



# HEALTH QUARTERLY STATEMENT

## AS OF September 30, 2004

### OF THE CONDITION AND AFFAIRS OF THE

# CARE CHOICES HMO

NAIC Group Code	0000 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	95452	Employer's ID Number	38-2694901
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]	Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[X] No[ ]	Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]			
Date Incorporated or Organized	07/08/1986		Date Commenced Business	01/01/1987		
Statutory Home Office	34605 Twelve Mile Road <small>(Street and Number)</small>		Farmington Hills, MI 48331 <small>(City, or Town, State and Zip Code)</small>			
Main Administrative Office	34605 Twelve Mile Road <small>(Street and Number)</small>					
	Farmington Hills, MI 48331 <small>(City or Town, State and Zip Code)</small>		(248)489-6292 <small>(Area Code) (Telephone Number)</small>			
Mail Address	34605 Twelve Mile Road <small>(Street and Number or P.O. Box)</small>		Farmington Hills, MI 48331 <small>(City, or Town, State and Zip Code)</small>			
Primary Location of Books and Records	34605 Twelve Mile Road <small>(Street and Number)</small>					
	Farmington Hills, MI 48331 <small>(City, or Town, State and Zip Code)</small>		(248)489-6292 <small>(Area Code) (Telephone Number)</small>			
Internet Website Address	www.carechoices.com					
Statutory Statement Contact	Donna J. West <small>(Name)</small>		(248)489-6292 <small>(Area Code)(Telephone Number)(Extension)</small>			
	WESTD@trinity-health.org <small>(E-Mail Address)</small>		(248)489-6191 <small>(Fax Number)</small>			
Policyowner Relations Contact	_____ <small>(Street and Number)</small>					
	_____ <small>(City, or Town, State and Zip Code)</small>		_____ <small>(Area Code) (Telephone Number)(Extension)</small>			

### OFFICERS

William R. Alvin, President (and CEO)  
Jeanne M. Dunk, Secretary  
Michael R. Koziara, Treasurer (CFO)  
Gilbert Burgos MD, Chief Medical Officer

### OTHERS

### DIRECTORS OR TRUSTEES

James H. Peppiatt-Combes  
William R. Alvin  
Mary Ellen Howard RSM  
Kevin McDonald  
Garry Faja

Jay Herron  
Howard B. Weinblatt MD  
Ronald Collins  
Paul Hughes-Cromwick  
Diane Dabrowski

Paul Harkaway MD  
Molly Resnik  
Michael Slubowski  
AkkeNeel Talsma

State of Michigan  
County of Oakland ss

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

_____ <small>(Signature)</small> William R. Alvin <small>(Printed Name)</small> President ( and Chief Executive Officer) <small>(Title)</small>	_____ <small>(Signature)</small> Jeanne M. Dunk <small>(Printed Name)</small> Secretary <small>(Title)</small>	_____ <small>(Signature)</small> Michael R. Koziara <small>(Printed Name)</small> Treasurer (Chief Financial Officer) <small>(Title)</small>
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2004

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

Yes[X] No[ ]

\_\_\_\_\_  
(Notary Public Signature)

