AlohaCare

Statutory Financial Statements and Supplemental Schedules

December 31, 2025 and 2024

AlohaCare
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Report of Independent Auditors

To the Board of Directors of
AlohaCare

Opinions
We have audited the accompanying statutory financial statements of AlohaCare which comprise the statutory statements of admitted assets, liabilities, capital and surplus as of December 31, 2025 and 2024, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of AlohaCare as of December 31, 2025 and 2024, and the results of its operations and changes in capital and surplus and cash flows for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by the Insurance Division of the Department of Commerce and Consumer Affairs of the State of Hawaii ("Insurance Division") as described in Note 2.

Basis for Opinions
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of AlohaCare and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting
We draw attention to Note 2 of the statutory financial statements, which describes the basis of accounting. The statutory financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by the Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Insurance Division. As a result, the statutory financial statements may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Statutory Financial Statements
Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with the financial reporting provisions prescribed or permitted by the Insurance Division, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Statutory Financial Statements
Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a

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material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AlohaCare's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AlohaCare's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Financial reporting provisions prescribed or permitted by the Insurance Division require that the Supplemental Investment Summary Schedule, Investment Risk Interrogatories, and Reinsurance Summary Schedule as of December 31, 2025 on pages 25–31 be presented to supplement the basic statutory financial statements. Such information is the responsibility of management and, although not part of the basic statutory financial statements, is required by the National Association of Insurance Commissioners, who considers it to be an essential part of financial reporting for placing the basic statutory financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic statutory financial statements, and other knowledge we obtained during our audit of the basic statutory financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of AlohaCare, the Insurance Division, and the Centers for Medicare and Medicaid Services, and is not intended to be and should not be used by anyone other than these specified parties.

Accuity LLP

Honolulu, Hawaii
May 29, 2026

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AlohaCare
Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus
December 31, 2025 and 2024

	2025	2024
Admitted Assets		
Investments		
Bonds ($26,187,343 and $29,452,625 restricted at December 31, 2025 and 2024, respectively)	$ 35,589,030	$ 43,742,360
Mutual funds	2,109,974	2,738,828
Exchange traded funds	15,161,192	19,376,600
Total investments	52,860,196	65,857,788
Cash, cash equivalents, and short-term investments ($6,737,495 and $4,972,304 restricted at December 31, 2025 and 2024, respectively)	48,789,701	54,211,798
Total invested assets	101,649,897	120,069,586
Receivables		
Receivables from State of Hawaii	19,499,093	201,560
Retrospective premiums and contracts subject to redetermination	5,556,746	4,230,400
Reinsurance receivable	-	2,545,105
Pharmacy rebates	1,482,033	1,466,298
Experience refund under reinsurance contract	939,000	869,000
Interest receivable	246,875	271,130
Other receivables	694,916	-
Electronic data processing equipment at cost, less accumulated depreciation of $2,124,359 and $2,133,826 at December 31, 2025 and 2024, respectively	218,384	246,943
Total admitted assets	$ 130,286,944	$ 129,900,022
Liabilities and Capital and Surplus		
Liabilities		
Accounts payable and accrued expenses	$ 18,779,787	$ 16,241,807
Accrued medical claims	39,256,976	58,600,193
Funds withheld liability	33,307,344	-
Premium deficiency reserve	4,000,000	8,300,000
State risk-share payable	6,765,265	13,770,629
Payable to risk pools	1,571,589	945,803
Total liabilities	103,680,961	97,858,432
Capital and surplus		
Gross paid in and contributed surplus	1,512,000	1,512,000
Surplus note	13,574,924	-
Unassigned surplus	11,519,059	30,529,590
Total capital and surplus	26,605,983	32,041,590
Total liabilities and capital and surplus	$ 130,286,944	$ 129,900,022

The accompanying notes are an integral part of the statutory financial statements.

AlohaCare
Statutory Statements of Operations and Changes in Capital and Surplus
Years Ended December 31, 2025 and 2024

	2025	2024
Revenue		
Capitation premiums, net	$ 344,266,179	$ 457,968,595
Other income	56,397	82,553
	344,322,576	458,051,148
Cost of services rendered		
Medical expenses, net	310,882,382	431,472,026
Claims adjustment expenses	5,997,060	5,973,000
Cost containment expenses	6,258,165	6,026,587
Quality program expenses	4,099,699	2,398,867
Administrative expenses	42,385,603	45,646,501
	369,622,909	491,516,981
Net underwriting loss	(25,300,333)	(33,465,833)
Investment income	3,944,960	6,560,189
Net loss	(21,355,373)	(26,905,644)
Capital and surplus		
Beginning of year	32,041,590	59,659,206
Change in unrealized gain on investments	1,395,351	948,652
Change in nonadmitted assets	949,491	(1,660,624)
Issuance of surplus note	13,574,924	-
End of year	$ 26,605,983	$ 32,041,590

The accompanying notes are an integral part of the statutory financial statements.

AlohaCare
Statutory Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash applied for operations		
Premiums collected	$ 359,149,205	$ 438,160,794
Benefit and loss related payments	(331,765,778)	(438,663,545)
Commissions, expenses paid, and aggregate write-ins	(51,235,217)	(53,005,438)
Cash applied for underwriting	(23,851,790)	(53,508,189)
Investment income	2,743,819	4,172,594
Net cash applied for operations	(21,107,971)	(49,335,595)
Proceeds from investments sold or matured		
Bonds	16,615,831	22,910,858
Exchange traded funds	7,953,828	9,215,128
Total investment proceeds	24,569,659	32,125,986
Cost of investments acquired		
Bonds	(8,542,708)	(15,458,043)
Mutual funds	(408,612)	-
Total cost of investments acquired	(8,951,320)	(15,458,043)
Net cash received from investments	15,618,339	16,667,943
Cash received from (applied for) financing and miscellaneous sources		
Other cash	67,535	(981,518)
Net cash received from (applied for) financing and miscellaneous sources	67,535	(981,518)
Net change in cash, cash equivalents, and short-term investments	(5,422,097)	(33,649,170)
Cash, cash equivalents, and short-term investments		
Beginning of year	54,211,798	87,860,968
End of year	$ 48,789,701	$ 54,211,798
Supplemental disclosure of noncash transactions		
Conversion of state risk-share payable to surplus note	$ 13,574,924	$ -

The accompanying notes are an integral part of the statutory financial statements.

1. Summary of Organization

AlohaCare is a Hawaii non-profit corporation that contracts with the State of Hawaii (the "State"), Department of Human Services ("DHS") to provide medical and behavioral health services to certain residents of the State under the "Hawaii QUEST" waiver-only demonstration program ("QUEST") approved by the Centers for Medicare & Medicaid Services ("CMS") under the authority of the Social Security Act.

On January 1, 2015, AlohaCare was awarded a contract with the State under the QUEST Integration program. The contract has been amended multiple times since contract inception primarily to adjust the contract's scope of services and compensation and payment schedule. This contract included QUEST eligible recipients on all islands while also integrating aged, blind and disabled recipients. AlohaCare provides medical, behavioral health, and long-term care services for all QUEST recipients as well as long-term care and home and community-based services for aged, blind and disabled recipients. In March 2021, AlohaCare was awarded a new contract (collectively the "Contract") with the State for the QUEST Integration program to continue serving QUEST eligible recipients on all islands effective July 1, 2021.

AlohaCare contracts with physicians, hospitals and other providers to provide services to QUEST members in a managed care environment. Underwriting gains and losses are subject to a risk-sharing program with the State. Underwriting gains or losses remaining after the risk-sharing provisions with the State providers are subject to risk sharing with participating providers.

