assets	33,828	-	33,828
(f) Statutory valuation allowance adjustment	33,828	-	33,828
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets	-	-	-
(i) Total admitted deferred tax assets	260,615	25,266	235,349
(3) Deferred Tax Liabilities:			
(a) Ordinary			
(1) Fixed Assets	-	-	-
(2) Intangibles	-	-	-
(3) Other (required to disclose items > 5%)	19,301	-	19,301
Ordinary Deferred Tax Liabilities	19,301	-	19,301
(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	19,301	-	19,301
(4) Net deferred tax assets/liabilities	241,314	25,266	216,048

# Notes to Financial Statements

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, 2018	December 31, 2017	Change
Total deferred tax assets	286,273	28,876	257,397
Total deferred tax liabilities	(19,301)	-	(19,301)
Net deferred tax assets/liabilities	266,972	28,876	238,096
Tax effect of unrealized gains/(losses)			-
Change in net deferred income tax [(expense)/benefit]			238,096

	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

Our accounting for all elements of the Tax Act is complete under INT 18-01. We recorded an immaterial adjustment (effective tax rate impact of \$0) related to our accounting for property and casualty reserves as a result of guidance issued by the IRS.

2018	Amount	Tax Effect	Tax Rate
Provision computed at statutory rate	24,193,395	5,080,613	21.0%
Change in nonadmitted assets	(339,499)	(71,294)	-0.3%
Impact of Tax Rate Change	62,003	8,680	0.0%
Change in valuation allowance	(22,121,687)	(4,632,535)	-19.1%
Other, incl. Prior year adjustment	-	(2,760)	0.0%
ACA Fee	2,076,931	436,156	1.8%
Total statutory income tax		818,860	3.4%
Federal income taxes incurred		1,038,015	4.3%
Tax on capital gains/(losses)		-	0.0%
Prior year overaccrual/(underaccrual)		18,941	0.1%
Change in net deferred income tax [(expense)/benefit]		(238,096)	-1.0%
Total statutory income tax		818,860	3.4%

2017	Amount	Tax Effect	Tax Rate
Provision computed at statutory rate	(2,696,859)	(943,901)	35.0%
Change in nonadmitted assets	78,590	27,507	-0.5%
ACA Fee	20,784,504	3,153,866	-53.1%
NOL Waived	1,743,111	(2,562,332)	22.2%
Prior year true-up	(150)	(51)	1.8%
Change in valuation allowance			0.0%
Total		(324,911)	5.5%
Federal income taxes incurred		(296,198)	5.0%
Tax on capital gains/(losses)		-	0.0%
SSAP3 Error Correction		163	0.0%
Change in net deferred income taxes		(28,876)	0.5%
Prior year overaccrual/(underaccrual)		-	0.0%
Total statutory income taxes		(324,911)	5.5%

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

	December 31, 2018	December 31, 2017
The Company had net operating losses of:	480,710	21,822,550
The Company had capital loss carryforwards of:	161,085	-
The Company had AMT credit carryforwards of:	297	28,877

Net Operating Loss: Year Ending	2018	2017	Expires
12/31/2006	28,098	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	120,544	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	2035
12/31/2016	-	10,963,533	2036
12/31/2017	-	5,467,062	2037
	480,710	21,822,550	

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.

Capital Loss: Year Ending	2018	2017	Expires
12/31/2017	24,817	-	2022
12/31/2018	136,268	-	2023
	161,085	-	

Additional detail of refundable AMT Credits:

(1) Gross AMT Credit Recognized as:	
a. Current year recoverable	28,580
b. Deferred tax asset (DTA)	297
(2) BOY AMT Credit CF	28,877
(3) Amounts Recovered	28,580
(4) Adjustments	-
(5) EOY AMT Credit CF (5=2-3-4)	297
(6) Reduction for Sequestration	-
(7) Nonadmitted	-
(8) Reporting Entity Ending Balance (8=5-6-7)	297

## Notes to Financial Statements

(2) The following represents income tax expense for tax years ending 12/2018, 12/2017, and 12/2016 that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
Dec-16	-	-	-
Dec-17	-	-	-
Dec-18	1,038,015	-	1,038,015

(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.	81-0738227
QualChoice Holdings, Inc.	27-4075520
QCA Health Plan, Inc.	71-0794605
QualChoice Life and Health Insurance Company, Inc.	71-0386640
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 \$13,269,176 and \$11,795,055 during 2018 and 2017, respectively, for these services.

