



**HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2006  
OF THE CONDITION AND AFFAIRS OF THE**

**Priority Health Government Programs, Inc.**

NAIC Group Code 3383 3383 NAIC Company Code 11520 Employer's ID Number 32-0016523  
(Current Period) (Prior Period)

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

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ]  
Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [ X ]  
Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized 06/03/2002 Commenced Business 10/01/2002

Statutory Home Office 1231 East Beltline NE, Grand Rapids, MI 49525-4501  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1231 East Beltline  
(Street and Number)  
Grand Rapids, MI 49525-4501 616-464-8325  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1231 East Beltline NE, Grand Rapids, MI 49525-4501  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1231 East Beltline  
(Street and Number)  
Grand Rapids, MI 49525-4501 616-464-8926  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.priority-health.com

Statutory Statement Contact Kristy L. Shoemaker 616-464-8926  
(Name) (Area Code) (Telephone Number) (Extension)  
Kristy.Shoemaker@priority-health.com 616-942-7916  
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Policyowner Relations Contact 1231 East Beltline NE  
(Street and Number)  
Grand Rapids, MI 49525-4501 888-975-8102  
(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

**OFFICERS**

Name	Title	Name	Title
<u>Kimberly K Horn</u>	<u>Chief Executive Officer</u>	<u>Marc Kole #</u>	<u>Interim Chief Financial Officer</u>
<u>Judith W Hooyenga</u>	<u>Secretary</u>		

**OTHER OFFICERS**

James F Byrne, Vice President

**DIRECTORS OR TRUSTEES**

<u>Marc Kole #</u>	<u>Kimberly K Horn</u>	<u>James S Slubowski #</u>	<u>James F Byrne</u>
<u>Neill P Gage #</u>			

State of Michigan

County of Kent

ss

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.

Kimberly K Horn  
Chief Executive Officer

Marc Kole  
Interim Chief Financial Officer

Judith W Hooyenga  
Secretary

Subscribed and sworn to before me this  
28th day of February, 2007

- 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 \_\_\_\_\_

Cheryl Britcher  
Executive Administrative Assistant  
12/30/2011

**ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	.0	.0	.0	.0
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks .....	.0		.0	.0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....	.0	.0	.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 (\$ .....7,963,103 , Schedule E, Part 1), cash equivalents (\$ .....0 , Schedule E, Part 2) and short-term investments (\$ .....8,861,901 , Schedule DA).....	16,825,004		16,825,004	15,266,107
6. Contract loans, (including \$ .....premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0	.0
8. Receivables for securities .....	.0	.0	.0	360,000
9. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	16,825,004	.0	16,825,004	15,626,107
11. Title plants less \$ .....charged off (for Title Insurers only) .....			.0	.0
12. Investment income due and accrued .....	94,573	.0	94,573	48,522
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	12,227	.0	12,227	259,282
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premium).....			.0	.0
13.3 Accrued retrospective premium.....			.0	.0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....	.0		.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	.0
18. Electronic data processing equipment and software .....	.0		.0	.0
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates .....	73,542	.0	73,542	474,131
22. Health care (\$ .....1,886,953 ) and other amounts receivable.....	1,886,953	.0	1,886,953	676,422
23. Aggregate write-ins for other than invested assets .....	.0	.0	.0	.0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	18,892,299	.0	18,892,299	17,084,464
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
26. Total (Lines 24 and 25)	18,892,299	0	18,892,299	17,084,464
<b>DETAILS OF WRITE-INS</b>				
0901. Prepaid Expenses.....	.0	.0	.0	.0
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. ....				
2302. ....				
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)	0	0	0	0

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....0 reinsurance ceded)	7,348,662	0	7,348,662	8,136,176
2. Accrued medical incentive pool and bonus amounts	866,186	0	866,186	654,289
3. Unpaid claims adjustment expenses	116,985	0	116,985	166,044
4. Aggregate health policy reserves	0	0	0	2,002,594
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	168,320		168,320	14,664
9. General expenses due or accrued	321,701		321,701	459,314
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	659,698		659,698	631,314
16. Payable for securities	0		0	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 plans			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	9,481,552	0	9,481,552	12,064,395
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	10,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	11,750,000	8,000,000
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	1,000,000	1,000,000
29. Unassigned funds (surplus)	XXX	XXX	(3,349,253)	(4,349,931)
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ ..... )	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25 \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	9,410,747	4,660,069
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	18,892,299	16,724,464
<b>DETAILS OF WRITE-INS</b>				
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. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
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	1,000,000	1,000,000