On January 1, 2006, AlohaCare commenced a Medicare Parts A, B and D risk-based contract with CMS that provides for inpatient, outpatient and prescription drug benefits based on Medicare regulations. The Medicare contract is renewed annually and currently covers the period from January 1 to December 31. Effective January 1, 2015, AlohaCare terminated its Medicare Advantage Plan, but still offers a Medicare Advantage Special Needs Plan.

On May 14, 2024, AlohaCare formed AlohaCare Foundation (the "Foundation"), a nonprofit corporation created to provide charitable donations and grants to community organizations that serve Hawaii Medicaid and Medicare Dual Eligible beneficiaries, low-income individuals and families, and underserved and rural communities through services that address health and social needs, health disparities and inequities, and improved access to quality health and social care. The Foundation was also created to provide scholarships to Hawaii students pursuing a career related to health and social care and to promote access to health care. Several members of AlohaCare's management team and Board of Directors also serve as the Foundation's Board of Directors.

On December 1, 2025, AlohaCare, as the sole member, formed Island Health Partners, LLC ("Island Health Partners") with the intent to operate as a management services organization. There was no activity at Island Health Partners in 2025.

2. Significant Accounting Policies

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with statutory accounting practices ("SAP") as prescribed or permitted by the Insurance Division, which varies in some respects from accounting principles generally accepted in the United States of America ("GAAP").

The National Association of Insurance Commissioners ("NAIC") has adopted the codification of Statutory Accounting Principles Project ("Codification") as the NAIC-supported basis of accounting. The Codification was approved with the provision for commissioner discretion in the determination of appropriate statutory

accounting for insurers. Such discretion will allow prescribed or permitted accounting practices that may differ from state to state. The State, and accordingly AlohaCare, adopted the Codification effective January 1, 2001.

Effective January 1, 2025, AlohaCare adopted a revision to statutory accounting practices prescribed or permitted by the Insurance Division which incorporated a principles-based definition of a bond. Under the principles-based definition, bonds are defined as a security representing a creditor relationship where there is a fixed schedule for one or more future payments, while also qualifying as either an issuer credit obligation or asset-backed security. In evaluating whether a security meets the principles-based definition, consideration should be given to an instrument's substance rather than solely its legal form. The impact of this adoption was applied prospectively, without any changes to the comparative information presented.

The more significant differences between GAAP for non-profit entities and SAP were as follows:

- Certain assets designated as "nonadmitted" are charged to unassigned surplus under SAP.

- The presentation of the statutory statements of admitted assets, liabilities, capital and surplus, and cash flows is not in conformity with GAAP with regard to the reporting of short-term investments with cash and cash equivalents. The statutory statements of cash flows also do not include a reconciliation of net income or loss to net cash received from or applied for operations. Under SAP, the statutory statements of cash flows reconcile changes in cash on hand and on deposit, cash equivalents, and short-term investments with original maturities of one year or less. Under GAAP, the statements of cash flows reconcile changes in cash and cash equivalents and restricted cash and cash equivalents. Cash equivalents are financial instruments with an original maturity of three months or less.

- Investments are accounted for as explained below under SAP, while GAAP requires investments in equity securities with readily determinable fair values and all investments in bonds classified as available for sale to be measured at fair value, with changes in fair value included in the statements of activities as increases or decreases in net assets.

- Certain assets and liabilities as a result of reinsurance transactions are netted under SAP but are reported gross under GAAP.

- GAAP requires lessees to classify a lease as either a finance or operating lease, and recognize a right-of-use asset and lease liability associated with the lease. Under SAP, all leases are treated as operating leases without the recognition of a right-of-use asset or lease liability. Additionally, the practical expedient under GAAP to not separate non-lease components from the associated lease component is only available under SAP when non-lease components are an insignificant part of a lease agreement.

- Under SAP, surplus notes issued by AlohaCare are reported as a separate component of capital and surplus. Interest expense on surplus notes is recorded when payment is approved by the Insurance Division. Under GAAP, surplus notes are reported as a liability with interest expense recognized as incurred.

Use of Estimates

The preparation of statutory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statutory financial statements, and the reported amounts of revenues and expenses during the period. Actual results could materially differ from those estimates.

AlohaCare has entered into risk-sharing government agreements. Management's accrual of risk sharing assets and liabilities at December 31, 2025 and 2024 was based on preliminary performance data and is subject to change once actual data becomes available.

While management uses available information to estimate risk-sharing assets and liabilities, the carrying amount associated with these agreements may significantly vary when actual amounts are known, based on changes in local and global economic conditions. As such, it is reasonably possible that the accrual of risk-sharing assets and liabilities may change materially in the near term. The amount of the change that is reasonably possible cannot be estimated.

Concentrations of Risk
Financial instruments that potentially subject AlohaCare to significant concentrations of credit risk consist principally of cash, cash equivalents, and short-term investments, bonds, mutual funds, exchange traded funds ("ETFs"), and receivables. AlohaCare has various investments in bonds, mutual funds, and ETFs which are exposed to interest rate and market risks. AlohaCare's cash, cash equivalents, and short-term investment balances exceed depository insurance limits; however, AlohaCare's invested assets are with high credit quality financial institutions. Credit risk from receivables is inherently limited as the amounts are primarily due from the government or a reinsurer with a high credit rating.

AlohaCare's primary source of revenue is earned under a single contract with the DHS under the QUEST program. The QUEST program is subject to a periodic renewal and renegotiation of capitated rates which comprised approximately 86% and 90% of AlohaCare's revenues in 2025 and 2024, respectively.

Fair Value Measurements
For financial and nonfinancial assets and liabilities reported at fair value, AlohaCare defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. AlohaCare measures fair value using observable and unobservable inputs based on the following hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that AlohaCare has the ability to access at the measurement date.

- **Level 2** – Inputs, other than quoted market prices, included within Level 1 that are observable for an asset or liability, directly or indirectly.

- **Level 3** – Unobservable inputs for an asset or liability reflecting AlohaCare's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or Level 2 inputs are not available.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Cash, Cash Equivalents, and Short-Term Investments
AlohaCare considers all highly liquid debt instruments, except for certificates of deposit, purchased with an original maturity of three months or less to be cash equivalents, and an original maturity of one year or less (excluding cash equivalents) to be short-term investments. Certificates of deposit with original maturity dates of one year or less are classified as cash. Cash, cash equivalents, and short-term investments are admitted at cost or amortized cost.

Investments

Effective January 1, 2025, investments in bonds follow a principles-based definition. The principles-based definition of a bond is a security representing a creditor relationship where there is a fixed schedule for one or more future payments, while also qualifying as either an issuer credit obligation or asset-backed security. An issuer credit obligation is a bond, for which the general creditworthiness of an operating entity through direct or indirect recourse, is the primary source of repayment. An asset-backed security is a bond issued by an entity created for the primary purpose of raising debt capital backed by financial assets or cash generating non-financial assets owned by the issuer, for which the primary source of repayment is derived from the cash flows associated with the underlying defined collateral rather than the cash flows of an operating entity. Certain SVO-identified ETFs may qualify for bond treatment. These bonds are reported at admitted values (generally amortized cost for bonds or fair value for SVO-identified ETFs) established by the NAIC. Discounts and premiums related to bonds are amortized to investment income using the scientific method. Investments in bonds issued by companies not meeting specific solvency or financial performance requirements are reflected as nonadmitted assets. Investments in mutual funds and ETFs are reported at fair value. The change in unrealized gains and losses is accounted for as a direct increase or decrease in capital and surplus. Realized gains and losses are computed using the specific identification method.

Pharmacy Rebate Receivable

Pharmacy rebate payments to AlohaCare are delayed until after they are billed and collected from pharmacy manufacturers. AlohaCare recognizes pharmaceutical rebate receivable based on past collection patterns. Estimated pharmacy rebate receivable associated with the three months prior to December 31, 2025 and 2024 are considered admitted assets.

