



ANNUAL STATEMENT

For the Year Ending December 31, 2005

OF THE CONDITION AND AFFAIRS OF THE

Health Plan of Michigan, Inc.

NAIC Group Code	0000 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	52563	Employer's ID Number	38-3253977
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[] No[X] N/A[]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]			
Incorporated/Organized	12/31/1995		Commenced Business	12/31/1995		
Statutory Home Office	17515 W. Nine Mile Road, Suite 500 <small>(Street and Number)</small>		Southfield, MI 48075 <small>(City, or Town, State and Zip Code)</small>			
Main Administrative Office	17515 W. Nine Mile Road, Suite 650 <small>(Street and Number)</small>					
	Southfield, MI 48075 <small>(City or Town, State and Zip Code)</small>		(248)557-3700 <small>(Area Code) (Telephone Number)</small>			
Mail Address	17515 W. Nine Mile Road, Suite 500 <small>(Street and Number or P.O. Box)</small>		Southfield, MI 48075 <small>(City, or Town, State and Zip Code)</small>			
Primary Location of Books and Records	Same, <small>(City, or Town, State and Zip Code)</small>		Same <small>(Street and Number)</small>			
Internet Website Address	www.hpmich.com		(248)557-3700 <small>(Area Code) (Telephone Number)</small>			
Statutory Statement Contact	Jon B. Cotton <small>(Name)</small> jcotton@hpmich.com <small>(E-Mail Address)</small>		(248)204-6011 <small>(Area Code)(Telephone Number)(Extension)</small> (248)557-4638 <small>(Fax Number)</small>			
Policyowner Relations Contact	Southfield, MI 48075 <small>(City, or Town, State and Zip Code)</small>		17515 W. Nine Mile Road, Suite 650 <small>(Street and Number)</small> (248)557-3700 <small>(Area Code) (Telephone Number)(Extension)</small>			

OFFICERS

Name	Title
David B. Cotton M.D.	President/CEO
Thomas Lauzon	Secretary/CIO
Janice Torosian	Treasurer/CFO

OTHERS

DIRECTORS OR TRUSTEES

Thomas Lauzon George Ellis
Melanie Shearman

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 manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ <small>(Signature)</small> David B. Cotton, M.D. <small>(Printed Name)</small> President <small>(Title)</small>	_____ <small>(Signature)</small> Thomas Lauzon <small>(Printed Name)</small> Secretary <small>(Title)</small>	_____ <small>(Signature)</small> Janice Torosian <small>(Printed Name)</small> Treasurer <small>(Title)</small>
--	--	--

Subscribed and sworn to before me this _____ day of _____, 2006

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

(Notary Public Signature)

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	9,075,360		9,075,360	4,684,991
2. Stocks (Schedule D)				
2.1 Preferred stocks	452,365		452,365	370,062
2.2 Common Stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$..... encumbrances)	214,521	160,890	53,631	64,254
4.2 Properties held for the production of income (less \$..... encumbrances)	521,924		521,924	528,744
4.3 Properties held for sale (less \$..... encumbrances)				
5. Cash (\$.....23,376,172 Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....10,000,000 Schedule DA)	33,376,172		33,376,172	27,625,477
6. Contract loans (including \$..... premium notes)				
7. Other invested assets (Schedule BA)	6,564,786		6,564,786	3,317,999
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	50,205,128	160,890	50,044,238	36,591,527
11. Title plants less \$..... charged off (for Title insurers only)				
12. Investment income due and accrued	89,867		89,867	48,475
13. Premiums and considerations				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	117,000		117,000	238,000
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software	553,998	263,663	290,335	494,641
19. Furniture and equipment, including health care delivery assets (\$.....)	188,843	141,632	47,211	78,581
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$.....1,135,547) and other amounts receivable	1,136,539		1,136,539	1,707,713
23. Aggregate write-ins for other than invested assets	839,013	825,461	13,552	11,793
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	53,130,388	1,391,646	51,738,742	39,170,730
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	53,130,388	1,391,646	51,738,742	39,170,730
DETAILS OF WRITE-INS				
0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Deposits	13,552		13,552	11,793
2302. Acquired Membership Value	846,450	846,450		
2303. Long Term Investment Fair Value Adjustment	(68,675)	(68,675)		
2398. Summary of remaining write-ins for Line 23 from overflow page	47,686	47,686		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	839,013	825,461	13,552	11,793

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded)	17,415,623		17,415,623	14,702,021
2. Accrued medical incentive pool and bonus amounts	749,352		749,352	533,045
3. Unpaid claims adjustment expenses	417,000		417,000	367,000
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	2,661,383		2,661,383	2,115,631
10.1 Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses))	415,000		415,000	1,005,000
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittance and items not allocated				
14. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15. Amounts due to parent, subsidiaries and affiliates				
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)	21,658,358		21,658,358	18,722,697
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	44,700	44,700
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	251,363	251,363
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	29,784,321	20,151,972
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2 shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	30,080,384	20,448,035
32. Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	51,738,742	39,170,732
DETAILS OF WRITE-INS				
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)				
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	X X X	X X X		
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,140,246	980,917
2. Net premium income (including \$..... non-health premium income)	X X X	192,293,015	151,312,694
3. Change in unearned premium reserves and reserve 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	(12,165,577)	(8,170,844)
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	180,127,438	143,141,850
Hospital and Medical:			
9. Hospital/medical benefits		97,330,290	79,120,511
10. Other professional services		1,444,849	697,413
11. Outside referrals		9,961,262	8,156,888
12. Emergency room and out-of-area		6,040,683	5,285,063
13. Prescription drugs		30,526,409	25,423,291
14. Aggregate write-ins for other hospital and medical		115,070	26,124
15. Incentive pool, withhold adjustments and bonus amounts		1,894,925	1,216,093
16. Subtotal (Lines 9 to 15)		147,313,488	119,925,383
Less:			
17. Net reinsurance recoveries		137,020	132,420
18. Total hospital and medical (Lines 16 minus 17)		147,176,468	119,792,963
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$..... cost containment expenses		810,995	934,625
21. General administrative expenses		13,358,533	12,823,777
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)		161,345,996	133,551,365
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	18,781,442	9,590,485
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,212,505	391,471
26. Net realized capital gains (losses) less capital gains tax of \$.....			90,808
27. Net investment gains (losses) (Lines 25 plus 26)		1,212,505	482,279
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		44,462	17,762
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	20,038,409	10,090,526
31. Federal and foreign income taxes incurred	X X X	7,084,963	3,271,000
32. Net income (loss) (Lines 30 minus 31)	X X X	12,953,446	6,819,526
DETAILS OF WRITE-INS			
0601. Quality Assurance Fee	X X X	(11,045,208)	(7,916,601)
0602. MI Primary Care Association Assessment	X X X	(1,120,369)	(254,243)
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	(12,165,577)	(8,170,844)
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 (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401. Hearing/Speech devices		115,070	26,124
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)		115,070	26,124
2901. Sale of Furniture		12	12
2902. Rental Income		44,450	17,750
2903			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		44,462	17,762

