



# HEALTH QUARTERLY STATEMENT

AS OF MARCH 31, 2002  
OF THE CONDITION AND AFFAIRS OF THE

## Priority Health

NAIC Group Code \_\_\_\_\_ 0000 \_\_\_\_\_ NAIC Company Code \_\_\_\_\_ 95561 \_\_\_\_\_ Employer's ID Number \_\_\_\_\_ 38-2715520  
(Current Period) (Prior Period)

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 [ ] Property/Casualty [ ] Dental Service Corporation [ ]  
Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [ X ]  
Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [ ] No [ X ]

Incorporated \_\_\_\_\_ 03/07/1986 \_\_\_\_\_ Commenced Business \_\_\_\_\_ 10/15/1986 \_\_\_\_\_

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

Main Administrative Office \_\_\_\_\_ 1231 East Beltline NE \_\_\_\_\_  
(Street and Number)  
\_\_\_\_\_ Grand Rapids, MI 49525-4501 \_\_\_\_\_ 800-942-0954 \_\_\_\_\_  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

Primary Location of Books and Records \_\_\_\_\_ 1231 East Beltline NE \_\_\_\_\_  
(Street and Number)  
\_\_\_\_\_ Grand Rapids, MI 49525-4501 \_\_\_\_\_ 616-464-8235 \_\_\_\_\_  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address \_\_\_\_\_ www.priority-health.com \_\_\_\_\_

Statement Contact \_\_\_\_\_ Malcolm Hall \_\_\_\_\_ 616-464-8235 \_\_\_\_\_  
(Name) (Area Code) (Telephone Number) (Extension)  
\_\_\_\_\_ malcolm.hall@priority-health.com \_\_\_\_\_ 616-942-7916 \_\_\_\_\_  
(E-mail Address) (FAX Number)

Policyowner Relations Contact \_\_\_\_\_  
(Street and Number)  
\_\_\_\_\_, \_\_\_\_\_  
(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

## OFFICERS

CEO \_\_\_\_\_ Kimberly K Horn \_\_\_\_\_ Secretary \_\_\_\_\_  
Chief Financial Officer \_\_\_\_\_ Dennis J Reese \_\_\_\_\_

## VICE PRESIDENTS

\_\_\_\_\_  
Dennis J Reese  
\_\_\_\_\_

## DIRECTORS OR TRUSTEES

Richard C Breon	Marilyn Brown	Gaylen J Byker
James H Childress	Dale A Dykema	Michael P Freed
Jon M Gans	David E Gast	Gail D Gwizdala
Jody D Handy	Edward A Higuera	Nicholas P Kolx
Lynn Kotecki	Steve R Lasater	Thomas R Macholan
Charles E McCallum	Gene K Miyamoto	George N Monsma
Judeth Newham	Edward L Ozark	Shelley E Padnos
John M Rockwood	Timothy V Smith	Hilary F Snell
Luis A Tomatis	Dennis P Vanderlind	



STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

ASSETS

	Current Period			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds .....	16,308,889		16,308,889	15,435,363
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).....	834,216	834,216 (a)	0	
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ ..... encumbrances) .....				
5. Cash (\$ .....69,135,246 ) and short-term investments (\$ .....32,864,353 ) .....	101,999,599		101,999,599	94,777,324
6. Other long-term invested assets .....				
7. Receivable for securities .....				
8. Aggregate write-ins for invested assets .....	15,000	15,000	0	
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	119,157,704	849,216	118,308,488	110,212,687
10. Accident and health premiums due and unpaid .....	10,005,084	33,333	9,971,751	5,736,973
11. Health care receivables .....	7,843,887	395,099	7,448,788	7,409,450
12. Amounts recoverable from reinsurers .....				
13. Net adjustment in assets and liabilities due to foreign exchange rates .....				
14. Investment income due and accrued .....	716,880		716,880	670,503
15. Amounts due from parent, subsidiaries and affiliates .....	2,046,900	1,571,547	475,353	
16. Amounts receivable relating to uninsured accident and health plans .....				
17. Furniture and equipment .....	871,751	871,751	0	
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.....	2,613,971	1,135,935	1,478,036	1,860,539
21. Other nonadmitted assets .....				
22. Aggregate write-ins for other than invested assets .....	1,048,171	1,048,171	0	
23. Total assets (Lines 9 plus 10 through 22)	144,304,348	5,905,052	138,399,296	125,890,152
<b>DETAILS OF WRITE-INS</b>				
0801. LT investment in Michigan Affiliated Health Plan.....	15,000	15,000	0	0
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....				
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	15,000	15,000	0	
2201. Goodwill.....	557,360	557,360	0	0
2202. Prepaid Expenses.....	490,811	490,811	0	0
2203. Leasehold Improvements on Ln 4.1.....	0	0	0	0
2298. Summary of remaining write-ins for Line 22 from overflow page .....				
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	1,048,171	1,048,171	0	

