



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2007
OF THE CONDITION AND AFFAIRS OF THE

Arkansas Community Care, Inc.

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

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

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [X] No []

Incorporated/Organized 01/31/2005 Commenced Business 03/21/2005

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

Main Administrative Office 825 Washington St #300
(Street and Number)
Oakland , CA 94607, 510-832-0311
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 825 Washington St #300, Oakland , CA 94607
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 825 Washington St #300
(Street and Number)
Oakland , CA 94607, 510-832-0311
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.arkansascommunitycare.com

Statutory Statement Contact Marylou Searle, 510-817-1072
(Name) (Area Code) (Telephone Number)
msearle@arcadianhealth.com, 510-817-1895
(E-mail Address) (FAX Number)

OFFICERS

Chief Executive Officer John Harvey Austin Treasurer, CFO Kenneth Benjamin Zimmerman
President, Secretary Nancy Ellen Freeman -----

OTHER

DIRECTORS OR TRUSTEES

John Harvey Austin Nancy Ellen Freeman Kenneth Benjamin Zimmerman
Chase Spencer Milbrandt Cheryl Yvonne Perkins -----

State of California SS:
County of Alameda

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.

John Harvey Austin
CEO

Kenneth Benjamin Zimmerman
CFO

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 2007 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)	12,019,503		12,019,503	2,447,191
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 (\$ (30,159), Schedule E - Part 1), cash equivalents (\$997,717, Schedule E - Part 2) and short-term investments (\$5,817,711, Schedule DA)	6,785,269	0	6,785,269	5,980,463
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)	0		0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	18,804,772	0	18,804,772	8,427,654
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	159,242		159,242	66,144
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	2,165,005	142,503	2,022,502	296,672
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	104,324		104,324	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)	32,905	32,905	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	3,620,882	0	3,620,882	0
22. Health care (\$) and other amounts receivable	62,994		62,994	0
23. Aggregate write-ins for other than invested assets	392,332	392,332	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	25,342,456	567,740	24,774,716	8,790,470
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	25,342,456	567,740	24,774,716	8,790,470
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Deposits	391,845	391,845	0	0
2302. Pre Pairs	487	487	0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	392,332	392,332	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$0 reinsurance ceded)	7,325,780	1,607,646	8,933,426	3,288,007
2. Accrued medical incentive pool and bonus amounts	40,533		40,533	120,098
3. Unpaid claims adjustment expenses.....	172,406		172,406	131,878
4. Aggregate health policy reserves.....	4,043,356		4,043,356	1,305,926
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.....	347		347	0
9. General expenses due or accrued.....	351,626		351,626	207,387
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	0
11. Ceded reinsurance premiums payable.....	0		0	0
12. Amounts withheld or retained for the account of others.....			0	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	1,792,304		1,792,304	85,802
16. Payable for securities.....			0	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
18. Reinsurance in unauthorized companies.....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans.....	2,231,949		2,231,949	896,010
21. Aggregate write-ins for other liabilities (including \$ current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	15,958,301	1,607,646	17,565,947	6,035,108
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX	0	
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	13,469,452	6,169,452
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	(6,260,683)	(3,414,090)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$).....	XXX	XXX		
30.2 shares preferred (value included in Line 25 \$).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	7,208,769	2,755,362
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	24,774,716	8,790,470
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	70,809	21,314
2. Net premium income (including \$ non-health premium income)	XXX	50,531,693	14,584,006
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	50,531,693	14,584,006
Hospital and Medical:			
9. Hospital/medical benefits		27,152,635	7,542,549
10. Other professional services		3,474,314	727,089
11. Outside referrals		6,409,411	1,074,174
12. Emergency room and out-of-area		686,603	243,779
13. Prescription drugs		4,678,049	1,088,736
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts		57,712	134,043
16. Subtotal (Lines 9 to 15)	0	42,458,724	10,810,370
Less:			
17. Net reinsurance recoveries		144,030	
18. Total hospital and medical (Lines 16 minus 17)	0	42,314,694	10,810,370
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$1,330,006 cost containment expenses		3,415,437	1,002,308
21. General administrative expenses		7,246,075	5,381,819
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)		0	
23. Total underwriting deductions (Lines 18 through 22)	0	52,976,206	17,194,497
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(2,444,513)	(2,610,491)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		813,086	287,497
26. Net realized capital gains (losses) less capital gains tax of \$		4,752	96
27. Net investment gains (losses) (Lines 25 plus 26)	0	817,838	287,593
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	(1,626,675)	(2,322,898)
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	(1,626,675)	(2,322,898)
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	2,755,363	5,005,587
34. Net income or (loss) from Line 32.....	(1,626,675)	(2,322,898)
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....	0	
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	(510,589)	(1,835)
40. Change in unauthorized reinsurance.....	0	0
41. Change in treasury stock.....	0	0
42. Change in surplus notes.....	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in.....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....	7,300,000	1,169,452
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	(709,330)	(1,094,943)
48. Net change in capital and surplus (Lines 34 to 47).....	4,453,406	(2,250,224)
49. Capital and surplus end of reporting period (Line 33 plus 48)	7,208,769	2,755,363
DETAILS OF WRITE-INS		
4701. Correction of Error - See Footnotes to Financials.....		(1,094,943)
4702. 2006 Audit Adjustments.....	(709,330)	
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	(709,330)	(1,094,943)