**ASSETS**

	Current Statement Date			4 December 31, Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....				5,047,952
2. Stocks:				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate:				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate:				
4.1 Properties occupied by the company (less \$..... encumbrances) .....				
4.2 Properties held for the production of income (less \$..... encumbrances) .....				
4.3 Properties held for sale (less \$..... encumbrances) .....				
5. Cash (\$.....62,810,533), cash equivalents (\$.....) and short-term investments \$.....1,006,984) .....	63,817,517		63,817,517	48,734,938
6. Contract loans (including \$..... premium notes) .....				
7. Other invested assets .....				
8. Receivable for securities .....				
9. Aggregate write-ins for invested assets .....				
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	63,817,517		63,817,517	53,782,890
11. Investment income due and accrued .....	207,369		207,369	1,104,979
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection .....	1,127,789		1,127,789	1,004,590
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) .....				
12.3 Accrued retrospective premiums .....				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers .....	172,903		172,903	21,783
13.2 Funds held by or deposited with reinsured companies .....				
13.3 Other amounts receivable under reinsurance contracts .....				
14. Amounts receivable relating to uninsured plans .....				
15.1 Current federal and foreign income tax recoverable and interest thereon .....				
15.2 Net deferred tax asset .....				
16. Guaranty funds receivable or on deposit .....				
17. Electronic data processing equipment and software .....				
18. Furniture and equipment, including health care delivery assets (\$.....) .....				
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Receivables from parent, subsidiaries and affiliates .....	23,622		23,622	30,038
21. Health care (\$.....) and other amounts receivable .....	2,087,636		2,087,636	1,629,109
22. Other assets nonadmitted .....				
23. Aggregate write-ins for other than invested assets .....				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	67,436,836		67,436,836	57,573,389
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26. TOTALS (Lines 24 and 25) .....	67,436,836		67,436,836	57,573,389
<b>DETAILS OF WRITE-INS</b>				
0901 .....				
0902 .....				
0903 .....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301. ....				
2302. ....				
2303 .....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded) .....	25,698,042		25,698,042	24,086,181
2. Accrued medical incentive pool and bonus amounts .....	3,564,132		3,564,132	365,593
3. Unpaid claims adjustment expenses .....	459,187		459,187	422,741
4. Aggregate health policy reserves .....				
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....	3,432,569		3,432,569	1,883,897
9. General expenses due or accrued .....	332,476		332,476	401,918
10.1 Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....				
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	5,408		5,408	5,452
16. Payable for securities .....				
17. Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18. Reinsurance in unauthorized companies .....				
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Liability for amounts held under uninsured accident and health plans .....				
21. Aggregate write-ins for other liabilities (including \$..... current) .....				
22. Total liabilities (Lines 1 to 21) .....	33,491,814		33,491,814	27,165,782
23. Common capital stock .....	X X X	X X X		
24. Preferred capital stock .....	X X X	X X X		
25. Gross paid in and contributed surplus .....	X X X	X X X	16,500,000	16,500,000
26. Surplus notes .....	X X X	X X X		
27. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
28. Unassigned funds (surplus) .....	X X X	X X X	17,445,022	13,907,607
29. Less treasury stock, at cost:				
29.1 ..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2 ..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30. Total capital and surplus (Lines 23 to 28 minus Line 29) .....	X X X	X X X	33,945,022	30,407,607
31. Total liabilities, capital and surplus (Lines 22 and 30) .....	X X X	X X X	67,436,836	57,573,389
<b>DETAILS OF WRITE-INS</b>				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page .....				
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				
2701. ....	X X X	X X X		
2702. ....	X X X	X X X		
2703. ....	X X X	X X X		
2798. Summary of remaining write-ins for Line 27 from overflow page .....	X X X	X X X		
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months .....	X X X	925,780	913,660
2. Net premium income (including \$..... non-health premium income) .....	X X X	208,544,490	190,813,306
3. Change in unearned premium reserves and reserves for rate credits .....	X X X		
4. Fee-for-service (net of \$..... medical expenses) .....	X X X		
5. Risk revenue .....	X X X		
6. Aggregate write-ins for other health care related revenues .....	X X X		
7. Aggregate write-ins for other non-health revenues .....	X X X		
8. Total revenues (Lines 2 to 7) .....	X X X	208,544,490	190,813,306
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		135,535,218	124,865,731
10. Other professional services .....			
11. Outside referrals .....			
12. Emergency room and out-of-area .....		7,522,263	6,483,889
13. Prescription drugs .....		35,551,281	32,075,642
14. Aggregate write-ins for other hospital and medical .....			
15. Incentive pool, withhold adjustments and bonus amounts .....		4,546,484	577,402
16. Subtotal (Lines 9 to 15) .....		183,155,246	164,002,664
<b>Less:</b>			
17. Net reinsurance recoveries .....		(134,859)	(46,277)
18. Total hospital and medical (Lines 16 minus 17) .....		183,290,105	164,048,941
19. Non-health claims .....			
20. Claims adjustment expenses, including \$.....493,788 cost containment expenses .....		1,452,154	1,986,050
21. General administrative expenses .....		22,055,358	21,942,268
22. Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23. Total underwriting deductions (Lines 18 through 22) .....		206,797,617	187,977,259
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X	1,746,873	2,836,047
25. Net investment income earned .....		316,853	450,279
26. Net realized capital gains (losses) .....		8,730	46,760
27. Net investment gains or (losses) (Lines 25 plus 26) .....		325,583	497,039
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 .....		1,464,959	851,253
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X	3,537,415	4,184,339
31. Federal and foreign income taxes incurred .....	X X X		
32. Net income (loss) (Lines 30 minus 31) .....	X X X	3,537,415	4,184,339
<b>DETAILS OF WRITE-INS</b>			
0601 .....	X X X		
0602 .....	X X X		
0603 .....	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X		
0701 .....	X X X		
0702 .....	X X X		
0703 .....	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	X X X		
0799. TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X		
1401 .....			
1402 .....			
1403 .....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901. Supplemental Interest Income .....		1,464,959	851,253
2902 .....			
2903 .....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....			
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....		1,464,959	851,253

