

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1. Bonds				
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (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 (\$.....1,372,123, Schedule E - Part 1) and short-term investments (\$....., Schedule DA - Part 2)	1,372,123		1,372,123	2,013,211
6. Other long-term invested assets				
7. Receivable for securities				
8. Aggregate write-ins for invested assets				
9. Subtotals, cash and invested assets (Lines 1 to 8)	1,372,123		1,372,123	2,013,211
10. Accident and health premiums due and unpaid	30,257		30,257	37,831
11. Health care receivables				
12. Amounts recoverable from reinsurers				
13. Net adjustment in assets and liabilities due to foreign exchange rates				
14. Investment income due and accrued				
15. Amounts due from parent, subsidiaries and affiliates	1,169,410		1,169,410	619,527
16. Amounts receivable relating to uninsured accident and health plans				
17. Furniture and equipment	13,709	13,709		17,359
18. Amounts due from agents				
19. Federal and foreign income tax recoverable and interest thereon (including \$.....724,000 net deferred tax asset)	724,000	724,000		
20. Electronic data processing equipment and software				
21. Other nonadmitted assets				2,300
22. Aggregate write-ins for other than invested assets	4,100	4,100		
23. Total assets (Lines 9 plus 10 through 22)	3,313,599	741,809	2,571,790	2,690,228
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) (Line 8 above)				
2201. Security Deposit	2,300	2,300		
2202. Prepaid Assets	1,800	1,800		
2203.				
2298. Summary of remaining write-ins for Line 22 from overflow page				
2299. TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)	4,100	4,100		

(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)	1,517,660		1,517,660	890,296
2. Accrued medical incentive pool and bonus payments				
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves				
6. Premiums received in advance	108,323		108,323	22,893
7. General expenses due or accrued	21,530		21,530	4,474
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	47,779		47,779	396,087
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 \$..... 11,885 current)	11,886		11,886	5,324
18. Total liabilities (Lines 1 to 17)	1,707,178		1,707,178	1,319,074
19. Common capital stock	X X X	X X X	10,000	10,000
20. Preferred capital stock	X X X	X X X		
21. Gross paid in and contributed surplus	X X X	X X X	3,190,000	2,190,000
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	(2,335,388)	(828,845)
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	864,612	1,371,155
27. Total liabilities, capital and surplus (Lines 18 and 26)	X X X	X X X	2,571,790	2,690,229
DETAILS OF WRITE-INS				
1701. Accrued Compensation	4,387		4,387	4,056
1702. Accrued Other	7,499		7,499	1,268
1703				
1798. Summary of remaining write-ins for Line 17 from overflow page				
1799. TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above)	11,886		11,886	5,324
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	36,352	25,367
2. Net premium income	X X X	9,974,668	8,129,965
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		
7. TOTAL REVENUES (Lines 2 to 6)	X X X	9,974,668	8,129,965
Medical and Hospital:			
8. Hospital/medical benefits		8,834,973	6,602,697
9. Other Professional Services			
10. Outside Referrals			
11. Emergency Room and Out-of-Area		756,933	
12. Aggregate Write-Ins for Other Medical and Hospital		754,467	662,880
13. Incentive Pool and Withhold Adjustments			
14. Subtotal (Lines 8 to 13)		10,346,373	7,265,577
LESS:			
15. Net Reinsurance Recoveries			
16. Total medical and Hospital (Lines 14 minus 15)		10,346,373	7,265,577
17. Claims adjustment expenses			
18. General administrative expenses		1,180,359	1,122,796
19. Increase in reserves for accident and health contracts			
20. Total underwriting deductions (Lines 16 through 19)		11,526,732	8,388,373
21. Net underwriting gain or (Loss) (Lines 7 minus 20)	X X X	(1,552,064)	(258,408)
22. Net investment income earned		58,471	30,341
23. Net realized capital gains or (Losses)			
24. Net investment gains or (Losses) (Lines 22 plus 23)		58,471	30,341
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			
27. Net income or (Loss) before federal income taxes (Lines 21 plus 24 plus 25 plus 26)		(1,493,593)	(228,067)
28. Federal and foreign income taxes incurred	X X X	(724,000)	
29. Net income (Loss) (Lines 27 minus 28)	X X X	(769,593)	(228,067)
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
1201. RX Expense		754,467	662,880
1202.			
1203.			
1298. Summary of remaining write-ins for Line 12 from overflow page			
1299. TOTALS (Lines 1201 through 1203 plus 1298) (Line 12 above)		754,467	662,880
2601.			
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)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
30. Capital and surplus prior reporting year	1,371,155	542,366
GAINS AND LOSSES TO CAPITAL & SURPLUS		
31. Net income or (Loss) from Line 29	(769,593)	(228,067)
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	(736,951)	6,856
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	1,000,000	1,050,000
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)	(506,544)	828,789
46. Capital and surplus end of reporting year (Line 30 plus 45)	864,611	1,371,155
DETAILS OF WRITE-INS		
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
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance	10,067,673	8,041,627
2.	Claims and claims adjustment expenses	9,719,010	7,297,533
3.	General administrative expenses paid	1,163,305	1,106,657
4.	Other underwriting income (expenses)		
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(814,642)	(362,563)
6.	Net investment income	58,471	30,341
7.	Other income (expenses)		
8.	Federal and foreign income taxes (paid) recovered		
9.	Net cash from operations (Line 5 to 8)	(756,170)	(332,222)
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1	... Bonds		
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		
10.8	... TOTAL investment proceeds (Lines 10.1 to 10.7)		
11.	Cost of investments acquired (long-term only):		
11.1	... Bonds		
11.2	... Stocks		
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)		
12.	Net cash from investments (Line 10.8 minus Line 11.7)		
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1	... Surplus notes, capital and surplus paid in	1,000,000	1,050,000
13.2	... Net transfers from affiliates		518,292
13.3	... Borrowed funds received		
13.4	... Other cash provided	13,273	168,477
13.5	... TOTAL (Lines 13.1 to 13.4)	1,013,273	1,736,769
14.	Cash applied:		
14.1	... Dividends to stockholder paid		
14.2	... Net transfers to affiliates	898,191	
14.3	... Borrowed funds repaid		
14.4	... Other applications		
14.5	... TOTAL (Lines 14.1 to 14.4)	898,191	
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	115,082	1,736,769
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(641,089)	1,404,547
17.	Cash and short-term investments:		
17.1	... Beginning of year	2,013,211	608,664
17.2	... End of year (Line 16 plus Line 17.1)	1,372,122	2,013,211