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	20,448,035	15,003,834
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	12,953,446	6,819,526
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....349,000	345,360	247,757
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	228,000	
39. Change in nonadmitted assets	105,544	(123,084)
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	(4,000,000)	(1,500,000)
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	9,632,350	5,444,199
49. Capital and surplus end of reporting year (Line 33 plus 48)	30,080,385	20,448,033
DETAILS OF WRITE-INS		
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	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	180,127,438	141,805,227
2. Net investment income	1,617,819	381,923
3. Miscellaneous income		
4. Total (Lines 1 through 3)	181,745,257	142,187,150
5. Benefit and loss related payments	144,246,559	116,143,030
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	13,070,300	11,605,528
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)	7,674,963	4,319,000
10. Total (Lines 5 through 9)	164,991,822	132,067,558
11. Net cash from operations (Line 4 minus 10)	16,753,435	10,119,592
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	190,000	635,901
12.2 Stocks		70,422
12.3 Mortgage loans		
12.4 Real estate		711,290
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		370,069
12.8 Total investment proceeds (Lines 12.1 to 12.7)	190,000	1,787,681
13. Cost of investments acquired (long-term only):		
13.1 Bonds	5,024,191	1,825,161
13.2 Stocks	85,012	
13.3 Mortgage loans		
13.4 Real estate	140,712	612,429
13.5 Other invested assets	2,500,000	2,000,000
13.6 Miscellaneous applications	2,590	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	7,752,505	4,437,591
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(7,562,505)	(2,649,910)
Cash from Financing and Miscellaneous Sources		
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	4,000,000	1,500,000
16.6 Other cash provided (applied)	559,765	(949,747)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(3,440,235)	(2,449,747)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	5,750,695	5,019,935
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	27,625,477	22,605,542
19.2 End of year (Line 18 plus Line 19.1)	33,376,172	27,625,477

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

20.0001			
---------	--	--	--

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other Health	Other Non-Health
1. Net premium income	192,293,015							192,293,015					
2. Change in unearned premium reserves and reserve for rate credit													
3. Fee-for-service (net of \$..... medical expenses)													XXX
4. Risk revenue													XXX
5. Aggregate write-ins for other health care related revenues	(12,165,577)							(12,165,577)					XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. Total revenues (Lines 1 to 6)	180,127,438							180,127,438					
8. Hospital/medical benefits	97,330,290							97,330,290					XXX
9. Other professional services	1,444,849							1,444,849					XXX
10. Outside referrals	9,961,262							9,961,262					XXX
11. Emergency room and out-of-area	6,040,683							6,040,683					XXX
12. Prescription drugs	30,526,409							30,526,409					XXX
13. Aggregate write-ins for other hospital and medical	115,070							115,070					XXX
14. Incentive pool, withhold adjustments and bonus amounts	1,894,925							1,894,925					XXX
15. Subtotal (Lines 8 to 14)	147,313,488							147,313,488					XXX
16. Net reinsurance recoveries	137,020							137,020					XXX
17. Total hospital and medical (Lines 15 minus 16)	147,176,468							147,176,468					XXX
18. Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$..... cost containment expenses	810,995							810,995					
20. General administrative expenses	13,358,533							13,358,533					
21. Increase in reserves for accident and health contracts													XXX
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	161,345,996							161,345,996					
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	18,781,442							18,781,442					
DETAILS OF WRITE-INS													
0501. Quality Assurance Program	(11,045,208)							(11,045,208)					XXX
0502. MI Primary Care Association Assessment	(1,120,369)							(1,120,369)					XXX
0503													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page													XXX
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	(12,165,577)							(12,165,577)					XXX
0601		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301. Hearing/Speech Devices	115,070							115,070					XXX
1302													XXX
1303													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page													XXX
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	115,070							115,070					XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employee Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid	192,875,894		582,879	192,293,015
8. Stop loss				
9. Disability income				
10. Long-term care				
11. Other health				
12. Health subtotal (Lines 1 through 11)	192,875,894		582,879	192,293,015
13. Life				
14. Property/casualty				
15. TOTALS (Lines 12 to 14)	192,875,894		582,879	192,293,015

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	142,003,321							142,003,321					
1.2 Reinsurance assumed													
1.3 Reinsurance ceded	137,020							137,020					
1.4 Net	141,866,301							141,866,301					
2. Paid medical incentive pools and bonuses	1,678,618							1,678,618					
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	17,415,623							17,415,623					
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net	17,415,623							17,415,623					
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct													
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net													
5. Accrued medical incentive pools and bonuses, current year	749,352							749,352					
6. Net healthcare receivables (a)	701,639							701,639					
7. Amounts recoverable from reinsurers December 31, current year													
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	14,702,020							14,702,020					
8.2 Reinsurance assumed													
8.3 Reinsurance ceded													
8.4 Net	14,702,020							14,702,020					
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct													
9.2 Reinsurance assumed													
9.3 Reinsurance ceded													
9.4 Net													
10. Accrued medical incentive pools and bonuses, prior year	533,045							533,045					
11. Amounts recoverable from reinsurers December 31, prior year													
12. Incurred benefits:													
12.1 Direct	145,418,563							145,418,563					
12.2 Reinsurance assumed													
12.3 Reinsurance ceded	137,020							137,020					
12.4 Net	145,281,543							145,281,543					
13. Incurred medical incentive pools and bonuses	1,894,925							1,894,925					

