



# HEALTH ANNUAL STATEMENT

## For the Year Ending

### OF THE CONDITION AND AFFAIRS OF THE

# Community Choice Michigan

NAIC Group Code	0000 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	95562	Employer's ID Number	38-3252216
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Vision Service Corporation[ ]	Property/Casualty[ ] Other[ ]	Health Service Corporation[ ] Health Maintenance Organization[X]	Dental Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X]		
Date Incorporated or Organized	05/24/1995		Date Commenced Business	08/01/1996		
Statutory Home Office	2369 Woodlake Drive, Suite 200 <small>(Street and Number)</small>			Okemos, MI 48864 <small>(City, or Town, State and Zip Code)</small>		
Main Administrative Office	2369 Woodlake Drive, Suite 200 <small>(Street and Number)</small>					
	Okemos, , MI 48864 <small>(City or Town, State and Zip Code)</small>			(517)349-5288 x <small>(Area Code) (Telephone Number)</small>		
Mail Address	2369 Woodlake Drive, Suite 200 <small>(Street and Number or P.O. Box)</small>			Okemos, MI 48864 <small>(City, or Town, State and Zip Code)</small>		
Primary Location of Books and Records	under control of; 2369 Woodlake Drive, Suite 200 <small>(Street and Number)</small>					
	Okemos, MI 48864 <small>(City, or Town, State and Zip Code)</small>			(517)349-5288 x <small>(Area Code) (Telephone Number)</small>		
Internet Website Address						
Statement Contact	Scott Lee <small>(Name)</small>			(602)331-5100 x5590 <small>(Area Code)(Telephone Number)(Extension)</small>		
	s.lee@lifemarkcorp.com <small>(E-Mail Address)</small>			(602)331-5199 x <small>(Fax Number)</small>		

### OFFICERS

President	Catherine Lamb
Secretary	Mary Stephens Ferris
Treasurer	Linda Shively

### VICE PRESIDENTS

Christine Baumgardner	Rueben Pettiford
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### DIRECTORS OR TRUSTEES

Chris Shea Dan McKinnon Helen Truss Velma Hendershott Darrell Milner	Gordon Weatherhead A.J. Jones David Gamez Chris Strayhorn Roger Rushlow
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State of Michigan  
County of Ingham ss

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

_____ <small>(Signature)</small>	_____ <small>(Signature)</small>	_____ <small>(Signature)</small>					
_____ <small>(Printed Name)</small> President	_____ <small>(Printed Name)</small> Secretary	_____ <small>(Printed Name)</small> Treasurer					
a. Is this an original filing? <span style="float: right;">Yes[X] No[ ]</span> b. If no, <table border="0" style="margin-left: 20px;"> <tr> <td>1. State the amendment number</td> <td>_____</td> </tr> <tr> <td>2. Date filed</td> <td>_____</td> </tr> <tr> <td>3. Number of pages attached</td> <td>_____</td> </tr> </table>		1. State the amendment number	_____	2. Date filed	_____	3. Number of pages attached	_____
1. State the amendment number	_____						
2. Date filed	_____						
3. Number of pages attached	_____						
Subscribed and sworn to before me this _____ day of _____, 2002							

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

**DIRECTORS OR TRUSTEES (continued)**

Mike Stephenson  
Mildred Bertrand  
Sherri Koelsch  
Erica Cardoso  
Anita Alcorta

Donna Jaksic  
Susan Green  
Gwendolyn Williams  
Athena Clawson

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1. Bonds .....	2,950,367		2,950,367	2,930,699
2. Stocks: .....				
2.1 Preferred stocks .....				
2.2 Common stocks .....	11,275		11,275	
3. Mortgage loans on real estate: .....				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A): .....				
4.1 Properties occupied by the company (less \$..... encumbrances) .....			(a)	
4.2 Properties held for the production of income (less \$..... encumbrances) .....				
4.3 Properties held for sale (less \$..... encumbrances) .....				
5. Cash (\$.....16,652,613, Schedule E - Part 1) and short-term investments (\$.....768,000, Schedule DA - Part 2) .....	17,420,613		17,420,613	20,910,638
6. Other long-term invested assets .....				
7. Receivable for securities .....				192,427
8. Aggregate write-ins for invested assets .....				
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	20,382,255		20,382,255	24,033,764
10. Accident and health premiums due and unpaid .....	1,470,808		1,470,808	650,729
11. Health care receivables .....	8,573,738		8,573,738	6,188,254
12. Amounts recoverable from reinsurers .....	156,398		156,398	312,683
13. Net adjustment in assets and liabilities due to foreign exchange rates .....				
14. Investment income due and accrued .....	71,848		71,848	
15. Amounts due from parent, subsidiaries and affiliates .....				
16. Amounts receivable relating to uninsured accident and health plans .....				
17. Furniture and equipment .....				
18. Amounts due from agents .....				
19. Federal and foreign income tax recoverable and interest thereon (including \$..... net deferred tax asset) .....				
20. Electronic data processing equipment and software .....				
21. Other nonadmitted assets .....				
22. Aggregate write-ins for other than invested assets .....	229,880	229,880		
23. Total assets (Lines 9 plus 10 through 22) .....	30,884,927	229,880	30,655,047	31,185,430
<b>DETAILS OF WRITE-INS</b>				
0801 .....				
0802 .....				
0803 .....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....				
0899. TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above) .....				
2201. Prepaid MIS Fee .....	210,000	210,000		
2202. Prepaid Insurance .....	19,880	19,880		
2203. ....				
2298. Summary of remaining write-ins for Line 22 from overflow page .....				
2299. TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above) .....	229,880	229,880		

(a) \$..... health care delivery assets included in Line 4.1, Column 3.

