



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2011
OF THE CONDITION AND AFFAIRS OF THE

ARKANSAS COMMUNITY CARE, INC.

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

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

Country of Domicile United States

Licensed as business type: Life, Accident & Health [], Property/Casualty [], Hospital, Medical & Dental Service or Indemnity [], Dental Service Corporation [], Vision Service Corporation [], Health Maintenance Organization [X], Other [], Is HMO, Federally Qualified? Yes [X] No []

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

Statutory Home Office 10025 W MARKHAM ST., SUITE 220 (Street and Number), LITTLE ROCK, AR 72205 (City, State and Zip Code)

Main Administrative Office 500 12TH STREET, STE 350 (Street and Number)

OAKLAND, CA 94607 (City, State and Zip Code) 510-832-0311 (Area Code) (Telephone Number)

Mail Address 500 12TH STREET, STE 350 (Street and Number or P.O. Box), OAKLAND, CA 94607 (City, State and Zip Code)

Primary Location of Books and Records 500 12TH STREET, STE 350 (Street and Number)

OAKLAND, CA 94607 (City, State and Zip Code) 510-832-0311 (Area Code) (Telephone Number) (Extension)

Internet Web Site Address WWW.ARCADIANHEALTH.COM

Statutory Statement Contact STACY ELISE PARSONS (Name), 510-817-1815 (Area Code) (Telephone Number) (Extension)

SPARSONS@ARCADIANHEALTH.COM (E-Mail Address) 510-817-1895 (Fax Number)

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Includes Robert Lawrence Fahلمان, James Francis Novello, Kenneth Benjamin Zimmerman, and Stacy Elise Parsons.

OTHER OFFICERS

Empty lines for other officers.

DIRECTORS OR TRUSTEES

ROBERT LAWRENCE FAHLMAN CHASE SPENCER MILBRANDT JEFFREY CRAIG MCMANUS

State of California

County of Alameda ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

ROBERT LAWRENCE FAHLMAN CEO AND PRESIDENT

KENNETH BENJAMIN ZIMMERMAN TREASURER

JAMES FRANCIS NOVELLO SECRETARY

Subscribed and sworn to before me this day of

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

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	12,532,212		12,532,212	14,041,581
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$2,421,125 , Schedule E-Part 1), cash equivalents (\$0 , Schedule E-Part 2) and short-term investments (\$4,029,311 , Schedule DA).....	6,450,436		6,450,436	6,077,670
6. Contract loans (including \$ premium notes).....			0	0
7. Derivatives (Schedule DB).....			0	0
8. Other invested assets (Schedule BA)	0		0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	18,982,648	0	18,982,648	20,119,251
13. Title plants less \$ charged off (for Title insurers only).....			0	0
14. Investment income due and accrued	154,022		154,022	176,606
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	4,794,910		4,794,910	3,104,859
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums).....			0	0
15.3 Accrued retrospective premiums.....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	70,759		70,759	163,171
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	2,434,099
18.1 Current federal and foreign income tax recoverable and interest thereon	1,000,906		1,000,906	0
18.2 Net deferred tax asset.....	803,737	202,007	601,730	566,317
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software.....			0	0
21. Furniture and equipment, including health care delivery assets (\$)	3,551	3,551	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	1,145,346
24. Health care (\$573,971) and other amounts receivable.....	1,775,364	1,194,619	580,745	983,430
25. Aggregate write-ins for other than invested assets	5,846	5,846	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	27,591,743	1,406,023	26,185,720	28,693,079
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	27,591,743	1,406,023	26,185,720	28,693,079
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. PREPAID EXPENSES.....	5,846	5,846	0	0
2502. NON-STATUTORY DEPOSITS.....			0	0
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	5,846	5,846	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	9,425,700	989,936	10,415,636	9,053,634
2. Accrued medical incentive pool and bonus amounts	10,210		10,210	294,515
3. Unpaid claims adjustment expenses	283,736		283,736	203,123
4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act	379,828		379,828	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	316,056		316,056	313,653
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others	14,134		14,134	20,372
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	1,449,450		1,449,450	245,299
16. Derivatives			0	0
17. Payable for securities			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
20. Reinsurance in unauthorized companies			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans	871,563		871,563	0
23. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
24. Total liabilities (Lines 1 to 23)	12,750,677	989,936	13,740,613	10,130,596
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX		0
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX	13,469,452	13,469,452
29. Surplus notes	XXX	XXX		0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	(1,024,343)	5,093,031
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	12,445,109	18,562,483
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	26,185,722	28,693,079
DETAILS OF WRITE-INS				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	147,484	138,918
2. Net premium income (including \$0 non-health premium income).....	XXX	107,349,895	105,205,442
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	107,349,895	105,205,442
Hospital and Medical:			
9. Hospital/medical benefits		52,772,015	45,516,500
10. Other professional services		18,993,890	16,217,042
11. Outside referrals	6,203,543	6,203,543	5,350,630
12. Emergency room and out-of-area	1,035,023	3,899,376	3,363,259
13. Prescription drugs		9,321,120	10,932,554
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		454,770	498,972
16. Subtotal (Lines 9 to 15)	7,238,566	91,644,714	81,878,957
Less:			
17. Net reinsurance recoveries		363,892	293,384
18. Total hospital and medical (Lines 16 minus 17)	7,238,566	91,280,822	81,585,573
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$1,292,804 cost containment expenses.....		4,388,242	3,146,120
21. General administrative expenses.....		14,054,513	13,188,685
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	7,238,566	109,723,577	97,920,378
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(2,373,682)	7,285,064
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		517,216	611,442
26. Net realized capital gains (losses) less capital gains tax of \$(756).....		(756)	4,138
27. Net investment gains (losses) (Lines 25 plus 26)	0	516,460	615,580
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]		0	0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	(1,857,222)	7,900,644
31. Federal and foreign income taxes incurred	XXX	(581,189)	2,632,135
32. Net income (loss) (Lines 30 minus 31)	XXX	(1,276,033)	5,268,509
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	18,562,483	14,955,727
34. Net income or (loss) from Line 32	(1,276,033)	5,268,509
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		21,224
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax	34,360	(91,395)
39. Change in nonadmitted assets	124,301	105,646
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders	(5,000,000)	(1,450,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	(247,228)
48. Net change in capital & surplus (Lines 34 to 47)	(6,117,372)	3,606,756
49. Capital and surplus end of reporting year (Line 33 plus 48)	12,445,111	18,562,483
DETAILS OF WRITE-INS		
4701. 2009 AUDIT ADJUSTMENTS		(247,228)
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	(247,228)

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	106,054,601	104,062,598
2. Net investment income	612,940	680,215
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	106,667,541	104,742,813
5. Benefit and loss related payments	90,293,007	81,776,343
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	15,054,077	17,692,711
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	419,720	2,589,905
10. Total (Lines 5 through 9)	105,766,804	102,058,959
11. Net cash from operations (Line 4 minus Line 10)	900,737	2,683,854
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,636,316	5,945,601
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	4
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,636,316	5,945,605
13. Cost of investments acquired (long-term only):		
13.1 Bonds	200,844	4,720,868
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	200,844	4,720,868
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	1,435,472	1,224,737
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	5,000,000	1,450,000
16.6 Other cash provided (applied)	3,036,555	(4,515,333)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,963,445)	(5,965,333)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	372,764	(2,056,742)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	6,077,672	8,134,414
19.2 End of year (Line 18 plus Line 19.1)	6,450,436	6,077,672