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year To Date	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year .....	30,407,607	23,205,085
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS</b>		
34. Net income or (loss) from Line 32 .....	3,537,415	7,196,001
35. Change in valuation basis of aggregate policy and claim reserves .....		
36. Net unrealized capital gains and losses .....		(15,496)
37. Change in net unrealized foreign exchange capital gain or (loss) .....		
38. Change in net deferred income tax .....		
39. Change in nonadmitted assets .....		22,017
40. Change in unauthorized reinsurance .....		
41. Change in treasury stock .....		
42. Change in surplus notes .....		
43. Cumulative effect of changes in accounting principles .....		
44. Capital Changes:		
44.1 Paid in .....		
44.2 Transferred from surplus (Stock Dividend) .....		
44.3 Transferred to surplus .....		
45. Surplus adjustments:		
45.1 Paid in .....		
45.2 Transferred to capital (Stock Dividend) .....		
45.3 Transferred from capital .....		
46. Dividends to stockholders .....		
47. Aggregate write-ins for gains or (losses) in surplus .....		
48. Net change in capital and surplus (Lines 34 to 47) .....	3,537,415	7,202,522
49. Capital and surplus end of reporting period (Line 33 plus 48) .....	33,945,022	30,407,607
<b>DETAILS OF WRITE-INS</b>		
4701 .....		
4702 .....		
4703 .....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....		
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

**CASH FLOW**

		1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>			
1.	Premiums collected net of reinsurance .....	209,969,963	255,099,041
2.	Net investment income .....	1,223,193	416,137
3.	Miscellaneous income .....		1,762,703
4.	Total (Lines 1 through 3) .....	211,193,156	257,277,881
5.	Benefit and loss related payments .....	178,630,825	222,962,151
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	22,075,549	31,622,356
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....		
10.	Total (Lines 5 through 9) .....	200,706,374	254,584,507
11.	Net cash from operations (Line 4 minus Line 10) .....	10,486,782	2,693,375
<b>Cash from Investments</b>			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	13,653,229	38,390,484
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	13,653,229	38,390,484
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	8,596,609	40,789,790
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	8,668	
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	8,605,277	40,789,790
14.	Net increase (or decrease) in policy loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	5,047,952	(2,399,306)
<b>Cash from Financing and Miscellaneous Sources</b>			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	(452,155)	(148,401)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(452,155)	(148,401)
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17) .....	15,082,579	145,668
19.	Cash and short-term investments:		
19.1	Beginning of year .....	48,734,938	48,589,270
19.2	End of period (Line 18 plus Line 19.1) .....	63,817,517	48,734,938

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

Description		Amount 1	Amount 2
20.0001	.....		

## EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year .....	102,251		102,251										
2. First Quarter .....	103,212		103,212										
3. Second Quarter .....	104,532		104,532										
4. Third Quarter .....	101,835		101,835										
5. Current Year .....													
6. Current Year Member Months .....	925,780		925,780										
Total Member Ambulatory Encounters for Period:													
7. Physician .....	279,933		279,933										
8. Non-Physician .....	497,693		497,693										
9. Total .....	777,626		777,626										
10. Hospital Patient Days Incurred .....	28,857		28,857										
11. Number of Inpatient Admissions .....	6,230		6,230										
12. Health Premiums Written .....	209,248,082		209,248,082										
13. Life Premiums Direct .....													
14. Property/Casualty Premiums Written .....													
15. Health Premiums Earned .....	207,822,609		207,822,609										
16. Property/Casualty Premiums Earned .....													
17. Amount Paid for Provision of Health Care Services .....	176,996,901		176,996,901										
18. Amount Incurred for Provision of Health Care Services .....	183,155,246		183,155,246										

## CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

## Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
<b>Individually Listed Claims Unpaid</b>						
REGENTS OF THE UNIV OF MICHIGAN .....	222,357					222,357
UNIV OF PITT MEDICAL CENTER .....	151,095					151,095
CHELSEA COMMUNITY HOSPITAL .....	98,527					98,527
DOWNRIVER KIDNEY CENTER .....	77,973					77,973
ST JOSEPH MERCY HOSPITAL .....	77,390					77,390
MED COLLEGE HOSP .....	69,115					69,115
PROVIDENCE HOSPITAL .....	68,326					68,326
ANN ARBOR HEMATOLOGY ONC .....	67,943					67,943
HURON VALLEY RAD ASSOC .....	64,329					64,329
ST JOHN HOSPITAL & MEDICAL .....	49,580					49,580
ANNAPOLIS HOSPITAL .....	44,253					44,253
OAKWOOD HOSPITAL & MEDICAL .....	40,480					40,480
IHA OF ANN ARBOR SP .....	38,416					38,416
CLEVELAND CLINIC FOUNDTION .....	37,606					37,606
ANES ASSOC OF ANN ARBOR .....	32,989					32,989
IHA OF ANN ARBOR, PC .....	32,839					32,839
CRITTENTON HOSPITAL MEDICAL .....	31,498					31,498
EPMG OF MICHIGAN .....	31,168					31,168
HARPER-HUTZEL HOSPITAL .....	28,501					28,501
REG OF U/M HEALTH SYSTEM .....	26,956					26,956
BMA ANN ARBOR .....	24,484					24,484
ST JOHN MACOMB HOSPITAL .....	21,708					21,708
AAHI ST JOSEPH MERCY HOSPITAL .....	21,124					21,124
UNIV OF PITTSBURG PHYS .....	20,306					20,306
MOBILE HEALTH RESOURCES .....	17,326					17,326
RADIATION ONCOLOGY SPEC .....	15,191					15,191
MERCY MOUNT CLEMENS CORP .....	15,141					15,141
PORT HURON HOSPITAL .....	13,788					13,788
ANN ARBOR RHEUMATOLOGY .....	13,510					13,510
NORTHERN MICH HOSPITAL .....	13,507					13,507
GARDEN CITY HOSPITAL .....	13,429					13,429
BENJAMIN MCCALLISTER JR .....	12,569					12,569
GEORGE DODDS .....	11,660					11,660
LANSING NEUROSURGICAL .....	11,551					11,551
STEVEN GIRARD .....	11,542					11,542
OAKWOOD AMBULATORY LLC .....	11,465					11,465
HENRY FORD WYANDOTTE HOSPITAL .....	11,341					11,341
MICHAEL HUGH SOLOMON .....	10,768					10,768
MERCY HOSPITAL PORT HURON .....	10,693					10,693
HHCC PLYMOUTH COURT .....	10,554					10,554
0199999 Individually Listed Claims Unpaid .....	1,582,997					1,582,997
0299999 Aggregate Accounts Not Individually Listed - Uncovered .....						
0399999 Aggregate Accounts Not Individually Listed - Covered .....	5,464,725	328,499	216,360	236,396	124,488	6,370,468
0499999 Subtotals .....	7,047,722	328,499	216,360	236,396	124,488	7,953,465
0599999 Unreported claims and other claim reserves .....						15,948,800
0699999 Total Amounts Withheld .....						1,795,777
0799999 Total Claims Unpaid .....						25,698,042
0899999 Accrued Medical Incentive Pool And Bonus Amounts .....						3,564,132