Capitation Revenue

AlohaCare receives capitation payments under the QUEST and Medicare contracts based on monthly member enrollment. AlohaCare is required to provide all covered healthcare services to its members. Capitation is recognized as revenue in the month that members are entitled to the benefits or upon execution of a retroactive amendment to capitated rates in the QUEST contract.

Reinsurance

Capitation premiums and medical expenses are reported net of reinsurance amounts, experience refunds, and risk charges. Administrative expenses are reported net of expense allowances specified in reinsurance contracts. AlohaCare remains obligated for amounts ceded in the event the reinsurer does not meet its obligation. Reinsurance recoverables have been reported based on the amount of claims incurred.

Depreciation

Depreciation is computed using the straight-line method over the assets' estimated useful lives; leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the estimated useful lives of the assets. Generally, the estimated useful lives of the assets are as follows:

	Years
Electronic data processing equipment	3
Furniture and equipment	5 – 7
Leasehold improvements	3
Computer software	3 – 5

Depreciation expense amounted to $501,230 and $1,021,760 in 2025 and 2024, respectively.

Accrued Medical Claims
Accrued medical claims include claims in process and a provision for incurred but not reported claims, which are actuarially determined based on historical claims payment experience and other industry statistics. Claim processing expenses are also accrued based on an estimate of expenses necessary to process such claims. Such reserves are continually monitored and reviewed with any adjustments reflected through medical and claims adjustment expenses. Management believes that accrued medical claims are sufficient to satisfy AlohaCare's ultimate claims liability. These estimates are inherently subject to a number of highly variable circumstances, and consequently, the actual results could differ materially from the amount recorded in the statutory financial statements.

Premium Deficiency Reserve
AlohaCare recognizes a liability for probable losses on unprofitable insurance contracts if the sum of expected claims costs, net of reinsurance, and claims adjustment expenses exceed the sum of expected premiums and investment income for a particular line of business. At December 31, 2025, AlohaCare recognized a premium deficiency reserve associated with its Medicare special needs line of business. At December 31, 2024, AlohaCare recognized a premium deficiency reserve associated with its Medicare special needs and Medicaid lines of business.

State Risk-Share Programs
In 2025 and 2024, the Contract includes certain adjustments to revenue using reweighed risk scores based on actual enrollment, while continuing adjustments to revenue based on non-long-term services and supports ("LTSS") and LTSS rates based on the proportion of non-LTSS to LTSS members prior to applying the risk-sharing program. The Contract also included a risk-share program which served to address unknown circumstances beyond the control of health plans and the State. The program evaluated the established capitated rates against actual performance or utilization of services of different enrolled populations. Underwriting gains and losses by population and contract year are subject to settlement corridors that adjust the amount of capitated revenues recognized.

The risk share for the retroactive enrollment ("retro") group is separately calculated for the Medicaid Expansion and Family and Children ("F&C") populations, and excludes the aged, blind and disabled ("ABD") population. Retro group gains and losses are calculated as a percentage of total revenue as defined in the Contract. Retro group gains and losses are shared equally within a risk corridor ranging from 0% to 2.5%. Retro group gains exceeding 2.5% are recoverable by the State, while retro group losses exceeding 2.5% are recoverable by AlohaCare. In 2025, the 2023 retro group risk-share payable was settled with the State. In 2024, the 2022 retro group risk-share receivable was settled with the State. At December 31, 2025, $1,172,387 of retro group gains related to the 2025 year and $363,079 of retro group losses related to the 2024 year were included in State risk-share payable and receivables from State of Hawaii, respectively. At December 31, 2024, $17,645 of retro group losses related to the 2024 year and $2,334,384 of retro group gains related to the 2023 year were included in receivables from State of Hawaii and State risk-share payable, respectively.

The risk share for the non-retroactive enrollment ("aggregate") group is calculated for Medicaid Expansion, ABD, and F&C populations in the aggregate. Aggregate group gains and losses are calculated as a percentage of total revenue as defined under the Contract. Aggregate group gains and losses up to 3% are retained by AlohaCare. Aggregate group gains exceeding 5% are recoverable by the State, while aggregate group losses exceeding 5% are recoverable by AlohaCare. Aggregate group gains and losses are shared equally within a risk corridor ranging from 3% to 5%. In 2025, the 2023 aggregate risk-share payable was settled with the State. In 2024, the 2022 aggregate risk-share payable was settled with the State. At December 31, 2025, $8,552,118 of aggregate group losses related to the 2025 year and $3,994,782 of aggregate group gains related to the 2024 year were included in the receivables from the State of Hawaii and State risk-share

payable, respectively. At December 31, 2024, $1,468,565 and $8,062,278 of aggregate group gains related to the 2024 and 2023 years, respectively, were included in the State risk-share payable.

The risk share for the high cost drug group is separately calculated for the Medicaid Expansion, ABD and F&C populations. High cost drug gains and losses are calculated as a percentage of total revenue as defined by the Contract. High cost drug group gains and losses up to 3% are retained by AlohaCare. High cost drug group gains exceeding 6% are recoverable by the State, while high cost drug group losses exceeding 6% are recoverable by AlohaCare. High cost drug group gains and losses are shared equally within a risk corridor ranging from 3% to 6%. In 2025, the 2023 high cost drug risk-share payable was settled with the State. In 2024, the 2022 high cost drug risk-share payable was settled with the State. At December 31, 2025, $1,825,768 and $283,664 of high cost drug group losses related to the 2025 and 2024 years, respectively, were included in the receivables from State of Hawaii. At December 31, 2024, $637,800 and $797,430 of high cost drug group gains related to the 2024 and 2023 years, respectively, were included in the State risk-share payable.

Due to the volatility of high-risk newborn ("HRNB") costs, the Contract includes a specific HRNB group risk corridor. The HRNB group is budget-neutral from the State's perspective, shifting funds between the managed care organizations that provide services under their respective Contract, based on the managed care organization's share of HRNB costs. In 2025, the 2023 HRNB risk-share payable was settled with the State. In 2024, the 2022 HRNB risk-share receivable was settled with the State. At December 31, 2025, $1,496,426 in HRNB funds expected to be paid related to the 2025 year and $5,615,572 in HRNB funds expected to be received related to the 2024 year were included in the State risk-share payable and receivables from State of Hawaii, respectively. At December 31, 2024, $421,177 in HRNB funds expected to be paid related to the 2023 year were included in the State risk-share payable.

Due to the uncertainty introduced by changes in eligibility and previous observed differences in pregnancy-related expenditures between managed care organizations, the State introduced a delivery case rate settlement for the Medicaid Expansion and F&C populations. Deliveries assumed in rate development are calculated based on eligibility data. The difference in the assumed and actual deliveries is multiplied by the average cost per delivery assumed, and results in either a positive or negative settlement. At December 31, 2025, $969,625 and $343,267 of delivery case rate settlements related to the 2025 and 2024 years, respectively, were included in receivables from State of Hawaii. At December 31, 2024, $183,915 related to the 2024 year and $1,545 related to the 2023 year were included in receivables from State of Hawaii and State risk-share payable, respectively.

Given the changes to the guidance and requirements and slower adoption rate, the State introduced a Community Integration Services ("CIS") corridor during 2023. CIS gains and losses are calculated as a percentage of total revenue as defined under the Contract. CIS group gains exceeding 2.5% are recoverable by the State, while CIS group losses exceeding 2.5% are recoverable by AlohaCare. CIS group gains and losses are shared equally within a risk corridor ranging from 0% to 2.5%. In 2025, CIS has been removed from the risk-sharing program. At December 31, 2025, $101,670 in CIS gains related to the 2024 year were included in the State risk-share payable. At December 31, 2024, gains related to the 2024 and 2023 years were not significant.