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded) .....	25,222,098		25,222,098	24,667,099
2. Accrued medical incentive pool and bonus payments .....	(2,817,203)		(2,817,203)	(1,686,981)
3. Unpaid claims adjustment expenses .....				
4. Aggregate policy reserves .....				
5. Aggregate claim reserves .....				
6. Premiums received in advance .....				
7. General expenses due or accrued .....	74,658		74,658	131,247
8. Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$..... net deferred tax liability) .....				
9. Amounts withheld or retained for account of others .....				
10. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
11. Amounts due to parent, subsidiaries and affiliates .....				
12. Payable to securities .....				
13. Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
14. Reinsurance in unauthorized companies .....				
15. Net adjustments in assets and liabilities due to foreign exchange rates .....				
16. Liability for amounts held under uninsured accident and health plans .....				
17. Aggregate write-ins for other liabilities (including \$..... current) .....				
18. Total liabilities (Lines 1 to 17) .....	22,479,553		22,479,553	23,111,365
19. Common capital stock .....	X X X	X X X		
20. Preferred capital stock .....	X X X	X X X		
21. Gross paid in and contributed surplus .....	X X X	X X X	358,046	358,046
22. Surplus notes .....	X X X	X X X		
23. Aggregate write-ins for other surplus funds .....	X X X	X X X		
24. Unassigned funds (surplus) .....	X X X	X X X	7,817,448	7,716,019
25. Less treasury stock, at cost:	X X X	X X X		
25.1 ..... shares common (value included in Line 19 \$.....)	X X X	X X X		
25.2 ..... shares preferred (value included in Line 20 \$.....)	X X X	X X X		
26. Total capital and surplus (Lines 19 to 24 minus 25) .....	X X X	X X X	8,175,494	8,074,065
27. Total liabilities, capital and surplus (Lines 18 and 26) .....	X X X	X X X	30,655,047	31,185,430
<b>DETAILS OF WRITE-INS</b>				
1701 .....				
1702 .....				
1703 .....				
1798. Summary of remaining write-ins for Line 17 from overflow page .....				
1799. TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above) .....				
2301 .....	X X X	X X X		
2302 .....	X X X	X X X		
2303 .....	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months .....	X X X	834,143	748,344
2. Net premium income .....	X X X	131,390,308	110,141,119
3. Change in unearned premium reserves and reserve for rate credits .....	X X X		
4. Fee-for-service (net of \$..... medical expenses) .....	X X X		
5. Risk revenue .....	X X X		
6. Aggregate Write-Ins for Other health care related revenues .....	X X X	134,052	582,924
7. TOTAL REVENUES (Lines 2 to 6) .....	X X X	131,524,360	110,724,043
<b>Medical and Hospital:</b>			
8. Hospital/medical benefits .....		37,423,619	54,800,452
9. Other Professional Services .....		27,371,010	
10. Outside Referrals .....			
11. Emergency Room and Out-of-Area .....		10,528,641	5,948,955
12. Aggregate Write-Ins for Other Medical and Hospital .....		42,244,554	35,965,160
13. Incentive Pool and Withhold Adjustments .....		(229,063)	(971,898)
14. Subtotal (Lines 8 to 13) .....		117,338,761	95,742,669
<b>LESS:</b>			
15. Net Reinsurance Recoveries .....		(12,794)	255,759
16. Total medical and Hospital (Lines 14 minus 15) .....		117,351,555	95,486,910
17. Claims adjustment expenses .....			
18. General administrative expenses .....		15,210,122	11,843,832
19. Increase in reserves for accident and health contracts .....			
20. Total underwriting deductions (Lines 16 through 19) .....		132,561,677	107,330,742
21. Net underwriting gain or (Loss) (Lines 7 minus 20) .....	X X X	(1,037,317)	3,393,301
22. Net investment income earned .....		1,061,325	
23. Net realized capital gains or (Losses) .....			
24. Net investment gains or (Losses) (Lines 22 plus 23) .....		1,061,325	
25. Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
26. Aggregate write-ins for other income or expenses .....		21,176	
27. Net income or (Loss) before federal income taxes (Lines 21 plus 24 plus 25 plus 26) .....		45,184	3,393,301
28. Federal and foreign income taxes incurred .....	X X X		
29. Net income (Loss) (Lines 27 minus 28) .....	X X X	45,184	3,393,301
<b>DETAILS OF WRITE-INS</b>			
0601. Pharmacy Rebates .....	X X X		419,505
0602. HIV Funding .....	X X X	86,866	37,769
0603. Grant .....	X X X	47,186	123,000
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X		2,650
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X	134,052	582,924
1201. Pharmacy Expense .....		30,477,735	27,262,931
1202. Other Ancillary .....		11,221,843	8,641,090
1203. Grant Expense .....		125,039	133,774
1298. Summary of remaining write-ins for Line 12 from overflow page .....		419,937	(72,635)
1299. TOTALS (Lines 1201 through 1203 plus 1298) (Line 12 above) .....		42,244,554	35,965,160
2601. Third Pary Liability .....		21,176	
2602. ....			
2603. ....			
2698. Summary of remaining write-ins for Line 26 from overflow page .....			
2699. TOTALS (Lines 2601 through 2603 plus 2698) (Line 26 above) .....		21,176	

## STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
30. Capital and surplus prior reporting year .....	8,074,065	4,286,657
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS</b>		
31. Net income or (Loss) from Line 29 .....	45,184	3,393,301
32. Change in valuation basis of aggregate policy and claim reserves .....		
33. Net unrealized capital gains and losses .....		
34. Change in net unrealized foreign exchange capital gain or (Loss) .....		
35. Change in net deferred income tax .....		
36. Change in nonadmitted assets .....	56,267	394,107
37. Change in unauthorized reinsurance .....		
38. Change in treasury stock .....		
39. Change in surplus notes .....		
40. Cumulative effect of changes in accounting principles .....		
41. Capital Changes:		
41.1 Paid in .....		
41.2 Transferred from surplus (Stock Dividend) .....		
41.3 Transferred to surplus .....		
42. Surplus adjustments:		
42.1 Paid in .....		
42.2 Transferred to capital (Stock Dividend) .....		
42.3 Transferred from capital .....		
43. Dividends to stockholders .....		
44. Aggregate write-ins for gains or (Losses) in surplus .....		
45. Net change in capital and surplus (Lines 31 to 44) .....	101,451	3,787,408
46. Capital and surplus end of reporting year (Line 30 plus 45) .....	8,175,516	8,074,065
<b>DETAILS OF WRITE-INS</b>		
4401 .....		
4402 .....		
4403 .....		
4498. Summary of remaining write-ins for Line 44 from overflow page .....		
4499. TOTALS (Lines 4401 through 4403 plus 4498) (Line 44 above) .....		