## UNDERWRITING AND INVESTMENT EXHIBIT

### ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Claims Paid Year to Date		Liability End of Current Quarter		5	6
	1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....	20,161,422	156,970,338	1,737,064	23,960,978	21,898,486	24,013,561
2. Medicare Supplement .....						
3. Dental only .....						
4. Vision only .....						
5. Federal Employees Health Benefits Plan .....						
6. Title XVIII - Medicare .....						1,794
7. Title XIX - Medicaid .....						70,826
8. Other health .....						
9. Health subtotal (Lines 1 to 8) .....	20,161,422	156,970,338	1,737,064	23,960,978	21,898,486	24,086,181
10. Other non-health .....						
11. Medical incentive pools, and bonus amounts .....		1,347,945		3,564,132		365,593
12. TOTALS .....	20,161,422	158,318,283	1,737,064	27,525,110	21,898,486	24,451,774

## Notes to Financial Statement

**1. Summary of Significant Accounting Policies:**

No Change

**2A. Accounting Changes and Corrections of Errors:**

The accompanying financial statements have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Policies and Procedures except for the following item, which caused surplus to be increased by \$ 1,464,959. The Company received approval from the Office Of Financial and Insurance Services of the State of Michigan ("OFIS") to record as other income a contribution of investment income allocated to the Company from Trinity Health of \$ 1,464,959 as a permitted practice. This permitted practice has been granted to the Company for a duration of three years, and will expire on June 18, 2007.

**3. Business Combinations and Goodwill:**

No Applicable

**4. Discontinued Operations:**

No Change

**5. Investments:**

Not Applicable

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

Not Applicable

**7. Investment Income:**

Not Applicable

**8. Derivative Instruments:**

Not Applicable

**9. Income Taxes:**

No Change

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

No Change

**11. Debt:**

No Change

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

Not Applicable- Care Choices has no employees

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

No Change

**14. Contingencies:**

No Change

**15. Leases:**

No Change

**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

## Notes to Financial Statement

19. **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators:**  
Not Applicable
20. **September 11 Events:**  
None
21. **Other Items:**  
None
22. **Events Subsequent:**  
No Change
23. **Reinsurance:**  
No Change
24. **Retrospectively Rated Contracts & Contracts Subject to Redetermination:**  
None
25. **Change in Incurred Claims and Claim Adjustment Expenses:**  
No Change
26. **Intercompany Pooling Arrangements:**  
None
27. **Structured Settlements:**  
Not Applicable
28. **Health Care Receivables:**  
None
29. **Participating Policies:**  
None
30. **Premium Deficiency Reserves:**  
None
31. **Anticipated Salvage and Subrogation:**  
None

# GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? Yes[ ] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes[ ] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state? Yes[ ] No[ ] N/A[X]
- 3.1 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]
- 3.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 4. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes[ ] No[X]  
If yes, complete the Schedule Y - Part 1 - organization chart
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 5.2 If yes, provide the name of 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. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes[ ] No[X] N/A[ ]  
If yes, attach an explanation.
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2002
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2002
- 7.3 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). 02/18/2004
- 7.4 By what department or departments?  
State of Michigan: Office of Financial and Insurance Services, Department of Consumer & Industry Services
- 8.1 Has this 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? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes[ ] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal 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
.....	.....	Yes[ ] No[X]				

### INVESTMENT

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock? Yes[ ] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
- 12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ .....
- 13. Amount of real estate and mortgages held in short-term investments: \$ .....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[ ] No[X]
- 14.2 If yes, please complete the following:

## GENERAL INTERROGATORIES (Continued)

	1 Prior Year-End Statement Value	2 Current Quarter Statement Value
14.21 Bonds .....		
14.22 Preferred Stock .....		
14.23 Common Stock .....		
14.24 Short-Term Investments .....		
14.25 Mortgages, Loans or Real Estate .....		
14.26 All Other .....		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....		
14.29 Receivable from Parent not included in Lines 14.21 to 14.26 above .....		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes[ ] No[X]  
 15.2 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.