Surplus Note
Surplus notes issued by a reporting entity are subject to the control and oversight of the commissioner of the insurer's state of domicile and must be approved as to the form and content of the note in order to be reported as surplus and not as debt. Surplus notes must contain contractual provisions indicating the indebtedness is subordinated to all other obligations of the insurer including policyholders, claimant and beneficiary claims and all other classes of creditors other than surplus note holders; and interest and principal payments require mandatory prior approval by the commissioner of the state of domicile of the insurer.

Interest, including interest in arrears, is not recognized until payment has been approved by the commissioner of the state of domicile. Unapproved interest is not added to the principal of the note. The cost of issuing surplus notes (e.g., loan fees and legal fees) is charged to operations as incurred.

Payable to Risk Pools
AlohaCare has risk-sharing arrangements with certain QUEST providers who assume the risk of providing healthcare to AlohaCare's members. A portion of QUEST revenues are allocated to the risk pools, with healthcare costs deducted from the risk pools as incurred. Surplus amounts accumulated in the pools (after the application of a provider incentive payment limit) are payable to QUEST providers.

Advertising
Advertising costs are expensed as incurred. Advertising expenses amounted to approximately $460,000 and $599,000 in 2025 and 2024, respectively.

Income Taxes
AlohaCare is exempt from federal and State income taxes under Section 501(c)(4) of the Internal Revenue Code ("IRC") and similar State provisions. AlohaCare is also exempt from State premium taxes under the Hawaii Revised Statutes.

Subsequent Events
AlohaCare has reviewed all events that have occurred from January 1, 2026 through May 29, 2026, the date that the statutory financial statements were available to be issued, for proper accounting and disclosure in the statutory financial statements.

On April 8, 2026, AlohaCare was awarded a three-year contract to administer the Community Care Services Program (the "Program") on behalf of the State. The Program provides behavioral health services to Medicaid eligible adults who have a serious mental illness or serious and persistent mental illness.

3. Investments

Investments at December 31, 2025 and 2024 were comprised of the following:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2025				
Bonds				
Issuer credit obligations				
U.S. government obligations	$ 30,473,131	$ 230,419	$ (640,000)	$ 30,063,550
Municipal bonds – general obligations	245,000	4,607	-	249,607
Corporate bonds	4,166,252	59,436	(15,033)	4,210,655
SVO – identified ETF - fair value	686,235	18,412	-	704,647
Total bonds	$ 35,570,618	$ 312,874	$ (655,033)	$ 35,228,459
Mutual funds – Fixed income	$ 2,181,873	$ 56,611	$ (128,510)	$ 2,109,974
Exchange traded funds				
Domestic equity	$ 7,598,611	$ 2,575,080	$ -	$ 10,173,691
Foreign equity	3,793,245	1,194,256	-	4,987,501
Total exchange traded funds	$ 11,391,856	$ 3,769,336	$ -	$ 15,161,192
2024				
Bonds				
U.S. government	$ 36,778,701	$ 54,988	$ (1,419,390)	$ 35,414,299
U.S. states, territories and possessions	245,000	-	(2,838)	242,162
Industrial and miscellaneous (unaffiliated)	6,725,919	23,460	(110,649)	6,638,730
Total bonds	$ 43,749,620	$ 78,448	$ (1,532,877)	$ 42,295,191
Mutual funds – Fixed income	$ 3,055,139	$ 22,318	$ (338,629)	$ 2,738,828
Exchange traded funds				
Domestic equity	$ 11,395,630	$ 2,499,629	$ -	$ 13,895,259
Foreign equity	5,336,901	199,066	(54,626)	5,481,341
Total exchange traded funds	$ 16,732,531	$ 2,698,695	$ (54,626)	$ 19,376,600

SVO-identified ETFs which qualify for bond treatment are recorded at fair value. A reconciliation to the statutory statements of admitted assets, liabilities, capital and surplus at December 31, 2025 and 2024 is as follows:

2025	Amortized Cost or Cost	Admitted Value Adjustment	Net Admitted Amount
Bonds	$ 35,570,618	$ 18,412	$ 35,589,030
2024			
Bonds	$ 43,749,620	$ (7,260)	$ 43,742,360

The amortized cost and estimated fair value of bonds included in cash equivalents, short-term investments, and bonds at December 31, 2025, by contractual maturity, are as follows:

	U.S. Government Obligations		Municipal Bonds - General Obligations		Corporate Bonds		SVO - Identified ETFs - Fair Value	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due one year or less	$ 5,442,732	$ 5,402,576	$ -	$ -	$ 871,939	$ 870,063	$ 686,235	$ 704,647
Due after one to five years	16,992,922	17,012,835	70,000	70,848	1,961,405	1,996,865	-	-
Due after five to ten years	7,797,302	7,485,645	175,000	178,759	1,332,908	1,343,727	-	-
Due after ten to twenty years	375,175	296,080	-	-	-	-	-	-
Due after twenty years	-	-	-	-	-	-	-	-
	$ 30,608,131	$ 30,197,136	$ 245,000	$ 249,607	$ 4,166,252	$ 4,210,655	$ 686,235	$ 704,647

Information pertaining to securities with gross unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that the individual securities have been in a continuous loss position, is as follows:

	Less Than Twelve Months		Twelve Months or Greater	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
2025				
Bonds				
Issuer credit obligations				
U.S. government obligations	$ (12,379)	$ 2,542,671	$ (627,621)	$ 9,908,645
Corporate bonds	(149)	370,470	(14,884)	530,936
Mutual funds – Fixed income	-	-	(128,510)	1,242,614
2024				
Bonds				
U.S. government	$ (69,502)	$ 6,677,195	$ (1,349,888)	$ 16,678,748
U.S. states, territories and possessions	(2,838)	172,722	-	-
Industrial and miscellaneous (unaffiliated)	(35,725)	1,660,794	(74,924)	2,040,251
Mutual funds – Fixed income	-	-	(338,629)	2,314,374
Exchange traded funds				
Foreign equity	-	-	(54,626)	1,401,059

Management evaluates securities for other-than-temporary impairment on a regular basis, and when economic or market concerns warrant such evaluation. Consideration given to bonds where fair value is less than cost is based on whether AlohaCare (1) intends to sell the security, (2) has evidence indicating the need to sell the security before a recovery of its cost, (3) determined the decline in value to be interest related, (4) would be unable to collect all amounts due according to the contractual terms in effect at the date of acquisition, and (5) has determined any other factors indicating that an impairment should be recorded, such as the length of time and the extent to which the fair value has been less than cost or the financial condition and near-term prospects of the issuer. Consideration given to mutual funds and ETFs is based on (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of AlohaCare to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery of fair value.

The majority of investments with unrealized losses resulted principally from changes to interest rates during the year. Management considered whether downgrades by rating agencies have occurred, and whether any reviews have identified problems with the issuer's financial condition.

Management has also determined that AlohaCare has the ability to hold their securities in an unrealized loss position until a recovery of fair value or maturity of the underlying debt. Accordingly, no declines were deemed to be other-than-temporary in 2025 or 2024.

The total amounts of restricted assets by category at December 31, 2025 and 2024 were as follows:

	Total Admitted	Total Nonadmitted	Total From Prior Year (Admitted & Nonadmitted)	Increase (Decrease)	Total Current Year Admitted Restricted	Total Admitted & Nonadmitted Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
2025							
Pledged as collateral not captured in other categories	$ 32,624,687	$ -	$ 34,124,778	$ (1,500,091)	$ 32,624,687	25 %	25 %
On deposit with the State	300,151	-	300,151	-	300,151	0 %	0 %
	$ 32,924,838	$ -	$ 34,424,929	$ (1,500,091)	$ 32,924,838	25 %	25 %
2024							
Pledged as collateral not captured in other categories	$ 34,124,778	$ -	$ 32,927,128	$ 1,197,650	$ 34,124,778	26 %	26 %
On deposit with the State	300,151	-	300,000	151	300,151	0 %	0 %
	$ 34,424,929	$ -	$ 33,227,128	$ 1,197,801	$ 34,424,929	26 %	26 %

The book adjusted carrying value of assets held under a coinsurance with funds withheld reinsurance arrangement amounted to $33,307,344 at December 31, 2025.