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	578,886	520,658
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	91,267,243	79,986,656
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	(4,937,675)	(4,451,897)
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	86,329,568	75,534,759
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		52,183,524	45,874,415
10. Other professional services .....		56,707	67,083
11. Outside referrals .....		3,336,717	3,089,737
12. Emergency room and out-of-area .....		6,647,271	5,428,486
13. Prescription drugs .....		16,870,043	15,084,486
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		842,245	507,595
16. Subtotal (Lines 9 to 15) .....	0	79,936,507	70,051,802
<b>Less:</b>			
17. Net reinsurance recoveries .....		0	0
18. Total hospital and medical (Lines 16 minus 17) .....	0	79,936,507	70,051,802
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ .....124,949 cost containment expenses.....		1,249,487	1,020,214
21. General administrative expenses.....		7,080,435	5,781,211
22. Increase in reserves for life and accident and health contracts (including \$ .....0 increase in reserves for life only).....		(2,002,594)	2,002,594
23. Total underwriting deductions (Lines 18 through 22) .....	0	86,263,835	78,855,821
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	65,733	(3,321,062)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		745,098	441,926
26. Net realized capital gains (losses) less capital gains tax of \$ .....			0
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	745,098	441,926
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
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	810,831	(2,879,136)
31. Federal and foreign income taxes incurred .....	XXX		0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	810,831	(2,879,136)
<b>DETAILS OF WRITE-INS</b>			
0601. QAAP Assessment.....	XXX	(4,937,675)	(4,451,897)
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	(4,937,675)	(4,451,897)
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. ....			
1402. ....			
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	0	0
2901. ....	0	0	0
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 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
33. Capital and surplus prior-reporting period .....	4,660,069	7,379,885
34. Net income or (loss) from Line 32 .....	.810,831	(2,879,136)
35. Change in valuation basis of aggregate policy and claim reserves .....		.0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....		.0
37. Change in net unrealized foreign exchange capital gain or (loss) .....		.0
38. Change in net deferred income tax .....		.0
39. Change in nonadmitted assets .....	189,847	159,320
40. Change in unauthorized reinsurance .....	.0	.0
41. Change in treasury stock .....	.0	.0
42. Change in surplus notes .....	.0	.0
43. Cumulative effect of changes in accounting principles .....		.0
44. Capital Changes:		
44.1 Paid in .....	.0	.0
44.2 Transferred from surplus (Stock Dividend) .....		.0
44.3 Transferred to surplus .....		.0
45. Surplus adjustments:		
45.1 Paid in .....	3,750,000	.0
45.2 Transferred to capital (Stock Dividend) .....	.0	.0
45.3 Transferred from capital .....		.0
46. Dividends to stockholders .....		.0
47. Aggregate write-ins for gains or (losses) in surplus .....	.0	.0
48. Net change in capital & surplus (Lines 34 to 47) .....	4,750,678	(2,719,816)
49. Capital and surplus end of reporting period (Line 33 plus 48)	9,410,747	4,660,069
<b>DETAILS OF WRITE-INS</b>		
4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	.0	.0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

## CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	89,665,360	81,875,163
2. Net investment income .....	699,047	394,685
3. Miscellaneous income .....	(4,871,361)	(4,110,190)
4. Total (Lines 1 through 3) .....	85,493,046	78,159,658
5. Benefits and loss related payments .....	79,596,528	69,402,604
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	8,516,594	6,457,668
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) .....	88,113,122	75,860,272
11. Net cash from operations (Line 4 minus Line 10) .....	(2,620,076)	2,299,386
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	0	1,025,000
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	116,099	45,327
12.7 Miscellaneous proceeds .....	360,000	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	476,099	1,070,327
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	0	0
13.2 Stocks .....	0	0
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	116,099	399,644
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	116,099	399,644
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) .....	360,000	670,683
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock .....	3,750,000	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).....	428,973	(453,077)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) .....	4,178,973	(453,077)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17) .....	1,918,897	2,516,992
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	14,906,107	12,389,115
19.2 End of year (Line 18 plus Line 19.1).....	16,825,004	14,906,107

**ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.**

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	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 Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	91,267,243	1,074,374	0	0	0	0	0	90,192,869	0	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of \$ medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	(4,937,675)	(58,125)	0	0	0	0	0	(4,879,550)	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	86,329,568	1,016,249	0	0	0	0	0	85,313,319	0	0	0	0	0
8. Hospital/medical/ benefits	52,183,524	476,685						51,706,839					XXX
9. Other professional services	56,707	180						56,527					XXX
10. Outside referrals	3,336,717	11,293						3,325,424					XXX
11. Emergency room and out-of-area	6,647,271	78,202						6,569,069					XXX
12. Prescription Drugs	16,870,043	261,857						16,608,186					XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	842,245	16,845						825,400					XXX
15. Subtotal (Lines 8 to 14)	79,936,507	845,062	0	0	0	0	0	79,091,445	0	0	0	0	XXX
16. Net reinsurance recoveries	0												XXX
17. Total hospital and medical (Lines 15 minus 16)	79,936,507	845,062	0	0	0	0	0	79,091,445	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 124,949 cost containment expenses	1,249,489	24,990						1,224,499					
20. General administrative expenses	7,080,433	141,609						6,938,824					
21. Increase in reserves for accident and health contracts	(2,002,594)	0						(2,002,594)					XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	86,263,835	1,011,661	0	0	0	0	0	85,252,174	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	65,733	4,588	0	0	0	0	0	61,145	0	0	0	0	0
<b>DETAILS OF WRITE-INS</b>													
0501. QAAP Assessment	(4,937,675)	(58,125)						(4,879,550)					XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(4,937,675)	(58,125)	0	0	0	0	0	(4,879,550)	0	0	0	0	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	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

7

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	1,076,217		1,843	1,074,374
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....	90,347,585		154,716	90,192,869
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11) .....	91,423,802	.0	156,559	91,267,243
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	91,423,802	0	156,559	91,267,243

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

**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	84,841,330	832,999						84,008,331					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	84,841,330	832,999	0	0	0	0	0	84,008,331	0	0	0	0	0
2. Paid medical incentive pools and bonuses	630,348	10,488						619,860					
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	7,348,662	44,606	0	0	0	0	0	7,304,056	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	7,348,662	44,606	0	0	0	0	0	7,304,056	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	866,186	25,986						840,200					
6. Net healthcare receivables (a)	(4,959,554)							(4,959,554)					
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	8,136,176	49,388	0	0	0	0	0	8,086,788	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	8,136,176	49,388	0	0	0	0	0	8,086,788	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	654,289	19,629	0	0	0	0	0	634,660	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	79,094,262	828,217	0	0	0	0	0	78,266,045	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	79,094,262	828,217	0	0	0	0	0	78,266,045	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	842,245	16,845	0	0	0	0	0	825,400	0	0	0	0	0