16. 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 Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]  
 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Comerica Bank .....	P.O. Box 75000, Detroit, MI 48275 .....
The Northern Trust Company .....	50 LaSalle St., Chicago, IL 60675 .....

16.2 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)
.....	.....	.....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes[ ] No[X]  
 16.4 If yes, give full and complete information relating thereto:

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

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

1 Central Registration Depository	2 Name(s)	3 Address
.....	.....	.....

**SCHEDULE A - VERIFICATION**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Increase (decrease) by adjustment .....		
3. Cost of acquired .....		
4. Cost of additions to and permanent improvements .....		
5. Total profit (loss) on sales .....		
6. Increase (decrease) by foreign exchange adjustment .....		
7. Amount received on sales .....		
8. Book/adjusted carrying value at end of current period .....		
9. Total valuation allowance .....		
10. Subtotal (Lines 8 plus 9) .....		
11. Total nonadmitted amounts .....		
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....		

**SCHEDULE B - VERIFICATION**

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .....		
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions .....		
2.2 Additional investment made after acquisitions .....		
3. Accrual of discount and mortgage interest points and commitment fees .....		
4. Increase (decrease) by adjustment .....		
5. Total profit (loss) on sale .....		
6. Amounts paid on account or in full during the period .....		
7. Amortization of premium .....		
8. Increase (decrease) by foreign exchange adjustment .....		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....		
10. Total valuation allowance .....		
11. Subtotal (Lines 9 plus 10) .....		
12. Total nonadmitted amounts .....		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) .....		

**SCHEDULE BA - VERIFICATION****Other Invested Assets Included in Schedule BA**

Description	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....		
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions .....		
2.2 Additional investment made after acquisitions .....		
3. Accrual of discount .....		
4. Increase (decrease) by adjustment .....		
5. Total profit (loss) on sale .....		
6. Amounts paid on account or in full during the period .....		
7. Amortization of premium .....		
8. Increase (decrease) by foreign exchange adjustment .....		
9. Book/adjusted carrying value of long-term invested assets at end of current period .....		
10. Total valuation allowance .....		
11. Subtotal (Lines 9 plus 10) .....		
12. Total nonadmitted amounts .....		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) .....		

**SCHEDULE D - VERIFICATION**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	5,047,952	2,648,646
2. Cost of bonds and stocks acquired .....	8,596,609	40,706,718
3. Accrual of discount .....		
4. Increase (decrease) by adjustment .....		
5. Increase (decrease) by foreign exchange adjustment .....		
6. Total profit (loss) on disposal .....	8,668	83,072
7. Consideration for bonds and stocks disposed of .....	13,653,229	38,390,484
8. Amortization of premium .....		
9. Book/adjusted carrying value, current period .....		5,047,952
10. Total valuation allowance .....		
11. Subtotal (Lines 9 plus 10) .....		5,047,952
12. Total nonadmitted amounts .....		
13. Statement value .....		5,047,952

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	1,005,171	1,813			5,760,136	1,005,171	1,006,984	6,050,153
2. Class 2 .....								
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. TOTAL Bonds .....	1,005,171	1,813			5,760,136	1,005,171	1,006,984	6,050,153
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. TOTAL Preferred Stock .....								
15. TOTAL Bonds & Preferred Stock .....	1,005,171	1,813			5,760,136	1,005,171	1,006,984	6,050,153

**SCHEDULE DA - PART 1****Short - Term Investments Owned End of Current Quarter**

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. TOTALS .....	1,006,984	X X X	1,006,984	4,874	900

**SCHEDULE DA - PART 2 - Verification****Short-Term Investments Owned**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	1,002,200	1,022,029
2. Cost of short-term investments acquired .....	4,784	
3. Increase (decrease) by adjustment .....		
4. Increase (decrease) by foreign exchange adjustment .....		
5. Total profit (loss) on disposal of short-term investments .....		
6. Consideration received on disposal of short-term investments .....		19,829
7. Book/adjusted carrying value, current period .....	1,006,984	1,002,200
8. Total valuation allowance .....		
9. Subtotals (Lines 7 plus 8) .....	1,006,984	1,002,200
10. Total nonadmitted amounts .....		
11. Statement value (Lines 9 minus 10) .....	1,006,984	1,002,200
12. Income collected during period .....	1,812	7,170
13. Income earned during period .....	2,712	7,703