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct													
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net													
2. Incurred but Unreported:													
2.1 Direct	17,415,623							17,415,623					
2.2 Reinsurance assumed													
2.3 Reinsurance ceded													
2.4 Net	17,415,623							17,415,623					
3. Amounts Withheld from Paid Claims and Capitulations:													
3.1 Direct													
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net													
4. TOTALS													
4.1 Direct	17,415,623							17,415,623					
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net	17,415,623							17,415,623					

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	12,787,128	130,482,451	68,000	17,347,623	12,855,128	14,702,020
8. Other health						
9. Health subtotal (Lines 1 to 8)	12,787,128	130,482,451	68,000	17,347,623	12,855,128	14,702,020
10. Healthcare receivables (a)		701,639				
11. Other non-health						
12. Medical incentive pool and bonus amounts	519,238	1,159,380		749,352	519,238	533,045
13. TOTALS (Lines 9 - 10 + 11 + 12)	13,306,366	130,940,192	68,000	18,096,975	13,374,366	15,235,065

(a) Excludes \$.....434,900 loans or advances to providers not yet expensed.

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

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	5,218	9		2	
2.	2001	32,767	4,641	12	(2)	
3.	2002	X X X	45,448	6,648	59	(8)
4.	2003	X X X	X X X	63,727	13,047	60
5.	2004	X X X	X X X	X X X	103,037	13,254
6.	2005	X X X	X X X	X X X	X X X	130,940

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	5,252	9		2	
2.	2001	39,680	4,716	12	(2)	
3.	2002	X X X	54,046	6,706	59	(8)
4.	2003	X X X	X X X	75,254	13,097	60
5.	2004	X X X	X X X	X X X	118,222	13,322
6.	2005	X X X	X X X	X X X	X X X	149,037

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

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2001	49,300	37,418	380	1.016	37,798	76.669			37,798	76.669
2.	2002	64,563	52,147	554	1.062	52,701	81.627			52,701	81.627
3.	2003	97,919	76,834	755	0.983	77,589	79.238			77,589	79.238
4.	2004	143,142	116,291	842	0.724	117,133	81.830	68	2	117,203	81.879
5.	2005	180,127	130,940	761	0.581	131,701	73.116	18,097	415	150,213	83.393

12 Total

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare NONE

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

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	5,218	9		2	
2.	2001	32,767	4,641	12	(2)	
3.	2002	X X X	45,448	6,648	59	(8)
4.	2003	X X X	X X X	63,727	13,047	60
5.	2004	X X X	X X X	X X X	103,037	13,254
6.	2005	X X X	X X X	X X X	X X X	130,940

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	5,252	9		2	
2.	2001	39,680	4,716	12	(2)	
3.	2002	X X X	54,046	6,706	59	(8)
4.	2003	X X X	X X X	75,254	13,097	60
5.	2004	X X X	X X X	X X X	118,222	13,322
6.	2005	X X X	X X X	X X X	X X X	149,037

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

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2001	49,300	37,418	380	1.016	37,798	76.669			37,798	76.669
2. 2002	64,563	52,147	554	1.062	52,701	81.627			52,701	81.627
3. 2003	97,919	76,834	755	0.983	77,589	79.238			77,589	79.238
4. 2004	143,142	116,291	842	0.724	117,133	81.830	68	2	117,203	81.879
5. 2005	180,127	130,940	761	0.581	131,701	73.116	18,097	415	150,213	83.393

12 Title XIX-Medicaid

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$..... for occupancy of own building)		37,018	247,735		284,753
2. Salaries, wages and other benefits		627,607	8,609,543		9,237,150
3. Commissions (less \$..... ceded plus \$..... assumed)					
4. Legal fees and expenses			63,421		63,421
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			337,097	35,616	372,713
7. Traveling expenses		3,185	184,215		187,400
8. Marketing and advertising			81,167		81,167
9. Postage, express and telephone		32,308	343,640		375,948
10. Printing and office supplies		8,695	601,263		609,958
11. Occupancy, depreciation and amortization			154,303	81,227	235,530
12. Equipment			213,126		213,126
13. Cost or depreciation of EDP equipment and software			453,838		453,838
14. Outsourced services including EDP, claims, and other services		102,183	712,373		814,556
15. Boards, bureaus and association fees			81,133		81,133
16. Insurance, except on real estate			158,698		158,698
17. Collection and bank service charges			43,512		43,512
18. Group service and administration fees					
19. Reimbursements by uninsured accident and health plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes			34,458		34,458
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			521,009		521,009
23.2 State premium taxes					
23.3 Regulator authority licenses and fees			21,188		21,188
23.4 Payroll taxes			467,730		467,730
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses			29,083		29,083
26. Total expenses incurred (Lines 1 to 25)		810,995	13,358,533	116,843	(a) 14,286,371
27. Less expenses unpaid December 31, current year		417,000	2,661,383		3,078,383
28. Add expenses unpaid December 31, prior year		367,000	2,115,631		2,482,631
29. Amounts receivable relating to uninsured accident and health plans, prior year					
30. Amounts receivable relating to uninsured accident and health plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) ..		760,995	12,812,781	116,843	13,690,619
DETAILS OF WRITE-INS					
2501. IRS Penalty			3,650		3,650
2502. Charitable Giving/Activities			25,433		25,433
2503					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above)			29,083		29,083