Under the provisions of various provider contracts, the Company paid \$7,361,610 and \$8,864,066 to hospitals owned by or affiliated with stockholders during 2018 and 2017, respectively.

The Company was due \$595,590 and \$26,433 from affiliates as of December 31, 2018 and 2017, respectively.

The Company owed \$0 and \$0 to affiliates as of December 31, 2018 and 2017, respectively, for general expenses paid on behalf of the Company.

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, 2018:

	<u>2018</u>	<u>2017</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, 2018, 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 2018 and 2017 totaled \$63,180 and \$52,658, respectively.

- F. N/A
- G. N/A
- H. N/A

## Notes to Financial Statements

- I. N/A
- J. N/A
- K. N/A
- L. N/A
- M. N/A
- N. 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, 2018. The Company also has 1,500 shares of \$1,000 per share par value preferred stock authorized and none outstanding at December 31, 2018.
- (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 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:

<u>Date Issued</u>	<u>Interest Rate</u>	<u>Par Value Face Amount of Notes</u>	<u>Carrying Value of Note</u>	<u>Interest and/or Principal Paid Current Year</u>	<u>Total Interest and/or Principal Paid</u>	<u>Unapproved Interest and/or Principal</u>	<u>Maturity Date</u>
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, 2018, 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, 2018, 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. The Company has no lease agreements.
- B. N/A

## Notes to Financial Statements

### 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.

### 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. 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, 2018. 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, 2018.
- B. The Company had no troubled debt restructuring as of December 31, 2018.
- C. The Company has no other disclosures as of December 31, 2018.
- 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, 2019, the date which the financial statements were filed. The Company is not subject to Section 9010 Insurer Fee for the reporting year due to a regulatory moratorium.

### 23. Reinsurance

The Company is covered under a medical reinsurance agreement effective January 1, 2018 through December 31, 2018, 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, 2018 the Company recorded no receivable for experience refund related to the contract years that ended December 31, 2018 and December 31, 2017.

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.

## Notes to Financial Statements

### 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) No new agreements have been executed during 2018.

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.

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 2018 and 2017 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.

<b>A. Permanent ACA Risk Adjustment Program</b>		<b>Amount</b>
Assets		
1.	Premium Adjustment Receivable due to ACA Risk Adjustment	
Liabilities		
2.	Risk Adjustment User Fees Payable for ACA Risk Adjustment	\$11,639
3.	Premium Adjustments Payable due to ACA Risk Adjustment	\$5,364,810
Operations (Revenue & Expense)		
4.	Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$(4,709,946)
5.	Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	\$11,639

<b>B. Transitional ACA Reinsurance Program</b>		<b>Amount</b>
Assets		
1.	Amounts recoverable for claims paid due to ACA Reinsurance	\$33,542
2.	Amounts recoverable for claims unpaid due to ACA Reinsurance	
Liabilities		
3.	Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	
4.	Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	
5.	Ceded reinsurance premiums payable due to ACA Reinsurance	
6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	
Operations (Revenue & Expense)		
7.	Ceded reinsurance premiums due to ACA Reinsurance	
8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$4,928
9.	ACA Reinsurance contributions – not reported as ceded premium	

<b>C. Temporary ACA Risk Corridors Program</b>		<b>Amount</b>
Assets		
1.	Accrued retrospective premium due to ACA Risk Corridor	
Liabilities		
2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	

## Notes to Financial Statements

Operations (Revenue & Expense)	
3.	Effect of ACA Risk Corridors on net premium income (paid/received)
4.	Effect of ACA Risk Corridors on change in reserves for rate credits