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	51,401,137	15,592,026
2. Net investment income	719,809	230,840
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	52,120,946	15,822,866
5. Benefit and loss related payments	36,853,164	7,402,265
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	9,140,806	5,150,147
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	45,993,970	12,552,412
11. Net cash from operations (Line 4 minus Line 10)	6,126,976	3,270,454
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	3,913,764	115,067
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	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,913,764	115,067
13. Cost of investments acquired (long-term only):		
13.1 Bonds	13,481,144	2,208,746
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)	13,481,144	2,208,746
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)	(9,567,380)	(2,093,679)
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	7,300,000	1,169,452
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	0	0
16.6 Other cash provided (applied)	(3,054,790)	(1,072,890)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	4,245,210	96,562
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)	804,806	1,273,337
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	5,980,463	4,707,126
19.2 End of year (Line 18 plus Line 19.1)	6,785,269	5,980,463

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

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ANNUAL STATEMENT FOR THE YEAR 2007 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	50,531,693						50,531,693			
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)	50,531,693	0	0	0	0	0	50,531,693	0	0	0
8. Hospital/medical benefits	27,152,635						27,152,635			XXX
9. Other professional services	3,474,314						3,474,314			XXX
10. Outside referrals	6,409,411						6,409,411			XXX
11. Emergency room and out-of-area	686,603						686,603			XXX
12. Prescription drugs	4,678,049						4,678,049			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	57,712						57,712			XXX
15. Subtotal (Lines 8 to 14)	42,458,724	0	0	0	0	0	42,458,724	0	0	XXX
16. Net reinsurance recoveries	144,030						144,030			XXX
17. Total medical and hospital (Lines 15 minus 16)	42,314,694	0	0	0	0	0	42,314,694	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ cost containment expenses	3,415,436						3,415,436			
20. General administrative expenses	7,246,076						7,246,076			
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)	52,976,206	0	0	0	0	0	52,976,206	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	(2,444,513)	0	0	0	0	0	(2,444,513)	0	0	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				0
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan	0			0
6. Title XVIII - Medicare	50,930,118		398,425	50,531,693
7. Title XIX - Medicaid	0			0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	50,930,118	0	398,425	50,531,693
10. Life	0			0
11. Property/casualty	0			0
12. Totals (Lines 9 to 11)	50,930,118	0	398,425	50,531,693

ANNUAL STATEMENT FOR THE YEAR 2007 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	36,755,593						36,755,593			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	36,755,593	0	0	0	0	0	36,755,593	0	0	0
2. Paid medical incentive pools and bonuses	137,277						137,277			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	8,933,426	0	0	0	0	0	8,933,426	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	8,933,426	0	0	0	0	0	8,933,426	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	40,533						40,533			
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	144,030						144,030			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	3,288,007	0	0	0	0	0	3,288,007	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	3,288,007	0	0	0	0	0	3,288,007	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	120,098						120,098		0	
11. Amounts recoverable from reinsurers December 31, prior year	0						0		0	
12. Incurred Benefits:										
12.1 Direct	42,401,012	0	0	0	0	0	42,401,012	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	144,030	0	0	0	0	0	144,030	0	0	0
12.4 Net	42,256,982	0	0	0	0	0	42,256,982	0	0	0
13. Incurred medical incentive pools and bonuses	57,712	0	0	0	0	0	57,712	0	0	0

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

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	992,256						992,256			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	992,256	0	0	0	0	0	992,256	0	0	0
2. Incurred but Unreported:										
2.1 Direct	7,941,170						7,941,170			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	7,941,170	0	0	0	0	0	7,941,170	0	0	0
3. Amounts Withheld from Paid Claims and Capitulations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	8,933,426	0	0	0	0	0	8,933,426	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	8,933,426	0	0	0	0	0	8,933,426	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred In Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	
2. Medicare Supplement					0	
3. Dental Only					0	
4. Vision Only					0	
5. Federal Employees Health Benefits Plan					0	
6. Title XVIII - Medicare	3,810,610	32,800,953	303,464	8,629,962	4,114,074	3,288,007
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	3,810,610	32,800,953	303,464	8,629,962	4,114,074	3,288,007
10. Healthcare receivables (a)					0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	97,853	39,424		40,533	97,853	120,098
13. Totals (Lines 9 - 10 + 11 + 12)	3,908,463	32,840,377	303,464	8,670,495	4,211,927	3,408,105

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

ANNUAL STATEMENT FOR THE YEAR 2007 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 - Title XVIII

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	0	0	0	0	
2. 2003					
3. 2004	XXX				
4. 2005	XXX	XXX			
5. 2006	XXX	XXX	XXX	7,401	3,908
6. 2007	XXX	XXX	XXX	XXX	32,984

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	0	0	0	0	
2. 2003					
3. 2004	XXX				
4. 2005	XXX	XXX			
5. 2006	XXX	XXX	XXX	10,810	4,212
6. 2007	XXX	XXX	XXX	XXX	41,655