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	9,974,668	4,204,850						5,769,818					
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													
6. Total revenues (Lines 1 to 5)	9,974,668	4,204,850						5,769,818					
7. Medical/hospital benefits	8,834,973	2,930,954						5,904,019					
8. Other professional services													
9. Outside referrals													
10. Emergency Room and Out-of-Area	756,933	442,638						314,295					
11. Aggregate write-ins for other medical and hospital	754,467	408,994						345,473					
12. Incentive pool and withhold adjustments													
13. Subtotal (Lines 7 to 12)	10,346,373	3,782,586						6,563,787					
14. Net Reinsurance Recoveries													
15. Total medical and hospital (Lines 13 minus 14)	10,346,373	3,782,586						6,563,787					
16. Claims adjustment expenses													
17. General administrative expenses	1,180,359	980,166						200,193					
18. Increase in reserves for accident and health contracts													
19. Total underwriting deductions (Lines 15 to 18)	11,526,732	4,762,752						6,763,980					
20. Net underwriting gain or (Loss) (Line 6 minus Line 19)	(1,552,064)	(557,902)						(994,162)					
DETAILS OF WRITE-INS													
0501													
0502													
0503													
0598. Summary of remaining write-ins for Line 5 from overflow page													
0599. TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above)													
1101. RX Expense	754,467	408,994						345,473					
1102													
1103													
1198. Summary of remaining write-ins for Line 11 from overflow page													
1199. TOTAL (Lines 1101 through 1103 plus 1198) (Line 11 above)	754,467	408,994						345,473					

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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)	4,227,003		22,153	4,204,850
2.	Medicare Supplemental				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan Premiums				
6.	Title XVIII - Medicare	5,791,322		21,504	5,769,818
7.	Title XIX - Medicaid				
8.	Other				
9.	TOTALS	10,018,325		43,657	9,974,668