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	107,349,895	0	0	0	0	0	107,349,895	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	107,349,895	0	0	0	0	0	107,349,895	0	0	0
8. Hospital/medical benefits	52,772,015						52,772,015			XXX
9. Other professional services	18,993,890						18,993,890			XXX
10. Outside referrals	6,203,543						6,203,543			XXX
11. Emergency room and out-of-area	3,899,376						3,899,376			XXX
12. Prescription drugs	9,321,120						9,321,120			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	454,770						454,770			XXX
15. Subtotal (Lines 8 to 14)	91,644,714	0	0	0	0	0	91,644,714	0	0	XXX
16. Net reinsurance recoveries	363,892						363,892			XXX
17. Total hospital and medical (Lines 15 minus 16)	91,280,822	0	0	0	0	0	91,280,822	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 1,292,804 cost containment expenses	4,388,243						4,388,243			
20. General administrative expenses	14,054,514						14,054,514			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	109,723,579	0	0	0	0	0	109,723,579	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(2,373,684)	0	0	0	0	0	(2,373,684)	0	0	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....				.0
2. Medicare Supplement .....				.0
3. Dental only.....				.0
4. Vision only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare	107,874,776		524,881	107,349,895
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8)	107,874,776	0	524,881	107,349,895
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	107,874,776	0	524,881	107,349,895

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct	89,629,137						89,629,137			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	89,629,137	0	0	0	0	0	89,629,137	0	0	0
2. Paid medical incentive pools and bonuses	721,576						721,576			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	10,415,636	0	0	0	0	0	10,415,636	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	10,415,636	0	0	0	0	0	10,415,636	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	10,210						10,210			
6. Net healthcare receivables (a).....	(198,804)						(198,804)			
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	9,064,756	0	0	0	0	0	9,064,756	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	11,122	0	0	0	0	0	11,122	0	0	0
8.4 Net	9,053,634	0	0	0	0	0	9,053,634	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	294,515	0	0	0	0	0	294,515	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	163,171	0	0	0	0	0	163,171	0	0	0
12. Incurred benefits:										
12.1 Direct	91,178,821	0	0	0	0	0	91,178,821	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	(174,293)	0	0	0	0	0	(174,293)	0	0	0
12.4 Net	91,353,114	0	0	0	0	0	91,353,114	0	0	0
13. Incurred medical incentive pools and bonuses	437,271	0	0	0	0	0	437,271	0	0	0

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

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	2,579,487						2,579,487			
1.2. Reinsurance assumed .....	.0									
1.3. Reinsurance ceded .....	.0									
1.4. Net	2,579,487	.0	.0	.0	.0	.0	2,579,487	.0	.0	.0
2. Incurred but Unreported:										
2.1. Direct	7,836,149						7,836,149			
2.2. Reinsurance assumed .....	.0									
2.3. Reinsurance ceded .....	.0						.0			
2.4. Net	7,836,149	.0	.0	.0	.0	.0	7,836,149	.0	.0	.0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct .....	.0									
3.2. Reinsurance assumed .....	.0									
3.3. Reinsurance ceded .....	.0									
3.4. Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:										
4.1. Direct	10,415,636	.0	.0	.0	.0	.0	10,415,636	.0	.0	.0
4.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4. Net	10,415,636	0	0	0	0	0	10,415,636	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 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		
1. Comprehensive (hospital and medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare	9,550,636	81,694,668	33,667	10,381,969	9,584,303	9,053,634
7. Title XIX - Medicaid.....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	9,550,636	81,694,668	33,667	10,381,969	9,584,303	9,053,634
10. Healthcare receivables (a).....	167,785	1,595,971			167,785	.0
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts	709,797	11,780	363	9,847	710,160	294,515
13. Totals (Lines 9-10+11+12)	10,092,648	80,110,477	34,030	10,391,816	10,126,678	9,348,149

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

Pt 2C - Sn A - Paid Claims - Comp

NONE

Pt 2C - Sn A - Paid Claims - MS

NONE

Pt 2C - Sn A - Paid Claims - DO

NONE

Pt 2C - Sn A - Paid Claims - VO

NONE

Pt 2C - Sn A - Paid Claims - FE

NONE

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

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

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	3,908	112	(13)	11,404	10,888
2. 2007	32,984	7,414	(35)	40,348	40,438
3. 2008	XXX	46,762	8,385	55,282	55,206
4. 2009	XXX	XXX	52,879	60,574	60,719
5. 2010	XXX	XXX	XXX	73,277	87,245
6. 2011	XXX	XXX	XXX	XXX	80,110

Section B - Incurred Health Claims - Medicare

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 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	10,757	10,892	10,893	10,888	10,888
2. 2007	33,024	40,374	40,459	40,432	40,438
3. 2008	XXX	47,228	55,135	55,246	55,206
4. 2009	XXX	XXX	53,290	60,673	60,719
5. 2010	XXX	XXX	XXX	78,691	87,279
6. 2011	XXX	XXX	XXX	XXX	90,502

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

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. 2007.....	50,532	40,438	538	1.3	40,976	81.1			40,976	81.1
2. 2008.....	67,746	55,206	734	1.3	55,940	82.6			55,940	82.6
3. 2009.....	81,172	60,719	808	1.3	61,527	75.8			61,527	75.8
4. 2010.....	105,808	87,245	1,161	1.3	88,406	83.6	34	1	88,441	83.6
5. 2011.....	107,875	80,110	1,066	1.3	81,176	75.3	10,392	283	91,851	85.1

Pt 2C - Sn A - Paid Claims - XI

NONE

Pt 2C - Sn A - Paid Claims - OT

NONE

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

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

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	3,908	112	(13)	11,404	10,888
2. 2007	32,984	7,414	(35)	40,348	40,438
3. 2008	XXX	46,762	8,385	55,282	55,206
4. 2009	XXX	XXX	52,879	60,574	60,719
5. 2010	XXX	XXX	XXX	73,277	87,245
6. 2011	XXX	XXX	XXX	XXX	80,110

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior	10,757	10,892	10,893	10,888	10,888
2. 2007	33,024	40,374	40,459	40,432	40,438
3. 2008	XXX	47,228	55,135	55,246	55,206
4. 2009	XXX	XXX	53,290	60,673	60,719
5. 2010	XXX	XXX	XXX	78,691	87,279
6. 2011	XXX	XXX	XXX	XXX	90,502

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims 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. 2007	50,532	40,438	538	1.3	40,976	81.1	.0	.0	40,976	81.1
2. 2008	67,746	55,206	734	1.3	55,940	82.6	.0	.0	55,940	82.6
3. 2009	81,172	60,719	808	1.3	61,527	75.8	.0	.0	61,527	75.8
4. 2010	105,808	87,245	1,161	1.3	88,406	83.6	34	1	88,441	83.6
5. 2011	107,875	80,110	1,066	1.3	81,176	75.3	10,392	283	91,851	85.1