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2003				0.0	0	0.0			0	0.0
2. 2004				0.0	0	0.0			0	0.0
3. 2005				0.0	0	0.0			0	0.0
4. 2006	14,584	11,311	1,002	8.9	12,313	84.4	303	6	12,622	86.5
5. 2007	50,532	32,984	3,415	10.4	36,399	72.0	8,670	167	45,236	89.5

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ANNUAL STATEMENT FOR THE YEAR 2007 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 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	0	0	0	0	0
2.	2003	0	0	0	0	0
3.	2004	XXX	0	0	0	0
4.	2005	XXX	XXX	0	0	0
5.	2006	XXX	XXX	XXX	7,401	3,908
6.	2007	XXX	XXX	XXX	XXX	32,984

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 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior	0	0	0	0	0
2.	2003	0	0	0	0	0
3.	2004	XXX	0	0	0	0
4.	2005	XXX	XXX	0	0	0
5.	2006	XXX	XXX	XXX	10,810	4,212
6.	2007	XXX	XXX	XXX	XXX	41,655

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2003	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2004	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2005	0	0	0	0.0	0	0.0	0	0	0	0.0
4. 2006	14,584	11,311	1,002	8.9	12,313	84.4	303	6	12,622	86.5
5. 2007	50,532	32,984	3,415	10.4	36,399	72.0	8,670	167	45,236	89.5

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ANNUAL STATEMENT FOR THE YEAR 2007 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	4,043,357						4,043,357		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	4,043,357	0	0	0	0	0	4,043,357	0	0
7. Reinsurance ceded	0								
8. Totals (Net)(Page 3, Line 4)	4,043,357	0	0	0	0	0	4,043,357	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 thru 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 thru 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)	0	104,016	105,518		209,534
2. Salary, wages and other benefits	807,344	1,054,320	379,246	25,350	2,266,260
3. Commissions (less \$ ceded plus \$ assumed)			3,930,923		3,930,923
4. Legal fees and expenses		16,791	148,328		165,119
5. Certifications and accreditation fees		4,148			4,148
6. Auditing, actuarial and other consulting services	63,041	73,838	160,411		297,290
7. Traveling expenses	200,294	43,353	37,085		280,732
8. Marketing and advertising	186,147		1,814,691		2,000,838
9. Postage, express and telephone	18,583	115,687	69,273		203,543
10. Printing and office supplies	2,293	113,601	141,569		257,463
11. Occupancy, depreciation and amortization		85,401	46,151		131,552
12. Equipment		940	38,659		39,599
13. Cost or depreciation of EDP equipment and software					0
14. Outsourced services including EDP, claims, and other services	3,640	259,095	156,889		419,624
15. Boards, bureaus and association fees					0
16. Insurance, except on real estate	1,551	33,505	1,707		36,763
17. Collection and bank service charges	2,522	4,686	12,264	33,289	52,761
18. Group service and administration fees		94,819			94,819
19. Reimbursements by uninsured plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes		6,571	1,387		7,958
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees	378	755	9,452		10,585
23.4 Payroll taxes	44,213	73,905	63,654		181,772
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	128,868	0	128,868
26. Total expenses incurred (Lines 1 to 25)	1,330,006	2,085,431	7,246,075	58,639	(a) 10,720,151
27. Less expenses unpaid December 31, current year		172,406	351,626		524,032
28. Add expenses unpaid December 31, prior year		131,878	207,388		339,266
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,330,006	2,044,903	7,101,837	58,639	10,535,385
DETAILS OF WRITE-INS					
2501. Bad Debt Expense			128,868		128,868
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	128,868	0	128,868

(a) Includes management fees of \$ 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) 302,103	385,389
1.1 Bonds exempt from U.S. tax		
1.2 Other bonds (unaffiliated)	(a) 67,085	101,655
1.3 Bonds of affiliates		
2.1 Preferred stocks (unaffiliated)		
2.11 Preferred stocks of affiliates		
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans		
4. Real estate		
5. Contract Loans		
6. Cash, cash equivalents and short-term investments	(e) 335,037	384,681
7. Derivative instruments		
8. Other invested assets		
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	704,225	871,725
11. Investment expenses		(g) 58,639
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
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)		58,639
17. Net investment income (Line 10 minus Line 16)		813,086
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 29,758 accrual of discount less \$ 29,579 amortization of premium and less \$ 92,941 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 19,650 accrual of discount less \$ (473) amortization of premium and less \$ 30,545 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	4,752	0	4,752	0	0
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	0	0	0	0	0
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	4,752	0	4,752	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 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)	0		0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	142,503	0	(142,503)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software			0
19. Furniture and equipment, including health care delivery assets	32,905	54,554	21,649
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates	0		0
22. Health care and other amounts receivable			0
23. Aggregate write-ins for other than invested assets	392,332	2,597	(389,735)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	567,740	57,151	(510,589)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. Total (Lines 24 and 25)	567,740	57,151	(510,589)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Deposits	391,845	1,487	(390,358)
2302. Prepaids	487	1,110	623
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	392,332	2,597	(389,735)

ANNUAL STATEMENT FOR THE YEAR 2007 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	2,739	5,629	6,317	5,853	5,827	70,809
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	2,739	5,629	6,317	5,853	5,827	70,809
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

1. **Summary of Significant Accounting Policies**

The accompanying financial statements of the Company have been prepared in conformity with the statutory accounting practices set forth in the National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures manual*, version effective March 2005 ("NAIC").

