



HEALTH QUARTERLY STATEMENT

AS OF MARCH 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
MCARE INC.

NAIC Group Code 3414 3414 NAIC Company Code 95449 Employer's ID Number 38-2649504
(Current) (Prior)

Organized under the Laws of _____, State of Domicile or Port of Entry Michigan

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

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

Incorporated/Organized 01/01/1986 Commenced Business 10/01/1986

Statutory Home Office 2301 Commonwealth Blvd., Ann Arbor , MI 48105
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 2301 Commonwealth Blvd.
(Street and Number)
Ann Arbor , MI 48105 734-747-8700
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 2301 Commonwealth Blvd., Ann Arbor , MI 48105
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 2301 Commonwealth
(Street and Number)
Ann Arbor , MI 48105 734-747-8700
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.mcare.net

Statutory Statement Contact Susan M. Agnew, 734-332-2500
(Name) (Area Code) (Telephone Number)
sagnew@mcare.med.umich.edu, 734-332-2177
(E-mail Address) (FAX Number)

Policyowner Relations Contact 2301 Commonwealth Blvd.
(Street and Number)
Ann Arbor , MI 48105 734-913-2211
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

OFFICERS

President Zelda Geyer-Sylvia Treasurer Douglas L. Strong
Secretary Larry Warren Actuary Gregory A. Hawkins

OTHER

DIRECTORS OR TRUSTEES

Zelda Geyer-Sylvia Sally Joy Robert P. Kelch M.D.
Jean M. Malouin M.D. Richard C. Petrocelli Timothy P. Slottow
Douglas L. Strong Larry Warren Miriam Weinger
James O. Wolliscroft M.D. James R. Dietz Darrell A. Campbell Jr.,M.D.

State of Michigan SS:
County of Washtenaw

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

Zelda Geyer-Sylvia
Executive Director

Larry Warren
Secretary

Douglas L. Strong
Treasurer

Subscribed and sworn to before me this _____ day of _____

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

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

ASSETS

	Current Statement Date			4 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	8,834,611		8,834,611	10,866,289
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	39,887,014		39,887,014	38,654,593
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$(6,531,247)), cash equivalents (\$19,870,460), and short-term investments (\$59,460,425)	72,799,639		72,799,639	75,888,030
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets	2,197,763		2,197,763	2,058,471
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	123,719,027	0	123,719,027	127,467,383
11. Title plants less \$ charged off (for Title insurers only)			0	
12. Investment income due and accrued	487,673		487,673	466,059
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	4,930,940	72,521	4,858,419	1,545,630
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	1,576,406	977,242	599,164	537,764
19. Furniture and equipment, including health care delivery assets (\$)	314,673	314,673	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	1,760,511		1,760,511	1,538,747
22. Health care (\$) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	8,121,803	8,121,803	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	140,911,033	9,486,239	131,424,794	131,555,583
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	140,911,033	9,486,239	131,424,794	131,555,583
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses	7,324,472	7,324,472	0	
2302. Leasehold Improvements	797,331	797,331	0	
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	8,121,803	8,121,803	0	0