## CASH FLOW

		1	2
		Current Year	Prior Year
<b>Cash from Operations</b>			
1.	Premiums and revenues collected net of reinsurance .....	130,570,229	1,086,935
2.	Claims and claims adjustment expenses .....	117,923,984	(3,970,998)
3.	General administrative expenses paid .....	15,247,924	54,867
4.	Other underwriting income (expenses) .....		
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	(2,601,679)	5,003,066
6.	Net investment income .....	1,181,963	
7.	Other income (expenses) .....	21,176	
8.	Federal and foreign income taxes (paid) recovered .....		
9.	Net cash from operations (Line 5 to 8) .....	(1,398,540)	5,003,066
<b>Cash from Investments</b>			
10.	Proceeds from investments sold, matured or repaid:		
10.1 ...	Bonds .....	3,675,000	2,281,968
10.2 ...	Stocks .....		
10.3 ...	Mortgage loans .....		
10.4 ...	Real estate .....		
10.5 ...	Other invested assets .....		
10.6 ...	Net gains or (losses) on cash and short-term investments .....		
10.7 ...	Miscellaneous proceeds .....	192,427	
10.8 ...	TOTAL investment proceeds (Lines 10.1 to 10.7) .....	3,867,427	2,281,968
11.	Cost of investments acquired (long-term only):		
11.1 ...	Bonds .....	3,618,431	
11.2 ...	Stocks .....	11,275	
11.3 ...	Mortgage loans .....		
11.4 ...	Real estate .....		
11.5 ...	Other invested assets .....		
11.6 ...	Miscellaneous applications .....		
11.7 ...	TOTAL investments acquired (Lines 11.1 to 11.6) .....	3,629,706	
12.	Net cash from investments (Line 10.8 minus Line 11.7) .....	237,721	2,281,968
<b>Cash from Financing and Miscellaneous Sources</b>			
13.	Cash provided:		
13.1 ...	Surplus notes, capital and surplus paid in .....		
13.2 ...	Net transfers from affiliates .....		
13.3 ...	Borrowed funds received .....		
13.4 ...	Other cash provided .....	56,278	
13.5 ...	TOTAL (Lines 13.1 to 13.4) .....	56,278	
14.	Cash applied:		
14.1 ...	Dividends to stockholder paid .....		
14.2 ...	Net transfers to affiliates .....		
14.3 ...	Borrowed funds repaid .....		
14.4 ...	Other applications .....	2,385,484	
14.5 ...	TOTAL (Lines 14.1 to 14.4) .....	2,385,484	
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	(2,329,206)	
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) .....	(3,490,025)	7,285,034
17.	Cash and short-term investments:		
17.1 ...	Beginning of year .....	20,910,638	13,625,604
17.2 ...	End of year (Line 16 plus Line 17.1) .....	17,420,613	20,910,638

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

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplemental	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1. Net premium income .....	131,390,308								131,390,308				
2. Change in unearned premium reserves and reserve for rate credit .....													
3. Fee-for-service (net of \$..... medical expenses) .....													
4. Risk revenue .....													
5. Aggregate write-ins for other health care related revenues .....	134,052								134,052				
6. Total revenues (Lines 1 to 5) .....	131,524,360								131,524,360				
7. Medical/hospital benefits .....	37,423,619								37,423,619				
8. Other professional services .....	27,371,010								27,371,010				
9. Outside referrals .....													
10. Emergency Room and Out-of-Area .....	10,528,641								10,528,641				
11. Aggregate write-ins for other medical and hospital .....	42,244,554								42,244,554				
12. Incentive pool and withhold adjustments .....	(229,063)								(229,063)				
13. Subtotal (Lines 7 to 12) .....	117,338,761								117,338,761				
14. Net Reinsurance Recoveries .....	(12,794)								(12,794)				
15. Total medical and hospital (Lines 13 minus 14) .....	117,351,555								117,351,555				
16. Claims adjustment expenses .....													
17. General administrative expenses .....	15,210,122								15,210,122				
18. Increase in reserves for accident and health contracts .....													
19. Total underwriting deductions (Lines 15 to 18) .....	132,561,677								132,561,677				
20. Net underwriting gain or (Loss) (Line 6 minus Line 19) .....	(1,037,317)								(1,037,317)				
<b>DETAILS OF WRITE-INS</b>													
0501. HIV Funding .....	86,866								86,866				
0502. Grant .....	47,186								47,186				
0503 .....													
0598. Summary of remaining write-ins for Line 5 from overflow page .....													
0599. TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	134,052								134,052				
1101. Pharmacy Expense .....	30,477,735								30,477,735				
1102. Other Ancillary .....	11,221,843								11,221,843				
1103. Grant Expense .....	125,039								125,039				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	419,937								419,937				
1199. TOTAL (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	42,244,554								42,244,554				

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## UNDERWRITING AND INVESTMENT EXHIBIT PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (medical and hospital) .....				
2. Medicare Supplemental .....				
3. Dental only .....				
4. Vision only .....				
5. Federal Employees Health Benefits Plan Premiums .....				
6. Title XVIII - Medicare .....				
7. Title XIX - Medicaid .....	131,738,142		347,834	131,390,308
8. Other .....				
9. TOTALS .....	131,738,142		347,834	131,390,308

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct .....	117,012,825							117,012,825	
1.2 Reinsurance assumed .....									
1.3 Reinsurance ceded .....									
1.4 Net .....	117,012,825							117,012,825	
2. Paid medical incentive pools and bonuses .....	901,159							901,159	
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct .....	25,222,098							25,222,098	
3.2 Reinsurance assumed .....									
3.3 Reinsurance ceded .....									
3.4 Net .....	25,222,098							25,222,098	
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct .....									
4.2 Reinsurance assumed .....									
4.3 Reinsurance ceded .....									
4.4 Net .....									
5. Accrued medical incentive pools and bonuses, current year .....	(2,817,203)							(2,817,203)	
6. Amounts recoverable from reinsurers December 31, current year .....	156,398							156,398	
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct .....	24,667,099							24,667,099	
7.2 Reinsurance assumed .....									
7.3 Reinsurance ceded .....									
7.4 Net .....	24,667,099							24,667,099	
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct .....									
8.2 Reinsurance assumed .....									
8.3 Reinsurance ceded .....									
8.4 Net .....									
9. Accrued medical incentive pools and bonuses, prior year .....	(1,686,981)							(1,686,981)	
10. Amounts recoverable from reinsurers December 31, prior year .....	312,683							312,683	
11. Incurred benefits:									
11.1 Direct .....	117,567,824							117,567,824	
11.2 Reinsurance assumed .....									
11.3 Reinsurance ceded .....	(156,285)							(156,285)	
11.4 Net .....	117,724,109							117,724,109	
12. Incurred medical incentive pools and bonuses .....	(229,063)							(229,063)	