The Arkansas Insurance Department ("AID") 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.

Use of Estimates in the Preparation of the Financial Statements

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

Investments

Investments are stated in accordance with methods and values adopted by the NAIC and, as such, bonds are generally stated at amortized cost. The retrospective method is used to value mortgage-backed securities. Prepayment assumptions and market values for mortgage-backed securities were obtained from IDC or Bloomberg as of December 31, 2007. Premiums and discounts on fixed maturity investments are accreted to income using the modified scientific method over the anticipated life of the security. Short-term investments and U.S. Treasury Bills are carried at amortized cost, which approximates fair market value. Market values are determined using market prices published by the NAIC Securities Valuation Office ("SVO), IDC or Bloomberg.

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

Cash and Short-Term Investments

Cash includes balances held in banks and includes 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 either carried at cost or amortized cost.

Other Accounting Policies

Unpaid claims adjustment expenses include an amount determined from individual case estimates, and loss reports and an amount, based on past experience, for losses incurred but not yet reported. Such estimates are based on assumptions, and while management believes the amount to be adequate, the ultimate liability may be in excess or less than the amount provided. The methods for making such estimates and establishing the resulting liability are continually reviewed and adjustments are reflected in the period determined.

The costs to acquire new members, acquisition costs, are expensed as incurred.

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

An accounting change was adopted in 2007 to recognize the cumulative additional paid in capital contributed by Arcadian Management Services Inc, to the Company for start-up expenses paid on its behalf prior to December 31, 2005. The effect of this accounting change was to increase unassigned surplus for the year ended December 31, 2007 by \$1,094,943 and increase additional paid in capital by the same amount.

There have been no corrections to prior year periods.

3. **Business Combinations and Goodwill**

Not Applicable

4. **Discontinued Operations**

Not Applicable

5. **Investments**

As of December 31, 2007, the company did not have any mortgage loans, restructured loans, reverse mortgages, loan-backed securities, or repurchase agreements as investments.

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

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

7. **Investment Income**

For the year ended December 31, 2007 reported net investment income earned was \$159,242. Investment income due or accrued as of December 31, 2007 was \$804.

8. **Derivative Instruments**

Not Applicable

9. **Income Taxes**

Not Applicable

10. **Information Concerning Parent, Subsidiaries and Affiliates**

The Company is owned 60% by Arcadian Health Plan, Inc. (AHP) and 40% by Arcadian Management Services, Inc. (AMS). The Company was granted a certificate of Authority by the Arkansas Insurance Commissioner on March 21, 2005.

The Company began operations on January 1, 2007 and operates solely in the Medicare market place offering Medicare Advantage products in the state of Arkansas.

AMS and AHP supply certain services to the Company. Those services include enrollment processing, claims processing, professional credentialing, information technology, treasury, financial and tax services. Compensation under this contract is on a per- member per month basis and totaled \$1,822,524 for the year ended December 31, 2007. At December 31, 2007, the Company had \$146,380 due to AMS, and \$1,645,925 due to AHP. At December 31, 2007, the Company had receivables due from its affiliate companies, Arcadian Health Plan of Georgia, Inc. of \$12,131, Arcadian Health Plan of Louisiana, Inc of \$5,846, and Arcadian Health Plan of North Carolina of \$2,905.

11. **Debt**

The Company has no outstanding debt as of December 31, 2007.

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

The Company participates in a qualified, 401k plan sponsored by the Parent Company, Arcadian Management Services, Inc. Non-highly compensated employees are eligible for a Company match of their contributions to the plan up to 5% of their eligible compensation.

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

The Company has 10 shares authorized and 5 shares issued and outstanding of \$0.01 par value common stock as of December 31, 2007. The Company has no preferred stock authorized.

14. **Contingencies**

None as of December 31, 2007.

15. **Leases**

The Company leases office space in Little Rock and Fayetteville. The two leases expire on August 31, 2011. Lease payments by the Company for the year ended December 31, 2007 were \$99,136. As of December 31, 2007 the Company had the following aggregate rental commitments:

Year	Amount
2008	\$92,058
2009	\$75,679
2010	\$11,224
2011	\$11,224
2012	\$2,720
Total	<u>\$192,905</u>

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

Not Applicable

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

Not Applicable

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

Not Applicable

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

Not Applicable

20. **Other Items**

Not Applicable

21. **Events Subsequent**

On January 31, 2008 AMS and AHP made capital contributions of \$1.04 million and \$2.56 million, respectively. The aggregate amount of \$3.6 million was recorded as a receivable from shareholders and additional paid in capital at December 31, 2007 in accordance with SSAP 9 Type I subsequent event treatment. According to SSAP 72 paragraph 8, a receivable from the parent of this type is an admitted asset at December 31, 2007.

22. **Reinsurance**

In 2007, the Company had reinsurance with Million Life Insurance Company for specific excess loss reinsurance. Total payments to Ace for the year ended December 31, 2007 were \$398,425. Beginning January 1, 2008, the company will have reinsurance with HCC Life Insurance Company for specific excess loss reinsurance.