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 61,126	75,224
1.1 Bonds exempt from U.S. tax	(a) 103,585	159,315
1.2 Other bonds (unaffiliated)	(a) 32,550	51,394
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 24,926	24,926
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e)	1,010,339
7. Derivative instruments	(f)	
8. Other invested assets	8,150	8,150
9. Aggregate write-ins for investment income		
10. Total gross investment income	230,337	1,329,348
11. Investment expenses		(g) 116,843
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		116,843
17. Net Investment income (Line 10 minus Line 16)		1,212,505

DETAILS OF WRITE-INS

0901		
0902		
0903		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501		
1502		
1503		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

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

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)				
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)				
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)				

NONE

DETAILS OF WRITE-INS

0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)				

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	160,890	52,571	(108,319)
4.2 Properties occupied for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	160,890	52,571	(108,319)
11. Title plants (for Title insurers only)			
12. Invested income due and accrued			
13. Premium and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset			
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	263,663	210,657	(53,006)
19. Furniture and equipment, including health care delivery assets	141,632	64,295	(77,337)
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable		203,592	203,592
23. Aggregate write-ins for other than invested assets	825,461	966,075	140,614
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,391,646	1,497,190	105,544
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,391,646	1,497,190	105,544
DETAILS OF WRITE-INS			
0901			
0902			
0903			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301. Cubicle Deposits			
2302. Acquired Membership Value	846,450	947,130	100,680
2303. Long Term Investment Fair Value Adjustment	(68,675)	(16,248)	52,427
2398. Summary of remaining write-ins for Line 23 from overflow page	47,686	35,193	(12,493)
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	825,461	966,075	140,614

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6 Current Year Member Months
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1.	Health Maintenance Organizations	87,325	91,175	93,631	97,434	100,349	1,140,246
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service						
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	87,325	91,175	93,631	97,434	100,349	1,140,246
DETAILS OF WRITE-INS							
0601						
0602						
0603						
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statement

HEALTH PLAN OF MICHIGAN, INC.

NAIC Company Code 52563

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Health Plan of Michigan, Inc. (the “Company”) operates as a state-licensed health maintenance organization (HMO). Health Plan of Michigan, Inc. provides medical services to persons primarily in southern Michigan who subscribe as recipients of state health benefits (Medicaid benefits).

Physician and Hospital Contracts - The Company contracts directly with physician/physician groups and hospitals for the provision of medical care and compensates the providers on either a capitation or fee for service basis. The Company has a risk sharing agreement with the primary care physicians, and a portion of the capitation payments may be retained for settlement of risk-sharing agreements.

Employer Management Agreement - The Company uses the services of a Professional Employment Organization (PEO) to provide professional employer services, including payroll processing, payroll tax filing, and employee benefit administration. Under this agreement, there exists a co-employment relationship, in which both the Company and PEO have an employment relationship with the worksite employees.

Funds Maintained Under Statutory Requirements - The Company maintains funds under statutory or contractual requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be issued only at the direction of the applicable insurance commissioner or other regulatory agency in accordance with statutory and contractual provisions. The Company can utilize interest earned on these funds. At December 31, 2005 and 2004, \$1,087,585 and \$1,050,599, respectively, were held in cash to fulfill these requirements.

Statutory Basis of Accounting - The financial statements have been prepared in accordance with NAIC *Accounting Practices and Procedures* manual and the statutory accounting principles as prescribed by the Michigan Office of Financial and Insurance Services. Statutory accounting principles differ from generally accepted accounting principles (“GAAP”) in their definition of assets and liabilities. Specifically, certain assets (such as intangible assets, certain receivables, prepaid expenses, and software) are excluded from the statutory-basis balance sheet. GAAP net assets exceed statutory net assets by approximately \$1,391,646 and \$1,497,190 at December 31, 2005 and 2004, respectively. The Company adopted the NAIC’s Codification of Statutory Accounting Principles on January 1, 2003 at the direction of the Michigan Office of Financial and Insurance Services. There are no significant differences between statutory accounting principles prescribed by the NAIC and the State of Michigan accounting requirements that are applicable to the Company, except for the transition period provided for certain statements of statutory accounting principles (SSAPs), by the State of Michigan. The statements of statutory accounting principles for which a transition period has been provided are SSAP 16 – Electronic Data Processing Equipment and Software; SSAP 19 – Furniture and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements; and SSAP 84 Certain Health Care Receivables and Receivables Under Government Insured Plans. The impact on statutory surplus of the difference in accounting principles prescribed by the NAIC and the State of Michigan, due to the transition periods allowed for the above referenced SSAP’s is \$100,842 and \$142,835 at December 31, 2005 and 2004, respectively.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Certificates of deposit in banks or similar financial institutions with maturity dates of one year or less from the acquisition date are also considered cash under statutory accounting principles, and are reported at fair market value.

Notes to Financial Statement

Accounts Receivable - Management believes all receivables are fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Bonds – bonds are stated at amortized cost using the interest method.

Preferred stocks – preferred stocks are stated at amortized cost.

Investments in Joint Ventures, Partnerships and Limited Liability Companies – investments in limited partnerships are accounted for using the equity method.

Real Estate Investments – Real estate investments consist of property held for the production of income and are valued at the lower of cost or realizable fair market value.

Property and Equipment - Fixed assets are recorded at cost. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for property and equipment totaled \$459,014 and \$460,604 for the years ended December 31, 2005 and 2004, respectively.

Income Taxes - The Company accounts for income taxes as prescribed by SSAP Number 9. A current liability or asset is recognized based on amounts currently payable or refundable on the current year tax return. Deferred liabilities or assets are reported for the estimated future tax effects of temporary differences between statutory and tax accounting methods.

Revenue Recognition - Medicaid capitation premiums are recognized in the period members are entitled to related health care services.

Recognition of Health Care Service Costs - Health care service costs and the related liabilities for claims payable are recorded when medical services are authorized, as well as when services are provided without authorization to the extent such services are expected to be ultimately authorized. Claims payable includes an actuarially determined estimate of the ultimate cost of settling claims.

Use of Estimates - The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates exist relating to claims payable. It is at least reasonably possible that these estimates will be materially revised in the near term.