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

**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	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	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	2,376,380	14,425						2,361,955					
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	2,376,380	14,425	0	0	0	0	0	2,361,955	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	4,922,132	29,877						4,892,255					
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	4,922,132	29,877	0	0	0	0	0	4,892,255	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitulations:													
3.1. Direct	50,151	304						49,846					
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	50,151	304	0	0	0	0	0	49,846	0	0	0	0	0
4. TOTALS:													
4.1. Direct	7,348,662	44,606	0	0	0	0	0	7,304,056	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	7,348,662	44,606	0	0	0	0	0	7,304,056	0	0	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 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		
1. Comprehensive (hospital and medical) .....	55,531	777,468	308	44,298	55,839	49,388
2. Medicare Supplement .....					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums .....					0	0
6. Title XVIII - Medicare .....					0	0
7. Title XIX - Medicaid.....	8,142,567	75,865,763	50,445	7,253,611	8,193,012	8,086,788
8. Other health .....					0	0
9. Health subtotal (Lines 1 to 8).....	8,198,098	76,643,231	50,753	7,297,909	8,248,851	8,136,176
10. Healthcare receivables (a).....	247,871	3,943,251	193,782	822,520	441,653	247,871
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts .....	630,348			866,186	630,348	654,289
13. Totals (Lines 9 - 10 + 11 + 12)	8,580,575	72,699,980	(143,029)	7,341,575	8,437,546	8,542,594

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

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

**Section A – Paid Health Claims - Hospital and Medical**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.0	.0	.0	.0	.0
2. 2002 .....	.118	.152	.152	.152	.152
3. 2003 .....	XXX	392	732	732	732
4. 2004 .....	XXX	XXX	539	943	947
5. 2005 .....	XXX	XXX	XXX	1,112	1,174
6. 2006 .....	XXX	XXX	XXX	XXX	777

**Section B – Incurred Health Claims - Hospital and Medical**

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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....					
2. 2002 .....	.118	.152	.152	.152	.152
3. 2003 .....	XXX	752	732	732	732
4. 2004 .....	XXX	XXX	901	945	947
5. 2005 .....	XXX	XXX	XXX	1,160	1,174
6. 2006 .....	XXX	XXX	XXX	XXX	848

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical**

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. 2002 .....	204	.152		0.0	.152	74.5			.152	74.5
2. 2003 .....	874	732		0.0	732	83.8			732	83.8
3. 2004 .....	952	947		0.0	947	99.5			947	99.5
4. 2005 .....	997	1,174		0.0	1,174	117.8			1,174	117.8
5. 2006 .....		777		0.0	777	0.0	71	1	849	0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

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

**Section A - Paid Health Claims - Title XIX Medicaid**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.0	.0	.0	.0	
2. 2002 .....	5,082	7,894	7,901	7,900	7,900
3. 2003 .....	XXX	29,514	34,379	34,388	34,390
4. 2004 .....	XXX	XXX	43,724	47,980	47,991
5. 2005 .....	XXX	XXX	XXX	60,799	69,301
6. 2006 .....	XXX	XXX	XXX	XXX	71,729

**Section B – Incurred Health Claims - Title XIX Medicaid**

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 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....					
2. 2002 .....	8,169	7,910	7,901	7,900	7,900
3. 2003 .....	XXX	33,857	34,411	34,388	34,390
4. 2004 .....	XXX	XXX	49,442	48,002	47,991
5. 2005 .....	XXX	XXX	XXX	69,517	69,351
6. 2006 .....	XXX	XXX	XXX	XXX	79,823

**Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid**

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. 2002 .....	9,019	7,900		0.0	7,900	87.6			7,900	87.6
2. 2003 .....	37,355	34,390		0.0	34,390	92.1			34,390	92.1
3. 2004 .....	54,400	47,991		0.0	47,991	88.2			47,991	88.2
4. 2005 .....	74,538	69,301		0.0	69,301	93.0	50	1	69,352	93.0
5. 2006 .....		71,729		0.0	71,729	0.0	8,094	115	79,938	0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

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

**Section A - Paid Health Claims - Grand Total**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.0	.0	.0	.0	.0
2. 2002 .....	5,200	8,046	8,053	8,052	8,052
3. 2003 .....	XXX	29,906	35,111	35,120	35,122
4. 2004 .....	XXX	XXX	44,263	48,923	48,938
5. 2005 .....	XXX	XXX	XXX	61,911	70,475
6. 2006 .....	XXX	XXX	XXX	XXX	72,506

**Section B - Incurred Health Claims - Grand Total**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.0	.0	.0	.0	.0
2. 2002 .....	8,287	8,062	8,053	8,052	8,052
3. 2003 .....	XXX	34,609	35,143	35,120	35,122
4. 2004 .....	XXX	XXX	50,343	48,947	48,938
5. 2005 .....	XXX	XXX	XXX	70,677	70,525
6. 2006 .....	XXX	XXX	XXX	XXX	80,671

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims 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. 2002 .....	9,223	8,052	.0	0.0	8,052	87.3	.0	.0	8,052	87.3
2. 2003 .....	38,229	35,122	.0	0.0	35,122	91.9	.0	.0	35,122	91.9
3. 2004 .....	55,352	48,938	.0	0.0	48,938	88.4	.0	.0	48,938	88.4
4. 2005 .....	75,535	70,475	.0	0.0	70,475	93.3	50	1	70,526	93.4
5. 2006 .....	0	72,506	0	0.0	72,506	0.0	8,165	116	80,787	0.0

**ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
<b>POLICY RESERVE</b>												
1. Unearned premium reserves .....	.0											
2. Additional policy reserves (a) .....	.0											
3. Reserve for future contingent benefits .....	.0											
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....	.0											
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0											
8. Totals (Net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0	0	0	0
<b>CLAIM RESERVE</b>												
9. Present value of amounts not yet due on claims .....	.0											
10. Reserve for future contingent benefits .....	.0											
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0											
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
<b>DETAILS OF WRITE-INS</b>												
0501. ....												
0502. ....												
0503. ....												
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101. ....												
1102. ....												
1103. ....												
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

**NONE**

(a) Includes \$ ..... premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ .....0 for occupancy of own building).....	1,552	13,965	345,898		361,415
2. Salaries, wages and other benefits.....	108,262	974,359	3,396,538		4,479,159
3. Commissions (less \$ .....ceded plus \$ .....assumed.....)					0
4. Legal fees and expenses.....	9	83	38,078		38,170
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	60	539	37,066		37,665
7. Traveling expenses.....	33	299	63,216		63,548
8. Marketing and advertising.....	70	627	169,128		169,825
9. Postage, express and telephone.....	397	3,572	192,892		196,861
10. Printing and office supplies.....	834	7,510	264,867		273,211
11. Occupancy, depreciation and amortization.....	992	8,923	135,260		145,175
12. Equipment.....	14	125	31,423		31,562
13. Cost or depreciation of EDP equipment and software.....	4,765	42,884	649,713		697,362
14. Outsourced services including EDP, claims, and other services.....	839	7,547	96,165		104,551
15. Boards, bureaus and association fees.....	2	22	12,225		12,249
16. Insurance, except on real estate.....	3	28	33,940		33,971
17. Collection and bank service charges.....	2	19	9,659		9,680
18. Group service and administration fees.....	71	635	276,515		277,221
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	133	1,201	30,102		31,436
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....	721	6,485	278,978		286,184
23.5 Other (excluding federal income and real estate taxes).....	88	796	91,687		92,571
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	6,102	54,919	927,085	0	988,106
26. Total expenses incurred (Lines 1 to 25).....	124,949	1,124,538	7,080,435	0	8,329,922
27. Less expenses unpaid December 31, current year.....	11,699	105,287	321,701		438,687
28. Add expenses unpaid December 31, prior year.....	16,604	149,440	459,314	0	625,358
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	129,854	1,168,691	7,218,048	0	8,516,593
<b>DETAIL OF WRITE-INS</b>					
2501. Consulting Services.....	451	4,063	279,124		283,638
2502. Data Processing.....	5,651	50,856	647,961		704,468
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	6,102	54,919	927,085	0	988,106

(a) Includes management fees of \$ .....8,278,784 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)	
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
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) 699,045	745,098
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	699,045	745,098
11. Investment expenses		(g)
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		0
16. Total (Lines 11 through 15)		0
17. Net Investment Income - (Line 10 minus Line 16)		745,098
<b>DETAILS OF WRITE-INS</b>		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (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 \$ .....116,099 accrual of discount less \$ ..... amortization of premium and less \$ .....34,857 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 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				0
1.1 Bonds exempt from U.S. tax				0
1.2 Other bonds (unaffiliated)				0
1.3 Bonds of affiliates	0	0	0	0
2.1 Preferred stocks (unaffiliated)				0
2.11 Preferred stocks of affiliates	0	0	0	0
2.2 Common stocks (unaffiliated)				0
2.21 Common stocks of affiliates	0	0	0	0
3. Mortgage loans				0
4. Real estate				0
5. Contract loans				0
6. Cash, cash equivalents and short-term investments			83,590	83,590
7. Derivative instruments				0
8. Other invested assets				0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0
10. Total capital gains (losses)	0	0	83,590	83,590
<b>DETAILS OF WRITE-INS</b>				
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

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens .....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans .....	0	0	0
7. Other invested assets (Schedule BA) .....	0	0	0
8. Receivables for securities .....	0	0	0
9. Aggregate write-ins for invested assets .....	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued .....	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....	0	0	0
14.2 Funds held by or deposited with reinsured companies .....	0	0	0
14.3 Other amounts receivable under reinsurance contracts .....	0	0	0
15. Amounts receivable relating to uninsured plans .....	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit .....	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
21. Receivables from parent, subsidiaries and affiliates .....	0	0	0
22. Health care and other amounts receivable.....	0	189,847	189,847
23. Aggregate write-ins for other than invested assets .....	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	0	189,847	189,847
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	0	189,847	189,847
<b>DETAILS OF WRITE-INS</b>			
0901. Prepaid Expenses.....	0	0	0
0902. ....	0	0	0
0903. ....	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. ....	0	0	0
2302. ....	0	0	0
2303. ....	0	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health Government Programs, Inc.

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	46,828	47,410	47,320	48,645	49,730	578,886
7. Total	46,828	47,410	47,320	48,645	49,730	578,886
<b>DETAILS OF WRITE-INS</b>						
0601. Medicaid.....	45,680	46,275	46,184	47,502	48,617	565,334
0602. MIChild.....	1,148	1,135	1,136	1,143	1,113	13,552
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	46,828	47,410	47,320	48,645	49,730	578,886

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Significant Accounting Policies

#### A. Nature of Organization and Ownership

Priority Health Government Programs, Inc., (PHGP or the Plan) a nonprofit HMO established effective October 1, 2002, is a wholly owned subsidiary of Priority Health. Priority Health Government Programs, Inc has over 48,600 Medicaid and MICHild members as of December 31, 2006. PHGP provides coverage for medical, hospital and other health care services to its members through contracts executed with various health care providers. Priority Health Government Programs, Inc., offers health coverage to Medicaid and MICHild subscribers as a health insurance product in conjunction with the State of Michigan's programs.