12-GT

Pt 2C - Sn B - Incurred Claims - Comp

NONE

Pt 2C - Sn B - Incurred Claims - MS

NONE

Pt 2C - Sn B - Incurred Claims - DO

NONE

Pt 2C - Sn B - Incurred Claims - VO

NONE

Pt 2C - Sn B - Incurred Claims - FE

NONE

Pt 2C - Sn B - Incurred Claims - XI

NONE

Pt 2C - Sn B - Incurred Claims - OT

NONE

Part 2C - Sn C - Claims Expense Ratio Co

NONE

Part 2C - Sn C - Claims Expense Ratio MS

NONE

Part 2C - Sn C - Claims Expense Ratio DO

NONE

Part 2C - Sn C - Claims Expense Ratio VO

NONE

Part 2C - Sn C - Claims Expense Ratio FE

NONE

Part 2C - Sn C - Claims Expense Ratio XI

NONE

Part 2C - Sn C - Claims Expense Ratio OT

NONE

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income).....	379,828						379,828		
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross)	379,828	.0	.0	.0	.0	.0	379,828	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	379,828	0	0	0	0	0	379,828	0	0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....		63,959	35,242		99,201
2. Salaries, wages and other benefits.....	1,208,113	531,694	4,411,896		6,151,703
3. Commissions (less \$ceded plus \$assumed).....			3,363,508		3,363,508
4. Legal fees and expenses.....		7,916	31,451		39,367
5. Certifications and accreditation fees.....			84,508		84,508
6. Auditing, actuarial and other consulting services.....		55,929	3,620,339		3,676,268
7. Traveling expenses.....		15,523	132,288		147,811
8. Marketing and advertising.....			53,224		53,224
9. Postage, express and telephone.....		73,513	342,317		415,830
10. Printing and office supplies.....		104,770	142,207		246,977
11. Occupancy, depreciation and amortization.....			44,234		44,234
12. Equipment.....		3,115	27,070		30,185
13. Cost or depreciation of EDP equipment and software.....			0		0
14. Outsourced services including EDP, claims, and other services.....		2,226,320	1,307,989		3,534,309
15. Boards, bureaus and association fees.....			0		0
16. Insurance, except on real estate.....			(7)		(7)
17. Collection and bank service charges.....		1,026	29,333		30,359
18. Group service and administration fees.....			162		162
19. Reimbursements by uninsured plans.....			0		0
20. Reimbursements from fiscal intermediaries.....			0		0
21. Real estate expenses.....			0		0
22. Real estate taxes.....			568		568
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			0		0
23.2 State premium taxes.....			1,227		1,227
23.3 Regulatory authority licenses and fees.....		3,921	93,278		97,199
23.4 Payroll taxes.....	84,691	7,752	320,340		412,783
23.5 Other (excluding federal income and real estate taxes).....			1,107		1,107
24. Investment expenses not included elsewhere.....			0	53,368	53,368
25. Aggregate write-ins for expenses.....	0	0	12,232	0	12,232
26. Total expenses incurred (Lines 1 to 25).....	1,292,804	3,095,438	14,054,513	53,368	18,496,123
27. Less expenses unpaid December 31, current year.....		283,736	316,056		599,792
28. Add expenses unpaid December 31, prior year.....	0	203,123	313,653	0	516,776
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,292,804	3,014,825	14,052,110	53,368	18,413,107
DETAILS OF WRITE-INS					
2501. ---BAD DEBT EXPENSE.....					0
2502. ---CHARITABLE CONTRIBUTIONS.....					0
2503. ---MISC EXPENSE.....			12,232		12,232
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	0	0	12,232	0	12,232

(a) Includes management fees of \$5,161,827 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 208,065	188,080
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 383,410	381,170
1.3 Bonds of affiliates	(a) 0	
2.1 Preferred stocks (unaffiliated)	(b) 0	
2.11 Preferred stocks of affiliates	(b) 0	
2.2 Common stocks (unaffiliated)	0	
2.21 Common stocks of affiliates	0	
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,955	1,336
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	593,430	570,586
11. Investment expenses		(g) 53,370
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 0
14. Depreciation on real estate and other invested assets		(i) 0
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		53,370
17. Net investment income (Line 10 minus Line 16)		517,216
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

- (a) Includes \$ 16,311 accrual of discount less \$ 89,451 amortization of premium and less \$ 162 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ 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 \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(632)		(632)		
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	(124)		(124)		
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	0	0	0	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	(756)	0	(756)	0	0
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0	0	0	0

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).....	.0	.0	.0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	.0	.0	.0
2.2 Common stocks .....	.0	.0	.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	.0	.0	.0
3.2 Other than first liens .....	.0	.0	.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	.0	.0	.0
4.2 Properties held for the production of income.....	.0	.0	.0
4.3 Properties held for sale .....	.0	.0	.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	.0	.0
6. Contract loans .....	.0	.0	.0
7. Derivatives (Schedule DB).....	.0	.0	.0
8. Other invested assets (Schedule BA) .....	.0	.0	.0
9. Receivables for securities .....	.0	.0	.0
10. Securities lending reinvested collateral assets (Schedule DL).....	.0	.0	.0
11. Aggregate write-ins for invested assets .....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	.0	.0	.0
13. Title plants (for Title insurers only).....	.0	.0	.0
14. Investment income due and accrued .....	.0	.0	.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	.0	14,929	14,929
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due. ....	.0	.0	.0
15.3 Accrued retrospective premiums.....	.0	.0	.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	.0	.0	.0
16.2 Funds held by or deposited with reinsured companies .....	.0	.0	.0
16.3 Other amounts receivable under reinsurance contracts .....	.0	.0	.0
17. Amounts receivable relating to uninsured plans .....	.0	.0	.0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	.0	.0	.0
18.2 Net deferred tax asset.....	202,007	203,057	1,050
19. Guaranty funds receivable or on deposit .....	.0	.0	.0
20. Electronic data processing equipment and software.....	.0	.0	.0
21. Furniture and equipment, including health care delivery assets.....	3,551	6,575	3,024
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	.0	.0	.0
23. Receivables from parent, subsidiaries and affiliates .....	.0	.0	.0
24. Health care and other amounts receivable.....	1,194,619	609,640	(584,979)
25. Aggregate write-ins for other than invested assets	5,846	696,123	690,277
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,406,023	1,530,324	124,301
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	1,406,023	1,530,324	124,301
DETAILS OF WRITE-INS			
1101. ....	.0	.0	.0
1102. ....	.0	.0	.0
1103. ....	.0	.0	.0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0
2501. PREPAID EXPENSES.....	5,846	694,969	689,123
2502. NON-STATUTORY DEPOSITS.....	.0	1,154	1,154
2503. ....	.0	.0	.0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	.0	.0	.0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	5,846	696,123	690,277

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

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.....	11,850	12,547	12,295	12,082	11,930	147,484
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total	11,850	12,547	12,295	12,082	11,930	147,484
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

1. Summary of Significant Accounting Policies

A. Accounting Practices

For the purposes of this narrative the “end of the period” refers to December 31, 2011.