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

STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 499,976 reinsurance ceded)	62,673,852	6,527,061	69,200,913	61,814,793
2. Accrued medical incentive pool and bonus payments	12,783,946		12,783,946	11,609,422
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves				
6. Premiums received in advance	7,444,198		7,444,198	6,332,910
7. General expenses due or accrued	1,373,328		1,373,328	530,952
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 the account of others				
10. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)				
11. Amounts due to parent, subsidiaries and affiliates	886,061		886,061	730,826
12. Payable for 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)				1,399,970
18. Total liabilities (Lines 1 to 17)	85,161,385	6,527,061	91,688,446	82,418,873
19. Common capital stock	XXX	XXX	10,524	10,524
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	25,734,425	24,448,572
22. Surplus notes	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	1,000,000	1,000,000
24. Unassigned funds (surplus)	XXX	XXX	19,965,901	18,012,183
25. Less treasury stock, at cost:				
25.1 shares common (value included in Line 19) \$ )	XXX	XXX		
25.2 shares preferred (value included in Line 20) \$ )	XXX	XXX		
26. Total capital and surplus (Lines 19 to 25)	XXX	XXX	46,710,850	43,471,279
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	138,399,296	125,890,152
<b>DETAILS OF WRITE-INS</b>				
1701. Other Accrued Expenses			0	1,399,970
1702.				
1703.				
1798. Summary of remaining write-ins for Line 17 from overflow page				
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)				1,399,970
2301. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX		
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	1,000,000	1,000,000

STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year to Date		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	855,238	3,081,011
2. Net premium income .....	XXX	143,170,349	473,735,918
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		
5. Risk revenue .....	XXX		
6. Aggregate write-ins for other health care related revenues .....	XXX		
7. Total revenues (Lines 2 to 6) .....	XXX	143,170,349	473,735,918
<b>Medical and Hospital:</b>			
8. Hospital/medical benefits .....	0	85,832,486	280,809,459
9. Other professional services .....	0	239,210	945,156
10. Outside referrals .....	0	5,473,556	19,387,606
11. Emergency room and out-of-area .....	0	6,818,830	27,159,572
12. Prescription drugs .....	0	30,011,579	91,864,512
13. Aggregate write-ins for other medical and hospital .....			0
14. Incentive pool and withhold adjustments .....			
15. Subtotal (Lines 8 to 14) .....	0	128,375,661	420,166,305
<b>Less:</b>			
16. Net reinsurance recoveries .....		0	183,548
17. Total medical and hospital (Lines 15 minus 16) .....	0	128,375,661	419,982,757
18. Claims adjustment expenses .....		1,855,830	6,623,986
19. General administrative expenses .....		10,516,370	37,469,528
20. Increase in reserves for accident and health contracts .....			
21. Total underwriting deductions (Lines 17 through 20) .....	0	140,747,861	464,076,271
22. Net underwriting gain or (loss) (Lines 7 minus 21) .....	XXX	2,422,488	9,659,647
23. Net investment income earned .....		1,081,065	3,967,715
24. Net realized capital gains or (losses) .....		(57,680)	129,806
25. Net investment gains or (losses) (Lines 23 plus 24) .....		1,023,385	4,097,521
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ .....)(amount charged off \$ .....)] .....			
27. Aggregate write-ins for other income or expenses .....		4,564	112,151
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....		3,450,437	13,869,319
29. Federal and foreign income taxes incurred .....	XXX		
30. Net income (loss) (Lines 28 minus 29) .....	XXX	3,450,437	13,869,319
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX		
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	XXX		
1301. ....			0
1302. ....			0
1303. ....			0
1398. Summary of remaining write-ins for Line 13 from overflow page .....			
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....			0
2701. COB & Subrogation .....		4,564	112,151
2702. ....			0
2703. ....			0
2798. Summary of remaining write-ins for Line 27 from overflow page .....			
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above) .....		4,564	112,151

STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

**CAPITAL AND SURPLUS ACCOUNT**

	1 Current Year to Date	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
31. Capital and surplus prior reporting period .....	43,471,279	25,856,816
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>		
32. Net income or (loss) from Line 30 .....	3,450,437	13,869,319
33. Change in valuation basis of aggregate policy and claim reserves .....		
34. Net unrealized capital gains and losses .....	(873,976)	(241,177)
35. Change in net unrealized foreign exchange capital gain or (loss) .....		
36. Change in net deferred income tax .....		
37. Change in nonadmitted assets .....	(1,289,090)	(1,135,075)
38. Change in unauthorized reinsurance .....		
39. Change in treasury stock .....		
40. Change in surplus notes .....		
41. Cumulative effect of changes in accounting principles .....		
42. Capital Changes:		
42.1 Paid in .....		214
42.2 Transferred from surplus (Stock Dividend) .....		
42.3 Transferred to surplus .....		
43. Surplus adjustments:		
43.1 Paid in .....	1,952,200	5,121,182
43.2 Transferred to capital (Stock Dividend) .....		
43.3 Transferred from capital .....		
44. Dividends to stockholders .....		
45. Aggregate write-ins for gains or (losses) in surplus .....		
46. Net change in capital & surplus (Lines 32 to 45) .....	3,239,571	17,614,463
47. Capital and surplus end of reporting period (Line 31 plus 46)	46,710,850	43,471,279
<b>DETAILS OF WRITE-INS</b>		
4501. ....		
4502. ....		
4503. ....		
4598. Summary of remaining write-ins for Line 45 from overflow page .....		
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)		

**STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health**

**CASH FLOW**

	1 Current Year to Date	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums and revenues collected net of reinsurance .....	140,970,617	471,530,014
2. Claims and claims adjustment expenses .....	128,375,661	417,163,881
3. General administrative expenses paid .....	12,372,200	38,177,015
4. Other underwriting income (expenses) .....		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	222,756	16,189,118
6. Net investment income .....		4,222,438
7. Other income (expenses) .....	0	
8. Federal and foreign income taxes (paid) recovered .....		
9. Net cash from operations (Lines 5 to 8) .....	222,756	20,411,556
<b>Cash from Investments</b>		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds .....	51,352	2,454,905
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 .....	(57,680)	73,408
10.7 Miscellaneous proceeds .....		
10.8 Total investment proceeds (Lines 10.1 to 10.7) .....	(6,328)	2,528,313
11. Cost of investments acquired (long-term only):		
11.1 Bonds .....	950,586	10,966,971
11.2 Stocks .....		
11.3 Mortgage loans .....		
11.4 Real estate .....		56,420
11.5 Other invested assets .....		
11.6 Miscellaneous applications .....		
11.7 Total investments acquired (Lines 11.1 to 11.6) .....	950,586	11,023,391
12. Net Cash from investments (Line 10.8 minus Line 11.7) .....	(956,914)	(8,495,078)
<b>Cash from Financing and Miscellaneous Sources</b>		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in .....	1,952,200	5,121,396
13.2 Net transfers from affiliates .....		4,848,805
13.3 Borrowed funds received .....		
13.4 Other cash provided .....	7,763,659	5,991,838
13.5 Total (Lines 13.1 to 13.4) .....	9,715,859	15,962,039
14. Cash applied:		
14.1 Dividends to stockholders paid .....		
14.2 Net transfers to affiliates .....	320,118	
14.3 Borrowed funds repaid .....		
14.4 Other applications .....	1,439,308	1,239,555
14.5 Total (Lines 14.1 to 14.4) .....	1,759,426	1,239,555
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	7,956,433	14,722,484
<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) .....	7,222,275	26,638,962
17. Cash and short-term investments:		
17.1 Beginning of period .....	94,777,324	68,138,362
17.2 End of period (Line 16 plus Line 17.1) .....	101,999,599	94,777,324

STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
<b>Total Members at end of:</b>										
1. Prior Year .....	268,585	177	242,009						25,610	789
2. First Quarter .....	287,273	155	260,815						25,448	855
3. Second Quarter .....										
4. Third Quarter .....										
5. Current Year										
6. Current Year Member Months	855,238	478	775,063						77,174	2,523
<b>Total Member Ambulatory Encounters for Period:</b>										
7. Physician .....	462,475	254	412,393						48,251	1,577
8. Non-Physician .....	12,540	7	11,182						1,308	43
9. Total	475,015	261	423,575						49,559	1,620
10. Hospital Patient Days Incurred	16,276	9	13,722						2,480	65
11. Number of Inpatient Admissions	4,579	2	3,939						618	20
12. Premiums Collected .....	137,824,283	417,050	124,799,085						12,524,253	83,895
13. Premiums Earned	143,170,348	433,227	132,392,457						10,154,369	190,295
14. Amount Paid for Provision of Health Care Services .....	119,815,017	108,010	107,774,388	0					11,932,619	
15. Amount Incurred for Provision of Health Care Services	128,375,661	114,937	117,599,279	0					10,661,445	



STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

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

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec. 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (Hospital & Medical) .....	31,970,187	75,260,530	9,009,539	54,331,262	40,979,726	
2. Medicare Supplement .....						
3. Dental Only.....						
4. Vision Only.....						
5. Federal Employees Health Benefits Plan Premiums .....						
6. Title XVIII - Medicare .....						
7. Title XIX - Medicaid.....	2,927,942	6,683,692	1,398,383	4,461,729	4,326,325	
8. Other .....						
9. Subtotal .....	34,898,129	81,944,222	10,407,922	58,792,991	45,306,051	
10. Medical incentive pools, accruals and disbursements .....	2,972,666		8,748,593	4,035,354	11,721,259	
11. Totals	37,870,795	81,944,222	19,156,515	62,828,345	57,027,310	

**NOTES TO FINANCIAL STATEMENTS**

**GENERAL INTERROGATORIES**

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

**PART 1 - COMMON INTERROGATORIES  
GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? ..... Yes [ ] No [X]
- 1.2 If yes, explain:  
.....
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]
- 2.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [X]
- 3.2 If yes, date of change: .....  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 4. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]  
If yes, attach an organizational chart.
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [X] NA [ ]  
If yes, attach an explanation.
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/1999
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/1999
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 06/29/2001
- 7.4 By what department or departments?  
OF IS.....
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) ..... Yes [ ] No [X]
- 8.2 If yes, give full information:  
.....

**STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health**

**GENERAL INTERROGATORIES**

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

**INVESTMENT**

9.1 Has there been any change in the reporting entity's own preferred or common stock? ..... Yes [ ] No [X]

9.2 If yes, explain:  
.....

10.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [ ] No [X]

10.2 If yes, give full and complete information relating thereto:  
.....

11. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$ .....0

12. Amount of real estate and mortgages held in short-term investments: ..... \$ .....0

13.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [X] No [ ]

13.2 If yes, please complete the following:

	1 Prior Year-End Statement Value	2 Current Quarter Statement Value
13.21 Bonds .....	\$ .....	\$ .....
13.22 Preferred Stock .....	\$ .....	\$ .....
13.23 Common Stock .....	\$ .....	\$ .....
13.24 Short-term Investments .....	\$ .....	\$ .....
13.25 Mortgages, Loans or Real Estate .....	\$ .....	\$ .....
13.26 All Other .....	\$ .....15,000	\$ .....15,000
13.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 13.21 to 13.26).....	\$ .....15,000	\$ .....15,000
13.28 Total Investment in Parent included in Lines 13.21 to 13.26 above .....	\$ .....15,000	\$ .....15,000
13.29 Receivable from Parent not included in Lines 13.21 to 13.26 above .....	\$ .....	\$ .....