**15 Schedule DB Part F Section 1 - ..... NONE**

**16 Schedule DB Part F Section 2 - ..... NONE**

**17 Schedule S Ceded Reinsurance - ..... NONE**

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

## Allocated by States and Territories

State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/Casualty Premiums
1. Alabama (AL)	No	No						
2. Alaska (AK)	No	No						
3. Arizona (AZ)	No	No						
4. Arkansas (AR)	No	No						
5. California (CA)	No	No						
6. Colorado (CO)	No	No						
7. Connecticut (CT)	No	No						
8. Delaware (DE)	No	No						
9. District of Columbia (DC)	No	No						
10. Florida (FL)	No	No						
11. Georgia (GA)	No	No						
12. Hawaii (HI)	No	No						
13. Idaho (ID)	No	No						
14. Illinois (IL)	No	No						
15. Indiana (IN)	No	No						
16. Iowa (IA)	No	No						
17. Kansas (KS)	No	No						
18. Kentucky (KY)	No	No						
19. Louisiana (LA)	No	No						
20. Maine (ME)	No	No						
21. Maryland (MD)	No	No						
22. Massachusetts (MA)	No	No						
23. Michigan (MI)	No	Yes	209,248,082					
24. Minnesota (MN)	No	No						
25. Mississippi (MS)	No	No						
26. Missouri (MO)	No	No						
27. Montana (MT)	No	No						
28. Nebraska (NE)	No	No						
29. Nevada (NV)	No	No						
30. New Hampshire (NH)	No	No						
31. New Jersey (NJ)	No	No						
32. New Mexico (NM)	No	No						
33. New York (NY)	No	No						
34. North Carolina (NC)	No	No						
35. North Dakota (ND)	No	No						
36. Ohio (OH)	No	No						
37. Oklahoma (OK)	No	No						
38. Oregon (OR)	No	No						
39. Pennsylvania (PA)	No	No						
40. Rhode Island (RI)	No	No						
41. South Carolina (SC)	No	No						
42. South Dakota (SD)	No	No						
43. Tennessee (TN)	No	No						
44. Texas (TX)	No	No						
45. Utah (UT)	No	No						
46. Vermont (VT)	No	No						
47. Virginia (VA)	No	No						
48. Washington (WA)	No	No						
49. West Virginia (WV)	No	No						
50. Wisconsin (WI)	No	No						
51. Wyoming (WY)	No	No						
52. American Samoa (AS)	No	No						
53. Guam (GU)	No	No						
54. Puerto Rico (PR)	No	No						
55. U.S. Virgin Islands (VI)	No	No						
56. Canada (CN)	No	No						
57. Aggregate other alien (OT)	X X X	X X X						
58. TOTAL (Direct Business)	X X X	(a).....1	209,248,082					
<b>DETAILS OF WRITE-INS</b>								
5701	X X X	X X X						
5702	X X X	X X X						
5703	X X X	X X X						
5798. Summary of remaining write-ins for Line 57 from overflow page	X X X	X X X						
5799. TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	X X X	X X X						

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

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

See attached

# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

**RESPONSES**

1. Will the SVO Compliance Certification be filed with this statement?

No

Explanation:

Bar Code:

SVO Compliance Certification



95452200447000003

2004

Document Code: 470

**OVERFLOW PAGE FOR WRITE-INS**

---

**E01 Schedule A Part 2 - ..... NONE**

**E01 Schedule A Part 3 - ..... NONE**

**E02 Schedule B Part 1 - ..... NONE**

**E02 Schedule B Part 2 - ..... NONE**

**E03 Schedule BA Part 1 - ..... NONE**

**E03 Schedule BA Part 2 - ..... NONE**

**E04 Schedule D Part 3 - ..... NONE**

**E05 Schedule D Part 4 - ..... NONE**

**E06 Schedule DB Part A Section 1 - ..... NONE**

**E06 Schedule DB Part B Section 1 - ..... NONE**

**E07 Schedule DB Part C Section 1 - ..... NONE**

**E07 Schedule DB Part D Section 1 - ..... NONE**

**SCHEDULE E - PART 1 - CASH****Month End Depository Balances**

1 Depository		2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
						6 First Month	7 Second Month	8 Third Month	
<b>open depositories</b>									
Comerica Bank .....	P.O. Box 75000, Detroit MI 48275 .....					3,975,196	8,833,281	9,121,770	X X X
Mellon Bank .....	500 Ross Street, Pittsburgh, PA 15262 .....					1,162,690	2,324,149	935,948	X X X
The Northern Trust Company .....	50 South LaSalle Street, Chicago IL 60675 .....		1.230	124,888	65,020	50,554,243	50,838,296	52,752,815	X X X
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories .....		X X X	X X X						X X X
0199999 Totals - Open Depositories .....		X X X	X X X	124,888	65,020	55,692,129	61,995,726	62,810,533	X X X
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....		X X X	X X X						X X X
0299999 Totals - Suspended Depositories .....		X X X	X X X						X X X
0399999 Total Cash On Deposit .....		X X X	X X X	124,888	65,020	55,692,129	61,995,726	62,810,533	X X X
0499999 Cash in Company's Office .....		X X X	X X X	X X X	X X X				X X X
0599999 Total Cash .....		X X X	X X X	124,888	65,020	55,692,129	61,995,726	62,810,533	X X X