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

Not Applicable

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

Not Applicable

25. **Intercompany Pooling Arrangements**

Not Applicable

26. **Structured Settlements**

Not Applicable

27. **Health Care Receivables**

Not Applicable

28. **Participating Policies**

Not Applicable

29. **Premium Deficiency Reserves**

Not Applicable

30. **Anticipated Salvage and Subrogation**

Not Applicable

31. **Reinsurance**

The Company has reinsured with Ace American Insurance Company for specific excess loss reinsurance. Total payments to Ace American Insurance Company for the year ending December 31, 2007 were \$81,386.

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

Not Applicable

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

Not Applicable

34. **Intercompany Pooling Arrangements**

Not Applicable

35. **Structured Settlements**

Not Applicable

36. **Health Care Receivables**

Not Applicable

37. **Participating Policies**

Not Applicable

38. **Premium Deficiency Reserves**

Not Applicable

39. **Anticipated Salvage and Subrogation**

Not Applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	752,075	3.999	752,075	3.999
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	1,096,110	5.829	1,096,110	5.829
1.22 Issued by U.S. government sponsored agencies	6,516,425	34.653	6,516,425	34.653
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	324,677	1.727	324,677	1.727
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	198,604	1.056	198,604	1.056
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	227,630	1.210	227,630	1.210
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	2,804,375	14.913	2,804,375	14.913
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds	4,220,315	22.443	4,220,315	22.443
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	2,564,954	13.640	2,564,954	13.640
9. Other invested assets	99,605	0.530	99,605	0.530
10. Total invested assets	18,804,770	100.000	18,804,770	100.000

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 [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Arkansas
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 09/30/2006
- 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. 02/23/2005
- 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). 02/23/2005
- 3.4 By what department or departments?
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 4.11 sales of new business? Yes [] No [X]
 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 4.21 sales of new business? Yes [] No [X]
 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
 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 or 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. 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?
Deloitte Consulting LLP
50 Fremont St. Ste 3100 (25067)
San Francisco, CA 94105-2230
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 - 11.11 Name of real estate holding company
 - 11.12 Number of parcels involved
 - 11.13 Total book/adjusted carrying value \$
- 11.2 If, yes provide explanation:
.....

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
- 13.1 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.
- 13.11 If the response to 13.1 is No, please explain:
.....
- 13.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
.....
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).
.....

BOARD OF DIRECTORS

- 14. 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 []
- 15. 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 []
- 16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers.....\$0
 - 18.12 To stockholders not officers.....\$0
 - 18.13 Trustees, supreme or grand (Fraternal Only)\$0
- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers.....\$0
 - 18.22 To stockholders not officers.....\$0
 - 18.23 Trustees, supreme or grand (Fraternal Only)\$0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others.....\$
 - 19.22 Borrowed from others.....\$
 - 19.23 Leased from others.....\$
 - 19.24 Other.....\$
- 20.1 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]
- 20.2 If answer is yes,
- 20.21 Amount paid as losses or risk adjustment \$
 - 20.22 Amount paid as expenses.....\$
 - 20.23 Other amounts paid.....\$
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount?\$0

INVESTMENT

- 22.1 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? Yes [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 23.1 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 19.1). Yes [] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Loaned to others.....\$
 - 23.22 Subject to repurchase agreements.....\$
 - 23.23 Subject to reverse repurchase agreements.....\$
 - 23.24 Subject to dollar repurchase agreements.....\$
 - 23.25 Subject to reverse dollar repurchase agreements.....\$
 - 23.26 Pledged as collateral.....\$
 - 23.27 Placed under option agreements.....\$
 - 23.28 Letter stock or other securities restricted as to sale.....\$
 - 23.29 On deposit with state or other regulatory body.....\$
 - 23.291 Other.....\$

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year.\$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E, 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 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Nature of Custodian(s)	2 Custodian's Address
Bank of the West	Oakland, CA
Metropolitan National Bank	Little Rock, AR
Key Bank (Morgan Keegan)	Memphis, TN
Wells Fargo Bank	Houston, TX
US Bank	Saint Paul, MN

26.02 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)
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

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

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

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

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

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

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
27.2999 - Total		0

27.3 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
.....

GENERAL INTERROGATORIES

28. 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 (+)
28.1 Bonds	18,834,929	19,008,593	173,664
28.2 Preferred stocks0	.0	.0
28.3 Totals	18,834,929	19,008,593	173,664

28.4 Describe the sources or methods utilized in determining the fair values:
IDC or Bloomberg

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

29.2 If no, list exceptions:

OTHER

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

30.2 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
.....
.....

31.1 Amount of payments for legal expenses, if any?\$168,291

31.2 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
Mitchell, William, Selig, Gates & Woodyard	168,291
.....