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	35,467,245		35,467,245	36,223,374
2. Accrued medical incentive pool and bonus amounts	19,201,273		19,201,273	20,605,727
3. Unpaid claims adjustment expenses	1,113,320		1,113,320	1,113,320
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	9,359,533		9,359,533	7,343,009
9. General expenses due or accrued	3,501,835		3,501,835	3,778,673
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates			0	0
16. Payable for securities	3,704,559		3,704,559	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	72,347,765	0	72,347,765	69,064,103
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		
25. Preferred capital stock	XXX	XXX		
26. Gross paid in and contributed surplus	XXX	XXX	0	
27. Surplus notes	XXX	XXX	3,331,446	3,831,446
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	55,745,583	58,660,034
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	59,077,029	62,491,480
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	131,424,794	131,555,583
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198)(Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months	XXX	548,208	548,555
2. Net premium income (including \$ non-health premium income)	XXX	115,053,740	109,349,115
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of \$ medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	115,053,740	109,349,115
Hospital and Medical:			
9. Hospital/medical benefits		82,561,654	75,636,334
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area		502,045	762,110
13. Prescription drugs		15,078,502	12,766,064
14. Aggregate write-ins for other hospital and medical	0	6,345,328	7,253,777
15. Incentive pool, withhold adjustments and bonus amounts		665,236	2,433,805
16. Subtotal (Lines 9 to 15)	0	105,152,765	98,852,090
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	105,152,765	98,852,090
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$416,217 cost containment expenses		829,126	
21. General administrative expenses		7,512,742	8,435,745
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)	0	113,494,633	107,287,835
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	1,559,107	2,061,280
25. Net investment income earned		853,343	300,622
26. Net realized capital gains (losses) less capital gains tax of \$		(74,384)	(66,323)
27. Net investment gains (losses) (Lines 25 plus 26)	0	778,959	234,299
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	2,338,066	2,295,579
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	2,338,066	2,295,579
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Durable Medical Equipment and Other		3,766,281	7,054,766
1402. Mental Health		2,579,047	199,011
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498)(Line 14 above)	0	6,345,328	7,253,777
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year to Date	Prior Year to Date	Prior Year
CAPITAL AND SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year.....	62,491,476	51,487,412	51,487,412
GAINS AND LOSSES TO CAPITAL & SURPLUS:			
34. Net income or (loss) from Line 32.....	2,338,066	2,295,579	10,361,220
35. Change in valuation basis of aggregate policy and claim reserves			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(933,281)	1,055,494	1,295,786
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax			
39. Change in nonadmitted assets	(4,319,233)	(373,847)	(144,162)
40. Change in unauthorized reinsurance	0		0
41. Change in treasury stock	0		0
42. Change in surplus notes	(500,000)		(500,000)
43. Cumulative effect of changes in accounting principles.....	0		(8,780)
44. Capital Changes:			
44.1 Paid in	0		0
44.2 Transferred from surplus (Stock Dividend).....	0		0
44.3 Transferred to surplus.....			
45. Surplus adjustments:			
45.1 Paid in	0		0
45.2 Transferred to capital (Stock Dividend)			
45.3 Transferred from capital			
46. Dividends to stockholders			
47. Aggregate write-ins for gains or (losses) in surplus	0	0	0
48. Net change in capital & surplus (Lines 34 to 47)	(3,414,448)	2,977,226	11,004,064
49. Capital and surplus end of reporting period (Line 33 plus 48)	59,077,028	54,464,638	62,491,476
DETAILS OF WRITE-INS			
4701. 0			0
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798)(Line 47 above)	0	0	0

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	113,735,615	438,620,570
2. Net investment income	831,729	1,873,678
3. Miscellaneous income	0	0
4. Total (Lines 1 to 3)	114,567,344	440,494,248
5. Benefit and loss related payments	107,313,348	408,432,317
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	8,618,706	34,299,943
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	115,932,054	442,732,260
11. Net cash from operations (Line 4 minus Line 10)	(1,364,710)	(2,238,012)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	63,361	14,457,701
12.2 Stocks	2,000,000	15,769,321
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	3,716,040	395,385
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,779,401	30,622,407
13. Cost of investments acquired (long-term only):		
13.1 Bonds	147,674	1,591,581
13.2 Stocks	2,254,521	38,962,679
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	20,350	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,422,545	40,554,260
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	3,356,856	(9,931,853)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(500,000)	(500,000)
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(4,580,538)	(1,639,826)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(5,080,538)	(2,139,826)
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)	(3,088,392)	(14,309,691)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	75,888,030	90,197,721
19.2 End of period (Line 18 plus Line 19.1)	72,799,638	75,888,030

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

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STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	183,355	522	175,158	0	0	0	7,675	0	0	0	0	0	0
2. First Quarter	184,002	356	175,966				7,680						
3. Second Quarter	0												
4. Third Quarter	0												
5. Current Year	0												
6. Current Year Member Months	548,208	1,068	523,849				23,291						
Total Member Ambulatory Encounters for Period:													
7. Physician	164,093		164,093										
8. Non-Physician	110,003		110,003										
9. Total	274,096	0	274,096	0	0	0	0	0	0	0	0	0	0
10. Hospital Patient Days Incurred	9,503		9,503										
11. Number of Inpatient Admissions	2,823		2,823										
12. Health Premiums Written	115,206,866		110,098,774				5,108,092						
13. Life Premiums Direct	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	115,206,866		110,098,774				5,108,092						
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services.....	107,313,348		105,862,698				1,450,650						
18. Amount Incurred for Provision of Health Care Services	105,152,765		103,209,048				1,943,717						

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	26,523,356	77,269,652	4,796,011	30,881,554	31,319,367	36,926,047
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan	358,620	1,092,030		839,987	358,620	346,920
6. Title XVIII - Medicare			63,013		63,013	63,727
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	26,881,976	78,361,682	4,859,024	31,721,541	31,741,000	37,336,694
10. Healthcare receivables (a)					0	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	2,069,690		18,010,803	1,190,470	20,080,493	20,605,727
13. Totals	28,951,666	78,361,682	22,869,827	32,912,011	51,821,493	57,942,421

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

THE UNIVERSITY OF MICHIGAN
M-CARE

Notes to Statutory Filing
December 31, 2004 and 2003

During the 1st Quarter, M-CARE paid \$500,000 of principal on surplus note payable #11.