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1 Direct .....	613,026						613,026		
1.2 Reinsurance assumed .....									
1.3 Reinsurance ceded .....									
1.4 Net .....	613,026						613,026		
2. Incurred but Unreported:									
2.1 Direct .....	22,336,390						22,336,390		
2.2 Reinsurance assumed .....									
2.3 Reinsurance ceded .....									
2.4 Net .....	22,336,390						22,336,390		
3. Amounts Withheld from Paid Claims and Capitations:									
3.1 Direct .....	2,272,682						2,272,682		
3.2 Reinsurance assumed .....									
3.3 Reinsurance ceded .....									
3.4 Net .....	2,272,682						2,272,682		
4. TOTALS									
4.1 Direct .....	25,222,098						25,222,098		
4.2 Reinsurance assumed .....									
4.3 Reinsurance ceded .....									
4.4 Net .....	25,222,098						25,222,098		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 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		
Line of Business						
1. Comprehensive (medical and hospital) .....						
2. Medicare Supplement .....						
3. Dental only .....						
4. Vision only .....						
5. Federal Employees Health Benefits Plan Premiums .....						
6. Title XVIII - Medicare .....						
7. Title XIX - Medicaid .....	21,876,982	95,135,843	1,065,745	24,156,353	22,942,727	24,667,099
8. Other .....						
9. Subtotals .....	21,876,982	95,135,843	1,065,745	24,156,353	22,942,727	24,667,099
10. Medical incentive pools, accrual and disbursements .....	901,159		(2,588,140)	(229,063)	(1,686,981)	(1,686,981)
11. TOTALS .....	22,778,141	95,135,843	(1,522,395)	23,927,290	21,255,746	22,980,118

11

- 12 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. . . . . NONE
  
- 12.1 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. . . . . NONE
  
- 12.1 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. . . . . NONE
  
- 12.2 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. . . . . NONE
  
- 12.2 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. . . . . NONE
  
- 12.3 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. . . . . NONE
  
- 12.3 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. . . . . NONE
  
- 12.4 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. . . . . NONE
  
- 12.4 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. . . . . NONE
  
- 12.5 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. . . . . NONE
  
- 12.5 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. . . . . NONE

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

**Title XIX - Medicaid**

**Section A**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	1,885,783	25,523	19,820	1,561	(15,148)
2.	1997 .....	13,391,342	3,414,734	200,460	59,276	(9,889)
3.	1998 .....	X X X	25,269,067	7,240,571	579,433	9,951
4.	1999 .....	X X X	X X X	57,168,492	14,473,113	836,153
5.	2000 .....	X X X	X X X	X X X	77,268,254	21,055,915
6.	2001 .....	X X X	X X X	X X X	X X X	95,135,843

**Section B**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	2,600,970	25,523	19,820	1,561	(15,148)
2.	1997 .....	18,197,870	4,089,527	200,460	59,276	(9,889)
3.	1998 .....	X X X	34,496,191	7,982,923	579,433	9,951
4.	1999 .....	X X X	X X X	77,570,485	17,081,419	836,153
5.	2000 .....	X X X	X X X	X X X	99,327,047	21,549,373
6.	2001 .....	X X X	X X X	X X X	X X X	119,864,483

12.6

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

**Other**

**Section A**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....					
2.	1997 .....					
3.	1998 .....	<b>NONE</b>				
4.	1999 .....		X X			
5.	2000 .....		X X	X X X		
6.	2001 .....	X X X	X X X	X X X	X X X	

**Section B**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....					
2.	1997 .....					
3.	1998 .....	<b>NONE</b>				
4.	1999 .....		X X			
5.	2000 .....		X X	X X X		
6.	2001 .....	X X X	X X X	X X X	X X X	

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

**Grand Total**

**Section A**

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	1,885,783	25,523	19,820	1,561	(15,148)
2.	1997 .....	13,391,342	3,414,734	200,460	59,276	(9,889)
3.	1998 .....	X X X	25,269,067	7,240,571	579,433	9,951
4.	1999 .....	X X X	X X X	57,168,492	14,473,113	836,153
5.	2000 .....	X X X	X X X	X X X	77,268,254	21,055,915
6.	2001 .....	X X X	X X X	X X X	X X X	95,135,843

**Section B**

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	2,600,970	25,523	19,820	1,561	(15,148)
2.	1997 .....	18,197,870	4,089,527	200,460	59,276	(9,889)
3.	1998 .....	X X X	34,496,191	7,982,923	579,433	9,951
4.	1999 .....	X X X	X X X	77,570,485	17,081,419	836,153
5.	2000 .....	X X X	X X X	X X X	99,327,047	21,549,373
6.	2001 .....	X X X	X X X	X X X	X X X	119,864,483

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
<b>POLICY RESERVE</b>									
1. Unearned premium reserves .....									
2. Additional policy reserves (a) .....									
3. Reserve for future contingent benefits .....									
4. Reserve for rate credits or experience rating refunds (including \$#####) for investment income .....									
5. Aggregate write-ins for other policy reserves .....									
6. Totals (gross) .....									
7. Reinsurance ceded .....									
8. Totals (Net) (Page 3, Line 4) .....									
<b>CLAIM RESERVE</b>									
9. Present value of amounts not yet due on claims .....									
10. Reserve for future contingent benefits .....									
11. Aggregate write-ins for other claim reserves .....		<b>NONE</b>							
12. Totals (gross) .....		<b>NONE</b>							
13. Reinsurance ceded .....		<b>NONE</b>							
14. Totals (Net) (Page 3, Line 5) .....		<b>NONE</b>							
<b>DETAILS OF WRITE-INS</b>									
0501 .....									
0502 .....									
0503 .....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....									
0599. Totals (Lines 0501 through 0503 plus 0598)(Line 5 above) .....									
1101 .....									
1102 .....									
1103 .....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....									
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above) .....									