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$167,785

32.2 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 \$ _____

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. \$ _____

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ _____

1.62 Total incurred claims \$ _____

1.63 Number of covered lives _____

All years prior to most current three years

1.64 Total premium earned \$ _____

1.65 Total incurred claims \$ _____

1.66 Number of covered lives _____

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ _____

1.72 Total incurred claims \$ _____

1.73 Number of covered lives _____

All years prior to most current three years

1.74 Total premium earned \$ _____

1.75 Total incurred claims \$ _____

1.76 Number of covered lives _____

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	50,531,693	14,584,006
2.2 Premium Denominator	50,531,693	14,584,006
2.3 Premium Ratio (2.1/2.2)	1.000	1.000
2.4 Reserve Numerator	13,017,315	4,139,332
2.5 Reserve Denominator	13,017,315	4,714,031
2.6 Reserve Ratio (2.4/2.5)	1.000	0.878

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 [X] No []

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 \$ 190,000

5.32 Medical Only \$ _____

5.33 Medicare Supplement \$ _____

5.34 Dental \$ _____

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:

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

Reinsurance

Arkansas Community Care ("ACC") obtained reinsurance through ACE America Insurance Company for inpatient and out-of-area emergency care costs with the following terms: One hundred thousand dollars (\$100,000) deductible, ninety percent (90%) reimbursement and two million dollars (\$2,000,000) lifetime maximum per member. This reinsurance reduces the risk for ACC, in two (2) areas, which are most costly for the Plan. ACC's Plan for Risk of Insolvency, should such occur, will continue contracted benefits to members, upon continued payment of premium, for the duration of the contract period, but no less than sixty (60) days from the date insolvency is declared. This is provided by the following:

1. Contractual Obligations of Contracted Providers

a.....Hospital Contracts for Inpatient Services

ACC has contracts with several area hospitals that specify that the hospitals have the responsibility to treat all patients of ACC for agreed upon fee arrangements. As a Medicare Advantage health plan, ACC'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 hospitals. Included within the contract are the following provisions regarding potential ACC insolvency:

No Billing of Members (Member Hold Harmless Provision). Hospital hereby agrees that in no event, including, without limitation, non-payment by ACC, ACC'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 ACC, 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 ACC to Hospital. Upon notice of any such action, ACC 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.

Hospital or its Hospital Providers may not bill the Member for Hospital Services (except for deductibles, Copayments, co-insurance) where ACC denies payments because Hospital has failed to comply with the terms of this Agreement.

Obligations if ACC Ceases Operating or Termination of Agreement for Nonpayment. Notwithstanding any other provisions of this Agreement, Hospital agrees that in the event ACC 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 ACC ceases operations. This continuation of Hospital Services obligation shall be for those Members who are hospitalized on an inpatient basis as provided below.

In the event ACC ceases operations or Hospital terminates this Agreement on the basis of ACC'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 ACC 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.

b.....Physician and Provider Contracts

ACC has contracts with local providers that specify that the providers have the responsibility to treat all patients of ACC for per agreed upon fee arrangements. As a Medicare Advantage health plan, ACC'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 ACC insolvency:

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 ACC, ACC'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 ACC, 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 ACC to Provider Group and its Participating Providers. Upon notice of any such action, ACC 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 ACC denies payments because Provider Group and its Participating Providers have failed to comply with the terms of this Agreement.

Obligations if ACC 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 ACC 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 ACC 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.

In the event ACC ceases operations or Provider Group terminates this Agreement on the basis of ACC'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 ACC 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.

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

7.2 If no, give details

1. Contractual Obligations of Contracted Providers

8. Provide the following information regarding participating providers: 8.1 Number of providers at start of reporting year 2,241
8.2 Number of providers at end of reporting year 2,589

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

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.....	\$	1,010,832
10.22 Amount actually paid for year bonuses.....	\$	5,195
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 \$ 3,000,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]

11.6 If the amount is calculated, show the calculation

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

1 Name of Service Area
Arkansas (Fort Smith / Texarkana / Fayetteville / Little Rock)
Texas (Texarkana)
Oklahoma (Fort Smith / Texarkana)
.....