THERE WERE NO OTHER SIGNIFICANT CHANGES FROM THE 12/31/2004 FILING AS STATED BELOW

Note 1—Operations and Summary of Significant Accounting Policies

Organization and Basis of Presentation: The Regents of The University of Michigan (“University”) have the ultimate responsibility for M-CARE (“the Corporation”), and as part of the University, the financial statements of the Corporation are included in the combined financial statements of the University. As part of the University, the Corporation is a tax-exempt entity under the provisions of section 501(c)(4) of the Internal Revenue Code. The Corporation is regulated and licensed by the State of Michigan Office of Financial and Insurance Services (“OFIS”) and must submit periodic filings under rules promulgated by the State of Michigan. The Corporation was established by the University for the purpose of operating a health maintenance organization and in connection therewith, utilizes assets, the title to which is vested in the University.

On September 25, 2002, the Corporation established a wholly owned, not for profit Health Maintenance Organization (“HMO”) subsidiary named M-CAID to contract directly with the State of Michigan to administer Medicaid products. M-CAID received its certificate of authority on November 13, 2002 and operations began January 1, 2003.

In February 2004, the Corporation formed a new subsidiary, Michigan Health Insurance Company. This entity was formed for the purpose of expanding the Corporation’s product lines to include insured and self funded PPO products. Sales of the PPO product began in April 2004. The PPO is a taxable entity.

Summary of Significant Accounting Policies: The financial statements have been prepared in accordance with the National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual except to the extent that the laws of the State of Michigan differ. The State of Michigan adopted codification guidance effective January 1, 2003.

Cash and Short-Term Investments: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. Short term investments are stated at amortized cost using the effective yield method.

Investments: Bonds are stated at amortized cost using the effective yield method.

Equipment and Improvements: Equipment and improvements are stated at cost. Depreciation of furniture and equipment and amortization of improvements are calculated on the straight-line basis over the estimated useful lives of the assets.

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

Premiums: Premium revenues are recognized as revenue in the period in which the member is entitled to service. Premiums collected prior to the effective date of coverage are classified as unearned subscription income.

Health Expense: The Corporation contracts with various health care providers for the provision of medical care services to its subscribers. The Corporation compensates providers under capitation and fee-for-service arrangements. Expenses for health care services are accrued as they are rendered, including an estimate of claims unpaid.

Health Liability: Claims unpaid and unpaid adjustment expenses represent management's best estimate of ultimate costs of all reported and unreported claims incurred through December 31. The liability for claims unpaid and unpaid adjustment expenses are estimated using individual case-basis valuations, statistical analyses and prior experience adjusted for current trends. Those estimates are subject to the effects of trends in cost and utilization of health care services. Although considerable variability is inherent in such estimates, management believes that the liability for claims unpaid and unpaid adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Estimates: The preparation of financial statements in conformity with the Annual Statement Instructions and *Accounting Practices and Procedures* manual 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Accounting Changes and Corrections of Errors

The Corporation prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2003, the State of Michigan required that HMO's in the State prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual are reported as change in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to surplus in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Corporation reported a change of accounting principle, as an adjustment that decreased surplus of \$816,000 as of January 1, 2003. At December 31, 2004, the valuation of the investments was changed to amortized cost from fair value resulting in a change in accounting principle of \$9,000.

Note 3 – Business Combinations and Goodwill

This note does not apply to the Corporation in this period.

Note 4 – Discontinued Operations

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

The Corporation discontinued operations in Medicaid after December 31, 2002. At January 1, 2003, all Medicaid operations were included under the newly formed entity M-CAID.

The Corporation discontinued operations in Medicare as of December 31, 2003. The effect of the discontinued operations on the financial statements is estimated to be immaterial and accrued for in claims payable at December 31, 2003.

Note 5 – Investments

The Corporation had no investments in mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements, or real estate.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

The Corporation has no investments in Joint Ventures, Partnerships or Limited Liability Companies at December 31, 2004 and 2003.

Note 7 – Investment Income

No amount of investment income receivable was excluded.

Note 8 – Derivative Instruments

This note does not apply to the Corporation in this period.

Note 9 – Income Taxes

The Corporation is a not-for-profit 501(C)(4) corporation, and is not subject to federal, state, or local income taxes.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

Subscription premiums of approximately \$126,699,000 in 2004 and \$110,709,000 in 2003 were derived through group contracts with the University.

Health care expenses of \$185,218,000 in 2004 and \$147,178,000 in 2003 were incurred for services received by the Corporation's subscribers as a result of contractual arrangements with the University of Michigan Hospitals and Health Centers and Faculty Group Practice. As a result of the health care expense transactions, the corresponding amounts due to the University at December 31, 2004 and 2003 were \$14,078,000 and \$19,270,000, respectively.