Priority Health is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 95% shareholder), as well as Munson Healthcare and Healthshare, Inc. As Priority Health is the sole shareholder of PHGP, the operations of the Plan are reflected in its own financial statements in accordance with prescribed accounting practices and procedures.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of medical costs is less than budgeted levels, the providers may share in the surplus, as defined in their respective agreements, and be eligible for the return of previously withheld fees. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

PHGP's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Services (OFIS). The National Association of Insurance Commissioners (NAIC) revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2006.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIS. OFIS provided a transition period (a prescribed practice) for certain statements of statutory accounting principles (SSAPs) found in the NAIC Accounting Practices and Procedures Manual. There is a full adoption and application of applicable SSAPs.

#### B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

#### C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices. Currently, the Plan does not hold any long term bonds or other investments outside of the statutory requirements.
3. Common Stocks are Not Applicable
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities are Not applicable
7. The Plan does not have investments in subsidiaries, controlled, or affiliated companies.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accrable

## NOTES TO FINANCIAL STATEMENTS

under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.

12. The Company has not modified its capitalization policy from the prior period.

### 2. Accounting Changes and Correction of Errors

#### A. Material Changes in Accounting Principles

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

#### B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health Government Programs, Inc., have adopted these provisions as prescribed.

### 3. Business Combinations and Goodwill

- A. Not Applicable
- B. Not Applicable
- C. Not Applicable
- D. Not Applicable

### 4. Discontinued Operations

The Plan has no Discontinued Operations to report.

### 5. Investments

- A. Mortgage Loans --Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities --Not Applicable
- E. Repurchase Agreements -- Not Applicable
- F. Real Estate -- Not Applicable

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

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

### 7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

### 8. Derivative Instruments

This note is Not Applicable to the Plan.

### 9. Income Taxes

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

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

A, B, C, D, E, F, G

## NOTES TO FINANCIAL STATEMENTS

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$8,279,000 in 2006 and \$6,771,000 in 2005.

Rental payments for operating leases are being paid by PHMB as part of the management contract.

Health care costs approximating \$29,339,000 in 2006 and \$27,390,000 in 2005 were provided to plan members by related organizations.

Amounts due from affiliates of \$74,000 at December 31, 2006, and \$474,000 at December 31, 2005, represent receivables from the Plan's affiliated hospital providers and subsidiaries. Amounts due to affiliates of \$660,000 at December 31, 2006, and \$631,000 at December 31, 2005, are related to amounts owed under the management agreement and contractual obligations under provider participation agreements.

H--None

I---None

J -- None

### 11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note is Not Applicable.

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

This note is Not Applicable to the Plan.

### 13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

a. The Plan has 60,000 authorized shares of common stock. Of these shares, 10,000 are issued and outstanding, all to its parent company, Priority Health.

b. The Plan has no preferred stock outstanding.

(3) and (4) All stock is non-dividend bearing

(5) There were no restrictions placed on the Plan's surplus.

(6) This is Not Applicable to the Plan.

(7) This is Not Applicable to the Plan.

(8) This is Not Applicable to the Plan

(9) The portion of unassigned funds (surplus) represented or reduced by each of the following items:

- a. unrealized gains and losses: \$ None
- b. nonadmitted asset values: \$ 190,000
- c. separate account balances: \$ None
- d. asset valuation reserves: \$ None
- e. provision for reinsurance: \$ None

(10) This is Not Applicable to the Plan

(11) This is Not Applicable to the Plan

(12) This is Not Applicable to the Plan

### 14. Contingencies

## NOTES TO FINANCIAL STATEMENTS

- A. The Plan does not have any commitments or contingent commitments to a SCA entity, joint venture, partnership, or limited liability company at this time.
- B. Assessments are likewise Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. All Other Contingencies are Not Applicable.

### 15. Leases

#### A. Lessee Operating Lease

1. In the course of business, the Plan does not enter into leases directly. PHMB leases office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2006 and 2005 was approximately \$1,447,000 and \$2,839,000, respectively. The Plan pays PHMB for the fully allocated cost for these leases as described in the Management Agreement.

2. At December 31, 2006, PHMB's minimum aggregate rental commitments are as follows:

#### Year Ending December 31 Operating Leases

1. 2007	\$ 741,415
2. 2008	\$ 666,397
3. 2009	\$ 601,734
4. 2010	\$ 546,871
5. 2011	\$ 515,884
6. Thereafter	\$1,707,626

3. The Plan is not involved in any sales--leaseback transactions.

#### B. Lessor Leases

This note is Not Applicable to the Plan.

### 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 Plan.

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

This note is Not Applicable to the Plan.

### 18. Gain of 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 Plan.

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

This note is Not Applicable to the Plan.

### 20. September 11 Events

No direct impact to the Plan's operations has been recognized as a result of the September 11 events.

### 21. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a

## NOTES TO FINANCIAL STATEMENTS

requirement for disclosure.

### 22. Events Subsequent

There are no subsequent events to report for the Plan.

### 23. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None
- D. Not Applicable
- E. Not Applicable
- F. Not Applicable

### 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

This note is Not Applicable to the Plan.

### 25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were unfavorable by approximately \$113,000 in 2006, increasing the prior year-end claim reserve estimates of approximately \$8.14 million to \$8.25 million.

### 26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

### 27. Structured Settlements

This note is Not Applicable to the Plan.