# INDEX TO HEALTH QUARTERLY STATEMENT

Accident and Health Insurance; 18  
 Accounting Changes and Corrections of Errors; Q11; 25, Note 2  
 Accounting Practices and Policies; Q5; 25, Note 1  
 Admitted Assets; Q2; 2; 29; Supp10; 26  
 Affiliated Transactions; 52; E14  
 Bonds; Q2; Q6; Q11.1; QE04; QE05; 2; 6; 15; 16; 26; 27.2; 27.4; 29; 32; 33; 34; 35; 36; 37; 38; E08; E11; E12; E13; Supp7  
 Bonuses; Q3; Q4; Q8; Q9; 3; 4; 7; 9; 11; 20; 23; 28.1; 49  
 Borrowed Funds; Q3; Q6; 3; 6  
 Business Combinations and Goodwill; 25, Note 3  
 Capital Gains (Losses)  
     Realized; Q4; 4; 7; 29; 40; E12; E13; E21  
     Unrealized; Q4; Q5; 4; 5  
 Capital Stock; Q2; 2; 25, Note 13  
 Capital Notes; Q6; 6; 25, Note 11  
 Cash; Q2; Q6; QE08; 2; 6; 15; 16; 26; 49; E23  
 Cash Equivalents; Q2; Q6; 2; 6; 15; 16; 26; E24  
 Claims; Q3; Q8; 3; 9; 11; 12; 20; 29; 48; 49; Supp1; Supp27; Supp48; Supp55; Supp57; Supp58; Supp59; Supp60; Supp61; Supp62  
 Coinsurance; 44; Supp17  
 Collars; QE07  
 Commissions; Q6; 6; 48; Supp25; Supp55  
 Common Stock; Q2; Q3; Q6; Q11.1; 2; 3; 6; 15; 16; 26; 27; 28; 29; 32; E10; E11; E12; E13; Supp7  
 Cost Containment Expenses; Q4; 4; 7; 19; Supp59  
 Contingencies; 25, Note 14  
 Counterparty Exposure; 25, Note 8  
 Debt; 25, Note 11  
 Deferred Compensation; 25, Note 2  
 Derivative Instruments; Q15; 25, Note 8; 42  
 Deposit-Type Contracts; Supp16  
 Discontinued Operations; 25, Note 4  
 Electronic Data Equipment; Q2; 2; 16  
 Encumbrances; Q2; QE01; 2; E02; E03; E06; E07  
 Emergency Room; Q4; 4; 7  
 Enrollment and Utilization; 17  
 Expenses; Q3; Q4; Q6; 3; 4; 6; 7; 12; 14; 15; 27.4; 29; Supp49; Supp55; Supp56; Supp59; Supp60; Supp61; Supp62  
 Experience Rating Refunds; 13; Supp20  
 Extinguishment of Liabilities; 25, Note 17  
 Extraordinary Item; 25, Note 21  
 Fee for Service; Q4; 4; 7; 23  
 Foreign Exchange; Q2; Q5; Q12; QE01; QE02; 2; 5; 16; 31; 32; 39; E01; E02; E03; E05; E06; E07; E09; E12; E13; E15  
 Forwards; QE07; 41; E19; E20  
 Furniture, Equipment and Supplies; Q2; 2; 16; 24  
 Futures Contracts; 41  
 Guaranty Fund; Q2; Q18; 2; 16; 50  
 Health Care Receivables; Q2; 2; 16; 19; 25, Note 28  
 Health Statement Test; 28  
 Hospital/Medical Benefits; Q4; 4; 7; 48  
 Incentive Pools; Q3; Q4; Q9; 3; 4; 7; 9; 11; 20; 23; 28.1; 49  
 Income; Q4; Q5; 4; 5; 29  
 Income Taxes; Q2; Q3; Q4; Q5; 2; 3; 4; 5; 15; 16; 25, Note 9; Supp57  
 Incurred Claims and Claim Adjustment Expenses; Supp49; Supp50; Supp51; Supp52; Supp53; Supp54; 25, Note 25  
 Intercompany Pooling; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48; 25, Note 26  
 Investment Income; 25, Note 7  
     Accrued; Q2; 2; 16  
     Earned; Q2; Q14; 4; 15; 39; E24  
     Received; Q6; 6; 39  
 Investments; Q11.1; 15; 27.3; Supp7; Supp12; Supp57; 25, Note 5  
 Joint Ventures; 25, Note 6  
 Leases; 25, Note 15  
 Limited Liability Company (LLC); 25, Note 6  
 Limited Partnership; 25, Note 6  
 Long-Term Care Insurance; 8; 53; Supp3; Supp4; Supp5; Supp6  
 Long-Term Invested Assets; QE03; 31; E06  
 Loss Development; 12  
 Managing General Agents; 25, Note 19  
 Maximum Retained Risk; 28  
 Member Months; Q4; Q7; 4; 17; 29; 30  
 Minimum Net Worth; 28.1  
 Mortgage Loans; Q2; Q6; Q11.1; QE02; 2; 6; 15; 16; 26; 29; E04; E05; Supp11  
 Non Admitted Assets; Q2; Q5; Q12; 2; 5; 16; 32; 39  
 Off-Balance Sheet Risk; 25, Note 16  
 Options; QE06; 27.2; 40; E16; E17; E18  
 Organizational Chart; Q11; Q19; 51