FIVE-YEAR HISTORICAL DATA

	1 2007	2 2006	3 2005	4 2004	5 2003
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	24,774,716	8,790,470	5,070,029		
2. Total liabilities (Page 3, Line 22)	17,565,947	6,035,108	64,442		
3. Statutory surplus	7,208,766	2,755,362			
4. Total capital and surplus (Page 3, Line 31)	7,208,769	2,755,362	5,005,587		
Income Statement (Page 4)					
5. Total revenues (Line 8)	50,531,693	14,584,006	0		
6. Total medical and hospital expenses (Line 18)	42,314,694	10,810,370			
7. Claims adjustment expenses (Line 20)	3,415,437	1,002,308	0		
8. Total administrative expenses (Line 21)	7,246,075	5,381,819	6,947		
9. Net underwriting gain (loss) (Line 24)	(2,444,513)	(2,610,491)	(6,947)		
10. Net investment gain (loss) (Line 27)	817,838	287,593	67,850		
11. Total other income (Lines 28 plus 29)	0	0	0		
12. Net income or (loss) (Line 32)	(1,626,675)	(2,322,898)	60,903		
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	6,126,976	3,270,454			
Risk-Based Capital Analysis					
14. Total adjusted capital	7,208,766	2,755,362	5,005,587		
15. Authorized control level risk-based capital	2,603,190	865,822	7,061		
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	5,827	2,739			
17. Total members months (Column 6, Line 7)	70,809	21,314			
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	83.7	74.1	0.0		
20. Cost containment expenses	2.6	3.5	0.0		XXX
21. Other claims adjustment expenses	4.1	3.3	0.0		
22. Total underwriting deductions (Line 23)	104.8	117.9	0.0		
23. Total underwriting gain (loss) (Line 24)	(4.8)	(17.9)	0.0		
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	4,211,927				
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	3,408,105				
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0				
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0				
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)	0				
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)	0	0			
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS				
Governments (Including all obligations guaranteed by governments)	1. United States 8,788,892	8,952,113	8,789,013	8,879,843
	2. Canada			
	3. Other Countries			
	4. Totals 8,788,892	8,952,113	8,789,013	8,879,843
States, Territories and Possessions (Direct and guaranteed)	5. United States			
	6. Canada			
	7. Other Countries			
	8. Totals 0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States			
	10. Canada			
	11. Other Countries			
	12. Totals 0	0	0	0
Special revenue and special assessment obligations and all non- guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States 267,293	268,349	265,930	268,802
	14. Canada			
	15. Other Countries			
	16. Totals 267,293	268,349	265,930	268,802
Public Utilities (unaffiliated)	17. United States			
	18. Canada			
	19. Other Countries			
	20. Totals 0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 2,963,316	2,960,129	2,961,746	2,959,377
	22. Canada			
	23. Other Countries			
	24. Totals 2,963,316	2,960,129	2,961,746	2,959,377
Parent, Subsidiaries and Affiliates	25. Totals 0	0	0	0
	26. Total Bonds 12,019,501	12,180,591	12,016,689	12,108,022
PREFERRED STOCKS				
Public Utilities (unaffiliated)	27. United States			
	28. Canada			
	29. Other Countries			
	30. Totals 0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States			
	32. Canada			
	33. Other Countries			
	34. Totals 0	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States			
	36. Canada			
	37. Other Countries			
	38. Totals 0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals 0	0	0	0
	40. Total Preferred Stocks 0	0	0	0
COMMON STOCKS				
Public Utilities (unaffiliated)	41. United States			
	42. Canada			
	43. Other Countries			
	44. Totals 0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States			
	46. Canada			
	47. Other Countries			
	48. Totals 0	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States			
	50. Canada			
	51. Other Countries			
	52. Totals 0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals 0	0	0	0
	54. Total Common Stocks 0	0	0	0
	55. Total Stocks 0	0	0	0
	56. Total Bonds and Stocks 12,019,501	12,180,591	12,016,689	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year 2,447,191	7. Amortization of premium 29,579
2. Cost of bonds and stocks acquired, Col. 7, Part 3 13,481,144	8. Foreign Exchange Adjustment:
3. Accrual of discount 29,758	8.1 Col. 15, Part 1 0
4. Increase (decrease) by adjustment:	8.2 Col. 19, Part 2, Sec. 1 0
4.1 Col. 12 - 14, Part 1 0	8.3 Col. 16, Part 2, Sec. 2 0
4.2 Col. 15 - 17, Part 2, Sec. 1 0	8.4 Col. 15, Part 4 0
4.3 Col. 15, Part 2, Sec. 2 0	9. Book/adjusted carrying value at end of current period 12,019,500
4.4 Col. 11 - 13, Part 4 0	10. Total valuation allowance 0
5. Total gain (loss), Col. 19, Part 4 4,750	11. Subtotal (Lines 9 plus 10) 12,019,500
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 3,913,764	12. Total nonadmitted amounts 0
	13. Statement value of bonds and stocks, current period 12,019,500

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE ARKANSAS COMMUNITY CARE, INC.
SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