### 28. Health Care Receivables

A. The Plan's method for estimating pharmacy rebates relies on the information provided by the pharmacy rebates manager for invoiced rebates. The Plan's pharmacy rebates are collected by its parent company and are included in the Plan's amounts due from affiliates.

The following table represents pharmacy rebates billed and collected as of the end of each quarter for the three years ended December 31, 2006, 2005 and 2004.

**NOTES TO FINANCIAL STATEMENTS**

	Estimated on FS	Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2006	\$ 128,288	\$ 135,605	\$ -	\$ -	\$ -
9/30/2006	\$ 114,000	\$ 113,462	\$ 105,549	\$ -	\$ -
6/30/2006	\$ 136,933	\$ 124,222	\$ 212,025	\$ 17,301	\$ -
3/31/2006	\$ 150,000	\$ 114,520	\$ 43,540	\$ 152,608	\$ 337
12/31/2005	\$ 150,000	\$ 150,745	\$ 129,259	\$ 35,423	\$ -
9/30/2005	\$ 150,000	\$ 150,917	\$ 101,788	\$ 34,572	\$ 21,907
6/30/2005	\$ 150,000	\$ 142,314	\$ 122,492	\$ 12,584	\$ 29,746
3/31/2005	\$ 150,000	\$ 129,360	\$ 131,617	\$ 8,456	\$ 2,485
12/31/2004	\$ 150,000	\$ 107,462	\$ 136,547	\$ 841	\$ (442)
9/30/2004	\$ 150,000	\$ 107,009	\$ 120,046	\$ 16,920	\$ 6,655
6/30/2004	\$ 150,000	\$ 108,804	\$ 133,796	\$ 35,505	\$ 23,916
3/31/2004	\$ 150,000	\$ 110,613	\$ 160,872	\$ 46,577	\$ 236,711

B. This note is Not Applicable to the Plan.

**29. Participating Policies**

This note is Not Applicable to the Plan.

**30. Premium Deficiency Reserves**

A reserve for premium deficiency losses was recognized in 2005 as expected claim losses and allocable administrative expenses were determined to exceed future premiums on the Plan's Medicaid and MICHild contracts which commenced October 1, 2005. The premium deficiency reserve was \$2,003,000 at December 31, 2005. Anticipated investment income was included in the calculation of the reserve. The Plan did not have a premium deficiency reserve as of December 31, 2006.

**31. Anticipated Salvage and Subrogation**

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

## 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 .....		.000		.000
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		.000		.000
1.22 Issued by U.S. government sponsored agencies .....		.000		.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		.000		.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....		.000		.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		.000		.000
1.43 Revenue and assessment obligations .....		.000		.000
1.44 Industrial development and similar obligations .....		.000		.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA .....		.000		.000
1.512 Issued or guaranteed by FNMA and FHLMC .....		.000		.000
1.513 All other .....		.000		.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....		.000		.000
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 .....		.000		.000
1.523 All other .....		.000		.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....		.000		.000
2.2 Unaffiliated foreign securities .....		.000		.000
2.3 Affiliated securities .....		.000		.000
3. Equity interests:				
3.1 Investments in mutual funds .....		.000		.000
3.2 Preferred stocks:				
3.21 Affiliated .....		.000		.000
3.22 Unaffiliated .....		.000		.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		.000		.000
3.32 Unaffiliated .....		.000		.000
3.4 Other equity securities:				
3.41 Affiliated .....		.000		.000
3.42 Unaffiliated .....		.000		.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		.000		.000
3.52 Unaffiliated .....		.000		.000
4. Mortgage loans:				
4.1 Construction and land development .....		.000		.000
4.2 Agricultural .....		.000		.000
4.3 Single family residential properties .....		.000		.000
4.4 Multifamily residential properties .....		.000		.000
4.5 Commercial loans .....		.000		.000
4.6 Mezzanine real estate loans .....		.000		.000
5. Real estate investments:				
5.1 Property occupied by the company .....		.000	0	.000
5.2 Property held for the production of income (including \$ ..... of property acquired in satisfaction of debt) .....		.000	0	.000
5.3 Property held for sale (including \$ ..... property acquired in satisfaction of debt) .....		.000	0	.000
6. Contract loans .....		.000	0	.000
7. Receivables for securities .....		.000	0	.000
8. Cash, cash equivalents and short-term investments .....	16,825,004	100.000	16,825,004	100.000
9. Other invested assets .....		.000		.000
10. Total invested assets	16,825,004	100.000	16,825,004	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 [  ] 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 [  ] No [  ] NA [  ]
- 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 [  ]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2003
- 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. ....12/31/2003
- 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). ....09/06/2005
- 3.4 By what department or departments? OFIS .....
- 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 [  ]
- 4.12 renewals? ..... Yes [  ] No [  ]
- 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 [  ]
- 4.22 renewals? ..... Yes [  ] No [  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [  ] No [  ]
- 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? ..... Yes [  ] No [  ]
- 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 [  ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control; .....
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

## GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide the names and 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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young LLP, 171 Monroe Ave, Grand Rapids, Michigan 49503
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? .....  
Milliman USA, 1550 Liberty Ridge Dr, Suite 200, Wayne, Pennsylvania 19087
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? ..... Yes [ ] No [ X ]
- 11.11 Name of real estate holding company .....
- 11.12 Number of parcels involved.....
- 11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 12.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