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

## UNDERWRITING AND INVESTMENT EXHIBIT PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$..... for occupancy of own building) .....				
2. Salaries, wages and other benefits .....				
3. Commissions (less \$..... ceded plus \$..... assumed) .....				
4. Legal fees and expenses .....		67,842		67,842
5. Certifications and accreditation fees .....				
6. Auditing, actuarial and other consulting services .....		96,310		96,310
7. Traveling expenses .....				
8. Marketing and advertising .....		645,850		645,850
9. Postage, express and telephone .....				
10. Printing and office supplies .....				
11. Occupancy, depreciation and amortization .....				
12. Equipment .....				
13. Cost or depreciation of EDP equipment and software .....				
14. Outsourced services including EDP, claims, and other services .....				
15. Boards, bureaus and association fees .....		187,434		187,434
16. Insurance, except on real estate .....		48,291		48,291
17. Collection and bank service charges .....		62,005		62,005
18. Group service and administration fees .....		14,083,604		14,083,604
19. Reimbursements by uninsured accident and health plans .....				
20. Reimbursements from fiscal intermediaries .....				
21. Real estate expenses .....				
22. Real estate taxes .....				
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes .....				
23.2 State premium taxes .....				
23.3 Regulator authority licenses and fees .....				
23.4 Payroll taxes .....				
23.5 Other (excluding federal income and real estate taxes) .....				
24. Investment expenses not included elsewhere .....				
25. Aggregate write-ins for expenses .....				
26. Total expenses incurred (Lines 1 to 25) .....		15,191,336		(a) 15,191,336
27. Add expenses unpaid December 31, prior year .....		131,247		131,247
28. Less expenses unpaid December 31, current year .....		74,659		74,659
29. Amounts receivable relating to uninsured accident and health plans, prior year .....				
30. Amounts receivable relating to uninsured accident and health plans, current year .....				
31. Total expenses paid (Lines 26 plus 27 minus 28 plus 29 minus 30) .....		15,247,924		15,247,924
<b>DETAILS OF WRITE-INS</b>				
2501 .....				
2502 .....				
2503 .....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....				

(a) Includes management fees of \$.....14,020,205 to affiliates and \$..... to non-affiliates.

## UNDERWRITING AND INVESTMENT EXHIBIT PART 4 - INTEREST, DIVIDENDS AND REAL ESTATE INCOME

	Schedule	1 Collected During Year	Current Year			5 Prior Year Due and Accrued and Unearned	6 Earned During Year (Cols.1 - 2 + 3 + 4 - 5)
			2 Unearned	3 Due and Accrued (g)	4 Foreign Exchange Adjustment		
1. Government bonds	D(a)	565,120		38,844		192,486	411,478
1.1 Other bonds (unaffiliated)	D(a)	45,442		25,030			70,472
1.2 Bonds of affiliates	D(a)						
2.1 Preferred stocks (unaffiliated)	D(b)						
2.11 Preferred stocks of affiliates	D(b)						
2.2 Common stocks (unaffiliated)	D						
2.21 Common stocks of affiliates	D						
3. Mortgage loans	B(c)						
4. Real estate	A(d)						
5.1 Cash on hand and on deposit		571,401		7,974			579,375
5.2 Short-term investments	DA(e)						
6. Other invested assets	BA						
7. Derivative instruments	DB(f)						
8. Aggregate write-ins for investment income							
9. TOTALS		1,181,963		71,848		192,486	1,061,325

DEDUCTIONS						
10. Total investment expenses incurred (Part 3, Line 26, Col. 3)						
11. Interest expense	(h)					
12. Depreciation on real estate						
13. Aggregate write-ins for other deductions						
14. Total deductions (Lines 10 to 13)						
15. Net investment income earned (Line 9 minus Line 14)(to Page 4, Line 22)						1,061,325

DETAILS OF WRITE-INS							
0801		X X X					
0802		X X X					
0803		X X X					
0898. Summary of remaining write-ins for Line 8 from overflow page		X X X					
0899. Totals (Lines 0801 through 0803 plus 0898)(Part 4, Line 8)		X X X					
1301							
1302							
1303							
1398. Summary of remaining write-ins for Line 13 from overflow page							
1399. Totals (Lines 1301 through 1303 plus 1398)(Part 4, Line 13)							

- (a) Includes \$..... accrual of discount less \$..... amortization of premium.
- (b) Includes \$..... accrual of discount less \$..... amortization of premium.
- (c) Includes \$..... accrual of discount less \$..... amortization of premium.
- (d) Includes \$..... for corporation's occupancy of its own buildings.
- (e) Includes \$..... accrual of discount less \$..... amortization of premium.

- (f) Includes \$..... accrual of discount less \$..... amortization of premium.
- (g) Admitted items only. State basis of exclusions for corporation's occupancy of its own buildings:
- (h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.

### PART 4A - CAPITAL GAINS AND (LOSSES) ON INVESTMENTS

	1 Realized Profit (Loss) on Sale or Maturity	2 Realized Foreign Exchange Profit (Loss) on Sale or Maturity	3 Other Realized Adjustment	4 Increase (Decrease) by Adjustments	5 Unrealized Foreign Exchange Gain (Loss)	6 Net Gain (Loss) from Change in Difference Between Book/ Adjusted Carrying and Admitted Values	7 Total (Sum of Columns 1 to 6)
1.1 Other bonds (unaffiliated)				(9,040)		(9,040)	
1.2 Bonds of affiliates							
2.1 Preferred stocks (unaffiliated)							
2.11 Preferred stocks of affiliates							
2.2 Common stocks (unaffiliated)							
2.21 Common stocks of affiliates							
3. Mortgage loans							
4. Real estate				(a)			
5.1 Cash on hand and on deposit							
5.2 Short-term investments							
6. Other invested assets							
7. Derivative instruments							
8. Aggregate write-ins for capital gains and (losses)							
9. TOTALS				(12,334)		(12,334)	

(Distribution of Line 9, Col.7)							
10. Net realized capital gains or (losses) (Page 4, Line 23)(Line 9, Col. 1 + 2 + 3)							
11. Net unrealized capital gains or (losses)							(12,334)

DETAILS OF WRITE-INS							
0801							
0802							
0803							
0898. Summary of remaining write-ins for Line 8 from overflow page							
0899. TOTALS (Lines 0801 through 0803 plus 0898) (Part 4A, Line 8)							

- (a) Excluding \$..... depreciation on real estate included in Part 4, Line 12.

## EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of items Page 2, Lines 10 to 16 and 19 to 20, Column 2 .....			
2. Other Nonadmitted Assets:			
2.1 Furniture and Equipment .....			
2.2 Leasehold improvements .....			
2.3 Amounts due from agents .....			
3. TOTAL (Lines 2.1 to 2.3) .....			
4. Loans on company stock .....			
5. Aggregate write-ins for other than invested assets .....	229,880	286,158	56,278
6. TOTAL (Line 1 plus 3 through 5) .....	229,880	286,158	56,278
<b>DETAILS OF WRITE-INS</b>			
0501. Prepaid MIS Fee .....	210,000	270,950	60,950
0502. Prepaid Insurance .....	19,880	15,208	(4,672)
0503 .....			
0598. Summary of remaining write-ins for Line 5 from overflow page .....			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	229,880	286,158	56,278

### EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

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 .....	63,858	64,542	67,308	73,692	74,999	834,143
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business .....						
7. Total .....	63,858	64,542	67,308	73,692	74,999	834,143
<b>DETAILS OF WRITE-INS</b>						
0601 .....						
0602 .....						
0603 .....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. Totals (Lines 0601 through 0603 plus 0698)(Line 6 above) .....						