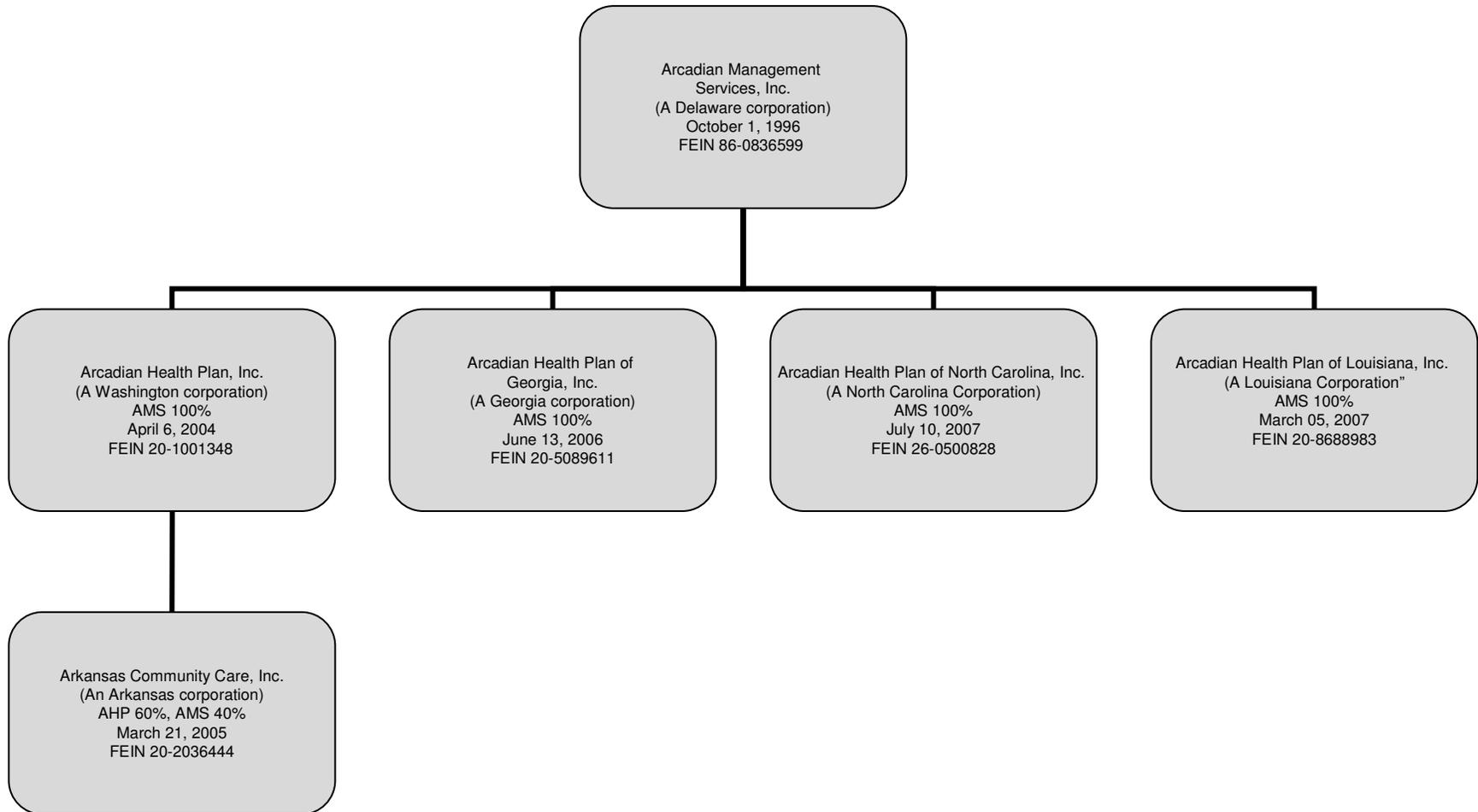
Allocated by States and Territories

States, etc.	1 Is Insurer Licensed? (Yes or No)	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	NO							0		
2. Alaska AK	NO							0		
3. Arizona AZ	NO							0		
4. Arkansas AR	YES		50,930,118					50,930,118		
5. California CA	NO							0		
6. Colorado CO	NO							0		
7. Connecticut CT	NO							0		
8. Delaware DE	NO							0		
9. District of Columbia DC	NO							0		
10. Florida FL	NO							0		
11. Georgia GA	NO							0		
12. Hawaii HI	NO							0		
13. Idaho ID	NO							0		
14. Illinois IL	NO							0		
15. Indiana IN	NO							0		
16. Iowa IA	NO							0		
17. Kansas KS	NO							0		
18. Kentucky KY	NO							0		
19. Louisiana LA	NO							0		
20. Maine ME	NO							0		
21. Maryland MD	NO							0		
22. Massachusetts MA	NO							0		
23. Michigan MI	NO							0		
24. Minnesota MN	NO							0		
25. Mississippi MS	NO							0		
26. Missouri MO	NO							0		
27. Montana MT	NO							0		
28. Nebraska NE	NO							0		
29. Nevada NV	NO							0		
30. New Hampshire NH	NO							0		
31. New Jersey NJ	NO							0		
32. New Mexico NM	NO							0		
33. New York NY	NO							0		
34. North Carolina NC	NO							0		
35. North Dakota ND	NO							0		
36. Ohio OH	NO							0		
37. Oklahoma OK	YES							0		
38. Oregon OR	NO							0		
39. Pennsylvania PA	NO							0		
40. Rhode Island RI	NO							0		
41. South Carolina SC	NO							0		
42. South Dakota SD	NO							0		
43. Tennessee TN	NO							0		
44. Texas TX	YES							0		
45. Utah UT	NO							0		
46. Vermont VT	NO							0		
47. Virginia VA	NO							0		
48. Washington WA	NO							0		
49. West Virginia WV	NO							0		
50. Wisconsin WI	NO							0		
51. Wyoming WY	NO							0		
52. American Samoa AS	NO							0		
53. Guam GU	NO							0		
54. Puerto Rico PR	NO							0		
55. U.S. Virgin Islands VI	NO							0		
56. Northern Mariana Islands MP	NO							0		
57. Canada CN	NO							0		
58. Aggregate Other Aliens OT	XXX	0	0	0	0	0	0	0	0	
59. Subtotal	XXX	0	50,930,118	0	0	0	0	50,930,118	0	
60. Reporting Entity Contributions for Employee Benefit Plans	XXX							0		
61. Totals (Direct Business)	(a) 3	0	50,930,118	0	0	0	0	50,930,118	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	

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

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

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



Overflow Page for Write-ins

NONE

Schedule A - Part 1

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

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