The Corporation's staff are employees of the University. The Corporation reimburses the University for payroll, fringe benefits, payroll taxes and payroll processing costs amounting to \$24,556,000 and \$23,452,000 in 2004 and 2003, respectively.

During 2003, the Corporation invested an additional \$700,000 in M-CAID, a wholly owned subsidiary HMO. Starting in 2003, M-CAID recorded all revenue and expense transactions related the Corporation's Medicaid product. M-CAID files a separate statutory report and its asset's value is stated at M-CAID's statutory capital and surplus balance, and is reported in other invested assets.

During 2004, the Corporation invested \$10,000,000 in Michigan Health Insurance Company ("MHIC"). This for-profit entity was formed for the purpose of expanding the Corporation's product lines to include insured and self funded PPO products. Sales of the PPO product began in April 2004. MHIC files a separate statutory report and its asset's value is stated at MHIC's statutory capital and surplus balance, and is recorded in common stocks.

Note 11 – Debt: Surplus Note Payable

Interest on the Corporation's subordinated note payable to the University is computed annually based on the lesser of 7 percent or the interest yield on long-term Treasury Notes at December 31, each year. Interest rates ranged from 3.8 percent to 4.7 percent for 2004 and 3.32 percent to 4.45 percent for 2003. Annual principal payments plus interest are subject to approval by the Corporation's Board of Directors and the OFIS and are subordinate to the payment of administrative and health care costs. Accumulated interest payable to the University on the note payable totaled \$133,000 and \$368,000 at December 31, 2004 and 2003, respectively. Principal payments of \$500,000 were made on the subordinated note in 2004, none in 2003. Interest payments totaling \$411,000 and \$1,343,000 were paid in 2004 and 2003, respectively.

Note 12 – Retirement Plan, Postemployment Benefits

The Corporation's staff participates in the University retirement plan, a defined contribution retirement plan through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), and Fidelity Management Trust Company (FMTC) for all qualified employees. All primary staff are eligible to participate in the plan of their choice based on age and service requirements. Participants maintain individual annuity contracts with TIAA-CREF or accounts with FMTC, and are fully vested. Eligible employees generally contribute 5 percent of their pay and the University generally contributes an amount equal to 10 percent of employees' pay to the plan. Participants may elect to contribute additional amounts to the plan within specified limits, which are not matched by University contributions.

In addition to providing retirement income benefits, the University and the Corporation provide certain health care and other post-employment benefits for retired employees. Substantially all of the University's employees may become eligible for those benefits if they reach retirement age while working for the University.

Health care benefits for retirees and survivors are provided through insurance companies and health maintenance organizations, whose premiums are based in part on the benefits paid. The University and the Corporation recognize the cost of providing these benefits on a pay-as-you-go basis.

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

The Corporation is wholly owned by the University. There are no shares of stock authorized or issued.

Note 14 – Contingencies

This note does not apply to the Corporation in this period.

Note 15 – Leases

Total rental expense for operating leases for office space was \$3,065,000 in 2004 and \$2,796,000 in 2003. The future minimum rental payments at December 31, 2004, required in connection with operating leases that have initial or remaining non-cancelable terms in excess of one year, are as follows (in thousands):

2005	\$ 3,163
2006	3,218
2007	3,171
2008	2,309
Thereafter	<u>2,897</u>
	<u>\$ 14,758</u>

Note 16 – Financial Instruments with Off - Balance Sheet Risk

This note does not apply to the Corporation in this period.

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

This note does not apply to the Corporation in this period.

Note 18 – Gain or Loss from Uninsured Plans

This note does not apply to the Corporation in this period.

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

This note does not apply to the Corporation in this period.

Note 20 – September 11 Events

This note does not apply to the Corporation in this period.

Note 21 – Other Items

This note does not apply to the Corporation in this period.

Note 22 – Events Subsequent

This note does not apply to the Corporation in this period.

Note 23 – Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ()

No (X)

If yes, give full details.

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ()

No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ()

No (X)

- a. a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate \$N/A.

- b. b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement?
\$N/A.

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ()

No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0.
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?
 Yes ()
 No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$N/A

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Corporation had an immaterial amount of accrued retrospective premium adjustments. In 2004 and 2003, the amount of premiums earned by the Corporation that were subject to retrospective rating was \$19,511,666 and \$21,611,201, which represented 4% and 5% of total premium revenues, respectively. Such amounts represent premiums earned from the Federal Employee Health Benefit Plan.