## Notes to Financial Statement

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities .....	1,271,000	6.247	1,271,000	6.247
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....	1,355,000	6.660	1,355,000	6.660
1.22 Issued by U.S. government sponsored agencies .....				
1.3 Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....	288,000	1.416	288,000	1.416
1.43 Revenue and assessment obligations .....				
1.44 Industrial development and similar obligations .....				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....				
1.512 Issued by FNMA and FHLMC .....				
1.513 Privately issued .....				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....				
1.523 All other privately issued .....				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2 Unaffiliated foreign securities .....				
2.3 Affiliated securities .....				
3. Equity interests:				
3.1 Investments in mutual funds .....				
3.2 Preferred stocks:				
3.21 Affiliated .....				
3.22 Unaffiliated .....				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....	11,275	0.055	11,275	0.055
3.32 Unaffiliated .....				
3.4 Other equity securities:				
3.41 Affiliated .....				
3.42 Unaffiliated .....				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....				
3.52 Unaffiliated .....				
4. Mortgage loans:				
4.1 Construction and land development .....				
4.2 Agricultural .....				
4.3 Single family residential properties .....				
4.4 Multifamily residential properties .....				
4.5 Commercial loans .....				
5. Real estate investments:				
5.1 Property occupied by company .....				
5.2 Property held for production of income (includes \$..... of property acquired in satisfaction of debt) .....				
5.3 Property held for sale (\$..... including property acquired in satisfaction of debt) .....				
6. Policy loans .....				
7. Receivables for securities .....				
8. Cash and short-term investments .....	17,420,613	85.622	17,420,613	85.622
9. Other invested assets .....				
10. Total invested assets .....	20,345,888	100.000	20,345,888	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[X]
- 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 principle 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[ ] N/A[X]
- 1.3 State Regulating? .....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended. .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ..... 12/31/1998 .....
- 3.2 State as of what 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. ..... 12/31/1998 .....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ..... 10/22/1999 .....
- 3.4 By what department or departments?  
Michigan Department of Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? Yes[ ] No[X]  
4.12 renewals? Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? Yes[ ] No[X]  
4.22 renewals? Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

1 Nationality	2 Type of Entity
.....	.....

## GENERAL INTERROGATORIES (continued)

8. What interest, direct or indirect, has this reporting entity in the capital stock of any other insurance company?
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Miller Wagner & Co
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Integrated Health Resources
11. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement? Yes[ ] No[X]
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? Yes[ ] No[X]
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[X] N/A[ ]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?
13. Have the instructions for completing the blank required by this department been followed in every detail? Yes[X] No[ ]

### BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committees thereof? Yes[X] No[ ]
15. 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[ ]
16. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity? Yes[ ] No[X]
17. 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 which is in or is likely to conflict with the official duties of such person? Yes[X] No[ ]

### FINANCIAL

- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers \$ .....
- 18.12 To stockholders not officers \$ .....
- 18.13 Trustees, supreme or grand (Fraternal only) \$ .....
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers \$ .....
- 18.22 To stockholders not officers \$ .....
- 18.23 Trustees, supreme or grand (Fraternal only) \$ .....
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes[ ] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$ .....
- 19.22 Borrowed from others \$ .....
- 19.23 Leased from others \$ .....
- 19.24 Other \$ .....
- Disclose in Notes to Financial the nature of each obligation.
- 20.1 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]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$ .....
- 20.22 Amount paid as expenses \$ .....
- 20.23 Other amounts paid \$ .....

## GENERAL INTERROGATORIES (continued)

### INVESTMENT

21.1 List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
1. Preferred .....	.....	.....	.....	.....	.... Yes[ ] No[X] ....	.... Yes[ ] No[X] ....
2. Common .....	.....	.....	.....	..... X X X .....	..... X X X .....	..... X X X .....

22.1 Were all the stocks, bonds and other securities owned December 31 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 2 - Special Deposits? Yes[ ] No[X]

22.2 If no, give full and complete information, relating thereto:

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - 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 23.2) Yes[ ] No[X]

23.2 If yes, state the amount thereof at December 31 of the current year:

- 23.21 Loaned to others \$ .....
- 23.22 Subject to repurchase agreements \$ .....
- 23.23 Subject to reverse repurchase agreements \$ .....
- 23.24 Subject to dollar repurchase agreements \$ .....
- 23.25 Subject to reverse dollar repurchase agreements \$ .....
- 23.26 Pledged as collateral \$ .....
- 23.27 Placed under option agreements \$ .....
- 23.28 Letter stock or securities restricted as to sale \$ .....
- 23.29 Other \$ .....

23.3 For each category above, if any of these assets are held by other, identify by whom held:

- 23.31
- 23.32
- 23.33
- 23.34
- 23.35
- 23.36
- 23.37
- 23.38
- 23.39

For categories (23.21) and (23.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

23.4 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[ ] No[X]  
 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[ ] No[X] N/A[ ]  
 If no, attach a description with this statement.

25.1 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]  
 25.2 If yes, state the amount thereof at December 31 of the current year \$ .....

## GENERAL INTERROGATORIES (continued)

### OTHER

26.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ .....

26.2 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
.....	.....

27.1 Amount of payments for legal expenses, if any? \$ ..... 67,842

27.2 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
.....	.....

28.1 Amount of payment for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ .....

28.2 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 department of government during the period covered by this statement.