The accompanying financial statements of Arkansas Community Care, Inc. (“The Company”) have been prepared in conformity with the Statutory Accounting Practices (“SAP”) set forth in the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual*, version effective March 2011.

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

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

The preparation of financial statements as prescribed by SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Investments

1. Short-term investments and U.S. Treasury Bills are carried at amortized cost, which approximates fair market value.
2. Investments are stated in accordance with methods and values adopted by the NAIC and, as such, bonds are generally stated at amortized cost. Premiums and discounts on fixed maturity investments are accreted to income using the scientific method over the anticipated life of the security. Market values are determined using market prices published by the NAIC Securities Valuation Office (“SVO”), IDC or Bloomberg.
3. The Company does not have any investments in common stock.
4. The Company does not have any investments in preferred stock.
5. The retrospective method is used to value mortgage-backed securities. Residential mortgage-backed securities with an NAIC rating below a 2 are carried at market value as of the statement date. The value of these securities are calculated in accordance with SSAP 43R.
6. The Company does not have any investments in loan-backed securities.
7. The Company does not have any investments in subsidiary, controlled or affiliated entities.
8. The Company does not have any investments in joint ventures, partnerships or limited liability companies.
9. The Company does not have any investments in derivatives.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54.
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 estimates, and for establishing the resulting liability, are continually reviewed and any adjustments are reflected in the period determined.

12. The Company has not modified its capitalization policy from the prior period.

13. The Company estimates pharmaceutical rebate receivables based on historical payment trends.

Cash and Short-Term Investments

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

Other Accounting Policies

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

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

There have been no changes since the 2010 annual filing.

3. **Business Combinations and Goodwill**

A, B, C & D. Not Applicable

4. **Discontinued Operations**

Not Applicable

5. **Investments**

A, B & C. Not Applicable

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

E, F & G. Not Applicable

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

A & B. Not Applicable

7. **Investment Income**

A. The Company had no investment income due and accrued that was over 90 days past due.

B. The total amount excluded from surplus was \$0.

8. **Derivative Instruments**

A – F. Not Applicable

9. **Income Taxes**

A.1 The company has deferred tax assets (DTA) that consist of the following:

	<u>2011</u>	<u>2010</u>
Gross deferred tax assets	803,737	794,041
Statutory valuation allowance	-	-
Adjusted gross deferred tax assets	803,737	794,041
Gross deferred tax liability	(32,264)	(24,667)
Net DTA before admissibility test	<u>771,473</u>	<u>769,374</u>

A.2 SSAP No. 10R allows for the expansion of the limitations on admitting DTAs under paragraph 10(b) of SSAP No. 10, from one year to three years, and from 10 percent to 15 percent of surplus. If elected, DTAs admitted under the expanding admissibility tests would be disclosed in the table above. For 2009-2012, the Plan did not elect to admit DTAs pursuant to Par. 10.e of SSAP No. 10R.

A.3 Not Applicable.

A.4 & 5 Admitted pursuant to SSAP No. 10R:

Admitted pursuant to SSAP No. 10R:	<u>2011</u>	<u>2010</u>
Par. 10.a. - Federal taxes paid in prior years that may be recovered by DTAs reversing in one year	601,730	566,317
Par. 10.b.i. - Gross DTAs after application of Par. 10.a. expected to be realized in one year	-	-
Par. 10.b.ii. - Adjusted statutory capital limitation	1,110,253	1,929,033
Admitted pursuant to par. 10.b. (lesser of 10.b.i. or 10.b.ii.)	-	-
Admitted pursuant to 10.c. - Gross DTAs after application of 10.a. and 10.b that may offset DTLs	32,264	24,667
Additional admitted pursuant to par. 10.e. (1)	-	-
Admitted deferred tax assets	633,994	590,984
Deferred tax liability	(32,264)	(24,667)
Net admitted deferred tax assets	<u>601,730</u>	<u>566,317</u>
 Total Nonadmitted deferred tax assets	 <u>169,743</u>	 <u>203,057</u>

B. Not Applicable.

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

Deferred tax asset	<u>2011</u>	<u>2010</u>	<u>Change</u>
Depreciation and amortization	227,068	252,766	(25,698)
Unpaid losses and LAE	117,759	59,312	58,447
Accruals and reserves	30,332	10,943	19,389
Net operating loss carry forwards	-	-	-
Prepays and Receivables	408,159	452,816	(44,657)
Other	20,419	18,204	2,215
Total deferred tax assets	<u>803,737</u>	<u>794,041</u>	<u>9,696</u>
Statutory valuation allowance	-	-	-
Net deferred tax assets	<u>803,737</u>	<u>794,041</u>	<u>9,696</u>
Non-admitted deferred tax assets	<u>(169,743)</u>	<u>(203,477)</u>	<u>33,734</u>
Deferred Tax Liabilities			
Accrued Market Discount	(31,844)	(24,247)	(7,597)
Unearned Premiums	(420)	-	(420)
Total Net Deferred Tax Assets	<u>601,730</u>	<u>566,317</u>	<u>35,413</u>

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

	<u>2011</u>	<u>%</u>	<u>2010</u>	<u>%</u>
Income (Loss) before taxes	(1,857,233)		7,900,642	
US Tax at statutory rate	(631,459)	34.00%	2,686,218	34.00%
Permanent differences	48,170	-2.59%	14,216	0.18%
Deferred tax	35,414	-1.91%	(12,367)	-0.16%
Change in valuation allowance		0.00%		0.00%
Change in non-admitted deferred tax	(33,314)	1.79%	(55,932)	-0.71%
Current Tax expense (benefit)	<u>(581,189)</u>	<u>31.29%</u>	<u>2,632,135</u>	<u>33.32%</u>

E.1 At the end of the period the Company did not have any operating loss or tax credit carry-forwards.

E.2 Federal income taxes incurred that will be available for recoupment in the event of future net losses totaled \$2.6 million for 2010.

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

10. Information Concerning Parent, Subsidiaries and Affiliates

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

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

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

Company	Receivable	Payable
AMS	-	259,556
AHP	-	1,186,894
AHPGA	-	3,000
AHPLA	-	-
AHPNC	-	-
AHPNY	-	-
Total Receivable/Payable	-	1,449,450

The majority of the amounts owed by the Company are a combination of pharmacy costs and general and administrative expenses paid from AHP's bank account on behalf of its affiliate and subsidiary companies (see note 10.F, paragraph 2).

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

E. Not Applicable

F. AMS provides certain services to the Company under an Administrative Services Agreement. Those services include enrollment processing, claims processing, professional credentialing, information technology, treasury, financial and tax services. A new service contract was approved and went in to effect in 2010. The compensation under the contract is based on actual costs incurred by AMS related to the services supplied. The total amount of compensation under this contract was \$5,161,827 as of the end of the period.