Note 25 – Change in Incurred Claims and Claim Adjustment Expenses

Changes in accrued health care expenses for the years ended December 31, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
	(in thousands)	
Accrued health care expenses, beginning of year	\$ <u>69,135</u>	\$ <u>80,319</u>
Incurred related to:		
Current year	406,458	427,344
Prior years	<u>(8,709)</u>	<u>(11,471)</u>
Total incurred	<u>397,749</u>	<u>415,873</u>
Paid related to:		
Current year	(354,599)	(361,003)
Prior years	<u>(54,343)</u>	<u>(66,054)</u>
Total paid	<u>(408,942)</u>	<u>(427,057)</u>
Accrued health care expenses, end of year	<u>\$ 57,942</u>	<u>\$ 69,135</u>

The liability for accrued health care expenses includes the Corporation's estimate of the total remaining liability for reported and unreported claims. The method of making such estimates and for establishing the resultant reserves is continually reviewed and updated, and any adjustments resulting

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

there from are reflected in expense currently. 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. The 2004 and 2003 health care services expenses include the impact of favorable changes in previous years' incurred but not reported estimates of \$8,709,000 and \$11,471,000, respectively.

Note 26 – Intercompany Pooling Arrangements

This note does not apply to the Corporation in this period.

Note 27 – Structured Settlements

This note does not apply to the Corporation in this period.

Note 28 – Health Care Receivables

As all pharmaceutical rebates are received by the Corporation more than 180 days after billing, no receivables are recorded. Schedule is reported in thousands.

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
12/31/2004	\$746	\$0	\$0	\$0	\$746
9/30/2004	1,242	0	0	0	1,242
6/30/2004	0	0	0	0	0
3/30/2004	738	0	0	0	738
12/31/2003	998	0	0	0	998
9/30/2003	704	0	0	0	704
6/30/2003	459	0	0	0	459
3/31/2003	621	0	0	0	621
12/31/2002	587	0	0	0	587
9/30/2002	674	0	0	0	674
6/30/2002	615	0	0	0	615
3/31/2002	691	0	0	0	691

Note 29 – Participating Policies

This note does not apply to the Corporation in this period.

Note 30 – Premium Deficiency Reserves

This note does not apply to the Corporation in this period.

Note 31 – Anticipated Salvage and Subrogation

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

This note does not apply to the Corporation in this period.

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

GENERAL INTERROGATORIES

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

**PART 1 - COMMON INTERROGATORIES
GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes that would require disclosure in the Notes to the Financial Statements? Yes [] No [X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 2.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 4. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of 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. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [] N/A [X]
If yes, attach an explanation.
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2003
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 08/30/2001
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 08/30/2001
- 7.4 By what department or departments? OFIS
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]
- 8.2 If yes, give full information:
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

GENERAL INTERROGATORIES

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 1,760,511

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes No
- 11.2 If yes, explain:
- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes No

- 12.2 If yes, give full and complete information relating thereto:
13. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$
14. Amount of real estate and mortgages held in short-term investments: \$
- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No
- 15.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
15.21 Bonds	\$	\$
15.22 Preferred Stock	\$	\$
15.23 Common Stock	\$ 9,627,609	\$ 9,387,466
15.24 Short-Term Investments	\$	\$
15.25 Mortgage Loans on Real Estate	\$	\$
15.26 All Other	\$ 2,058,471	\$ 2,197,763
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26)	\$ 11,686,080	\$ 11,585,229
15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above	\$	\$

- 16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No
- 16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No
If no, attach a description with this statement.
17. 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 No

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

1 Name of Custodian(s)	2 Custodian Address
Mellon Bank	135 Santilli Hwy., Everett, MA 02149

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

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

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes No
- 17.4 If yes, give full information relating thereto:

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

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

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

- 18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes No
- 18.2 If no, list exceptions:

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

SCHEDULE A - VERIFICATION

Real Estate

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

NONE**SCHEDULE B - VERIFICATION**

Mortgage Loans

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

NONE**SCHEDULE BA - VERIFICATION**

Other Invested Assets Included in Schedule BA

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	2,058,471	2,064,064
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		
2.2. Additional investment made after acquisitions		
3. Accrual of discount		
4. Increase (decrease) by adjustment	139,292	(5,593)
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		0
9. Book/adjusted carrying value of long-term invested assets at end of current period	2,197,763	2,058,471
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	2,197,763	2,058,471
12. Total nonadmitted amounts		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	2,197,763	2,058,471

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	49,520,883	37,835,866
2. Cost of bonds and stocks acquired	2,402,195	40,554,262
3. Accrual of discount		10,578
4. Increase (decrease) by adjustment	(1,084,054)	1,211,110
5. Increase (decrease) by foreign exchange adjustment		0
6. Total profit (loss) on disposal	(54,034)	136,089
7. Consideration for bonds and stocks disposed of	2,063,361	30,227,022
8. Amortization of premium		0
9. Book value/adjusted carrying value, current period	48,721,629	49,520,883
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	48,721,629	49,520,883
12. Total nonadmitted amounts		
13. Statement value	48,721,629	49,520,883