- (3) The following table is a roll forward 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	
	1	2	3	4	Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances	Ref	Cumulative Balance from Prior Years (Col 1-3+7)	Cumulative Balance from Prior Years (Col 2-4+8)
					5	6					
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)	
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable									A		
2. Premium adjustments payable		\$(6,458,220)		\$(5,803,356)		\$(654,864)		\$(4,709,946)	B		\$(5,364,810)
3. Subtotal ACA Permanent Risk Adjustment Program	\$	\$(6,458,220)	\$	\$(5,803,356)	\$	\$(654,864)		\$(4,709,946)		\$	\$(5,364,810)
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	\$996,119	\$	\$967,505	\$	\$28,614	\$	\$4,928	\$	C	\$33,542	\$
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	\$996,119	\$	\$967,505	\$	\$28,614	\$	\$4,928	\$		\$33,542	\$
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	\$996,119	\$(6,458,220)	\$967,505	\$(5,803,356)	\$28,614	\$(654,864)	\$4,928	\$(4,709,946)		\$33,542	\$(5,364,810)

## Explanations of adjustments

- A.  
B. Adjustments made for amounts received for prior year  
C. Adjustments made for amounts received for prior year  
D.  
E.  
F.  
G.  
H.  
I.  
J.

- (4) Roll Forward of ACA Risk Corridor Asset and Liability Balances by Program Benefit Year

	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	
	1	2	3	4	Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances	Ref	Cumulative Balance from Prior Years (Col 1-3+7)	Cumulative Balance from Prior Years (Col 2-4+8)
					5	6					
Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)	
a. 2014											

## Notes to Financial Statements

1. Accrued Retrospective Premium											
2. Reserve for rate credits policy experience rating refunds											
b. 2015											
1. Accrued Retrospective Premium											
2. Reserve for rate credits policy experience rating refunds											
c. 2016											
1. Accrued Retrospective Premium											
2. Reserve for rate credits or policy experience rating refunds											
d. Total for Risk Corridor											

## Explanations of adjustments

- A.  
B.  
C.  
D.  
E.  
F.

## (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
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, 2018 were \$15,549,990. As of December 31, 2017, \$12,625,207 has been paid for incurred claims and claim adjustment expenses attributable to insured events incurred prior to January 1, 2018. Reserves remaining for prior years are now \$405,269 as a result of re-estimation of unpaid claims and claim adjustment expenses. 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, 2018:

## For 2018

## 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
12/31/2018	1,701,169				
9/30/2018	1,529,575	1,066,244	1,066,244		
6/30/2018	1,434,271	1,860,969	794,725	1,066,244	
3/31/2018	1,100,556	1,945,903	1,021,759	794,725	129,419
12/31/2017	1,073,647	1,709,042	597,868	1,021,759	89,415
9/30/2017	716,740	1,455,725	589,374	597,868	268,483
6/30/2017	707,307	1,182,250	430,101	589,374	162,775

## Notes to Financial Statements

3/31/2017	1,263,353	1,064,393	520,355	430,101	113,937
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	

B. Risk-Sharing Receivables – N/A

29. Participating Policies

The Company has no participating contracts.

N/A

30. Premium Deficiency Reserves

At December 31, 2018, 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, 2018 and 2017, 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
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes[ ] No[X]
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. .....
- 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. .....12/31/2017.....
- 3.2 State as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .....12/31/2014.....
- 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?  
Arkansas Insurance Department
- 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?  
If yes, complete and file the merger history data file with the NAIC. 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

## GENERAL INTERROGATORIES (Continued)

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved
- 12.13 Total book/adjusted carrying value \$ ..... 0
- 12.2 If yes, provide explanation \$ ..... 0
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ] N/A [X]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ] N/A [X]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
.....	.....	.....	.....

### BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [ ] No [X]
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$ ..... 0
- 20.12 To stockholders not officers \$ ..... 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ ..... 0
- 20.22 To stockholders not officers \$ ..... 0
- 20.23 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ ..... 0
- 21.22 Borrowed from others \$ ..... 0
- 21.23 Leased from others \$ ..... 0
- 21.24 Other \$ ..... 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ ..... 0
- 22.22 Amount paid as expenses \$ ..... 0
- 22.23 Other amounts paid \$ ..... 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 28,194

### INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [ ] No [X]
- 24.02 If no, give full and complete information, relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ ..... 0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ ..... 0
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

## GENERAL INTERROGATORIES (Continued)

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
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.