14.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [X]

14.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ]

If no, attach a description with this statement.

15. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian Address
Fifth Third Bank.....	Cincinnati, OH 45263.....
Huntington National Bank.....	Columbus, OH 43216.....

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

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

15.3 Have there been any changes, including name changes in the custodian(s) identified in 15.1 during the current year? ..... Yes [ ] No [X]

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
Fifth Third Investment Advisors.....	Mitch Stapley.....	Grand Rapids, MI, 49503.....
Fifth Third Investment Advisors.....	Maureen Hale.....	Grand Rapids, MI, 49503.....
Fifth Third Securities.....	Larry Bobby Grass.....	Grand Rapids, MI, 49503.....
Huntington National Bank .....	Pam Nagy-Smith.....	Grand Rapids, MI, 49503.....

**SCHEDULE A - VERIFICATION**

	1 First Quarter Current Year	2 Second Quarter Current Year	3 Third Quarter Current Year	4 Prior Year Ended December 31
1. Book/adjusted carrying value, beginning of period .....	874,229			975,543
2. Increase (decrease) by adjustment .....	(40,013)			(157,734)
3. Cost of acquired .....				56,420
4. Cost of additions to and permanent improvements .....				
5. Total profit (loss) on sales .....				
6. Increase (decrease) by foreign exchange adjustment .....				
7. Amount received on sales .....				
8. Book/adjusted carrying value at end of current period .....	834,216			874,229
9. Total valuation allowance .....				
10. Subtotal (Lines 8 plus 9) .....	834,216			874,229
11. Total nonadmitted amounts .....	834,216			874,229
12. Statement value, current period (Page 2, real estate lines, current period)	0			

**SCHEDULE B - VERIFICATION**

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

**NONE**

**SCHEDULE BA - VERIFICATION**

Other Invested Assets Included in Schedule BA

	1 First Quarter Current Year	2 Second Quarter Current Year	3 Third Quarter Current Year	4 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, beginning of period .....				
2. Cost of acquisitions during period:				
2.1. Actual cost at time of acquisitions .....				
2.2. Additional investment made after acquisitions .....				
3. Accrual of discount .....				
4. Increase (decrease) by adjustment .....				
5. Total profit (loss) on sale .....				
6. Amounts paid on account or in full during the period .....				
7. Amortization of premium .....				
8. Increase (decrease) by foreign exchange adjustment .....				
9. Book/adjusted carrying value of long-term invested assets at end of current period .....				
10. Total valuation allowance .....				
11. Subtotal (Lines 9 plus 10) .....				
12. Total nonadmitted amounts .....				
13. Statement value of long-term invested assets at end of current period				

**NONE**

STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

**SCHEDULE D - PART 1B**

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

	1 Statement Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Statement Value End of First Quarter	6 Statement Value End of Second Quarter	7 Statement Value End of Third Quarter	8 Statement Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	47,197,487	12,770,636	10,600,500	(194,381)	49,173,242			47,197,487
2. Class 2 .....								
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. Total Bonds	47,197,487	12,770,636	10,600,500	(194,381)	49,173,242			47,197,487
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. Total Preferred Stock								
15. Total Bonds and Preferred Stock	47,197,487	12,770,636	10,600,500	(194,381)	49,173,242			47,197,487

**SCHEDULE DA - PART 1****Short-Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Amount of Interest Received Current Quarter	Paid for Accrued Interest
8099999 Totals	32,864,353	XXX	33,037,599	96,625	168,800