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	51,788,643	124,173,923	112,851,884	(200,810)	62,909,872	0	0	51,788,643
2. Class 2	7,053,284	725,137	2,322,871	(70,383)	5,385,167	0	0	7,053,284
3. Class 3	0				0	0	0	0
4. Class 4	0				0	0	0	0
5. Class 5	0				0	0	0	0
6. Class 6	0				0	0	0	0
7. Total Bonds	58,841,927	124,899,060	115,174,755	(271,193)	68,295,039	0	0	58,841,927
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	58,841,927	124,899,060	115,174,755	(271,193)	68,295,039	0	0	58,841,927

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year-to-Date	Paid for Accrued Interest Year-to-Date
8299999 Totals	59,460,425	XXX	49,341,873	543,199	(29,049)

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	47,975,637	68,629,436
2. Cost of short-term investments acquired	124,751,386	473,035,003
3. Increase (decrease) by adjustment	(10,454,241)	(30,787,788)
4. Increase (decrease) by foreign exchange adjustment		0
5. Total profit (loss) on disposal of short-term investments		0
6. Consideration received on disposal of short-term investments	102,812,356	462,901,014
7. Book/adjusted carrying value, current period	59,460,426	47,975,637
8. Total valuation allowance		0
9. Subtotal (Lines 7 plus 8)	59,460,426	47,975,637
10. Total nonadmitted amounts		0
11. Statement value (Lines 9 minus 10)	59,460,426	47,975,637
12. Income collected during period	543,199	1,780,072
13. Income earned during period	582,885	1,833,537