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 .....		

## GENERAL INTERROGATORIES (Continued)

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 .....	24,322,108	24,249,763	(72,345)
30.2 Preferred stocks .....			
30.3 Totals .....	24,322,108	24,249,763	(72,345)

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 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:
- Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
  - Issuer or obligor is current on all contracted interest and principal payments.
  - The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting-entity self-designated 5GI securities? Yes [ ] No[X]

34. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- The security was purchased prior to January 1, 2018.
- The reporting entity is holding capital commensurate with the NAIC Designation reported for the security
- The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities? Yes [ ] No[X]

### OTHER

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

35.2 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
.....	

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

36.2 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
.....	

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

37.2 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:	\$	4,959,299
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.	\$	4,474,292
1.6 Individual policies - Most current three years:		
1.61 TOTAL Premium earned	\$	3,025,132
1.62 TOTAL Incurred claims	\$	3,973,120
1.63 Number of covered lives		1,734
All years prior to most current three years:		
1.64 TOTAL Premium earned	\$	1,942,817
1.65 TOTAL Incurred claims	\$	501,172
1.66 Number of covered lives		854
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	126,508,386	114,207,582
2.2 Premium Denominator	126,667,623	114,322,860
2.3 Premium Ratio (2.1 / 2.2)	0.999	0.999
2.4 Reserve Numerator	20,044,403	19,083,427
2.5 Reserve Denominator	20,914,800	19,083,427
2.6 Reserve Ratio (2.4 / 2.5)	0.958	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?		Yes[ ] No[X]
3.2 If yes, give particulars:		
4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?		Yes[X] No[ ]
4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?		Yes[ ] No[ ] 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		19,232
8.2 Number of providers at end of reporting year		20,660
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		
11.4 If yes, show the amount required.	\$	1,600,000
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]
14.2 If the answer to 14.1 is yes, please provide the following:		

## GENERAL INTERROGATORIES (Continued)

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)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes[X] No[]

16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes[] No[X]

## FIVE-YEAR HISTORICAL DATA

	1 2018	2 2017	3 2016	4 2015	5 2014
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. TOTAL Admitted Assets (Page 2, Line 28) .....	74,808,044	54,451,054	51,130,374	44,731,101	7,484,480
2. TOTAL Liabilities (Page 3, Line 24) .....	23,899,545	26,830,220	21,212,736	23,383,351	1,202,086
3. Statutory minimum capital and surplus requirement .....	1,600,000	1,600,000	5,707,127	2,871,348	769,894
4. TOTAL Capital and Surplus (Page 3, Line 33) .....	50,908,495	27,620,834	29,917,638	21,347,750	6,282,394
<b>INCOME STATEMENT (Page 4)</b>					
5. TOTAL Revenues (Line 8) .....	126,691,121	114,346,550	129,228,724	61,879,954	6,067,435
6. TOTAL Medical and Hospital Expenses (Line 18) .....	82,996,222	101,507,418	127,720,675	57,060,489	5,726,864
7. Claims adjustment expenses (Line 20) .....	4,430,870	4,217,230	1,266,114	1,485,602	269,980
8. TOTAL Administrative Expenses (Line 21) .....	15,884,109	11,680,488	16,580,029	8,029,818	986,373
9. Net underwriting gain (loss) (Line 24) .....	23,379,920	(3,058,586)	(15,838,094)	(5,195,955)	(915,782)
10. Net investment gain (loss) (Line 27) .....	817,134	361,728	319,498	62,412	4,568
11. TOTAL Other Income (Lines 28 plus 29) .....					
12. Net income or (loss) (Line 32) .....	23,142,858	(2,400,823)	(15,518,596)	(5,133,543)	(911,214)
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	22,653,616	9,700,203	(17,772,661)	6,694,215	(610,581)
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. TOTAL Adjusted Capital .....	50,908,495	27,620,834	29,917,638	21,347,750	6,282,394
15. Authorized control level risk-based capital .....	3,735,151	4,573,429	5,707,127	2,871,348	769,894
<b>ENROLLMENT (Exhibit 1)</b>					
16. TOTAL Members at End of Period (Column 5, Line 7) .....	27,756	28,976	37,661	23,168	2,333
17. TOTAL Members Months (Column 6, Line 7) .....	346,338	336,798	385,028	192,264	25,884
<b>OPERATING PERCENTAGE (Page 4)</b>					
(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) .....	65.5	88.8	98.9	92.2	94.6
20. Cost containment expenses .....	2.2	2.2	0.8	1.6	3.1
21. Other claims adjustment expenses .....	1.3	1.5	0.2	0.8	1.4
22. TOTAL Underwriting Deductions (Line 23) .....	81.6	102.7	112.3	108.4	115.4
23. TOTAL Underwriting Gain (Loss) (Line 24) .....	18.5	(2.7)	(12.3)	(8.4)	(15.1)
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) .....	5,775,003	17,600,457	16,812,985	369,945	491,092
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	11,081,020	18,367,624	17,888,690	951,215	559,299
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
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 (a)	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	127,331,310				911,577	128,242,887		
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	127,331,310				911,577	128,242,887		
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. TOTAL (Direct Business)	X X X	127,331,310				911,577	128,242,887		
<b>DETAILS OF WRITE-INS</b>									
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								