**SCHEDULE DA - PART 2- Verification****Short-Term Investments Owned**

	1	2	3	4
	First Quarter Current Year	Second Quarter Current Year	Third Quarter Current Year	Prior Year Ended December 31
1. Book/adjusted carrying value, beginning of period .....	31,762,124			31,256,633
2. Cost of short-term investments acquired .....	11,820,050			61,642,471
3. Increase (decrease) by adjustment .....	(110,993)			(167,189)
4. Increase (decrease) by foreign exchange adjustment .....				
5. Total profit (loss) on disposal of short-term investments .....	(57,680)			73,408
6. Consideration received on disposal of short-term investments .....	10,549,148			61,043,199
7. Book/adjusted carrying value, current period .....	32,864,353			31,762,124
8. Total valuation allowance .....				
9. Subtotal (Lines 7 plus 8) .....	32,864,353			31,762,124
10. Total nonadmitted amounts .....				
11. Statement value (Lines 9 minus 10) .....	32,864,353			31,762,124
12. Income collected during period .....	96,625			2,088,785
13. Income earned during period .....	589,942			2,060,839

Schedule DB - Part F - Section 1

**NONE**

Schedule DB - Part F - Section 2

**NONE**



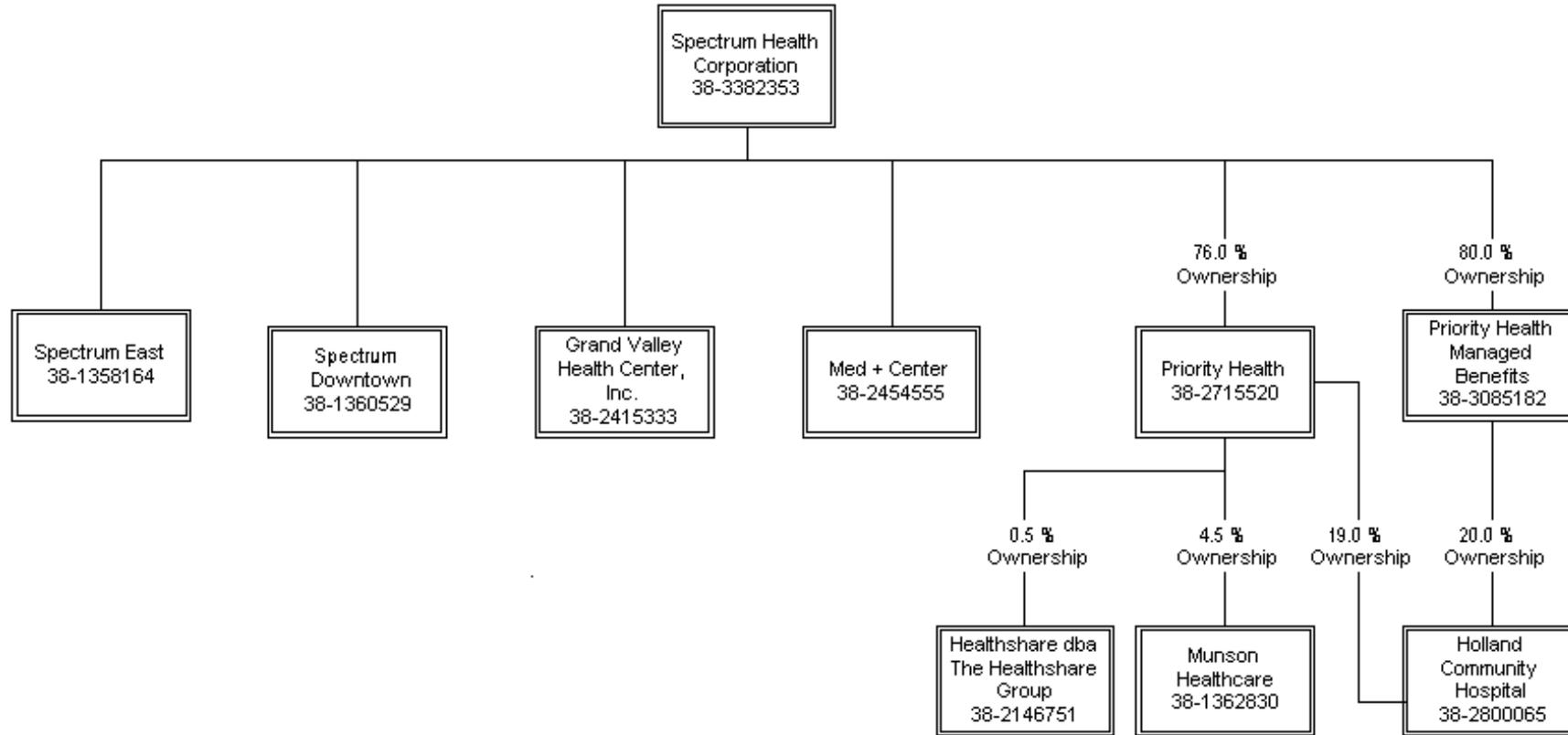
**SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only Year-to-Date			
			3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefit Program Premium
1. Alabama	AL	No				
2. Alaska	AK	No				
3. Arizona	AZ	No				
4. Arkansas	AR	No				
5. California	CA	No				
6. Colorado	CO	No				
7. Connecticut	CT	No				
8. Delaware	DE	No				
9. District of Columbia	DC	No				
10. Florida	FL	No				
11. Georgia	GA	No				
12. Hawaii	HI	No				
13. Idaho	ID	No				
14. Illinois	IL	No				
15. Indiana	IN	No				
16. Iowa	IA	No				
17. Kansas	KS	No				
18. Kentucky	KY	No				
19. Louisiana	LA	No				
20. Maine	ME	No				
21. Maryland	MD	No				
22. Massachusetts	MA	No				
23. Michigan	MI	No	Yes	130,160,292		13,010,057
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	XXX	XXX			
58. Total (Direct Business)	XXX	(a) 1		130,160,292		13,010,057
<b>DETAILS OF WRITE-INS</b>						
5701.						
5702.						
5703.						
5798.	Summary of remaining write-ins for Line 57 from overflow page					
5799.	Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)					