All of the departmental costs associated with shared services among the health plans which includes, but is not limited to, human resources, bid development, finance/accounting, health/member/physician services, pharmacy management, corporate sales, regulatory compliance, and new market development are originally recorded on the books of AHP and then allocated to the company's subsidiary and affiliates based on membership (enrollment). The costs being allocated include the salaries, bonuses, expenses, and benefits of all employees that are listed as AHP employees that perform job functions for AHP, ACC, AHPGA, AHPLA, AHPNC and AHPNY. Other costs that are allocated to the subsidiary and affiliate health plans include, but are not limited to: postage, utilities, general consulting and legal fees, temporary help and employee recruitment for the previously mentioned departments, as well as office supplies and depreciation on office furniture/equipment, software licenses, and overhead costs associated with overall design and production of health plan marketing materials. The total amount of costs allocated to the Company under this agreement was \$7,148,837 as of the end of the period.

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

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

H, I, J, K & L. Not Applicable.

11. Debt

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

Short-Term Debt Summary				
Lendor	Maturity Date	Principal	Interest	Total Obligation
Morgan Stanley Senior Funding	03/08/12	27,801,875	13,096,248	40,898,124
Morgan Stanley Dean Witter Venture Partners IV, LP and various stockholders	03/01/12	4,740,001	9,424,288	14,164,289
Three Arch Partners	03/01/12	15,000,000	14,966,864	29,966,864
Notes payable (current/former officers)	03/01/12	1,500,000	44,688	1,544,688
Total short-term debt		49,041,876	37,532,088	86,573,964

In 2004, AMS borrowed a total of \$3,000,000 from its then Chief Executive Officer and Senior Vice President of Finance. Warrants for 75,000 shares were issued in connection with this funding at \$1.00 per share. These warrants were exercised in 2005 and 2006 and there were no outstanding warrants as of the current period. The debt (including accrued interest) was originally due on August 17, 2008. However, as of November 27, 2006, this debt was subordinated to the Three Arch Partners debt (discussed below), effectively extending the due date to March 1, 2012.

Officer Title	Amount	Interest Rate
(Former) Chief Executive Officer	\$1,070,000	32.50%
Senior Vice President of Finance	430,000	32.50%
Total Notes Payable	\$1,500,000	

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

On December 17, 2009 AMS amended the loan agreement with Morgan Stanley which resulted in the maturity date for the loan being extended to October 8, 2010. The loan maturity date was further extended on October 8, 2010, December 7, 2010, December 14, 2010, December 21, 2010, January 13, 2011 and February 28, 2011 March 15, 2011, March 29, 2011, April 15, 2011, April 27, 2011, December 30, 2011, January 13, 2012, February 3, 2012 and February 22, 2012. The maturity date as of the last extension is March 8, 2012. The December 17, 2009 amendment changed the interest rate on the loan to 19%, 10% of which is due and payable in cash at the end of each month. The remaining 9% of interest is due on the revised maturity date. The December 7th, 2010 agreement added a minimum liquidity covenant to the loan agreement. The Company is required to maintain not less than \$3.0 million in cash in accounts subject to control agreements in favor of Morgan Stanley & Co. The December 14, 2010 agreement changed the monthly cash interest payments from 10% to 19%. The April 27, 2011 agreement changed the interest rate to 20% cash or 10% cash plus 15% PIK at the option of the Company.

The amendments to the loan agreement with Morgan Stanley resulted in charges totaling \$8,152,064 as of the end of the period of which, \$7,506,557 was converted to debt obligations and included in the outstanding principle and \$645,507 was paid and expensed. Of the \$7,506,557 included in principle, \$5,493,573 has been amortized and \$2,012,984 was unamortized as of the end of the period.

On July 5, 2007, AMS entered into agreements with Three Arch Partners for \$15.0 million in loans. The loans are four-year facilities with interest accruing at LIBOR plus 16.5%, with both principal and interest due at the end of four years. The current interest rate on the loan is 21.89%. The loans are secured by the stock of AMS and its subsidiaries. The security interest is a second lien subordinate to the agreement with Morgan Stanley Senior Funding. On April 27, 2011 the loan maturity date was extended to March 1, 2012.

On May 23, 2008 AMS entered into agreements with Morgan Stanley Dean Witter Venture Partners IV, LP and various stockholders for \$4.74 million in loans. The loans are six month facilities with interest accruing at 22.5% for the first six months. Pursuant to the original

agreement, the maturity date was automatically extended for six month periods until the earlier of a private placement debt offering or October 31, 2010. The loan agreement was amended on October 1, 2010, January 20, 2011 and on April 27, 2011 to extend the loan maturity date to March 1, 2012. Per the terms of the loan, the interest rate beyond the first six-month anniversary date was increased to 32.5% for the remaining term of the facility beginning November 1, 2008. There are no warrants associated with this facility. The security interest is fully perfected in all existing and after-acquired assets of AMS and any unrestricted subsidiaries.

The schedule of maturities on debt is as follows:

Year of Maturity	Morgan Stanley	Morgan Stanley Dean Witter	Various Stockholders	Three Arch	Notes Payable (officers)	Total
2012	27,801,875	1,400,000	3,340,000	15,000,000	1,500,000	49,041,875
Thereafter	-	-	-	-	-	-
Total	27,801,875	1,400,000	3,340,000	15,000,000	1,500,000	49,041,875

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

B. Not applicable.

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

A, B & C. Not applicable.

D. The Company participates in a qualified, 401(k) plan sponsored by its parent company, AMS. All employees with three or more months of service are eligible for a Company match of up to 5% of their annual income that is contributed to the plan. Employer match contributions are made on a quarterly basis, with a true up performed following the plan year. The liability for this contribution is reflected in the balance of the amounts withheld on or retained for the account of others on page 3 of this filing. The Company's employer match liability at the end of the period is \$592.

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

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

F. Not applicable.

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

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

2. Not Applicable

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

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

Year of Issuance	Ordinary	Extraordinary
2009	700,000	-
2010	880,000	-
2011	1,000,000	-
Cumulative	2,580,000	-

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

6 - 13. Not Applicable.

14. **Contingencies**

A - D. Not applicable.

E. The Centers for Medicare & Medicaid Services (“CMS”) placed the Company, and all of its affiliates, under sanctions, effective as of December 5, 2010. The sanctions were in response to marketing (sales) violations determined to have occurred in previous years. The Company received notice from CMS on July 8, 2011, that all marketing sanctions were lifted. The Company resumed marketing activities on August 1, 2011.

15. **Leases**

A. The Company leases office equipment under various non-cancelable operating agreements that expire on, or before 2013. In addition, the Company has entered into a lease for office space that expires in 2013. Total equipment and rental expenses related to lease payments was \$74,780 as of the end of the period.

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

Year	Amount
2012	\$ 28,785
2013	4,510
2014	-
2015	-
Total	\$ 33,295

B. Not Applicable.

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

1, 2, 3 & 4. Not Applicable

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

A, B & C. Not Applicable

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

A. ASO Plans - Not applicable

B. ASC Plans – Not applicable

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

The Company receives LICS advance payments from the Center of Medicare and Medicaid Services (“CMS”) on a monthly basis. These payments represent the difference in dollar amount that CMS pays on behalf of low income beneficiaries for their prescriptions versus non-low income beneficiaries. It is paid to the Company on a prospective basis. Plans are

paid dollar for dollar for the low income subsidy cost sharing, and since plans are paid prospectively, an annual reconciliation will be performed. The difference between the actual LICS pharmacy costs incurred for the plan service year and the advance payments received will be recognized as a payable (if advance payments are higher than costs) or a receivable (if advance payments are less than costs), and settled with CMS approximately ten-months after year end.