AlohaCare elected one of the alternative forms of compliance with the performance bond requirements under the Contract by having its lender issue a letter of credit for $27,300,000 and $28,800,000 in 2025 and 2024, respectively, with the State listed as the sole beneficiary. Under the terms of a security agreement with its lender, the balance of AlohaCare's hypothecated account amounting to $32,624,687 and $34,124,778 at December 31, 2025 and 2024, respectively, was pledged as collateral.

A certificate of deposit of $300,151 was held in the name of the State Insurance Commissioner to satisfy minimum capital and surplus requirements at both December 31, 2025 and 2024.

4. Accrued Medical Claims

Activity in the accrued medical claims liability for the years ended December 31, 2025 and 2024 is summarized as follows:

	2025	2024
Balance at beginning of year, net of reinsurance recoverable	$ 58,600,193	$ 63,403,855
Total incurred		
Current year	331,580,251	455,873,189
Prior years	(4,142,638)	(16,701,579)
Total incurred	327,437,613	439,171,610
Total paid		
Current year	298,711,826	398,898,790
Prior years	48,069,004	45,076,482
Total paid	346,780,830	443,975,272
Balance at end of year, net of reinsurance recoverable	$ 39,256,976	$ 58,600,193

The amounts incurred in 2025 and 2024 related to prior years reflect that the accrued medical claims liability at the beginning of the year differed from actual subsequent development. The 2025 and 2024 developments were primarily due to favorable claim developments and lower benefit payments than anticipated.

5. Reinsurance

In the normal course of business, AlohaCare seeks to reduce the loss that may arise from catastrophe or other events that may cause unfavorable underwriting results by reinsuring under various contracts.

In 2025 and 2024, AlohaCare obtained catastrophic reinsurance coverage covering Medicare and Medicaid program members. For the 2025 and 2024 contract years, medical claims incurred for Medicare and Medicaid program members were generally reinsured as follows:

Medicare	**AlohaCare Share**	**Reinsurer Share**
Up to $1,250,000 (retention per member)	100 %	0 %
$1,250,001 – Unlimited (per member)	10 %	90 %
Medicaid		
Up to $1,300,000 (retention per member)	100 %	0 %
$1,300,001 – Unlimited (per member)	10 %	90 %

Effective July 1, 2025, the catastrophic reinsurance agreement was amended to introduce an aggregate specific deductible of $2,350,000, which would increase based on increases to monthly membership.

Ceded reinsurance premiums related to the reinsurance agreement amounted to $4,319,943 and $6,755,508 for the years ended December 31, 2025 and 2024, respectively. For the year ended December 31, 2025, there were no reinsurance recoveries. For the year ended December 31, 2024, there were $1,509,158 in estimated reinsurance recoveries netted against medical expenses. At December 31, 2025, there was no recoverable due to paid losses. At December 31, 2024, the recoverable due to paid losses amounted to

$2,545,105 and was included in reinsurance receivable. At December 31, 2025 and 2024, there were no recoverables due to unpaid losses.

The 2025 and 2024 catastrophic reinsurance agreements allow for experience refunds if AlohaCare meets certain conditions. At December 31, 2025 and 2024, experience refunds under the catastrophic reinsurance contracts totaled $939,000 and $869,000, respectively.

Effective July 1, 2025, AlohaCare entered into a coinsurance with funds withheld arrangement contract covering Medicaid program members, excluding the blind and disabled population. Under the reinsurance agreement, the reinsurer will assume 80% of reinsurance premiums and claims, while retaining a risk charge and providing an expense allowance. Upon the realization of reinsurance profit, AlohaCare could be subject to an experience refund, subject to other contractual conditions. Amounts owed to the reinsurer equal to the portion of accrued medical claims covered under AlohaCare's coinsurance arrangement were recognized as a funds withheld liability. Assets supporting the funds withheld liability are retained and controlled by AlohaCare and held for the benefit of the reinsurer. To the extent any reinsurance claims or other amounts owed by the reinsurer are overdue and remain unpaid, the funds withheld account can be used to reimburse AlohaCare for such reinsured claims or other amounts owed by the reinsurer.

Ceded reinsurance premiums and estimated experience refund related to the coinsurance with funds withheld arrangement amounted to $135,713,834 and $14,191,609, respectively, for the year ended December 31, 2025. For the year ended December 31, 2025, there were $113,524,716 in estimated reinsurance recoveries netted against medical expenses and an expense allowance of $6,785,692 netted against administrative expenses.

6. Leases

AlohaCare leases office space and equipment under noncancelable operating lease agreements expiring at various dates through December 2030. The majority of these operating leases are noncancelable and contain lease incentives, escalation, and renewal clauses. The lease term also includes two five-year option periods that AlohaCare is reasonably certain to exercise from 2030 to 2040.

In August 2025, AlohaCare entered into an agreement involving the sale and subsequent leaseback of various furniture, fixtures, equipment and vehicle. Under the terms of the agreement, AlohaCare received sales proceeds of $1,487,934 and simultaneously leased the assets for five years with monthly lease payments of $28,685. The gain associated with the sale was deferred and amortized over the lease term.

Future minimum rental payments under operating leases are as follows:

Years ending December 31,	
2026	$ 1,147,000
2027	1,097,000
2028	1,172,000
2029	1,149,000
2030	1,050,000
Thereafter	8,200,000
	$ 13,815,000

Rent expense approximated $2,296,000 and $1,423,000 for the years ended December 31, 2025 and 2024, respectively.

7. Retirement Plans

AlohaCare sponsors a 401(k) plan (the "Plan") that covers employees who meet specified age requirements. The Plan elected a safe harbor employer matching contribution formula where 100% of the first 3% and 50% of the next 2% of an employee's compensation would be matched by AlohaCare and immediately vested. Employer matching contributions were $783,182 and $832,379 for the years ended December 31, 2025 and 2024, respectively.

In 2005, AlohaCare began sponsoring two deferred compensation plans under Section 457(f) of the IRC for key employees. At December 31, 2025 and 2024, the deferred compensation liability under these plans amounted to $200,622 and $485,736, respectively.

8. Related Party Transactions

AlohaCare contracts with physicians, hospitals and other providers to provide healthcare services to its members. These costs were included in medical expenses. Certain providers serve on AlohaCare's Board of Directors and have provided capital to AlohaCare. Medical and other expenses paid to these providers amounted to $108,982,276 and $109,864,704 for the years ended December 31, 2025 and 2024, respectively. Amounts payable to these providers amounted to $1,239,072 and $778,175 at December 31, 2025 and 2024, respectively.

For the year ended December 31, 2025, AlohaCare contributed $152,396 to the Foundation.

9. Capital and Surplus

AlohaCare is required to maintain a minimum statutory capital and surplus balance, which in the aggregate, amounted to $27,375,615 and $27,663,232 at December 31, 2025 and 2024, respectively.

As of December 31, 2025, AlohaCare was not in compliance with the minimum net worth requirement prescribed by HRS §432D-8(a). AlohaCare notified the Hawaii Insurance Division of this noncompliance and continues to work on its company action plans to improve its statutory capital and surplus.