Schedule DB - Part F - Section 1

N O N E

Schedule DB - Part F - Section 2

N O N E

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

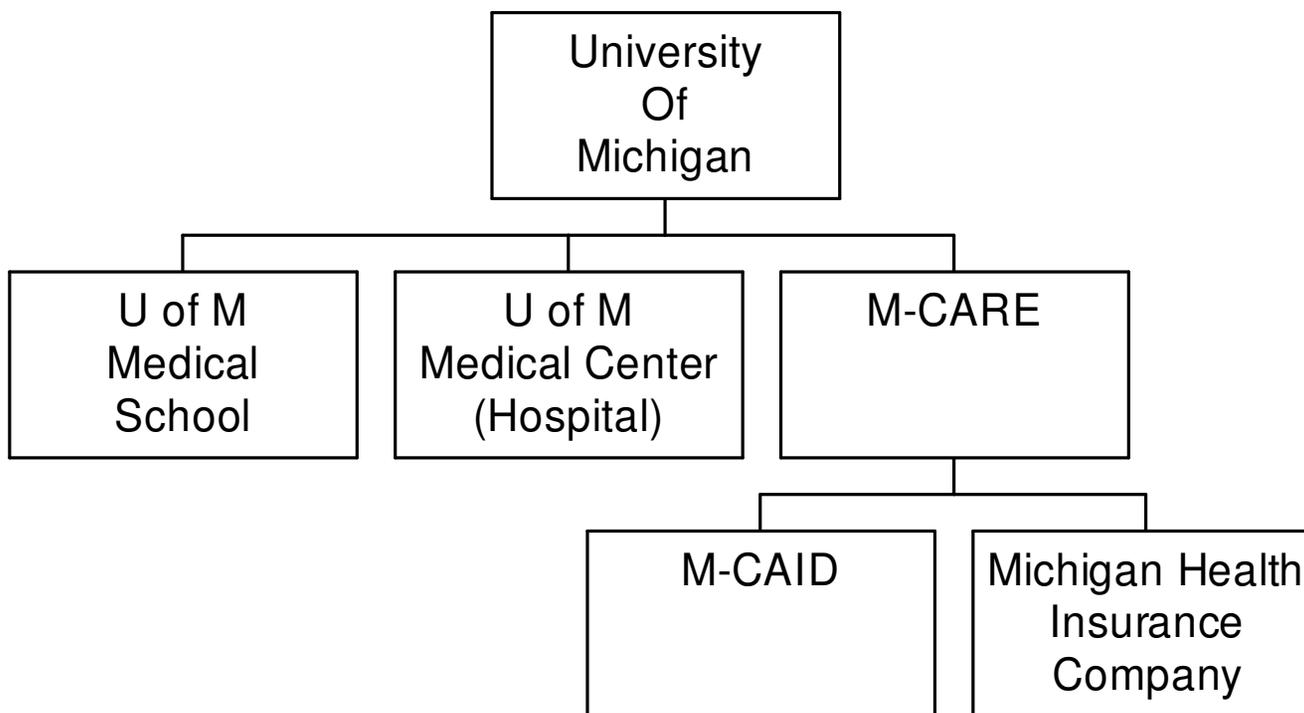
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only Year To Date					8 Property/ Casualty Premiums
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	
1. Alabama AL		NO						
2. Alaska AK		NO						
3. Arizona AZ		NO						
4. Arkansas AR		NO						
5. California CA		NO						
6. Colorado CO		NO						
7. Connecticut CT		NO						
8. Delaware DE		NO						
9. District of Columbia DC		NO						
10. Florida FL		NO						
11. Georgia GA		NO						
12. Hawaii HI		NO						
13. Idaho ID		NO						
14. Illinois IL		NO						
15. Indiana IN		NO						
16. Iowa IA		NO						
17. Kansas KS		NO						
18. Kentucky KY		NO						
19. Louisiana LA		NO						
20. Maine ME		NO						
21. Maryland MD		NO						
22. Massachusetts MA		NO						
23. Michigan MI		YES	110,098,774			5,108,092		
24. Minnesota MN		NO						
25. Mississippi MS		NO						
26. Missouri MO		NO						
27. Montana MT		NO						
28. Nebraska NE		NO						
29. Nevada NV		NO						
30. New Hampshire NH		NO						
31. New Jersey NJ		NO						
32. New Mexico NM		NO						
33. New York NY		NO						
34. North Carolina NC		NO						
35. North Dakota ND		NO						
36. Ohio OH		NO						
37. Oklahoma OK		NO						
38. Oregon OR		NO						
39. Pennsylvania PA		NO						
40. Rhode Island RI		NO						
41. South Carolina SC		NO						
42. South Dakota SD		NO						
43. Tennessee TN		NO						
44. Texas TX		NO						
45. Utah UT		NO						
46. Vermont VT		NO						
47. Virginia VA		NO						
48. Washington WA		NO						
49. West Virginia WV		NO						
50. Wisconsin WI		NO						
51. Wyoming WY		NO						
52. American Samoa AS		NO						
53. Guam GU		NO						
54. Puerto Rico PR		NO						
55. U.S. Virgin Islands VI		NO						
56. Canada CN		NO						
57. Aggregate Other Aliens OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal	XXX	XXX	110,098,774	0	0	5,108,092	0	0
59. Reporting Entity Contributions for Employee Benefit Plans	XXX	XXX						
60. Totals (Direct Business)	XXX	(a) 1	110,098,774	0	0	5,108,092	0	0
DETAILS OF WRITE-INS								
5701.								
5702.								
5703.								
5798. Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0	0	0
5799. Totals (Lines 5701 through 5703 plus 5798)(Line 57 above)			0	0	0	0	0	0

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

Organization Chart



STATEMENT AS OF MARCH 31, 2005 OF THE MCARE
OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

N O N E

Schedule A - Part 3

N O N E

Schedule B - Part 1

N O N E

Schedule B - Part 2

N O N E

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets Acquired During the Current Quarter

1 CUSIP Identification	2 Number of Units and Description	Location		5 Name of Vendor	6 NAIC Designation	7 Date Acquired	8 Actual Cost	9 Amount of Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 SVO Assigned Value	12 Increase (Decrease) by Adjustment	13 Increase (Decrease) by Foreign Exchange Adjustment	
		3 City	4 State										
	Investment in M-CAID, trust	Detroit	MI	JP Morgan		10/01/2002	1,750,000		2,197,763		139,292		
3099999. Any Other Class of Admitted Assets - Affiliated							1,750,000	0	2,197,763	0	139,292	0	
3199999. Total - Unaffiliated							0	0	0	0	0	0	0
3299999. Total - Affiliated							1,750,000	0	2,197,763	0	139,292	0	
3399999 - Totals							1,750,000	0	2,197,763	0	139,292	0	

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1 Number of Units and Description	Location		4 Name of Purchaser or Nature of Disposition	5 Date Acquired	6 Book/Adjusted Carrying Value Less Encumbrances Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book/Adjusted Carrying Value Less Encumbrances at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2 City	3 State										
NONE												
3399999 - Totals												