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	9,719,010	3,506,908					6,212,102		
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net	9,719,010	3,506,908					6,212,102		
2. Paid medical incentive pools and bonuses									
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	1,517,661	572,504					945,157		
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net	1,517,661	572,504					945,157		
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									
6. Amounts recoverable from reinsurers December 31, current year									
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	890,296	296,825					593,471		
7.2 Reinsurance assumed									
7.3 Reinsurance ceded									
7.4 Net	890,296	296,825					593,471		
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									
10. Amounts recoverable from reinsurers December 31, prior year									
11. Incurred benefits:									
11.1 Direct	10,346,375	3,782,587					6,563,788		
11.2 Reinsurance assumed									
11.3 Reinsurance ceded									
11.4 Net	10,346,375	3,782,587					6,563,788		
12. Incurred medical incentive pools and bonuses									

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	341,327	159,208					182,120		
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net	341,327	159,208					182,120		
2. Incurred but Unreported:									
2.1 Direct	1,176,333	413,296					763,037		
2.2 Reinsurance assumed									
2.3 Reinsurance ceded									
2.4 Net	1,176,333	413,296					763,037		
3. Amounts Withheld from Paid Claims and Capitations:									
3.1 Direct									
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net									
4. TOTALS									
4.1 Direct	1,517,660	572,504					945,157		
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net	1,517,660	572,504					945,157		

UNDERWRITING AND INVESTMENT EXHIBIT

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

	Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (medical and hospital)	348,480	3,158,427		572,504	348,480	296,825
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan Premiums						
6.	Title XVIII - Medicare	797,013	5,415,089		945,157	797,013	593,471
7.	Title XIX - Medicaid						
8.	Other						
9.	Subtotals	1,145,493	8,573,516		1,517,661	1,145,493	890,296
10.	Medical incentive pools, accrual and disbursements						
11.	TOTALS	1,145,493	8,573,516		1,517,661	1,145,493	890,296

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

Hospital and Medical

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				672	
3. 1998	X X X	5,084	37,035	1,416	273
4. 1999	X X X	X X X	387,896	74,675	475
5. 2000	X X X	X X X	X X X	1,795,120	347,733
6. 2001	X X X	X X X	X X X	X X X	2,637,313

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	X X X	55,184	37,035	2,088	273
4. 1999	X X X	X X X	496,900	74,675	475
5. 2000	X X X	X X X	X X X	2,091,945	347,732
6. 2001	X X X	X X X	X X X	X X X	3,209,817

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

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

Title XVIII - Medicare

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	9,699	6,236			
3.	1998	X X X	96,002	15,371	28	
4.	1999	X X X	X X X	2,911,054	613,538	20,301
5.	2000	X X X	X X X	X X X	3,608,643	776,712
6.	2001	X X X	X X X	X X X	X X X	5,100,061

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	19,109	6,236			
3.	1998	X X X	157,917	15,371	28	
4.	1999	X X X	X X X	3,296,624	613,538	20,301
5.	2000	X X X	X X X	X X X	4,202,114	776,712
6.	2001	X X X	X X X	X X X	X X X	6,045,218

12.5

12.6 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.6 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

12.7 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.7 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

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					
2.	1997	9,699	6,236		672	
3.	1998	X X X	101,086	52,406	1,444	273
4.	1999	X X X	X X X	3,298,950	688,213	20,776
5.	2000	X X X	X X X	X X X	5,403,763	1,124,445
6.	2001	X X X	X X X	X X X	X X X	7,737,374

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	19,109	6,236			
3.	1998	X X X	213,101	52,406	2,116	273
4.	1999	X X X	X X X	3,793,524	688,213	20,776
5.	2000	X X X	X X X	X X X	6,294,059	1,124,444
6.	2001	X X X	X X X	X X X	X X X	9,255,035