# INDEX TO HEALTH QUARTERLY STATEMENT

Out-of-Area; Q4; 4; 7  
 Outside Referrals; Q4; 4; 7  
 Parents, Subsidiaries and Affiliates; Q2; Q3; Q11.1; 2; 3; 16; 21; 25, Note 10; 22; 32  
 Participating Policies; 25, Note 29; Supp15  
 Pharmaceutical Rebates; 25, Note 28  
 Policyholder Dividends; Q6; 6; Supp55  
 Postemployment Benefits; 25, Note 12  
 Postretirement Benefits; 25, Note 12  
 Preferred Stock; Q2; Q3; Q6; Q11.1; 2; 3; 6; 15; 16; 26; 27.2; 27.4; 29; 32; E09; E11; E12; E13; Supp7  
 Premium Deficiency Reserves; 25, Note 30  
 Premiums and Considerations  
     Advance; Q3; 3; 49  
     Collected; Q6; 6  
     Deferred; Q2; 2  
     Direct; Q7; Q18; 28; 30; 49; 50; Supp20  
     Earned; Q7; 7; 12; 28; 29; 30; Supp1; Supp27; Supp55; Supp57  
     Retrospective; Q2; 12  
     Uncollected; Q2; 2; 16  
     Unearned; Q4; 4; Q7; 7; 13  
     Written; Q4; Q7; 4; 18; 30; 49; 50; Supp20; Supp55; Supp59; Supp60; Supp61; Supp62  
 Prescription Drugs; Q4; 4; 7  
 Product Type; 17  
 Provider Transactions; 23  
 Quasi Reorganizations; 25, Note 13  
 Real Estate; Q2; QE01; 2; 15; 16; 26; 29; E01; E02; E03  
 Redetermination, Contracts Subject to; 25, Note 24  
 Reinsurance; 25, Note 23  
     Assumed; 8; 9; 10; 44; Supp17; Supp25; Supp26; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38;  
 Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48  
     Ceded; Q3; Q17; 3; 8; 9; 10; 44; Supp14; Supp26; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp 33; Supp34; Supp35; Supp36; Supp37; Supp38;  
 Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48  
     Claims; 9; 10; 44; 45; 48  
     Funds Held; Q2; 2; 16; Supp25  
     Payable; Q3; 3; 45  
     Premiums; Q3; 3; 8  
     Receivable; Q2; Q4; 2; 7; 9; 16; 48; 49  
     Unauthorized; Q3; Q5; 3; 47; 48; 49  
 Reserves  
     Accident and Health; Q3; Q4; 3; 4; 7  
     Annuity; Supp19  
     Claims; Q3; Q5; Q8; 3; 5; 9  
     Life; Q3; 3; 7; Supp14  
 Retirement Plans; 25, Note 12; Supp22  
 Retrospectively Rated Policies; 25, Note 24  
 Risk-Based Capital; 53  
     Adjusted Capital; 29  
     Authorized Control Level; 29  
 Risk Revenue; Q4; 4; 7  
 Salvage and Subrogation; 25, Note 31; Supp27; Supp28; Supp29; Supp30; Supp31; Supp 32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40;  
 Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48  
 September 11 Events; 25, Note 20  
 Servicing of Financial Assets; 25, Note 17  
 Short-Term Investments; Q2; Q6; Q11.1; Q14; 2; 6; 15; 26; 29; 39; E15  
 Special Deposits; E25  
 Stockholder Dividends; Q5; 5  
 Stop Loss; 8  
 Subsequent Events; 25, Note 22  
 Surplus; Q3; Q5; 3; 5; 25, Note 13; 29  
 Surplus Notes; Q3; Q5; Q6; 3; 5; 6  
 Swaps; QE07; E19; E20  
 Synthetic Assets; Q15; Q16; 42; 43  
 Third Party Administrator; 25, Note 19  
 Treasury Stock; Q3; Q5; 3; 5; 6  
 Uninsured Accident and Health; Q2; Q3; 2; 3; 16; 25, Note 18  
 Wash Sales; 25, Note 17  
 Withholds; Q4; Q8; 4; 7; 10; 20; 23; 28.1