Note 2 - Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services. Effective January 1, 2003, the State of Michigan requires that health maintenance organizations domiciled in the State of Michigan prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual in effect on January 1, 2003 subject to any deviations prescribed or permitted by the State of Michigan insurance commissioner. The effect of this accounting change resulted in a reduction of capital and surplus of \$16,335 as of January 1, 2003.

Note 3 - Business Combinations and Goodwill

This Note is not applicable to the Company.

Note 4 - Discontinued Operations

This Note is not applicable to the Company.

Note 5 - Investments

This Note is not applicable to the Company.

Notes to Financial Statement

Note 6 - Joint Ventures, Partnerships, and Limited Liability Companies

The Company has no investment in joint ventures, partnerships, or limited liability companies that exceed 10% of the admitted assets of the Company.

Note 7 - Investment Income

This Note is not applicable to the Company.

Note 8 - Derivative Instruments

This Note is not applicable to the Company.

Note 9 - Income Taxes

The components of incurred income tax expense and charges to surplus are as follows for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Current tax due	7,085,000	3,474,000
Deferred tax expense on net unrealized gains (losses)	349,000	-
Deferred tax expense (recovery) included in income	<u>(228,000)</u>	<u>(203,000)</u>
Federal income tax incurred	<u>7,206,000</u>	<u>3,271,000</u>
Net change in deferred tax recovery	<u>121,000</u>	<u>(203,000)</u>

Federal income taxes consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Current tax due (refundable)	415,000	1,005,000
Net statutory admitted deferred liability (asset)	<u>(117,000)</u>	<u>(238,000)</u>
	<u>300,005</u>	<u>769,004</u>
Deferred taxes consist of the following:		
Gross deferred tax assets	(520,000)	(440,000)
Gross deferred tax liabilities	<u>403,000</u>	<u>202,000</u>
Net admitted deferred tax assets	<u>(117,000)</u>	<u>(238,000)</u>

Changes in the main components of deferred tax assets / liabilities are as follows:

<u>DTAs</u>	<u>2005</u>	<u>2004</u>	<u>Difference</u>
Accrued paid time off	(61,000)	(46,000)	(15,000)
Accrued payroll	(329,000)	(277,000)	(52,000)
Claims reserves	<u>(130,000)</u>	<u>(117,000)</u>	<u>(13,000)</u>
Total	(520,000)	(440,000)	(80,000)
<u>DTLs</u>			
Investments	349,000	83,500	265,500
Net book value of f/a and amortized assets	<u>54,000</u>	<u>118,500</u>	<u>(64,500)</u>
Total	<u>403,000</u>	<u>202,000</u>	<u>201,000</u>
Net Admitted deferred tax asset	<u>(117,000)</u>	<u>(238,000)</u>	<u>121,000</u>

A reconciliation of statutory to tax income and the related tax effect is as follows:

Notes to Financial Statement

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Pre-tax statutory income	20,038,409	7,013,443	10,090,526	3,456,005
Reserve discount	57,666	20,183	72,567	24,854
Depreciation and amortization	193,911	67,869	(134,140)	(45,943)
Accrued pto	39,751	13,913	33,713	11,547
Accrued payroll	124,000	43,400	816,000	279,480
Tax exempt interest	(116,718)	(40,851)	(119,975)	(41,091)
Other	<u>5,519</u>	<u>1,932</u>	<u>(22,137)</u>	<u>(7,582)</u>
Taxable income/tax expense	20,342,538	7,119,888	10,736,554	3,677,270

Differences between application of federal tax rates to pretax book income and recorded income tax expense are due primarily to adjustments to tax accruals from prior periods.

Taxes available for recoupment in the event of future net operating losses:

2004	3,704,903
2005	7,120,000

The Company's tax return is consolidated with Caidan Enterprises, Inc., its parent company. Federal income tax will be allocated to the Company, as if the Company were filing a separate income tax return. The Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Note 10 - Information Concerning Parent, Subsidiaries, and Affiliates

The Company is a wholly owned subsidiary of a holding company, Caidan Enterprises, Inc., as of December 31, 2003. The Company paid dividends of \$4,000,000 and \$1,500,000 in 2005 and 2004, respectively.

Note 11 - Debt

The Company has no outstanding debt at December 31, 2005.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, and Other Postretirement Benefit Plans

This Note is not applicable to the Company.

Note 13 - Capital and Surplus, Stockholders' Dividend Restrictions, and Quasi-Reorganizations

The Company has 100,000 common shares authorized and 1,000 shares issued and outstanding at December 31, 2005. All shares are common stock with a stated value of \$44.70 per share.

Subject to other regulatory limitations on capital and surplus and working capital, the Company is limited by statute to paying dividends no greater than 10 percent of annual income without prior approval of the Michigan Office of Financial and Insurance Services.

The portion of unassigned funds (surplus) represented or reduced by changes in non-admitted asset values is \$105,544 and \$123,084 at December 31, 2005 and 2004, respectively. The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is \$345,360 and \$247,757 at December 31, 2005 and 2004, respectively.

Notes to Financial Statement

Note 14 - Contingencies

At December 31, 2005, the Company is not aware of, nor has it been informed of any pending litigation. No amounts have been accrued for contingencies.

Note 15 - Leases

The Company leases its office space under an operating lease. Rent expense totaled approximately \$284,753 and \$238,562 for 2005 and 2004, respectively. The future minimum rental payments under the operating lease as of December 31, 2005 are as follows:

2006	363,803
2007	368,786
2008	379,933
2009	162,238

The Company also leases office furniture and equipment under various noncancelable operating lease agreements that expire through February 2010. Rental expense for office furniture and equipment for 2005 and 2004 was approximately \$212,124 and \$167,388, respectively.

The future minimum office furniture and equipment lease payments as of December 31, 2005 are as follows:

2006	162,742
2007	137,760
2008	63,374
2009	35,378
2010	3,880

Note 16 - Information About Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk

This Note is not applicable to the Company.