12.8

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
POLICY RESERVE									
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)									
CLAIM RESERVE									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves		NONE							
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 5)									
DETAILS OF WRITE-INS									
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	2	3	4
	Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$.....19,892 for occupancy of own building)		19,892		19,892
2. Salaries, wages and other benefits		613,914		613,914
3. Commissions (less \$..... ceded plus \$..... assumed)		27,070		27,070
4. Legal fees and expenses				
5. Certifications and accreditation fees		849		849
6. Auditing, actuarial and other consulting services		8,631		8,631
7. Traveling expenses		7,650		7,650
8. Marketing and advertising		196,219		196,219
9. Postage, express and telephone		4,668		4,668
10. Printing and office supplies		30,815		30,815
11. Occupancy, depreciation and amortization		11,603		11,603
12. Equipment		5,504		5,504
13. Cost or depreciation of EDP equipment and software		733		733
14. Outsourced services including EDP, claims, and other services				
15. Boards, bureaus and association fees		19,757		19,757
16. Insurance, except on real estate		547		547
17. Collection and bank service charges		7,583		7,583
18. Group service and administration fees				
19. Reimbursements by uninsured accident and health plans				
20. Reimbursements from fiscal intermediaries				
21. Real estate expenses				
22. Real estate taxes				
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		7,724		7,724
23.5 Other (excluding federal income and real estate taxes)		3,098		3,098
24. Investment expenses not included elsewhere				
25. Aggregate write-ins for expenses		214,105		214,105
26. Total expenses incurred (Lines 1 to 25)		1,180,360		(a) 1,180,360
27. Add expenses unpaid December 31, prior year		4,474		4,474
28. Less expenses unpaid December 31, current year		21,530		21,530
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)		1,163,305		1,163,305
DETAILS OF WRITE-INS				
2501. Purchased Services		34,177		34,177
2502. Office Supplies		2,134		2,134
2503. Allocated General Office/ ADM		140,129		140,129
2598. Summary of remaining write-ins for Line 25 from overflow page		37,665		37,665
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above)		214,105		214,105

(a) Includes management fees of \$..... 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) ..						
1.1 Other bonds (unaffiliated)	D(a) ..						
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		58,471					58,471
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		58,471					58,471

						DEDUCTIONS	
10. Total investment expenses incurred (Part 3, Line 26, Col. 3)						(h)	
11. Interest expense							
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)						58,471	

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	2	3	4	5	6	7
	Realized Profit (Loss) on Sale or Maturity	Realized Foreign Exchange Profit (Loss) on Sale or Maturity	Other Realized Adjustment	Increase (Decrease) by Adjustments	Unrealized Foreign Exchange Gain (Loss)	Net Gain (Loss) from Change in Difference Between Book/ Adjusted Carrying and Admitted Values	Total (Sum of Columns 1 to 6)
1. Government bonds							
1.1 Other bonds (unaffiliated)							
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							

N O N E

(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)							

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	724,000		(724,000)
2. Other Nonadmitted Assets:			
2.1 Furniture and Equipment	13,709		(13,709)
2.2 Leasehold improvements			
2.3 Amounts due from agents			
3. TOTAL (Lines 2.1 to 2.3)	13,709		(13,709)
4. Loans on company stock			
5. Aggregate write-ins for other than invested assets	4,100	4,858	758
6. TOTAL (Line 1 plus 3 through 5)	741,809	4,858	(736,951)
DETAILS OF WRITE-INS			
0501. Deferred Organizational Costs		4,858	4,858
0502. Security Deposit	2,300		(2,300)
0503. Prepaid Insurance	1,800		(1,800)
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	4,100	4,858	758

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	2,282	2,906	3,096	3,169	3,241	36,352
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	2,282	2,906	3,096	3,169	3,241	36,352
DETAILS OF WRITE-INS						
0601						
0602						
0603						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698)(Line 6 above)						

Notes to Financial Statement

PARAMOUNT CARE OF MICHIGAN, INC. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

1. Summary of Significant Accounting Principles

A. Accounting Practices

The financial statements of Paramount Care of Michigan, Inc. are presented on the basis of accounting practices in accordance with the NAIC *Accounting Practices and Procedures* manual and those permitted by the Michigan Department of Insurance.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent liabilities at the date of the financial statements and the reported revenue and expensed during the period. Actual results could differ from those estimates.