10. Fair Value Measurements

The following methods and assumptions were used by AlohaCare in estimating the fair value of financial instruments:

Cash, Cash Equivalents, and Short-Term Investments, Receivables, Accounts Payable and Accrued Expenses, State Risk-Share Payable, and Payable to Risk Pools
The admitted amounts approximated fair value due to the short-term nature of these financial instruments.

Bonds
Prior to January 1, 2025, bonds held by AlohaCare were classified as U.S. government; U.S. states, territories and possessions; or industrial and miscellaneous securities. Effective January 1, 2025, bonds held by AlohaCare are classified as either issuer credit obligations or asset-backed securities. The fair value of each class of bonds was estimated using quoted prices in an active market or exchange or an income approach

with both observable and market-based inputs and unobservable inputs such as extrapolated data and proprietary pricing models. Bonds were categorized in Level 1 or Level 2 of the fair value hierarchy.

Mutual Funds
Mutual funds held by AlohaCare are classified as fixed income. The fair value of each class of mutual funds was estimated using quoted prices in an active market or exchange. These mutual funds were categorized in Level 1 of the fair value hierarchy.

Exchange Traded Funds
ETFs held by AlohaCare are classified as either domestic equity or foreign equity. The fair value of each class of ETF was estimated using quoted prices in an active market or exchange. These ETFs were categorized in Level 1 of the fair value hierarchy.

The fair values and admitted values of financial instruments at December 31, 2025 and 2024 are shown below:

	Estimated Fair Values	Admitted Values	Level 1	Level 2	Level 3
2025					
Cash, cash equivalents, and short-term investments	$ 48,789,701	$ 48,789,701	$ -	$ 48,789,701	$ -
Bonds	35,228,459	35,589,030	704,647	34,523,812	-
Mutual funds	2,109,974	2,109,974	2,109,974	-	-
Exchange traded funds	15,161,192	15,161,192	15,161,192	-	-
Receivables	28,418,663	28,418,663	-	28,418,663	-
Accounts payable and accrued expenses	18,779,787	18,779,787	-	18,779,787	-
State risk-share payable	6,765,265	6,765,265	-	6,765,265	-
Payable to risk pools	1,571,589	1,571,589	-	1,571,589	-
2024					
Cash, cash equivalents, and short-term investments	$ 54,211,798	$ 54,211,798	$ -	$ 54,211,798	$ -
Bonds	42,295,191	43,742,360	579,037	41,716,154	-
Mutual funds	2,738,828	2,738,828	2,738,828	-	-
Exchange traded funds	19,376,600	19,376,600	19,376,600	-	-
Receivables	9,583,493	9,583,493	-	9,583,493	-
Accounts payable and accrued expenses	16,241,807	16,241,807	-	16,241,807	-
State risk-share payable	13,770,629	13,770,629	-	13,770,629	-
Payable to risk pools	945,803	945,803	-	945,803	-

Fair value estimates were made at a specific point in time based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

11. Annual Statement Adjustments

The accompanying audited statutory financial statements include adjustments and reclassifications to properly reflect admitted assets, liabilities, capital and surplus, net loss, and cash flows which were reported differently in the 2025 and 2024 annual statements filed with the Insurance Division in March 2026 and 2025, respectively.

	Admitted Assets	Liabilities	Capital and Surplus	Net Loss
December 31, 2025				
As reported in the annual statement	$ 129,163,394	$ 104,373,422	$ 24,789,972	$ (22,011,171)
Adjustments	1,123,550	(2,092,461)	3,216,011	655,798
Reclassifications	-	1,400,000	(1,400,000)	-
As reported in the audited financial statements	$ 130,286,944	$ 103,680,961	$ 26,605,983	$ (21,355,373)

	Net Cash Applied for Operations	Net Cash Received from Investments	Net Cash Received from Financing and Miscellaneous Sources	Beginning Cash, Cash Equivalents, and Short-term Investments	Ending Cash, Cash Equivalents, and Short-term Investments
As reported in the annual statement	$ (38,403,402)	$ 18,006,381	$ 14,974,924	$ 54,211,798	$ 48,789,701
Adjustments	-	-	-	-	-
Reclassifications	17,295,431	(2,388,042)	(14,907,389)	-	-
As reported in the audited financial statements	$ (21,107,971)	$ 15,618,339	$ 67,535	$ 54,211,798	$ 48,789,701

	Admitted Assets	Liabilities	Capital and Surplus	Net Loss
December 31, 2024				
As reported in the annual statement	$ 132,472,929	$ 98,522,823	$ 33,950,106	$ (25,471,212)
Adjustments	(2,572,907)	(664,391)	(1,908,516)	(1,434,432)
Reclassifications	-	-	-	-
As reported in the audited financial statements	$ 129,900,022	$ 97,858,432	$ 32,041,590	$ (26,905,644)

	Net Cash Applied for Operations	Net Cash Received from Investments	Net Cash Applied for Financing and Miscellaneous Sources	Beginning Cash, Cash Equivalents, and Short-term Investments	Ending Cash, Cash Equivalents, and Short-term Investments
As reported in the annual statement	$ (52,265,767)	$ 18,616,597	$ -	$ 87,860,968	$ 54,211,798
Adjustments	110,441	-	(110,441)	-	-
Reclassifications	2,819,731	(1,948,654)	(871,077)	-	-
As reported in the audited financial statements	$ (49,335,595)	$ 16,667,943	$ (981,518)	$ 87,860,968	$ 54,211,798

The 2025 adjustments and reclassifications related to admitted assets, liabilities, capital and surplus, and net loss were primarily attributable to the following:

- Adjustment to reverse claim overpayments that were not invoiced as of year-end.
- Adjustment to properly account for a sale leaseback transaction.
- Adjustments to properly state Medicare receivables at year-end.
- Accrual of interest and dividends earned but not received.
- Reduction of accrued medical claims.
- Adjustment to properly record rent expense and a deferred lease liability.
- Adjustments to properly state administrative expenses.
- Risk-share adjustment included in the receivables from State of Hawaii related to the 2025 year.
- Adjustment to properly state the coinsurance funds withheld liability.
- Reclassification of an amount presented as a surplus note to a liability.

The 2025 adjustments and reclassifications related to the cash flows were primarily attributed to the following:

- Differences in the classification of certain non-admitted assets.
- Differences in the classification of depreciation expense.
- Differences in the proceeds from investments sold, matured or repaid.
- Reclassification of an amount presented as a surplus note to an operating liability.
- Differences in classification associated to the conversion of a liability to a surplus note.

The 2024 adjustments related to admitted assets, liabilities, capital and surplus, and net loss were primarily attributable to the following:

- Accrual of additional pharmacy rebate receivables (admitted and non-admitted).
- Reduction of accrued medical claims.
- Risk-share adjustments included in the receivables from State of Hawaii and State risk-share payable related to the 2024 and 2023 years.
- Adjustments to increase the premium deficiency reserves for both the Medicaid and Medicare lines of business.

The 2024 adjustments and reclassifications related to the cash flows were primarily attributed to the following:

- Differences in the classification of pharmacy rebates.
- Differences in the classification of certain non-admitted assets.
- Differences in the classification of depreciation expense.
- Differences in the classification of retrospective premiums and contracts subject to redetermination.
- Differences in the cost of investments acquired.