Note 17 - Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities

This Note is not applicable to the Company

Note 18 - Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This Note is not applicable to the Company.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This Note is not applicable to the Company.

Note 20 –September 11 Events

This Note is not applicable to the Company.

Note 21 – Other Items

At December 31, 2005 and 2004, the Company had admitted assets of \$1,136,539 and \$1,707,713, respectively, in accounts receivable for amounts due from governmental entities and other healthcare providers. The Company routinely assesses the

Notes to Financial Statement

collectibility of these receivables. At December 31, 2005 and 2004 the Company has determined there are no uncollectible receivables.

Note 22 - Events Subsequent

This note is not applicable to the Company.

Note 23 - Reinsurance

Health Plan of Michigan, Inc. maintains a non-cancelable reinsurance policy with a non-affiliated reinsurer to provide coverage on an annual per member basis after a \$150,000 deductible for eligible services is reached. The maximum lifetime reinsurance coverage payable under the agreement is \$2,000,000 per member. The Company has reported premiums net of reinsurance ceded of \$582,879 and \$549,937 as of December 31, 2005 and 2004, respectively. Losses recovered by the Company totaled approximately \$137,020 and \$132,420 in 2005 and 2004, respectively.

The Company does not have reinsurance assumed, uncollectible reinsurance, or retroactive reinsurance.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

This Note is not applicable to the Company.

Note 25 - Change in Incurred Claims and Claim Adjustment Expenses

An enrolled actuary has determined the estimated reserve for claims incurred but not reported. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by \$1,860,699, as a result of reestimation of unpaid claims and claim adjustment expenses. This increase/decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 26 – Intercompany Pooling Arrangements

This note is not applicable to the Company.

Note 27– Structured Settlements

This note is not applicable to the Company.

Note 28 – Health Care Receivables

The Company has no Pharmaceutical Rebate Receivables of December 31, 2005 and December 31, 2004. At December 31, 2003, \$184,214 of pharmaceutical rebate receivables were included in health care receivables.

Detail of Pharmaceutical Rebate Receivables:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2003	\$0	\$105,572	\$0	\$51,403	\$86,247
9/30/2003	\$110,936	\$110,936	\$0	\$0	\$113,808
6/30/2003	\$75,278	\$102,313	\$0	\$27,035	\$102,760
3/31/2003	\$0	\$103,466	\$0	\$0	\$103,973

Notes to Financial Statement

The Company has no accounts receivable from risk sharing arrangements at December 31, 2005 and 2004.

Note 29 – Participating Policies

This note is not applicable to the company.

Note 30 – Premium Deficiency Reserves

This note is not applicable to the company.

Note 31 – Anticipated Salvage and Subrogation

Loss reserves have not been reduced for any salvage or subrogation. During 2005 and 2004, the Company received subrogation totaling \$152,927 and \$85,028 respectively.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities				
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	1,521,893	2.942	1,521,893	3.041
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	2,084,518	4.030	2,084,518	4.165
1.43 Revenue and assessment obligations	3,067,154	5.930	3,067,154	6.129
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or Guaranteed by GNMA				
1.512 Issued or Guaranteed by FNMA and FHLMC	3,135,644	6.062	1,613,751	3.225
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	787,869	1.523	787,869	1.574
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	452,365	0.875	452,365	0.904
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	214,521	0.415	53,631	0.107
5.2 Property held for production of income (including \$.....521,924 of property acquired in satisfaction of debt)	521,924	1.009	521,924	1.043
5.3 Property held for sale (including \$..... property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	33,376,172	64.524	33,376,172	66.694
9. Other invested assets	6,564,786	12.691	6,564,786	13.118
10. Total invested assets	51,726,846	100.000	50,044,063	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[] N/A[]
- 1.3 State Regulating? Michigan
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 10/03/2005
- 3.4 By what department or departments?
State of Michigan Office of Financial and Insurance Services
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[] No[X]
- 4.12 renewals? Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes[] No[X]
- 4.22 renewals? Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement) Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, %
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		.. Yes[] No[X] ..				

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Plante & Moran, PLLC 2601 Cambridge Court Suite 500 Auburn Hills, Michigan 48236
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Larry Pfannerstill, Milliman USA 15800 Bluemound Rd. Suite 400 Brookfield, WI 53005-6069; Actuary/consultant with an actuarial firm
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value \$
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[] No[] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

BOARD OF DIRECTORS

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

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.11 To directors or other officers \$
 - 16.12 To stockholders not officers \$
 - 16.13 Trustees, supreme or grand (Fraternal only) \$
- 16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.21 To directors or other officers \$
 - 16.22 To stockholders not officers \$
 - 16.23 Trustees, supreme or grand (Fraternal only) \$
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes[] No[X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- 17.21 Rented from others \$
 - 17.22 Borrowed from others \$
 - 17.23 Leased from others \$
 - 17.24 Other \$
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes[] No[X]
- 18.2 If answer is yes:
- 18.21 Amount paid as losses or risk adjustment \$
 - 18.22 Amount paid as expenses \$
 - 18.23 Other amounts paid \$
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[] No[X]
- 19.2 If yes, indicate any amounts receivable from parent included in the page 2 amount: \$

INVESTMENT

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes[X] No[]
- 20.2 If no, give full and complete information, relating thereto:
- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1). Yes[] No[X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Loaned to others \$
 - 21.22 Subject to repurchase agreements \$
 - 21.23 Subject to reverse repurchase agreements \$
 - 21.24 Subject to dollar repurchase agreements \$
 - 21.25 Subject to reverse dollar repurchase agreements \$
 - 21.26 Pledged as collateral \$
 - 21.27 Placed under option agreements \$
 - 21.28 Letter stock or securities restricted as to sale \$
 - 21.29 Other \$
- 21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 22.2 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.
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year. \$

24. 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[]
- 24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
LaSalle Bank N.A.	2600 W. Big Beaver, MO900-150, Troy, MI 48084
Schwab Institutional	1958 Summit Park Place Orlando, FL 32810

- 24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes[X] No[]
- 24.04 If yes, give full and complete information relating thereto:

GENERAL INTERROGATORIES (Continued)

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Schwab Institutional	LaSalle Bank N.A.	11/21/2005	Per State of MI OFIS , the agreement with Schwab Institutional did not meet requirements of NAIC Financial Condition Examiners Handbook for stocks, bonds and other securities.