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

The Company participates in the Coverage Gap Discount Program (CGDP) which will make manufacturer discounts available to non-low income subsidy eligible Medicare Part D beneficiaries. Manufacturer discounts will be received for these beneficiaries for applicable brand drugs starting in 2011. Under the CGDP, Part D sponsors will receive monthly prospective payments from CMS. On a quarterly basis, manufacturers will remit payments for invoiced amounts directly to Part D sponsors and the prospective payments from CMS made to Part D sponsors will be reduced by the discount amounts invoiced to manufacturers. A reconciliation of CGDP payments will be done by CMS after the end of the plan year and any amounts receivable/payable for the program will be settled with CMS at that time.

At the end of the period, the Company's liabilities related to LICS, Reinsurance and CGDP were \$268,809, \$320,892 and \$281,862, respectively.

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

Not Applicable.

20. **Fair Market Value Measurement**

A, B & C. Not Applicable.

21. **Other Items**

A. In August 2011 the Company announced that Humana Inc. had signed an agreement to acquire AMS and its subsidiaries. Humana and AMS are currently engaged in the process of obtaining the necessary regulatory approvals for the acquisition to take place. The transaction has not been concluded as of the current period.

B. Not Applicable.

C. Assets in the amount of \$996,096, at the end of the period, were on deposit with government authorities or trustees as required by law.

D. At the end of the period the Company had admitted assets of \$4,794,910 in accounts receivable for uninsured plans and uncollected premiums and amounts due from agents. The Company routinely assesses the collectability of these receivables. Based on the Company's experience, any amounts deemed to be uncollectable are non-admitted for reporting purposes and any further potential loss is deemed to be immaterial to the Company's financial position.

E, F, G & H. Not Applicable.

22. **Events Subsequent**

Not Applicable.

23. **Reinsurance**

A. Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% of controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the Company?
Yes () No (X)
- (2) Have any policies issued by the Company been reinsured with a company chartered in a country other than United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?
Yes () No (X)

A. Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for non-payment of premium or other similar credit?
Yes () No (X)
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?
Yes () No (X)

A. Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected on Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of business reinsured in making this estimate. \$ 70,759
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?
Yes () No (X)

B. **Uncollectible Reinsurance** – Not Applicable (None)

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

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

- A. The Company estimates accrued retrospective premium adjustments through a mathematical approach using an algorithm provided by CMS in the *CMS Prescription Drug Event Data Training Participant Guide*.
- B. The Company records accrued retrospective premium as an adjustment of earned premium.
- C. The amount of net premiums written by the Company at the end of the period that are subject to retrospective rating features was (\$530,067) which is -0.49% of the total net premiums written. No other premiums written by the Company are subject to retrospective rating features.
- D. Not Applicable.

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

Reserves as of December 31, 2010 were \$9,551,272. As of the end of the period \$10,295,771 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$34,030 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on the Company's Medicare Advantage line of business. Therefore, there has been a \$778,529 unfavorable prior-year development since December 31, 2010 to the end of the period. The increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. **Intercompany Pooling Arrangements**

A – G. Not Applicable.

27. **Structured Settlements**

Not Applicable.

28. **Health Care Receivables**

A. Pharmaceutical Rebate Receivables – The Company booked pharmacy rebates for prior years expenses that it expects to receive from its pharmaceutical vendor. Total admitted pharmaceutical rebate receivables at the end of the period are \$557,072.

Quarter	Estimated Pharmacy Rebates as Reported on the Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
4th Qtr 2011	557	518			
3rd Qtr 2011	546	544			
2nd Qtr 2011	491	519	-	366	-
1st Qtr 2011	493	492	-	372	14
4th Qtr 2010	445	446	-	356	12
3rd Qtr 2010	593	438	-	348	44
2nd Qtr 2010	308	353	-	344	38
1st Qtr 2010	261	415	-	335	69

In addition, the Company had incurred pharmacy claims on members that were subsequently transferred to other health plans by CMS. Pursuant to Medicare Part D reimbursement regulations, the Company is able to bill the other plans for these claims and report any non-payment to CMS after 30-days. Accordingly, the Company has a receivable for plan to plan of \$501, all of which has been admitted as of the end of the period.

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

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in the Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received - All Other
2011	2011	-		-	-	-			
	2012	XXX	XXX	XXX	XXX	XXX	XXX		
2010	2010	144	77	-	-	-	77		
	2011	XXX	0	XXX	XXX	XXX	XXX	XXX	XXX
2009	2009	97	19	-	-	-	19	-	-
	2010	XXX	144	XXX	XXX	XXX	XXX	XXX	XXX

29. **Participating Policies**

Not Applicable.

30. **Premium Deficiency Reserves**

Not Applicable.

31. **Anticipated Salvage and Subrogation**

Not Applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? ARKANSAS.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change:06/08/2011
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2010
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2007
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).09/26/2008
- 3.4 By what department or departments? ARKANSAS DEPARTMENT OF INSURANCE.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes No
- 7.2 If yes,
- 7.21 State the percentage of foreign control
- 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

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 ERNST & YOUNG LLP 18111 VON KARMAN AVE. STE 1000, IRVINE, CA 92612-1007.....
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
 10.4 If the 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?
 GLENN GEISE, PRINCIPAL/EMPLOYEE OLIVER WYMAN CONSULTING ACTUARIES, 411 E. WISCONSIN AVE., SUITE 1600, MILWANKEE, WI 53202-4419.....
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 12.11 Name of real estate holding company
 12.12 Number of parcels involved
 12.13 Total book/adjusted carrying value \$.....
- 12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
 N/A.....
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [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 [X] No []
 14.21 If the response to 14.2 is yes, provide information related to amendment(s)
 AMENDED TO MEET NAIC REQUIREMENTS.....
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? 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 [X] No []
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 the 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 [X] No []
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$.....108,960
 - 21.22 Borrowed from others \$.....0
 - 21.23 Leased from others \$.....
 - 21.24 Other \$.....
- 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 \$.....
 - 22.22 Amount paid as expenses \$.....
 - 22.23 Other amounts paid \$.....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes [X] No []
- 24.2 If no, give full and complete information, relating thereto
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] NA [X]
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$.....
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$.....
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] NA [X]
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] NA [X]
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [] No [] NA [X]

GENERAL INTERROGATORIES

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 24.3). Yes No

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

25.21	Subject to repurchase agreements	\$.....
25.22	Subject to reverse repurchase agreements	\$.....
25.23	Subject to dollar repurchase agreements	\$.....
25.24	Subject to reverse dollar repurchase agreements	\$.....
25.25	Pledged as collateral	\$.....
25.26	Placed under option agreements	\$.....
25.27	Letter stock or securities restricted as to sale	\$.....
25.28	On deposit with state or other regulatory body	\$.....996,096
25.29	Other	\$.....

25.3 For category (25.27) 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

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
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

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

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 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes 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
MORGAN KEEGAN.....	Fifty N. First St., Memphis, TN 83103.....