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

29. What officials or heads of departments of the reporting entity supervised the making of this report?

30.1 Has any direct new business been solicited or written in any state where the reporting entity was not licensed? Yes[ ] No[X]

30.2 If yes, explain:

## GENERAL INTERROGATORIES (continued)

### 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 if Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?   | \$ .....         |
| 1.31 Reason for excluding:  |                  |
| 1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above.   | \$ .....         |
| 1.5 Indicate total incurred claims on all Medicare Supplement insurance.  | \$ .....         |
| 1.6 Individual policies - Most current three years:   |                  |
| 1.61 Total premium earned   | \$ .....         |
| 1.62 Total incurred claims  | \$ .....         |
| 1.63 Number of covered lives  | \$ .....         |
| All years prior to most current three years:  |                  |
| 1.64 Total premium earned   | \$ .....         |
| 1.65 Total incurred claims  | \$ .....         |
| 1.66 Number of covered lives  | \$ .....         |
| 1.7 Group policies - Most current three years:  |                  |
| 1.71 Total premium earned   | \$ .....         |
| 1.72 Total incurred claims  | \$ .....         |
| 1.73 Number of covered lives  | \$ .....         |
| All years prior to most current three years:  |                  |
| 1.74 Total premium earned   | \$ .....         |
| 1.75 Total incurred claims  | \$ .....         |
| 1.76 Number of covered lives  | \$ .....         |
| 2.1 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]     |
| 2.2 If yes, give particulars:   |                  |
| 3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?  | Yes[X] No[ ]     |
| 3.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?   | Yes[ ] No[X]     |
| 4.1 Does the reporting entity have stop-loss reinsurance?   | Yes[X] No[ ]     |
| 4.2 If no, explain:   |                  |
| 4.3 Maximum retained risk (see instructions):   |                  |
| 4.31 Comprehensive Medical  | \$ ..... 187,500 |
| 4.32 Medical Only   | \$ .....         |
| 4.33 Medicare Supplement  | \$ .....         |
| 4.34 Dental   | \$ .....         |
| 4.35 Other Limited Benefit Plan   | \$ .....         |
| 4.36 Other  | \$ .....         |
| 5. 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: |                  |
| 6.1 Does the reporting entity set up its claim liability for provider services on a service data base?  | Yes[X] No[ ]     |
| 6.2 If no, give details:  |                  |
| 7. Provide the following information regarding participating providers:   |                  |
| 7.1 Number of providers at start of reporting year  | ..... 2984       |
| 7.2 Number of providers at end of reporting year  | ..... 3100       |
| 8.1 Does the reporting entity have business subject to premium rate guarantees?   | Yes[ ] No[X]     |
| 8.2 If yes, direct premium earned:  |                  |
| 8.21 Business with rate guarantees between 15-36 months   | ..... 0          |
| 8.22 Business with rate guarantees over 36 months   | ..... 0          |
| 9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contracts?   | Yes[X] No[ ]     |
| 9.2 If yes:   |                  |
| 9.21 Maximum amount payable bonuses   | \$ .....         |
| 9.22 Amount actually paid for year bonuses  | \$ ..... 901,159 |
| 9.23 Maximum amount payable withholds   | \$ .....         |
| 9.24 Amount actually paid for year withholds  | \$ ..... 796,000 |
| 10. List service areas in which reporting entity is licensed to operate:  |                  |

1
Name of Service Area

## FIVE-YEAR HISTORICAL DATA

	1 2001	2 2000	3 1999	4 1998	5 1997
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 23) .....	30,655,047	31,185,430	23,481,891	14,698,139	6,915,004
2. Total liabilities (Page 3, Line 18) .....	22,479,553	23,111,365	19,195,234	10,771,493	5,628,091
3. Statutory surplus .....					
4. Total capital and surplus (Page 3, Line 26) .....	8,175,494	8,074,065	4,286,657	3,926,646	1,286,913
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 7) .....	131,524,360	110,724,043	84,526,808	44,186,075	23,461,898
6. Total medical and hospital expenses (Line 14) .....	117,338,761	95,742,669	75,282,110	36,448,852	20,059,195
7. Total administrative expenses (Line 18) .....	15,210,122	11,843,832	8,787,114	4,827,854	2,133,715
8. Net underwriting gain (loss) Line 21) .....	(1,037,317)	3,393,301			
9. Net investment gain (loss) Line 24) .....	1,061,325				
10. Total other income (Lines 25 plus 26) .....	21,176				
11. Net income or (loss) Line 27) .....	45,184	3,393,301	457,854	2,909,369	1,268,988
<b>RISK-BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital .....	8,175,494	8,074,065	4,286,657	3,926,646	X X X
13. Authorized control level risk-based capital .....	5,024,269	4,175,978	2,879,644	1,418,780	X X X
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	74,999	63,858	57,442	36,210	15,759
15. Total members months (Column 6, Line 7) .....	834,143	748,344	642,489	336,819	155,226
<b>OPERATING PERCENT (Page4)</b> <b>(Item divided by Page 4, Line2)</b>					
16. Premiums earned (Line 2) .....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 14) .....	89.3	86.9			
18. Total underwriting deductions (Line 20) .....	100.9	97.4			
19. Total underwriting gain (loss) (Line 21) .....	(0.8)	3.1			
<b>UNPAID CLAIMS ANALYSIS</b> <b>(U&amp;I Exhibit, 2B)</b>					
20. Total claims incurred for prior years (Line 11, Col. 5) .....	21,255,746				
21. Estimated liability of unpaid claims-prior year (Line 11, Col. 6) .....	22,980,118				

## FIVE-YEAR HISTORICAL DATA (Continued)

	1 2001	2 2000	3 1999	4 1998	5 1997
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....					
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....					
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	11,275				
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....					
26. Affiliated mortgage loans on real estate .....					
27. All other affiliated .....					
28. Total of above Lines 22 to 27 .....	11,275				