12. Pharmacy Rebate Receivables

AlohaCare recognizes pharmaceutical rebates receivable based on past collection patterns. Pharmacy rebate receivables outstanding less than 90 days of $1,482,033 and $1,466,298 at December 31, 2025 and 2024, respectively, were considered admitted assets. The following presents quarterly information on pharmacy rebate receivables as of December 31, 2025 for 2025, 2024 and 2023:

Quarter Ended	Rebate Receivable Reported	Rebate Invoiced/ Confirmed	Collected Within 90 Days of Invoicing/ Confirmation	Collected Within 91-180 Days of Invoicing/ Confirmation	Collected More than 180 Days of Invoicing/ Confirmation
2025					
December 31, 2025	$ 1,482,033	$ 1,376,596	$ 1,376,596	$ -	$ -
September 30, 2025	1,632,877	2,388,973	2,388,973	-	-
June 30, 2025	1,490,419	2,151,496	2,151,496	-	-
March 31, 2025	1,789,575	736,563	736,563	-	-
2024					
December 31, 2024	$ 1,466,298	$ 850,454	$ 850,454	$ -	$ -
September 30, 2024	2,854,564	856,735	856,735	-	-
June 30, 2024	1,211,470	860,601	860,601	-	-
March 31, 2024	2,074,208	807,218	807,218	-	-
2023					
December 31, 2023	$ 1,313,839	$ 759,255	$ 759,255	$ -	$ -
September 30, 2023	1,049,278	822,468	822,468	-	-
June 30, 2023	1,032,254	824,847	824,847	-	-
March 31, 2023	907,883	830,029	830,029	-	-

AlohaCare's pharmacy benefits management company makes quarterly guaranteed rebate payments and is subsequently trued-up throughout the year. At December 31, 2025, 2024 and 2023, the gross pharmacy rebate receivables of $2,910,619, $3,819,159 and $2,046,503, respectively, were adjusted to nonadmit the portion outstanding for more than 90 days. At December 31, 2025, 2024 and 2023, amounts nonadmitted were $1,428,586, $2,352,861 and $732,664, respectively.

13. Surplus Note

In November 2025, AlohaCare and the State of Hawaii Department of Human Services Med-QUEST Division entered into an agreement to effectively convert AlohaCare's risk-share payable of $13,574,924 associated with the 2023 contract year into a surplus note. Interest accrues at a rate of 7.00% per annum, however, is not recognized until approval for payment of such interest is granted by the Hawaii Insurance Division. The principal amount of the surplus note is due in entirety on January 1, 2029. From inception and for the year ended December 31, 2025, there was no approved interest and principal recognized. At December 31, 2025, unapproved interest was not significant. The indebtedness of AlohaCare under the terms of the surplus note is subordinate to policy holders and all other creditors.

The surplus note contains several affirmative covenants which AlohaCare was not in compliance with. However, AlohaCare has since received a waiver from its lender.

Supplemental Schedules

AlohaCare
Supplemental Schedule – Investment Summary Schedule
December 31, 2025

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
				Securities Lending Reinvested Collateral		
	Amount	Percentage	Amount	Amount	Total	Percentage
Issuer credit obligations (Schedule D, Part 1, Section 1)						
U.S. government obligations	$ 30,473,131	30.0 %	$ 30,473,131	$ -	$ 30,473,131	30.0 %
Other U.S. government obligations	-	0.0 %	-	-	-	0.0 %
Non-U.S. government obligations	-	0.0 %	-	-	-	0.0 %
Municipal bonds – general obligations (direct & guaranteed)	245,000	0.2 %	245,000	-	245,000	0.2 %
Municipal bonds – special revenue	-	0.0 %	-	-	-	0.0 %
Project finance bonds issued by operating entities	-	0.0 %	-	-	-	0.0 %
Corporate bonds	4,166,252	4.1 %	4,166,252	-	4,166,252	4.1 %
Mandatory convertible bonds	-	0.0 %	-	-	-	0.0 %
Single entity backed obligations	-	0.0 %	-	-	-	0.0 %
SVO-Identified bond exchange traded funds – fair value	704,647	0.7 %	704,647	-	704,647	0.7 %
SVO-Identified bond exchange traded funds – systematic value	-	0.0 %	-	-	-	0.0 %
Bonds issued by funds representing operating entities	-	0.0 %	-	-	-	0.0 %
Bank loans – issued	-	0.0 %	-	-	-	0.0 %
Bank loans – acquired	-	0.0 %	-	-	-	0.0 %
Mortgage loans that qualify as SVO-Identified credit tenant loans	-	0.0 %	-	-	-	0.0 %
Certificates of deposit	-	0.0 %	-	-	-	0.0 %
Other issuer credit obligations	-	0.0 %	-	-	-	0.0 %
Total issuer credit obligations	35,589,030	35.0 %	35,589,030	-	35,589,030	35.0 %
Asset-backed securities (Schedule D, Part 1, Section 2)						
Financial asset-back securities – self-liquidating	-	0.0 %	-	-	-	0.0 %
Financial asset-back securities – not self-liquidating	-	0.0 %	-	-	-	0.0 %
Non-financial asset-backed securities	-	0.0 %	-	-	-	0.0 %
Total asset-backed securities	-	0.0 %	-	-	-	0.0 %
Preferred stocks (Schedule D, Part 2, Section 1)						
Industrial and miscellaneous (unaffiliated)	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates	-	0.0 %	-	-	-	0.0 %
Total preferred stocks	-	0.0 %	-	-	-	0.0 %
Common stocks (Schedule D, Part 2, Section 2)						
Industrial and miscellaneous publicly traded (unaffiliated)	-	0.0 %	-	-	-	0.0 %
Industrial and miscellaneous publicly other (unaffiliated)	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates – publicly traded	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates – other	-	0.0 %	-	-	-	0.0 %
Mutual funds	2,109,974	2.1 %	2,109,974	-	2,109,974	2.1 %
Unit investment trusts	-	0.0 %	-	-	-	0.0 %
Closed-end funds	-	0.0 %	-	-	-	0.0 %
Exchange traded funds	15,161,192	14.9 %	15,161,192	-	15,161,192	14.9 %
Total common stocks	17,271,166	17.0 %	17,271,166	-	17,271,166	17.0 %
Mortgage Loans (Schedule B)						
Farm mortgages	-	0.0 %	-	-	-	0.0 %
Residential mortgages	-	0.0 %	-	-	-	0.0 %
Commercial mortgages	-	0.0 %	-	-	-	0.0 %
Mezzanine real estate loans	-	0.0 %	-	-	-	0.0 %
Total valuation allowance	-	0.0 %	-	-	-	0.0 %
Total mortgage loans	-	0.0 %	-	-	-	0.0 %
Real estate (Schedule A)						
Property occupied by company	-	0.0 %	-	-	-	0.0 %
Property held for production of income	-	0.0 %	-	-	-	0.0 %
Property held for sale	-	0.0 %	-	-	-	0.0 %
Total real estate	-	0.0 %	-	-	-	0.0 %
Cash, cash equivalents, and short-term investments						
Cash (Schedule E, Part 1)	41,854,166	41.2 %	41,854,166	-	41,854,166	41.2 %
Cash equivalents (Schedule E, Part 2)	6,800,535	6.7 %	6,800,535	-	6,800,535	6.7 %
Short-term investments (Schedule DA)	135,000	0.1 %	135,000	-	135,000	0.1 %
Total cash, cash equivalents, and short-term investments	48,789,701	48.0 %	48,789,701	-	48,789,701	48.0 %
Contract loans	-	0.0 %	-	-	-	0.0 %
Derivatives (Schedule DB)	-	0.0 %	-	-	-	0.0 %
Other invested assets (Schedule BA)	-	0.0 %	-	-	-	0.0 %
Receivables for securities	-	0.0 %	-	-	-	0.0 %
Securities lending (Schedule DL, Part 1)	-	0.0 %	-	-	-	0.0 %
Other invested assets	-	0.0 %	-	-	-	0.0 %
Total invested assets	$ 101,649,897	100.0 %	$ 101,649,897	$ -	$ 101,649,897	100.0 %

AlohaCare
Supplemental Schedule – Investment Risk Interrogatories
December 31, 2025

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer Interrogatories 1 through 4, 11 through 16, 18, 19 and, if applicable, 20 through 23. Answer each of the Interrogatories 5 through 10 only if the reporting entity's aggregate holdings in foreign investments as addressed in Interrogatory 4 equals or exceeds 2.5% of the reporting entity's total admitted assets. Answer Interrogatory 17 only if the reporting entities' aggregate holdings in mortgage loans as addressed in Interrogatory 16 equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts.