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

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



## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory question.

RESPONSE

1. Will the SVO Compliance Certification be filed with this statement?

.....Yes.....

**Explanation:**

**Bar Code:**

**OVERFLOW PAGE FOR WRITE-INS**

---

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 1

**NONE**

Schedule B - Part 2

**NONE**

Schedule BA - Part 1

**NONE**

Schedule BA - Part 2

**NONE**

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**SCHEDULE D - PART 3**

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

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends	9 NAIC Designation (a)
66586C-BX-4	Northern Trust Co Medium Term SR 6.65%	.02/08/2002	Stevens & Co, Inc.		266,198	250,000	4,110	Z
06423A-AD-5	Bank One Corp.	.03/04/2002	Mellon Bank, N.A.		322,236	300,000	1,891	Z
22541L-AA-1	Credit Suisse FB USA Inc.	.03/04/2002	Mellon Bank, N.A.		311,214	300,000	1,616	Z
31359M-LZ-4	FNMA 5%	.01/01/2002	Huntington Bank		50,938	50,000	0	Z
0399999 - Total - Bonds - U.S. Government					950,586	900,000	7,617	XXX
6099997 - Total - Bonds - Part 3					950,586	900,000	7,617	XXX
6099999 - Total - Bonds					950,586	900,000	7,617	XXX
6599999 - Total - Preferred Stocks						XXX		XXX
7099999 - Total - Common Stocks						XXX		XXX
7199999 - Total - Preferred and Common Stocks						XXX		XXX
7299999 - Totals					950,586	XXX	7,617	XXX

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

E04

STATEMENT AS OF MARCH 31, 2002 OF THE Priority Health

**SCHEDULE D - PART 4**

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

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year	NAIC Designation (a)
GDY356-50-4	Standard Federal CD#025-403896 5.87%	01/15/2002	Matured		51,352		51,352	51,352				0	0	396		Z
0399999	- Bonds - U.S. Governments				51,352		51,352	51,352				0		396	XXX	XXX
6099997	- Bonds - Part 4				51,352		51,352	51,352				0		396	XXX	XXX
6099999	- Total - Bonds				51,352		51,352	51,352						396	XXX	XXX
6599999	- Total - Preferred Stocks					XXX								XXX		XXX
7099999	- Total - Common Stocks					XXX								XXX		XXX
7199999	- Total - Preferred and Common Stocks					XXX								XXX		XXX
7299999 Totals					51,352	XXX	51,352	51,352						396		XXX

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

E05

Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**