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

1 Central Registration Depository Number(s)	2 Name	3 Address
123286	Roble Asset Management	5700 Corporate Drive, Pittsburgh, PA 15237

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

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
25.2999 Total		

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

26. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	19,075,360	19,013,138	(62,222)
26.2 Preferred stocks	452,365	445,913	(6,452)
26.3 Totals	19,527,725	19,459,051	(68,674)

26.4 Describe the sources of methods utilized in determining the fair values
Month end market analysis/valuation

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes No

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 54,006

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	45,102

29.1 Amount of payments for legal expenses, if any? \$ 59,421

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

1 Name	2 Amount Paid
Law Offices of Thomas Waelchli	44,401

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 25,000

GENERAL INTERROGATORIES (Continued)

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

1 Name	2 Amount Paid
Karoub Associates 21,600

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only: \$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
- 1.31 Reason for excluding: \$
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$
- 1.6 Individual policies - Most current three years: \$
- 1.61 Total premium earned \$
- 1.62 Total incurred claims \$
- 1.63 Number of covered lives \$
- All years prior to most current three years:
- 1.64 Total premium earned \$
- 1.65 Total incurred claims \$
- 1.66 Number of covered lives \$
- 1.7 Group policies - Most current three years: \$
- 1.71 Total premium earned \$
- 1.72 Total incurred claims \$
- 1.73 Number of covered lives \$
- All years prior to most current three years:
- 1.74 Total premium earned \$
- 1.75 Total incurred claims \$
- 1.76 Number of covered lives \$

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	192,293,015	151,312,694
2.2 Premium Denominator	192,293,015	151,312,694
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4 Reserve Numerator	18,164,975	15,235,065
2.5 Reserve Denominator	18,164,975	15,235,066
2.6 Reserve Ratio (2.4 / 2.5)	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 3.2 If yes, give particulars: Yes No
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions): \$
- 5.31 Comprehensive Medical \$ 210,000
- 5.32 Medical Only \$
- 5.33 Medicare Supplement \$
- 5.34 Dental \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Insolvency coverage under reinsurance policy and State Mandated Trust Fund
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes No
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers: 4,228
- 8.1 Number of providers at start of reporting year 5,143
- 8.2 Number of providers at end of reporting year
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes No
- 9.2 If yes, direct premium earned: 0
- 9.21 Business with rate guarantees between 15-36 months 0
- 9.22 Business with rate guarantees over 36 months
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes: \$
- 10.21 Maximum amount payable bonuses \$ 2,117,266
- 10.22 Amount actually paid for year bonuses \$ 1,226,080
- 10.23 Maximum amount payable withholds \$ 190,584
- 10.24 Amount actually paid for year withholds \$
- 11.1 Is the reporting entity organized as: Yes No
- 11.12 A medical Group/Staff Model, Yes No
- 11.13 An Individual Practice Association (IPA), or, Yes No
- 11.14 A Mixed Model (combination of above)? Yes No
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth. \$
- Michigan 18,012,744
- 11.4 If yes, show the amount required. \$
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
Net Subscription Revenues (\$192,293,015 - \$12,165,577) \$180,127,438 x 10% = \$18,012,744
- 12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
Allegan, MI
Barry, MI
Berrien, MI
Branch, MI
Calhoun, MI
Cass, MI
Eaton, MI
Genesee, MI

GENERAL INTERROGATORIES (Continued)

1 Name of Service Area
Hillsdale, MI
Huron, MI
Jackson, MI
Kalamazoo, MI
Kent, MI
Lenawee, MI
Livingston, MI
Macomb, MI
Manistee, MI
Monroe, MI
Montcalm, MI
Muskegon, MI
Newaygo, MI
Oakland, MI
Oceana, MI
Ogemaw, MI
Oscoda, MI
Ottawa, MI
Roscommon, MI
St. Clair, MI
St. Joseph, MI
Sanilac, MI
Tuscola, MI
Van Buren, MI

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	51,738,742	39,170,730	30,583,712	18,046,964	12,811,370
2. Total liabilities (Page 3, Line 22)	21,658,358	18,722,697	15,579,879	9,526,691	8,164,118
3. Statutory surplus	29,795,384	14,314,185	9,434,840	1,000,000	1,000,000
4. Total capital and surplus (Page 3, Line 31)	30,080,384	20,448,035	15,003,834	8,520,273	4,647,252
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)	180,127,438	143,141,850	94,348,396	64,677,679	49,860,486
6. Total medical and hospital expenses (Line 18)	147,176,468	119,792,963	73,299,117	52,095,499	39,185,852
7. Claims adjustment expenses (Line 20)	810,995	934,625	824,833	641,524	496,722
8. Total administrative expenses (Line 21)	13,358,533	12,823,777	7,926,421	6,635,238	5,068,055
9. Net underwriting gain (loss) (Line 24)	18,781,442	9,590,485	12,298,025	5,305,418	5,109,857
10. Net investment gain (loss) (Line 27)	1,212,505	482,279	184,044	225,346	346,723
11. Total other income (Lines 28 plus 29)	44,462	17,762	609	456	36
12. Net income or (loss) (Line 32)	12,953,446	6,819,526	7,916,596	3,660,606	3,607,559
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	30,080,384	20,448,035	15,003,834	8,520,273	4,647,252
14. Authorized control level risk-based capital	6,431,328	5,317,239	3,225,169	2,428,216	1,920,705
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	100,349	87,325	68,568	46,845	33,434
16. Total members months (Column 6, Line 7)	1,140,246	980,917	692,288	481,992	350,035
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5)x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	77	79	75	81	79
19. Cost containment expenses			X X X	X X X	X X X
20. Other claims adjustment expenses	0	1			
21. Total underwriting deductions (Line 23)	84	88	84	92	91
22. Total underwriting gain (loss) (Line 24)	10	6	13	8	10
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5)	13,374,366	13,155,757	6,717,970	4,831,094	5,251,986
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	15,235,065	11,585,133	8,673,014	7,047,200	6,129,629
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30					