## SCHEDULE D - SUMMARY BY COUNTRY

### Long-term Bonds and stocks OWNED December 31 of Current Year

Description	1	2	3	4
	Book/Adjusted Carrying Value	Fair Value (a)	Actual Cost	Par Value of Bonds
<b>BONDS</b>				
Governments (Including all obligations guaranteed by governments)	1. United States ..... 1,359,835	..... 1,367,084	..... 1,362,129	..... 1,355,000
	2. Canada .....	.....	.....	.....
	3. Other Countries .....	.....	.....	.....
	4. Totals .....	..... 1,359,835	..... 1,367,084	..... 1,355,000
States, Territories and Possessions (Direct and Guaranteed)	5. United States .....	.....	.....	.....
	6. Canada .....	.....	.....	.....
	7. Other Countries .....	.....	.....	.....
	8. Totals .....	.....	.....	.....
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9. United States ..... 288,000	..... 289,000	..... 289,000	..... 288,000
	10. Canada .....	.....	.....	.....
	11. Other Countries .....	.....	.....	.....
	12. Totals .....	..... 288,000	..... 289,000	..... 288,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	.....	.....	.....
	14. Canada .....	.....	.....	.....
	15. Other Countries .....	.....	.....	.....
	16. Totals .....	.....	.....	.....
Public Utilities (unaffiliated)	17. United States .....	.....	.....	.....
	18. Canada .....	.....	.....	.....
	19. Other Countries .....	.....	.....	.....
	20. Totals .....	.....	.....	.....
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States ..... 1,302,532	..... 1,318,999	..... 1,311,572	..... 1,271,000
	22. Canada .....	.....	.....	.....
	23. Other Countries .....	.....	.....	.....
	24. Totals .....	..... 1,302,532	..... 1,318,999	..... 1,271,000
Parent, Subsidiaries and Affiliates	25. Totals .....	.....	.....	.....
	26. Total Bonds .....	..... 2,950,367	..... 2,975,083	..... 2,914,000
<b>PREFERRED STOCKS</b>				
Public Utilities (unaffiliated)	27. United States .....	.....	.....	.....
	28. Canada .....	.....	.....	.....
	29. Other Countries .....	.....	.....	.....
	30. Totals .....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....	.....	.....	.....
	32. Canada .....	.....	.....	.....
	33. Other Countries .....	.....	.....	.....
	34. Totals .....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	35. United States .....	.....	.....	.....
	36. Canada .....	.....	.....	.....
	37. Other Countries .....	.....	.....	.....
	38. Totals .....	.....	.....	.....
Parent, Subsidiaries and Affiliates	39. Totals .....	.....	.....	.....
	40. Total Preferred Stocks .....	.....	.....	.....
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)	41. United States .....	.....	.....	.....
	42. Canada .....	.....	.....	.....
	43. Other Countries .....	.....	.....	.....
	44. Totals .....	.....	.....	.....
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....	.....	.....	.....
	46. Canada .....	.....	.....	.....
	47. Other Countries .....	.....	.....	.....
	48. Totals .....	.....	.....	.....
Industrial and Miscellaneous (unaffiliated)	49. United States .....	.....	.....	.....
	50. Canada .....	.....	.....	.....
	51. Other Countries .....	.....	.....	.....
	52. Totals .....	.....	.....	.....
Parent, Subsidiaries and Affiliates	53. Totals ..... 11,275	..... 11,275	..... 11,275	.....
	54. Total Common Stocks .....	..... 11,275	..... 11,275	..... 11,275
	55. Total Stocks .....	..... 11,275	..... 11,275	..... 11,275
	56. Total Bonds and Stocks .....	..... 2,961,642	..... 2,986,358	..... 2,973,976

(a) The aggregate value of bonds which are valued at other than actual market is \$.....

## SCHEDULE D - Verification Between Years

1. Book/adjusted carrying value of bonds and stocks, prior year. .... 3,019,270	6. Foreign Exchange Adjustment
2. Cost of bonds and stocks acquired, Column 6, Part 3. .... 3,629,706	6.1 Column 17, Part 1. ....
3. Increase (decrease) by adjustment:	6.2 Column 13, Part 2, Section 1. ....
3.1 Column 16, Part 1. .... (12,334)	6.3 Column 11, Part 2, Section 2. ....
3.2 Column 12, Part 2, Section 1. ....	6.4 Column 11, Part 4. ....
3.3 Column 10, Part 2, Section 2. ....	7. Book/adjusted carrying value at end of current period. .... 2,961,642
3.4 Column 10, Part 4. .... (12,334)	8. Total valuation allowance. ....
4. Total gain (loss), Column 14, Part 4. ....	9. Subtotal (Lines 7 plus 8). .... 2,961,642
5. Deduct consideration for bonds and stocks disposed of	10. Total nonadmitted assets. ....
Column 6, Part 4. .... 3,675,000	11. Statement value of bonds and stocks, current period. .... 2,961,642

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

# 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 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums
1.	Alabama	AL	No	No			
2.	Alaska	AK	No	No			
3.	Arizona	AZ	No	No			
4.	Arkansas	AR	No	No			
5.	California	CA	No	No			
6.	Colorado	CO	No	No			
7.	Connecticut	CT	No	No			
8.	Delaware	DE	No	No			
9.	District of Columbia	DC	No	No			
10.	Florida	FL	No	No			
11.	Georgia	GA	No	No			
12.	Hawaii	HI	No	No			
13.	Idaho	ID	No	No			
14.	Illinois	IL	No	No			
15.	Indiana	IN	No	No			
16.	Iowa	IA	No	No			
17.	Kansas	KS	No	No			
18.	Kentucky	KY	No	No			
19.	Louisiana	LA	No	No			
20.	Maine	ME	No	No			
21.	Maryland	MD	No	No			
22.	Massachusetts	MA	No	No			
23.	Michigan	MI	No	Yes		131,738,142	
24.	Minnesota	MN	No	No			
25.	Mississippi	MS	No	No			
26.	Missouri	MO	No	No			
27.	Montana	MT	No	No			
28.	Nebraska	NE	No	No			
29.	Nevada	NV	No	No			
30.	New Hampshire	NH	No	No			
31.	New Jersey	NJ	No	No			
32.	New Mexico	NM	No	No			
33.	New York	NY	No	No			
34.	North Carolina	NC	No	No			
35.	North Dakota	ND	No	No			
36.	Ohio	OH	No	No			
37.	Oklahoma	OK	No	No			
38.	Oregon	OR	No	No			
39.	Pennsylvania	PA	No	No			
40.	Rhode Island	RI	No	No			
41.	South Carolina	SC	No	No			
42.	South Dakota	SD	No	No			
43.	Tennessee	TN	No	No			
44.	Texas	TX	No	No			
45.	Utah	UT	No	No			
46.	Vermont	VT	No	No			
47.	Virginia	VA	No	No			
48.	Washington	WA	No	No			
49.	West Virginia	WV	No	No			
50.	Wisconsin	WI	No	No			
51.	Wyoming	WY	No	No			
52.	American Samoa	AS	No	No			
53.	Guam	GU	No	No			
54.	Puerto Rico	PR	No	No			
55.	U.S. Virgin Islands	VI	No	No			
56.	Canada	CN	No	No			
57.	Aggregate other alien	OT	X X X	X X X			
58.	TOTAL (Direct Business)		X X X	1		131,738,142	

DETAILS OF WRITE-INS							
5701							
5702							
5703							
5798.	Summary of remaining write-ins for Line 57 from overflow page						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)						