### 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 [ ] No [ X ]
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 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 .. \$ .....0
- 16.12 To stockholders not officers ... \$ .....0
- 16.13 Trustees, supreme or grand (Fraternal only) ..... \$ .....0
- 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 ... \$ .....0
- 16.22 To stockholders not officers .... \$ .....0
- 16.23 Trustees, supreme or grand (Fraternal only) ..... \$ .....0
- 17.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? ..... Yes [ ] No [ X ]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- 17.21 Rented from others ..... \$ .....0
- 17.22 Borrowed from others ..... \$ .....0
- 17.23 Leased from others ..... \$ .....0
- 17.24 Other ..... \$ .....0
- 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 ..... \$ .....0
- 18.22 Amount paid as expenses ..... \$ .....0
- 18.23 Other amounts paid ..... \$ .....0
- 19.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [ X ] No [ ]
- 19.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount:..... \$ .....53,566

# GENERAL INTERROGATORIES

## 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 [ ] No [ X ]

20.2 If no, give full and complete information relating thereto:  
 Priority Health Government Programs had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

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 the 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 ..... \$ .....0
  - 21.22 Subject to repurchase agreements ..... \$ .....0
  - 21.23 Subject to reverse repurchase agreements ..... \$ .....0
  - 21.24 Subject to dollar repurchase agreements ..... \$ .....0
  - 21.25 Subject to reverse dollar repurchase agreements ..... \$ .....0
  - 21.26 Pledged as collateral ..... \$ .....0
  - 21.27 Placed under option agreements ..... \$ .....0
  - 21.28 Letter stock or other securities restricted as to sale ... \$ .....0
  - 21.29 Other ..... \$ .....0

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 [ ] NA [ 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. .... \$ .....0

## GENERAL INTERROGATORIES

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 [ ] No [ X ]

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
Mellon Trust.....	Pittsburgh, PA.....

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)	2 Complete Explanation(s)
Michigan Department of Treasury.....	Lansing, Michigan.....	Statutory Deposit - Held by the State of Michigan.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? .....

Yes [ ] No [ X ]

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

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

24.05 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 Number(s)	2 Name	2 Address
n/a.....	Prime Investments.....	Bloomfield, CT.....

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 [ X ]

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	.....
.....	.....	.....
25.2999	TOTAL	0

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
.....	.....	.....	.....
.....	.....	.....	.....

## GENERAL INTERROGATORIES

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.....	8,861,901	8,862,044	143
26.2 Preferred stocks.....	0	0	0
26.3 Totals	8,861,901	8,862,044	143

26.4 Describe the sources or methods utilized in determining fair values:

Provided by Investment Managers.....

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

27.2 If no, list the exceptions:

### OTHER

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

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
.....	.....

29.1 Amount of payments for legal expenses, if any?.....\$ .....40,268

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

1 Name	2 Amount Paid
Warner, Norcross & Judd.....	27,208

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$ .....0

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

1 Name	2 Amount Paid
.....	.....
.....	.....

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]
- 1.2 If yes, indicate premium earned on U. S. business only ..... \$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....
- 1.31 Reason for excluding .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .... \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .... \$ .....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned ..... \$ .....0
- 1.62 Total incurred claims ..... \$ .....0
- 1.63 Number of covered lives ..... 0
- All years prior to most current three years:
- 1.64 Total premium earned ..... \$ .....0
- 1.65 Total incurred claims ..... \$ .....0
- 1.66 Number of covered lives ..... 0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned ..... \$ .....0
- 1.72 Total incurred claims ..... \$ .....0
- 1.73 Number of covered lives ..... 0
- All years prior to most current three years:
- 1.74 Total premium earned ..... \$ .....0
- 1.75 Total incurred claims ..... \$ .....0
- 1.76 Number of covered lives ..... 0

2. Health Test:

	1 Current Year		2 Prior Year	
2.1 Premium Numerator	\$	91,267,243	\$	79,986,656
2.2 Premium Denominator	\$	91,267,243	\$	79,986,656
2.3 Premium Ratio (2.1/2.2)		1.000		1.000
2.4 Reserve Numerator	\$	8,214,848	\$	10,793,059
2.5 Reserve Denominator	\$	8,214,848	\$	10,793,059
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 [ X ]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? ..... Yes [ X ] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? ..... Yes [ ] No [ ]
- 5.1 Does the reporting entity have stop-loss reinsurance? ..... Yes [ X ] No [ ]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical ..... \$ .....900,000
- 5.32 Medical Only ..... \$ .....900,000
- 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:
- HMO holds harmless provisions of provider contracts, trust indentures.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? ..... Yes [ X ] No [ ]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year ..... 2,168
- 8.2 Number of providers at end of reporting year ..... 2,224
- 9.1 Does the reporting entity have business subject to premium rate guarantees? ..... Yes [ ] No [ X ]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months .....
- 9.22 Business with rate guarantees over 36 months .....

## GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? ..... Yes  No
- 10.2 If yes:
- |  |   |         |         |
|--|---|---------|---------|
|  | 10.21 Maximum amount payable bonuses .....          | \$..... | 0       |
|  | 10.22 Amount actually paid for year bonuses .....   | \$..... | 0       |
|  | 10.23 Maximum amount payable withholds .....        | \$..... | 987,673 |
|  | 10.24 Amount actually paid for year withholds ..... | \$..... | 777,086 |
- 11.1 Is the reporting entity organized as:
- |   |  |   |  |
|---|--|---|--|
| 11.12 A Medical Group/Staff Model, .....                  |  | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, ..... |  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |
| 11.14 A Mixed Model (combination of above) ? .....        |  | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
- 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
- 11.4 If yes, show the amount required. .... \$..... 5,969,236
- 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.  
200% ACL
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Allegan County.....
Kent County.....
Lake County.....
Manistee County.....
Mecosta County.....
Montcalm County.....
Muskegon County.....
Oceana County.....
Osceola County.....
Ottawa County.....