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
112629.....	PARKWAY ADVISORS LLP.....	6550 DIRECTORS PARKWAY ABILENE, TX 79606.....

GENERAL INTERROGATORIES

- 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 []
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		0

- 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.....	16,561,523	17,623,649	1,062,126
30.2 Preferred Stocks.....	0		0
30.3 Totals	16,561,523	17,623,649	1,062,126

- 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 [] 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 []
- 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:
 IDC PRICES ARE USE IN ACCORDANCE WITH THE PURPOSES; PROCEDURES GUIDE OF NAIC'S SECURITY VALUATION OFFICE...
- 32.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [] No []
- 32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

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

33.2 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
.....	\$.....
.....	\$.....
.....	\$.....

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

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

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....

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

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

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U. S. business only \$0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
- 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. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives0
- All years prior to most current three years:
- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives0
- 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 lives0
- 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 lives0

2. Health Test:

	1		2
	Current Year		Prior Year
2.1 Premium Numerator	\$107,349,895	\$	.....105,205,442
2.2 Premium Denominator	\$107,349,895	\$	.....105,205,442
2.3 Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4 Reserve Numerator	\$10,805,674	\$	.....9,348,149
2.5 Reserve Denominator	\$10,805,674	\$	.....9,348,149
2.6 Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$255,000
- 5.32 Medical Only \$
- 5.33 Medicare Supplement \$
- 5.34 Dental and Vision \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
SEE ATTACHMENT
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year4,055
- 8.2 Number of providers at end of reporting year4,294
- 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
- 9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [X] No []
- 10.2 If yes:
- | | | |
|---|---------|---------|
| 10.21 Maximum amount payable bonuses | \$..... | 418,708 |
| 10.22 Amount actually paid for year bonuses | \$..... | 11,780 |
| 10.23 Maximum amount payable withholds | \$..... | |
| 10.24 Amount actually paid for year withholds | \$..... | |
- 11.1 Is the reporting entity organized as:
- | | | | |
|---|---------|----------|--|
| 11.12 A Medical Group/Staff Model, | Yes [] | No [X] | |
| 11.13 An Individual Practice Association (IPA), or, | Yes [] | No [X] | |
| 11.14 A Mixed Model (combination of above) ? | Yes [] | No [X] | |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []
- 11.3 If yes, show the name of the state requiring such net worth. ARKANSAS.....
- 11.4 If yes, show the amount required. \$.....4,089,840
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation.
- AUTHORIZED CONTROL LEVEL RBC
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
ARKANSAS - BENTON, BOONE, CARROLL, CLARK, CLEBURNE, COLUMBIA, CONWAY, CRAWFORD, FRANKLIN, GARLAND, HEMPSTEAD, HOT SPRING, HOWARD, INDEPENDENCE COUNTIES.....
ARKANSAS CONTINUED - IZARD, JOHNSON, LAFAYETTE, LITTLE RIVER, LOGAN, LONOKE, MADISON, MILLER, MONTGOMERY, NEVADA, OUACHITA, PERRY, PIKE, POLK, POPE, PULASKI, SALINE, SCOTT, SEBASTIAN, SEVIER, SHARP, STONE, WASHINGTON, WHITE, YELL COUNTIES.....
OKLAHOMA - ADAIR, DELAWARE, HASKELL, LE FLORE, MCCURTAIN, OTTAWA, PUSHMATAHA, SEQUOYAH COUNTIES.....
TEXAS - BOWIE, CASS, RED RIVER, TITUS COUNTIES.....

- 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. \$.....
- 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. \$.....

RESPONSE TO QUESTION 6**1) Reinsurance**

Arkansas Community Care, Inc ("the Company") obtained reinsurance through HCC Life Insurance Company for catastrophic loss cases with the following terms: Two hundred thousand dollars (\$200,000) deductible per member with ninety percent (90%) reimbursement thereafter up to a two million dollar (\$2,000,000) contract year maximum. In the event of the insolvency of the Company all Reinsurance will be payable directly to the liquidator, receiver, or statutory successor of the Company, on the basis of the liability of the Company with regard to its contract with HCC Life Insurance Company, without diminution due to the insolvency of the Company. The agreement also contains a provision for the continuation of coverage to confined members, and members who's premium has been paid, should the Company become insolvent.

2) Contractual Obligations of Contracted Providers

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

3) Physician and Provider Contracts

GENINTPT2 - Attachment

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

FIVE - YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	26,185,720	28,693,079	28,436,370	22,231,409	24,774,716
2. Total liabilities (Page 3, Line 24)	13,740,613	10,130,596	13,480,643	11,753,486	17,565,947
3. Statutory surplus	4,089,840	3,649,662	3,000,000	3,000,000	7,208,766
4. Total capital and surplus (Page 3, Line 33)	12,445,109	18,562,483	14,955,727	10,477,922	7,208,769
Income Statement (Page 4)					
5. Total revenues (Line 8)	107,349,895	105,205,442	81,171,880	67,746,008	50,531,693
6. Total medical and hospital expenses (Line 18)	91,280,822	81,585,573	61,361,652	54,509,857	42,314,694
7. Claims adjustment expenses (Line 20)	4,388,242	3,146,120	1,989,137	2,100,468	3,415,437
8. Total administrative expenses (Line 21)	14,054,513	13,188,685	9,397,701	9,854,878	7,246,075
9. Net underwriting gain (loss) (Line 24)	(2,373,682)	7,285,064	8,423,390	1,280,805	(2,444,513)
10. Net investment gain (loss) (Line 27)	516,460	615,580	694,152	902,249	817,838
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	(1,276,033)	5,268,509	6,746,936	2,183,054	(1,626,675)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	900,737	2,683,854	5,225,982	(3,525,543)	6,126,976
Risk-Based Capital Analysis					
14. Total adjusted capital.....	12,445,109	18,562,483	14,955,727	10,477,922	7,208,766
15. Authorized control level risk-based capital.....	4,089,840	3,649,662	2,854,214	2,657,095	2,219,200
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	11,930	11,850	8,860	7,464	5,827
17. Total members months (Column 6, Line 7)	147,484	138,918	102,284	89,533	70,809
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	85.0	77.5	75.6	80.5	83.7
20. Cost containment expenses	1.2	0.8	0.9	0.5	2.6
21. Other claims adjustment expenses	2.9	2.1	1.5	2.6	4.1
22. Total underwriting deductions (Line 23)	102.2	93.1	89.6	98.1	104.8
23. Total underwriting gain (loss) (Line 24)	(2.2)	6.9	10.4	1.9	(4.8)
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	10,126,678	8,483,542	8,814,989	7,756,079	4,211,927
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	9,348,149	9,340,782	9,195,345	8,973,959	3,408,105
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0