1. Report the reporting entity's total admitted assets as reported on Page 2 of the annual statement. **$130,286,944**

2. Report the 10 single largest exposures to a single issuer/borrower/investment, excluding U.S. government securities, U.S. government agency securities, and those U.S. government money market funds listed in the Purposes and Procedures Manual of the NAIC Investment Analysis Office as exempt, property occupied by the company, policy loans, and all SEC and foreign registered funds and common trust funds that are diversified within the meaning of the Investment Company Act of 1940.

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
a.	Bank of Hawaii	Cash	$ 41,311,008	31.71 %
b.	Royal Bank of Canada	Bonds	$ 384,743	0.30 %
c.	RTX Corporation	Bonds	$ 353,928	0.27 %
d.	BlackRock, Inc.	Bonds	$ 318,510	0.24 %
e.	Phillips 66	Bonds	$ 308,390	0.24 %
f.	First Hawaiian Bank	Cash	$ 300,151	0.23 %
g.	Honeywell International, Inc.	Bonds	$ 298,536	0.23 %
h.	Morgan Stanley	Bonds	$ 250,013	0.19 %
i.	JP Morgan Chase	Cash	$ 243,007	0.19 %
j.	Walmart, Inc.	Bonds	$ 223,615	0.17 %

3. Report by NAIC designation, the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks (perpetual preferred and redeemable preferred).

	Amount	Percentage of Total Admitted Assets
Bonds		
NAIC-1	$ 34,443,700	26.44 %
NAIC-2	$ 1,280,330	0.98 %
Preferred stocks		
None		

4. Report the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined in the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31, *Derivative Instruments*), including (i) foreign investments as determined by the rules or statutes of the state of Hawaii of $605,074, (ii) foreign investments that support insurance liabilities denominated in that same foreign currency of $0, and (iii) the amount of the insurance liabilities associated with the investments reported in (ii) and that are denominated in the same currency of $0.

Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, therefore, detail not required for Interrogatories 5 – 10. **Yes [X]** No [ ]

11. Report the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments, including Canadian currency-denominated investments of $0, Canadian insurance liabilities of $0, and unhedged Canadian currency exposure.

Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 11. **Yes [X]** No [ ]

12. Report the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 12. **Yes [X]** No [ ]

13. Report the amounts and percentages of admitted assets held in the largest 10 equity interests (including equity funds that qualify individually as of the largest equity interest and a look-through of investments in the shares of non-diversified mutual funds and ETFs, preferred stocks, publicly traded equity securities, and other equity securities, and excluding SVO-identified U.S. direct obligations/full faith and credit exempts list of money market mutual funds, SVO-identified bond ETFs, and SVO-identified fund investments with underlying characteristics of fixed income instruments, which do not contain underlying equities and that are outlined within the Purposes and Procedures Manual of the NAIC Investment Analysis Office.

Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 13. Yes [ ] **No [X]**

		Amount	Percentage
Equity Interest			
a.	Vanguard Total Stock Market ETF	$ 5,210,766	4.00 %
b.	Vanguard High Dividend Yield	$ 3,746,016	2.88 %
c.	Vanguard International High Dividend Yield Index ETF	$ 2,531,880	1.94 %
d.	Vanguard FTSE Developed ETF	$ 1,825,124	1.40 %
e.	iShares Select Dividend ETF	$ 1,216,909	0.93 %
f.	Mainstay Mackay High Bond	$ 684,964	0.53 %
g.	Vanguard FTSE Emerging Markets ETF	$ 630,497	0.48 %
h.	Vanguard Emerging Markets Bond – Admiral	$ 580,950	0.45 %
i.	PIMCO Prefer & Capital-Inst	$ 427,046	0.33 %
j.	PIMCO Mortgage Opportunities and Bond Fund	$ 417,014	0.32 %

14. Report the amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under Securities Exchange Commission ("SEC") Rule 144a or SEC Rule 144 without volume restrictions.

Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 14. **Yes [X]** No [ ]

Ten largest fund managers

	Fund Manager	Total Invested	Diversified	Non-Diversified
a.	Vanguard	$ 15,229,879	$ 15,229,879	$ -
b.	Dreyfus	$ 6,798,017	$ 6,798,017	$ -
c.	BlackRock	$ 1,216,909	$ 1,216,909	$ -
d.	Pacific Investment Management Company LLC	$ 844,059	$ 844,059	$ -
e.	New York Life	$ 684,964	$ 684,964	$ -

15. Report the amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 15. **Yes [X]** No [ ]

Aggregate statement value of investments held in general partnership interests **None**

Largest 3 investments with contractual sales restrictions **None**

16. With respect to mortgage loans reported in Schedule B, report the amounts and percentages of the reporting entity's total admitted assets.

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatories 16 and 17. **Yes [X]** No [ ]

Each of the ten largest aggregate mortgage interests. The aggregate mortgage interest represents the combined value of all mortgage secured by the same property or same group of properties. **None**

18. Report the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, therefore, detail not required for Interrogatory 18. **Yes [X]** No [ ]

19. Report the aggregate amounts and percentages of potential exposure for mezzanine real estate loans.

Assets held in mezzanine real estate loans are less than 2.5% of the reporting entity's admitted assets, therefore detail not required for Interrogatory 19. **Yes [X]** No [ ]

1.	Disclose any ceded reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) subject to A-791 that includes a provision, which limits the reinsurer's assumption of significant risks identified as in A-791. Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or similar effect.	**None**
	a. If true, indicate the number of reinsurance contracts to which such provisions apply.	**N/A**
	b. For contracts subject to A-791, indicate if deposit accounting was applied for all contracts, which limit significant risks.	**N/A**
2.	Disclose any ceded reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) not subject to A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption of risk. Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or similar effect. Note that a stop loss or excess of loss reinsurance agreement with deductibles or loss caps which apply to the entire contract and are not adjustable based on other features, do not require disclosure under this paragraph.	**None**
	a. If true, indicate the number of reinsurance contracts to which such provisions apply.	**N/A**
	b. If affirmative, indicate if reinsurance credit was reduced for the risk-limiting features.	**N/A**
3.	Disclose if any ceded reinsurance contracts contain features (except reinsurance contracts with a federal or state facility) described below which result in delays in payment in form or in fact.	
	a. Provisions which permit the reporting of losses, or settlements are made, less frequently than quarterly or payments due from the reinsurer are not made in cash within ninety (90) days of the settlement date (unless there is no activity during the period).	**None**
	b. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.	**None**
	c. Disclose if the reporting entity has reflected reinsurance accounting credit for any contracts not subject to A-791 and not yearly renewable term, which meet the risk-transfer requirements of SSAP No. 61R and identify the type of contracts and the reinsurance contracts.	**No**
	Assumption reinsurance – as discussed in paragraph 60, which is new for the reporting period.	**No**

4. Disclose if the reporting entity ceded any risk which is not subject to A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

   a. Accounted for that contract as reinsurance under statutory accounting principles ("SAP") and as a deposit under U.S. generally accepted accounting principles ("GAAP"); or **N/A**

   b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP. **N/A**

   If the reporting entity does not prepare GAAP financial statements or its financial statements are not part of upstream GAAP financial statements, this disclosure can be answered not applicable.

5. If affirmative disclosure is required for paragraph 83, explain why the contract(s) is treated differently for GAAP and SAP. **N/A**