**FIVE-YEAR HISTORICAL DATA**

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Balance Sheet (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	18,892,299	17,084,464	14,450,142	10,574,292	8,662,235
2. Total liabilities (Page 3, Line 22) .....	9,481,552	12,064,395	7,070,257	5,379,952	5,141,485
3. Statutory surplus .....	5,969,236	5,333,844	2,214,076	1,529,127	1,500,000
4. Total capital and surplus (Page 3, Line 31) .....	9,410,747	4,660,069	7,379,885	5,194,341	3,520,750
<b>Income Statement (Page 4)</b>					
5. Total revenues (Line 8) .....	86,329,568	75,534,759	55,351,892	38,228,171	9,222,575
6. Total medical and hospital expenses (Line 18) .....	79,936,507	70,051,802	50,859,773	34,384,994	8,286,426
7. Claims adjustment expenses (Line 20) .....	1,249,487	1,020,214	777,771	641,438	0
8. Total administrative expenses (Line 21) .....	7,080,435	5,781,211	4,407,368	3,506,771	963,184
9. Net underwriting gain (loss) (Line 24) .....	65,733	(3,321,062)	(693,020)	(305,032)	(507,249)
10. Net investment gain (loss) (Line 27) .....	745,098	441,926	131,422	64,930	27,999
11. Total other income (Lines 28 plus 29) .....	0	0	0	0	0
12. Net income (loss) (Line 32) .....	810,831	(2,879,136)	(561,598)	(240,102)	(479,250)
<b>Risk - Based Capital Analysis</b>					
13. Total adjusted capital .....	9,410,747	4,660,069	7,379,885	5,194,341	3,520,750
14. Authorized control level risk-based capital .....	2,984,618	2,666,971	2,087,761	1,816,655	502,001
<b>Enrollment (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7) .....	49,730	46,828	37,630	29,072	22,202
16. Total member months (Column 6, Line 7) .....	578,886	520,658	398,144	294,066	74,677
<b>Operating Percentage (Page 4)</b>					
(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 19) .....	87.6	87.6	87.2	90.0	89.8
19. Cost containment expenses .....	0.1	0.1	0.1	XXX	XXX
20. Other claims adjustment expenses .....	1.2	1.1	1.2	1.5	4.7
21. Total underwriting deductions (Line 23) .....	94.5	98.6	96.1	100.8	105.5
22. Total underwriting gain (loss) (Line 24) .....	0.1	(4.2)	(1.2)	(0.8)	(5.5)
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5) .....	8,437,546	5,613,811	5,236,769	2,860,657	0
24. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] .....	8,542,594	5,990,802	4,718,714	3,085,312	0
<b>Investments In Parent, Subsidiaries And Affiliates</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	0	0	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....	0	0	0	0	0
29. Affiliated mortgage loans on real estate .....	0	0	0	0	0
30. All other affiliated .....	0	0	0	0	0
31. Total of above Lines 25 to 30 .....	0	0	0	0	0

**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
<b>BONDS</b>					
Governments (Including all obligations guaranteed by governments)	1. United States .....	0	0	0	0
	2. Canada .....				
	3. Other Countries .....				
	4. Totals .....	0	0	0	0
States, Territories and Possessions (Direct and guaranteed)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals .....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals .....	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....				
	14. Canada .....				
	15. Other Countries .....				
	16. Totals .....	0	0	0	0
Public Utilities (unaffiliated)	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals .....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....				
	22. Canada .....				
	23. Other Countries .....				
	24. Totals .....	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals .....	0	0	0	0
	26. <b>Total Bonds</b> .....	0	0	0	0
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals .....	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals .....	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
	38. Totals .....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals .....	0	0	0	0
	40. <b>Total Preferred Stocks</b> .....	0	0	0	0
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals .....	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals .....	0	0	0	0
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
	52. Totals .....	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals .....	0	0	0	0
	54. <b>Total Common Stocks</b> .....	0	0	0	0
	55. <b>Total Stocks</b> .....	0	0	0	0
	56. <b>Total Bonds and Stocks</b> .....	0	0	0	0

**NONE**

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

Bonds and Stocks

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

**NONE**

**SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only					
			3 Accident & Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama AL	No	No						
2. Alaska AK	No	No						
3. Arizona AZ	No	No						
4. Arkansas AR	No	No						
5. California CA	No	No						
6. Colorado CO	No	No						
7. Connecticut CT	No	No						
8. Delaware DE	No	No						
9. District of Columbia DC	No	No						
10. Florida FL	No	No						
11. Georgia GA	No	No						
12. Hawaii HI	No	No						
13. Idaho ID	No	No						
14. Illinois IL	No	No						
15. Indiana IN	No	No						
16. Iowa IA	No	No						
17. Kansas KS	No	No						
18. Kentucky KY	No	No						
19. Louisiana LA	No	No						
20. Maine ME	No	No						
21. Maryland MD	No	No						
22. Massachusetts MA	No	No	1,076,217		90,347,585			
23. Michigan MI	No	Yes						
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. Northern Mariana Islands MP								
57. Canada CN	No	No						
58. Aggregate other alien OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal	XXX	XXX	1,076,217	0	90,347,585	0	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
61. Total (Direct Business)	XXX	(a) 1	1,076,217	0	90,347,585	0	0	0
<b>DETAILS OF WRITE-INS</b>								
5801.	XXX	XXX						
5802.	XXX	XXX						
5803.	XXX	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	XXX	0	0	0	0	0	0

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

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

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 - ORGANIZATIONAL CHART**