C. Accounting Policies

- (1) Short-term investments - (NA)
- (2) Bonds not backed by Loans - (NA)
- (3) Common Stock - (NA)
- (4) Preferred Stock - (NA)
- (5) Mortgage Loans - (NA)
- (6) Loan-backed securities - (NA)
- (7) Investment in subsidiaries - (NA)
- (8) Investment in Joint Ventures - (NA)
- (9) Derivatives - (NA)
- (10) Estimating the Liabilities for Losses

The company uses paid claims and completion factors based on historical payment patterns to estimate unpaid losses and loss adjustment expenses. Changes in payment patterns and claims trends can result in changes to prior years' claim estimates.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2001, the State of Michigan required that insurance companies domiciled in the State of Michigan prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual - Version effective January 1, 2001 subject to any deviation prescribed or permitted by the State of Michigan insurance commissioner.

As a result of codification Paramount Care of Michigan changed the useful lives of its EDP equipment and software from 5 years to 3 years. This change went into effect on January 1, 2001 and was prospective in nature. The Company also non-admitted its EDP equipment and software, as well as Furniture and Equipment on January 1, 2001, effectively reducing its net worth by \$17,359.

3. Business Combinations and Goodwill (NA)

4. Discontinued Operations (NA)

5. Investments

Notes to Financial Statement

(NA)

6. Joint Ventures, Partnerships and Limited Liability Companies

(NA)

7. Investment Income

(1) The Company did not have any investment income due and accrued

8. Derivative Instruments

(NA)

9. Income Taxes

A. As of December 31, 2001 net accumulated deferred tax assets totaled \$724,000. In accordance with SSAP 10, net deferred tax assets are reported as non-admitted for statutory purposes.

B. Deferred tax Liability
(NA)

C. The company reported a net income tax credit of \$724,000 comprised solely of the change in deferred tax asset.

D. Effective rate of income tax
(NA)

E. Operating loss carry forward

The amount of net losses carried forward and available to offset future net income subject to federal taxes is:

Current year	\$1,502,038
First Preceding Year	\$228,067
Second Preceding Year	\$257,662
Third Preceding Year	\$ 86,624
Fourth Preceding Year	\$185,954
Fifth Preceding Year	\$ 65,681

F. Federal Income Tax Return Consolidation

(1) The Company's federal Income Tax return is included in the Promedica Insurance Corporation consolidated federal tax return and is consolidated with the following entities:
Paramount Health Care
Paramount Preferred Options

(2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. B. C. The Company received a capital contribution from the Parent Company, Promedica Insurance Corporation, during 2001, totaling \$1,000,000.

D. At December 31, 2001, the Company reported \$178,684 as amounts due from an affiliated company, Lenewee Health Alliance and \$990,726 as amounts due from an affiliated company, Paramount Health Care. The Company also reported \$47,779 as amounts due to an affiliated company, Paramount Health Care. There is a written agreement between Paramount Health Care and Paramount Care of Michigan which requires the intercompany receivables to be paid within a certain timeframe.

E. Guarantees or Undertakings

Notes to Financial Statement

(NA)

F. Material Management or Service Contracts

(NA)

G. All outstanding shares of the Company are owned by the Parent Company, Promedica Insurance Corporation, an insurance holding company domiciled in the State of Ohio.

H. Valuing Common Stocks and Stock Warrants

(NA)

I. Investment in an SCA

(NA)

J. Investment in impaired SCA

(NA)

11. Debt - (NA)

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

A. Defined Benefit Plan

(NA)

B. The company sponsors a 401(k) savings plan, whereby eligible employees may voluntarily contribute a percentage of their annual compensation. Under the provision of the plan, the Company annually matches employees' contributions up to 3% of compensation. All employees with at least one year of service are eligible for the plan match.

C. Multi-employer plan

(NA)

K. Consolidated/Holding Company Plan

(NA)

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

(1) The Company has 60,000 shares authorized, 50,000 shares issued and 10,000 share outstanding.