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

If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

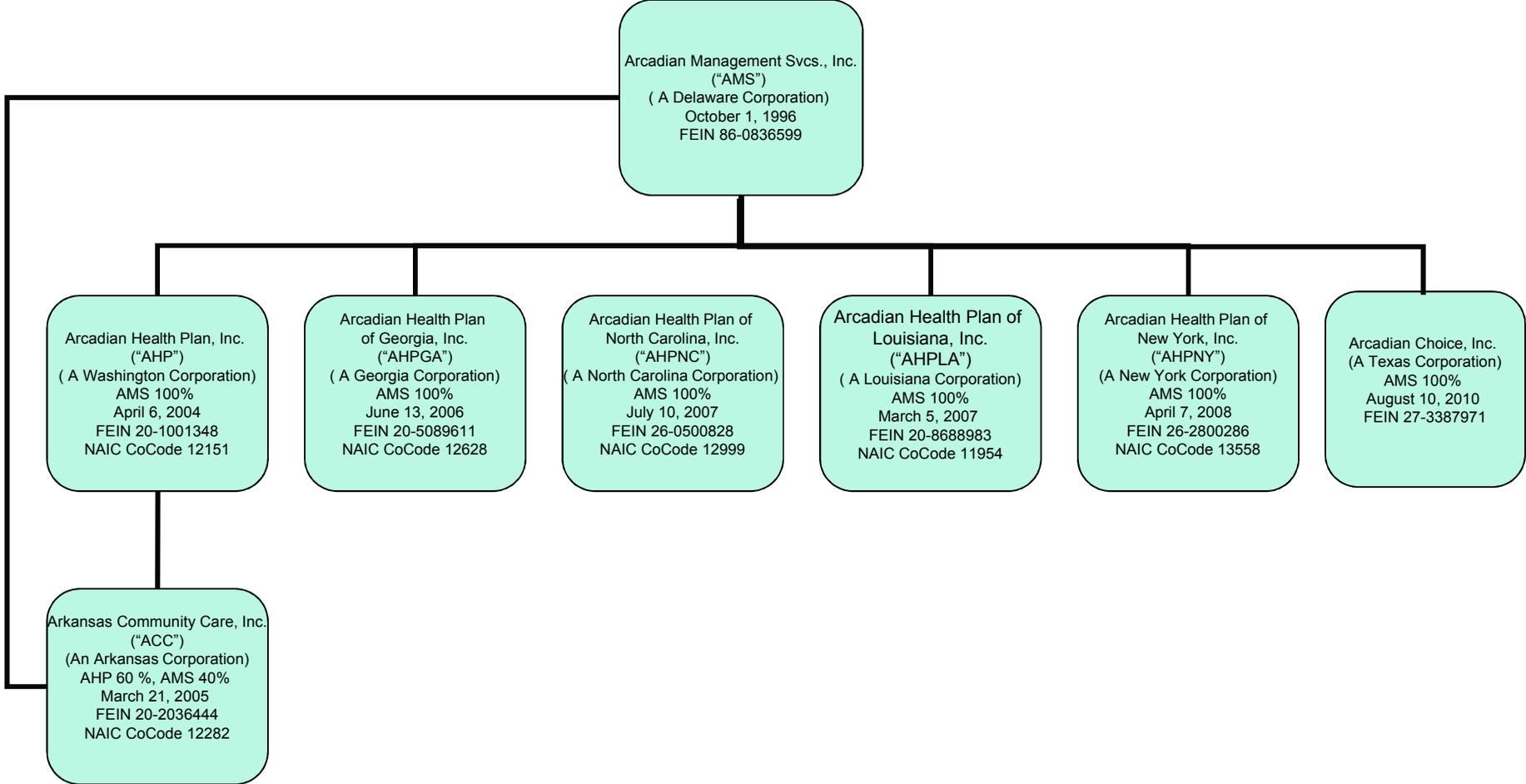
State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL	N							0	0
2. Alaska	AK	N							0	0
3. Arizona	AZ	N							0	0
4. Arkansas	AR	L		85,328,599					85,328,599	0
5. California	CA	N							0	0
6. Colorado	CO	N							0	0
7. Connecticut	CT	N							0	0
8. Delaware	DE	N							0	0
9. District of Columbia	DC	N							0	0
10. Florida	FL	N							0	0
11. Georgia	GA	N							0	0
12. Hawaii	HI	N							0	0
13. Idaho	ID	N							0	0
14. Illinois	IL	N							0	0
15. Indiana	IN	N							0	0
16. Iowa	IA	N							0	0
17. Kansas	KS	N							0	0
18. Kentucky	KY	N							0	0
19. Louisiana	LA	N							0	0
20. Maine	ME	N							0	0
21. Maryland	MD	N							0	0
22. Massachusetts	MA	N							0	0
23. Michigan	MI	N							0	0
24. Minnesota	MN	N							0	0
25. Mississippi	MS	N							0	0
26. Missouri	MO	N							0	0
27. Montana	MT	N							0	0
28. Nebraska	NE	N							0	0
29. Nevada	NV	N							0	0
30. New Hampshire	NH	N							0	0
31. New Jersey	NJ	N							0	0
32. New Mexico	NM	N							0	0
33. New York	NY	N							0	0
34. North Carolina	NC	N							0	0
35. North Dakota	ND	N							0	0
36. Ohio	OH	N							0	0
37. Oklahoma	OK	L		11,746,933					11,746,933	0
38. Oregon	OR	N							0	0
39. Pennsylvania	PA	N							0	0
40. Rhode Island	RI	N							0	0
41. South Carolina	SC	N							0	0
42. South Dakota	SD	N							0	0
43. Tennessee	TN	N							0	0
44. Texas	TX	L		10,799,244					10,799,244	0
45. Utah	UT	N							0	0
46. Vermont	VT	N							0	0
47. Virginia	VA	N							0	0
48. Washington	WA	N							0	0
49. West Virginia	WV	N							0	0
50. Wisconsin	WI	N							0	0
51. Wyoming	WY	N							0	0
52. American Samoa	AS	N							0	0
53. Guam	GU	N							0	0
54. Puerto Rico	PR	N							0	0
55. U.S. Virgin Islands	VI	N							0	0
56. Northern Mariana Islands	MP	N							0	0
57. Canada	CN	N							0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		0	107,874,776	0	0	0	0	107,874,776	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 3		0	107,874,776	0	0	0	0	107,874,776	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	0

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

Explanation of basis of allocation by states, premiums by state, etc.: MEDICARE ADVANTAGE ORGANIZATIONS CONTRACT WITH THE CENTER FOR MEDICARE AND MEDICAID SERVICES (CMS) AT THE STATE LEVEL. INDIVIDUAL PLANS, SET TO BID AND APPROVED BY CMS, ARE DESIGNED TO SERVICE SPECIFIC GEOGRAPHIC AREAS WITHIN THE CONTRACT OR STATE. PLAN PREMIUMS ARE ALLOCATED AT A MEMBER LEVEL DETERMINED BY THE MEMBER'S PLAN CHOICE AND SPECIFIC MEMBER DEMOGRAPHICS, INCLUDING BUT NOT LIMITED TO GEOGRAPHIC LOCATION, AGE, GENDER, AND HEALTH STATUS. PLAN MEMBERSHIP IS DETERMINED BASED ON WHERE THE MEMBER RESIDES AND MEMBER'S SPECIFIC PLAN CHOICE IN THE EVENT THAT MULTIPLE PLANS COVER THE SAME AREA

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

STATEMENT AS OF DECEMBER 31, 2011
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 ORGANIZATIONAL CHART



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