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Desig- nation or Market Indicator (a)	
681937-51-2	One Group Treasury Only Money Market Fund		.01/18/2005	JP Morgan Trust Company		9,184	9,184			
681937-51-2	One Group Treasury Only Money Market Fund		.02/01/2005	JP Morgan Trust Company		97	97			
481240-37-5	JPM US Treasury Security Money Market		.02/02/2005	JP Morgan Trust Company		63,361	63,361			
481240-37-5	JPM US Treasury Security Money Market		.03/01/2005	JP Morgan Trust Company		104	104			
0399999. Bonds - U.S. Governments										
704329-20-0	PAYDEN&RYGEL INV GROUP SHORT		.01/31/2005	Mellon Bank		72,746	72,746	0	XXX	
704329-20-0	PAYDEN&RYGEL INV GROUP SHORT		.02/28/2005	Mellon Bank		26,034	2,572			
704329-20-0	PAYDEN&RYGEL INV GROUP SHORT		.03/31/2005	Mellon Bank		26,056	2,582			
704329-20-0	PAYDEN&RYGEL INV GROUP SHORT					22,838	2,277			
4599999. Bonds - Industrial and Miscellaneous										
6099997. Total - Bonds - Part 3							147,674	80,178	0	XXX
6099998. Total - Bonds - Part 5							XXX	XXX	XXX	XXX
6099999. Total - Bonds							147,674	80,178	0	XXX
6599997. Total - Preferred Stocks - Part 3							0	XXX	0	XXX
6599998. Total - Preferred Stocks - Part 5							XXX	XXX	XXX	XXX
6599999. Total - Preferred Stocks							0	XXX	0	XXX
140193-10-3	American Funds CIB		.03/18/2005	Mellon Bank	4,834,200	254,521				
140193-10-3	American Funds CIB		.03/01/2005	Mellon Bank	37,593,990	2,000,000				
7099999. Mutual Funds										
7299997. Total - Common Stocks - Part 3							2,254,521	XXX	0	XXX
7299998. Total - Common Stocks - Part 5							XXX	XXX	XXX	XXX
7299999. Total - Common Stocks							2,254,521	XXX	0	XXX
7399999. Total - Preferred and Common Stocks							2,254,521	XXX	0	XXX
7499999 - Totals							2,402,195	XXX	0	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

STATEMENT AS OF MARCH 31, 2005 OF THE MCARE

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change In Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	For- eign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid- eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amor- tization)/ Accretion	Current Year's Other Than Temporary Impairment Recogn- ized	Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13)	Total Foreign Exchange Change in Book /Adjusted Carrying Value	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Desig- nation or Market In- dicator (a)	
681937-51-2	One Group Treasury Only Money Market Fund		02/22/2005	JP Morgan Trust Company		63,361	63,361	63,361	63,361	0	0	0	0	0	63,361	0	0	0	0	0	XXX	XXX
4599999	Bonds - Industrial and Miscellaneous					63,361	63,361	63,361	63,361	0	0	0	0	0	63,361	0	0	0	0	0	XXX	XXX
6099997	Total - Bonds - Part 4					63,361	63,361	63,361	63,361	0	0	0	0	0	63,361	0	0	0	0	0	XXX	XXX
6099998	Total - Bonds - Part 5					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6099999	Total - Bonds					63,361	63,361	63,361	63,361	0	0	0	0	0	63,361	0	0	0	0	0	XXX	XXX
6599997	Total - Preferred Stocks - Part 4					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
6599998	Total - Preferred Stocks - Part 5					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6599999	Total - Preferred Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
704329-20-0	Payden & Rygel Inv Group Short		02/28/2005	Mellon Bank	198,216,000	2,000,000		2,054,034	2,054,034	0	0	0	0	0	2,054,034	0	(54,034)	(54,034)	0	0	XXX	XXX
6899999	Common Stocks - Industrial and Miscellaneous					2,000,000	XXX	2,054,034	2,054,034	0	0	0	0	0	2,054,034	0	(54,034)	(54,034)	0	0	XXX	XXX
7299997	Total - Common Stocks - Part 4					2,000,000	XXX	2,054,034	2,054,034	0	0	0	0	0	2,054,034	0	(54,034)	(54,034)	0	0	XXX	XXX
7299998	Total - Common Stocks - Part 5					XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7299999	Total - Common Stocks					2,000,000	XXX	2,054,034	2,054,034	0	0	0	0	0	2,054,034	0	(54,034)	(54,034)	0	0	XXX	XXX
7399999	Total - Preferred and Common Stocks					2,000,000	XXX	2,054,034	2,054,034	0	0	0	0	0	2,054,034	0	(54,034)	(54,034)	0	0	XXX	XXX
7499999	Totals					2,063,361	XXX	2,117,395	2,117,395	0	0	0	0	0	2,117,395	0	(54,034)	(54,034)	0	0	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues.....

Schedule DB - Part A - Section 1

N O N E

Schedule DB - Part B - Section 1

N O N E

Schedule DB - Part C - Section 1

N O N E

Schedule DB - Part D - Section 1

N O N E