(2) The Company has no preferred stock outstanding

(3) The Company did not pay any dividends

(4) Restrictions on Dividend Payments - (NA)

(5) Restrictions on Company's surplus - (NA)

(6) Advances to surplus not repaid - (NA)

(7) Stock held by Company for special purposes - (NA)

(8) Changes in balances of special surplus funds - (NA)

(9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a. unrealized gains and losses: \$0

b. nonadmitted asset values: (\$17,809)

c. provision for reinsurance: \$0

(10) Surplus debentures or similar obligations - (NA)

(11) Impact of the restatement in a quasi-reorganization - (NA)

(12) Effective date of a quasi-reorganization - (NA)

14. Contingencies

(NA)

15. Leases

(NA)

Notes to Financial Statement

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentration of Risk:
(NA)
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
(NA)
18. Gain or Loss from Uninsured A&H Plans and the Uninsured Portion or Partially Insured Plans
(NA)
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
(NA)
20. Other
(NA)
21. Events Subsequent
(NA)
22. Reinsurance

Under the terms of the Company's reinsurance agreement for commercial and Medicare members, the reinsurer will reimburse the Company approximately 80% - 90% of the cost of each members' annual hospital services in excess of \$115,000, up to a lifetime limitation of \$2,000,000 per member.

For the years ended December 31, 2001 and 2000, the Company paid reinsurance premiums to Allianz Life Insurance Company (NAIC #910611) of approximately \$44,000 and \$32,000 respectively.

- A. Unsecured Reinsurance Recoverable
(NA)
- B. Reinsurance Recoverable in Dispute
(NA)
- C. Reinsurance Assumed and Ceded Premium Reserve and Commission Equity
(NA)
- D. Uncollectible Reinsurance
(NA)
- E. Commutation of Ceded Reinsurance
(NA)
- F. Retroactive Reinsurance
(NA)
23. Retrospectively Rated Contracts
(NA)
24. Organization and Operation

Paramount Care of Michigan, Inc. (Company) was incorporated for the purpose of providing comprehensive health care services on a prepaid basis and establishing and operating a health maintenance organization in southeastern Michigan. The Company is a wholly owned subsidiary of Promedica Insurance Corporation (PIC), formerly known as Vanguard Health Ventures, Inc., which in turn is a wholly owned subsidiary of Promedica Health System (Promedica). The Company formally commenced operations on December 1, 1997.

The statements of revenues and expenses reflect revenues, cost of health care services, and general and administrative expenses relating to risk contracts only.

Notes to Financial Statement

25. Salvage and Subrogation (NA)

26. Change in Incurred Claims and Claim Adjustment Expenses

The Company experienced a shortfall in the IBNR related to the prior year claims of a little over \$255,000. This was mainly due to the relatively small size of the membership and the volatility and inconsistency in forecasting for such a small group. There were also some unexpected large claims that hit against the IBNR causing the shortfall.

27. Minimum Net Worth

Under the laws of the State of Michigan, the Plan is required to maintain a statutory certificate of deposit based on 5% of the net revenue from risk contracts plus an additional \$100,000. This amount is maintained in the cash balance on the asset page and is broken out separately on the schedule of special deposits. The statutory deposit was calculated as follows:

Net earned subscription revenue	\$9,974,668
	<u>X5%</u>
5% of revenue	\$ 498,733
Additional \$100,000	<u>\$ 100,000</u>
Total required deposit	\$ 598,733
 Actual deposited amount	 \$ 600,000

Under the laws of the State of Michigan, the Plan is also required to maintain a working capital amount of greater than \$250,000. The working capital calculation is as follows:

Current Assets	\$1,971,790
Current Liabilities	<u>(\$1,707,178)</u>
Working Capital	\$264,612

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities				
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
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				
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				
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	1,372,123	100.000	1,372,123	100.000
9. Other invested assets				
10. Total invested assets	1,372,123	100.000	1,372,123	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the 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[X] No[] N/A[]
- 1.3 State Regulating? Michigan
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change:
 If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1999
- 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. 12/31/1999
- 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).
- 3.4 By what department or departments?
 Michigan Division 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?
None
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG, 1500 National City Center, 1900 East Ninth Street Cleveland OH 44114-3415
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?
David Talmadge, 1901 Indian Wood Circle, Maumee OH 43537 (Employers- Paramount Health Care)
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 .....	..... 60,000.000	..... 10,000.000	.....	..... 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[X] No[]