(a) Active Status Counts:

- L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG
- 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

2

R - Registered - Non-domiciled RRGs

Q - Qualified - Qualified or accredited reinsurer

55

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

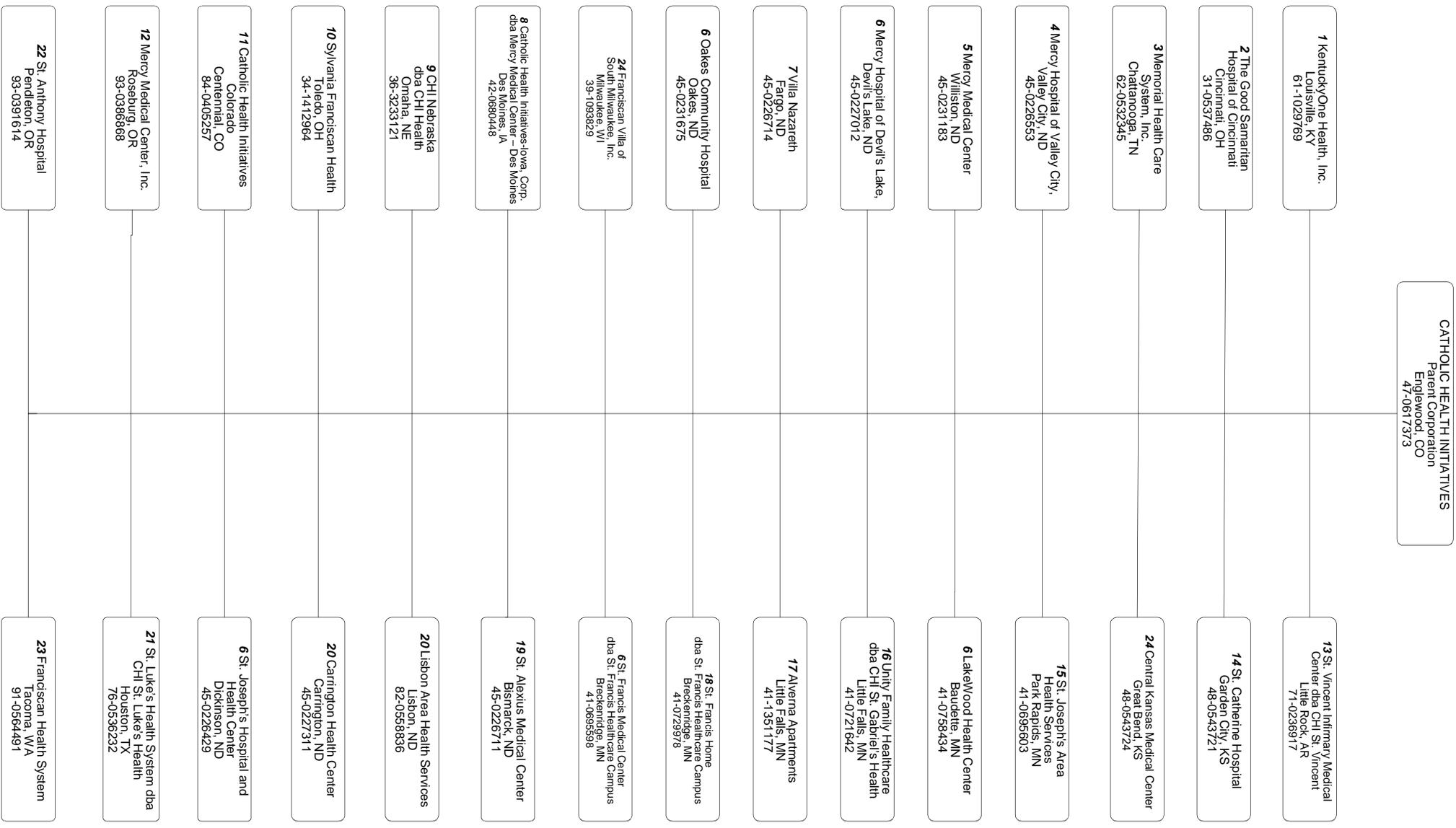
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

## MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART

**CATHOLIC HEALTH INITIATIVES ORGANIZATION CHART**

**Wholly-owned or Controlled Hospitals / LTC Entities**



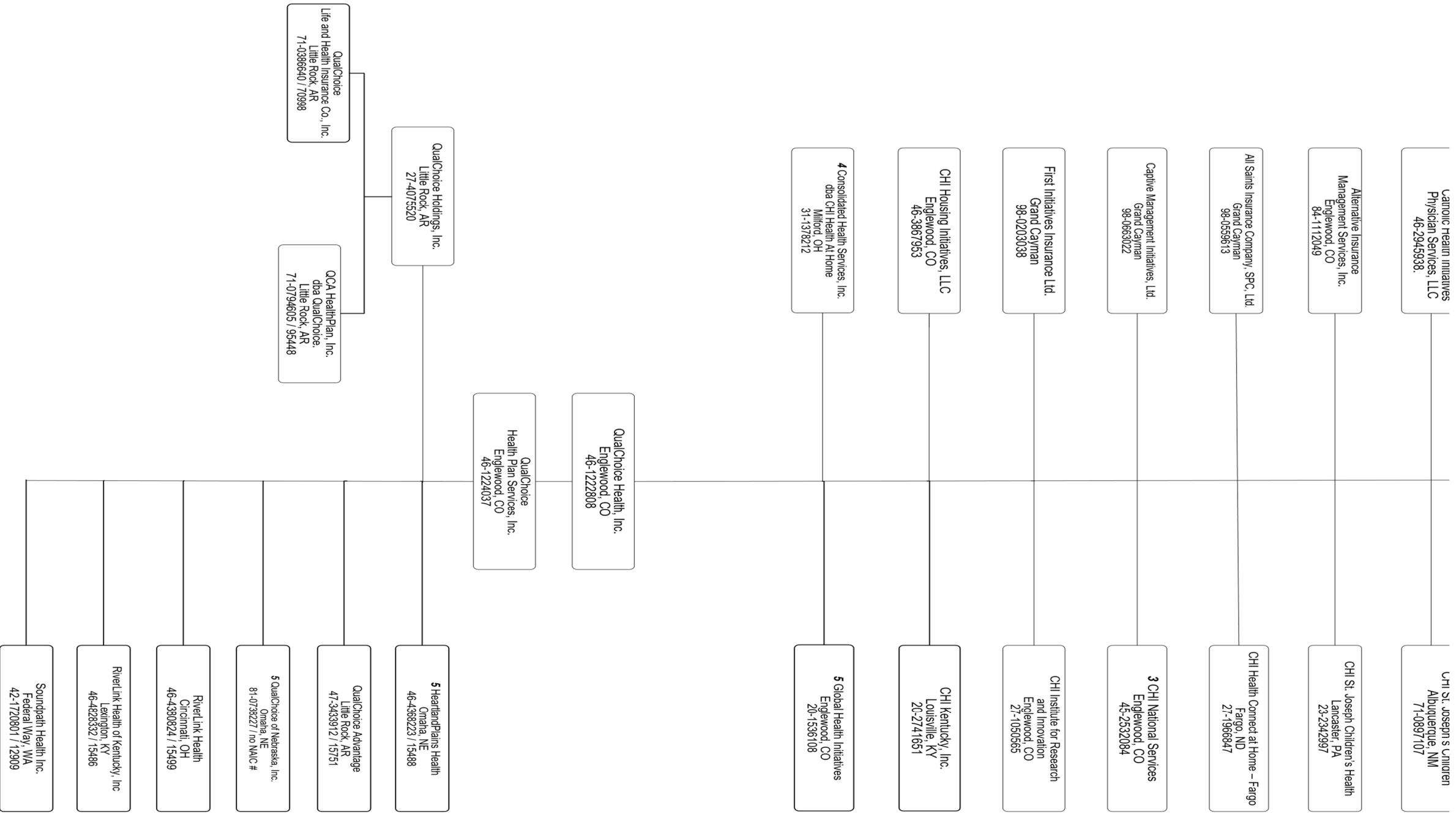
**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