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	3,135,644	3,111,640	3,566,408	3,094,192
	2. Canada				
	3. Other Countries				
	4. Totals	3,135,644	3,111,640	3,566,408	3,094,192
States, Territories and Possessions (Direct and Guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9. United States	2,084,518	2,076,544	2,153,505	1,950,000
	10. Canada				
	11. Other Countries				
	12. Totals	2,084,518	2,076,544	2,153,505	1,950,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	3,067,154	3,045,364	3,146,544	2,800,000
	14. Canada				
	15. Other Countries				
	16. Totals	3,067,154	3,045,364	3,146,544	2,800,000
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	787,869	779,590	847,240	770,000
	22. Canada				
	23. Other Countries				
	24. Totals	787,869	779,590	847,240	770,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	9,075,185	9,013,138	9,713,697	8,614,192
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	307,050	307,939	315,487	
	32. Canada				
	33. Other Countries				
	34. Totals	307,050	307,939	315,487	
Industrial and Miscellaneous (unaffiliated)	35. United States	145,315	137,974	154,580	
	36. Canada				
	37. Other Countries				
	38. Totals	145,315	137,974	154,580	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	452,365	445,913	470,067	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks	452,365	445,913	470,067	
	56. Total Bonds and Stocks	9,527,550	9,459,051	10,183,764	

SCHEDULE D - Verification Between Years

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	5,055,053	7. Amortization of premium	452,343
2. Cost of bonds and stocks acquired, Column 7, Part 3	5,109,203	8. Foreign Exchange Adjustment:	
3. Accrual of discount	5,637	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2		9. Book/adjusted carrying value at end of current period	9,527,550
4.4 Column 11 - 13, Part 4		10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4		11. Subtotal (Lines 9 plus 10)	9,527,550
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	190,000	12. Total nonadmitted assets	
		13. Statement value of bonds and stocks, current period	9,527,550

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					7 Life & Annuity Premiums & Deposit-Type Contract Funds	8 Property/ Casualty Premiums
			3 Accident & Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program 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			192,875,894				
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. Subtotal	X X X	X X X			192,875,894				
59. Reporting entity contributions for Employee Benefit Plans	X X X	X X X							
60. TOTAL (Direct Business)	X X X	(a) 1			192,875,894				
DETAILS OF WRITE-INS									
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.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE T - PART 2
INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN
ALLOCATED BY STATES AND TERRITORIES

Direct Business only						
States, Etc.	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
1. Alabama (AL)						
2. Alaska (AK)						
3. Arizona (AZ)						
4. Arkansas (AR)						
5. California (CA)						
6. Colorado (CO)						
7. Connecticut (CT)						
8. Delaware (DE)						
9. District of Columbia (DC)						
10. Florida (FL)						
11. Georgia (GA)						
12. Hawaii (HI)						
13. Idaho (ID)						
14. Illinois (IL)						
15. Indiana (IN)						
16. Iowa (IA)						
17. Kansas (KS)						
18. Kentucky (KY)						
19. Louisiana (LA)						
20. Maine (ME)						
21. Maryland (MD)						
22. Massachusetts (MA)						
23. Michigan (MI)						
24. Minnesota (MN)						
25. Mississippi (MS)						
26. Missouri (MO)						
27. Montana (MT)						
28. Nebraska (NE)						
29. Nevada (NV)						
30. New Hampshire (NH)						
31. New Jersey (NJ)						
32. New Mexico (NM)						
33. New York (NY)						
34. North Carolina (NC)						
35. North Dakota (ND)						
36. Ohio (OH)						
37. Oklahoma (OK)						
38. Oregon (OR)						
39. Pennsylvania (PA)						
40. Rhode Island (RI)						
41. South Carolina (SC)						
42. South Dakota (SD)						
43. Tennessee (TN)						
44. Texas (TX)						
45. Utah (UT)						
46. Vermont (VT)						
47. Virginia (VA)						
48. Washington (WA)						
49. West Virginia (WV)						
50. Wisconsin (WI)						
51. Wyoming (WY)						
52. American Samoa (AS)						
53. Guam (GU)						
54. Puerto Rico (PR)						
55. U.S. Virgin Islands (VI)						
56. Canada (CN)						
57. Aggregate other alien (OT)						
58. TOTALS						

NONE

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

Caidan Enterprises, Inc. (Federal Employer Identification # 52-2422207)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2005:

D. Cotton, M.D.	64%
J. Cotton	10% - Non Voting Stock
S. Cotton	10% - Non Voting Stock
M. Cotton	10% - Non Voting Stock
T. Lauzon	6%
	100%

Health Plan of Michigan, Inc. (MI; NAIC # 52563; Federal Employer Identification # 38-3253977)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2005: Caidan Enterprises, Inc. 100%

Meridian Health Plan, Inc. (OH, Federal Employer Identification # 20-1398918)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2005: Caidan Enterprises, Inc. 100%

Caidan Management Company, Inc. (MI, Federal Employer Identification # 36-4559356)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2005: Caidan Enterprises, Inc. 100%

**SCHEDULE Y - INFORMATION CONCERNING
MEMBERS OF A HOLDING COMPANY
PART 1 - ORGANIZATIONAL CH**

Meridian Health Plan, Inc. (IL, Federal Employer Identification #20-3209671)

Organization Governance and Ownership Structure:

Equity Shareholders

Board of Directors

Shareholders at December 31, 2005: Caidan Enterprises, Inc. 100%

Health Management, Inc. (common ownership with Health Plan of Michigan, Inc. majority stockholder)

(Federal Employer Identification # 38-3360283)

Shareholders at December 31, 2005: D. Cotton, M.D. 100%