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? \$ 8,400
 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
..... Annual Association of Michigan Health Insurance .....	..... 8,400

- 27.1 Amount of payments for legal expenses, if any? \$
 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?
 Jeff Martin, Controller Finance Department

- 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 | \$ 115,000 |
| 4.32 Medical Only | \$ 115,000 |
| 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:
The plan has held harmless provisions with network hospitals. The company's reinsurance contract does provide for payments of certain benefits for 30 days following an event of insolvency
- 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 | 1354 |
| 7.2 Number of providers at end of reporting year | 1355 |
- 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[] No[X]
- 9.2 If yes:
- | | |
|--|----------|
| 9.21 Maximum amount payable bonuses | \$ |
| 9.22 Amount actually paid for year bonuses | \$ |
| 9.23 Maximum amount payable withholds | \$ |
| 9.24 Amount actually paid for year withholds | \$ |
10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Lenewee
Monroe

FIVE-YEAR HISTORICAL DATA

	1 2001	2 2000	3 1999	4 1998	5 1997
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	2,571,790	2,690,228	1,619,020	788,355	480,203
2. Total liabilities (Page 3, Line 18)	1,707,178	1,319,074	1,076,656	295,186	156,672
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 26)	864,612	1,371,155	542,364	493,170	323,531
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	9,974,668	8,129,965	4,501,583	281,211	9,699
6. Total medical and hospital expenses (Line 14)	10,346,373	7,265,577	4,256,189	260,576	9,699
7. Total administrative expenses (Line 18)	1,180,359	1,122,796	525,635	131,986	198,253
8. Net underwriting gain (loss) Line 21)	(1,552,064)	(258,408)	(280,241)	(111,351)	(198,253)
9. Net investment gain (loss) Line 24)	58,471	30,341	22,579	23,727	12,299
10. Total other income (Lines 25 plus 26)					
11. Net income or (loss) Line 27)	(1,493,593)	(228,067)	(257,662)	(87,624)	(185,954)
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	864,612	1,371,155	542,364	493,170	X X X
13. Authorized control level risk-based capital	658,765	533,245	310,881	200,106	X X X
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	3,241	2,282	1,368	394	97
15. Total members months (Column 6, Line 7)	36,352	25,367	13,113	2,070	97
OPERATING PERCENT (Page 4)					
(Item divided by Page 4, Line 2)					
16. Premiums earned (Line 2)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 14)	103.7	89.4	0.9	0.9	1.0
18. Total underwriting deductions (Line 20)	115.6	103.2			
19. Total underwriting gain (loss) (Line 21)	(15.6)	(3.2)			
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	1,145,493	690,350	53,423	9,410	
21. Estimated liability of unpaid claims-prior year (Line 11, Col. 6)	890,296	494,574	112,014	9,410	

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2001	2 2000	3 1999	4 1998	5 1997
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
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)					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	NONE				
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27					

35 Schedule A - Verification..... NONE

35 Schedule B - Verification..... NONE

35 Schedule BA - Verification..... NONE

36 Schedule D - Summary by Country..... NONE

36 Schedule D - Verification..... NONE

37 Schedule D Part 1A Sn 1 - #1..... NONE

38 Schedule D Part 1A Sn 1 - #2..... NONE

39 Schedule D Part 1A Sn 1 - #3..... NONE

40 Schedule D Part 1A Sn 2 - #1..... NONE

41 Schedule D Part 1A Sn 2 - #2..... NONE

42 Schedule D Part 1A Sn 2 - #3..... NONE

43 Schedule DA Part 2..... NONE

44 Schedule DB Part A Verification..... NONE

44 Schedule DB Part B Verification..... NONE

45 Schedule DB Part C Verification..... NONE

45 Schedule DB Part D Verification..... NONE

45 Schedule DB Part E Verification..... NONE

46 Schedule DB Part F Sn 1 - Sum Replicated Assets..... NONE

47 Schedule DB Part F Sn 2 - Recon Replicated Assets..... NONE

48 Schedule S - Part 1 - Section 2..... NONE

49 Schedule S - Part 2..... NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURE PART 1 - ORGANIZATIONAL

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	4,312,433	5,791,322	
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	4,312,433	5,791,322	
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)						