- 1 13 hospitals, 8 foundations, 6 physician groups & health service providers, ACO, 4 JV health service providers
- 2 hospital, school of nursing, foundation, JV rehab hospital, 6 JV health service providers; this entity is managed by JOA with CHI 50% & Bethesda Hospital, Inc. 50%.3 3 hospitals, foundation, 7 100% health service providers, 3 JV health service providers 4 single hospital, foundation, 1 assisted living JV
- 5 single hospital, foundation, medical retail store
- 6 single hospital, foundation
- 7 provides housing & services for developmentally disabled, 1 housing JV
- 8 4 hospitals, school of health sciences, clinics, 3 ACOs, foundation, JV rehab hospital, 3 100% & 4 JV health service providers; this entity is managed by JOA with CHI 50% & Trinity Health Corporation 50%.9 16 hospitals, 3 physician groups, clinics, 2 ACOs, 10 foundations, JV ortho hospital, 11 100% health service providers, 17 JV health service providers 10 8 hospitals, 1 JV rehab hospital, 15 LTC facilities, 3 foundations, medical group, 9 100% health service providers, 1 JV health service provider
- 11 9 hospitals, 1 JV ortho hospital, 1 JV LTACH hospital, 1 LTC facility, foundation, 9 100% health service providers, 21 JV health service providers; this entity is managed by JOA with CHI 65% & Adventist Health System 35%.
- 12 single hospital, 3 physician groups, foundation, clinic. JV health service provider
- 13 4 hospitals, ACO, foundation, 2 physician groups, clinics, 3 100% health service providers, 11 JV health service providers 14 2 hospitals, foundation, 1 JV health service provider
- 15 single hospital, 1 JV health service provider
- 16 single hospital, 1 JV medical office building
- 17 HUD housing
- 18 1 LTC facility, 1 senior housing facility
- 19 3 hospitals, ACO, 1 100% health service provider, 9 JV health service providers
- 20 single hospital
- 21 10 hospitals, 1 JV teaching hospital, ACO, 2 foundations, clinics, 3 physician groups, PHO, 17 100% health service providers, 10 JV health service providers 22 single hospital, foundation, 1 100% health service provider
- 23 9 hospitals, 1 JV rehab hospital, 2 foundations, 2 physician groups, ACO, 3 100% health service providers, 15 JV health service providers 24 Inactive

## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

### MEMBERS OF A HOLDING COMPANY GROUP

#### PART 1 - ORGANIZATIONAL CHART



**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

- 1 CHI owns/controls multiple health-care related organizations including: hospitals, physician groups and other health service providers, foundations, educational organizations, among others.
- 2 This entity is a holding company which owns 100% 1 non-hospital/LTC subsidiary.
- 3 This entity controls 3 100% subsidiaries & is participant in 1 50/50 JV providing home nursing.
- 4 This entity owns 3 100% subsidiaries & is participant in 10 JVs providing home nursing, DME & transportation.5 Inactive

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