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HEALTH QUARTERLY STATEMENT

As of March 31, 2002

of the Condition and Affairs of the

PHP of South Michigan

NAIC Group Code..... , (Current Period) (Prior Period) NAIC Company Code..... 52564 Employer's ID Number..... 38-3311905

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

Country of Domicile US

Licensed as Business Type Life, Accident & Health[ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ] Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [X] Other [ ]

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

Date Incorporated or Organized..... April 17, 1996 Date Commenced Business..... May 1, 2000

Statutory Home Office	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	
Address of Main Administrative Office	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	517-782-7154 *(Area Code) (Telephone Number)*
Mail Address	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	517-782-7154 *(Area Code) (Telephone Number)*
Internet Website Address	N/A	
Statement Contact	Richard G. Dunlop *(Name)*	952-992-4117 *(Area Code) (Telephone Number) (Extension)*
	richard_g_dunlop@uhc.com *(E-Mail Address)*	*952-992-4235* *(Fax Number)*
Policyowner Relations Contact	….. .... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Gerald Grannan

Treasurer ..... Charles Johnson

Secretary ..... Charles Johnson

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Dave Corravo	Rick Warren	Charles Johnson	Phil Milhoan
Brian Admaczyk M.D.	Carl English	Phil Miller	Carolyn Bradley
Georgia Fojtasek	K. V. Rao M.D.	Bernard Levy	

State of..... Michigan
County of..... Jackson

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

(Signature)	(Signature)	(Signature)
Gerald Grannan	Charles Johnson	Charles Johnson
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

.....day of ....., 2002

.....

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)	11,134,438	1,592,089	12,726,527	12,380,314
2. Accrued medical incentive pool and bonus payments			0	
3. Unpaid claims adjustment expenses			0	
4. Aggregate policy reserves			0	
5. Aggregate claim reserves			0	
6. Premiums received in advance	449,316		449,316	994,345
7. General expenses due or accrued	703,141		703,141	1,312,231
8. Federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses)) (including $.....0 net deferred tax liability)			0	
9. Amounts withheld or retained for the account of others	21,273		21,273	
10. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	1,298,941		1,298,941	5,913
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
14. Reinsurance in unauthorized companies			0	
15. Net adjustments in assets and liabilities due to foreign exchange rates			0	
16. Liability for amounts held under uninsured accident and health plans	159,290		159,290	
17. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
18. Total liabilities (Lines 1 to 17)	13,766,399	1,592,089	15,358,488	14,692,803
19. Common capital stock	XXX	XXX		
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	8,585,000	8,585,000
22. Surplus notes	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
24. Unassigned funds (surplus)	XXX	XXX	(2,130,075)	(1,555,995)
25. Less treasury stock at cost:				
25.1 .....0.000 shares common (value included in Line 19 $.....0)	XXX	XXX		
25.2 .....0.000 shares preferred (value included in Line 20 $.....0)	XXX	XXX		
26. Total capital and surplus (Lines 19 to 24 less 25)	XXX	XXX	6,454,925	7,029,005
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	21,813,413	21,721,808

DETAILS OF WRITE-INS

1701.			0	
1702.			0	
1703.			0	
1798. Summary of remaining write-ins for Line 17 from overflow page	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year-to-Date		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months	XXX	92,521	363,370
2. Net premium income	XXX	17,138,013	62,063,789
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Total revenues (Lines 2 to 6)	XXX	17,138,013	62,063,789
Medical and Hospital:			
8. Hospital/medical benefits	1,549,686	12,387,579	43,885,549
9. Other professional services	864	6,904	21,802
10. Outside referrals			
11. Emergency room and out-of-area			
12. Prescription Drugs	358,066	2,862,236	9,944,391
13. Aggregate write-ins for other medical and hospital	0	118,003	383,514
14. Incentive pool and withhold adjustments			(34,686)
15. Subtotal (Lines 8 to 14)	1,908,616	15,374,722	54,200,570
Less:			
16. Net reinsurance recoveries		(63,328)	799,779
17. Total medical and hospital (Lines 15 minus 16)	1,908,616	15,438,050	53,400,791
18. Claims adjustment expenses		1,053,591	3,517,795
19. General administrative expenses		1,261,993	4,213,455
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)	1,908,616	17,753,634	61,132,041
22. Net underwriting gain or (loss) (Lines 7 minus 21)	XXX	(615,621)	931,748
23. Net investment income earned		87,910	763,956
24. Net realized capital gains or (losses)			
25. Net investment gains or (losses) (Lines 23 plus 24)	0	87,910	763,956
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
27. Aggregate write-ins for other income or expenses	0	0	0
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	0	(527,711)	1,695,704
29. Federal and foreign income taxes incurred	XXX		
30. Net income (loss) (Lines 28 minus 29)	XXX	(527,711)	1,695,704

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
1301. Other Medical Costs		118,003	(37,244)
1302. Pharmacy			
1303. Mental Health Capitation			420,758
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	118,003	383,514
2701.			
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year-to-Date	2 Prior Year
31. Capital and surplus prior reporting period	7,029,005	4,406,099
GAINS AND LOSSES TO CAPITAL & SURPLUS		
32. Net income or (loss) from Line 30	(527,711)	1,695,704
33. Change in valuation basis of aggregate policy and claim reserves		
34. Net unrealized capital gains and losses		
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax		
37. Change in nonadmitted assets	(46,369)	342,202
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		
42.2 Transferred from surplus (Stock Dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in		585,000
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	0	0
46. Net change in capital and surplus (Lines 32 to 45)	(574,080)	2,622,906
47. Capital and surplus end of reporting period (Line 31 plus 46)	6,454,925	7,029,005

DETAILS OF WRITE-INS

4501.		
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	0	0

CASH FLOW

	1 Current Year to Date	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	16,503,465	62,286,544
2. Claims and claims adjustment expenses	15,028,509	52,475,431
3. General administrative expenses paid	2,924,674	9,325,459
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(1,449,718)	485,654
6. Net Investment income	95,167	827,529
7. Other income (expenses)	447,230	694,707
8. Federal and foreign income taxes (paid) recovered		
9. Net cash from operations (Lines 5 to 8)	(907,321)	2,007,890
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)	0	0
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)	0	0
12. Net cash from investments (Line 10.8 minus Line 11.7)	0	0
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in		585,000
13.2 Net transfers from affiliates	1,523,089	
13.3 Borrowed funds received		
13.4 Other cash provided	(289,936)	470,501
13.5 Total (Lines 13.1 to 13.4)	1,233,153	1,055,501
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates		233,538
14.3 Borrowed funds repaid		
14.4 Other applications	(9,256)	14,705
14.5 Total (Lines 14.1 to 14.4)	(9,256)	248,243
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	1,242,409	807,258
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	335,088	2,815,148
17. Cash and short-term investments:		
17.1 Beginning of period	19,514,570	16,699,422
17.2 End of period (Line 16 plus Line 17.1)	19,849,658	19,514,570

CLAIMS PAYABLE (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Payable (Reported)						
0299999. Aggregate Accounts Not Individually Listed-Uncovered	176,671	14,222	90,232	(48)	10	281,087
0399999. Aggregate Accounts Not Individually Listed-Covered	1,235,573	99,463	631,049	(339)	68	1,965,814
0499999. Subtotals	1,412,244	113,685	721,281	(387)	78	2,246,901
0599999. Unreported Claims and Other Claim Reserves						7,662,507
0699999. Total Amounts Withheld						2,817,119
0799999. Total Claims Payable						12,726,527

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	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 (Hospital and Medical)	6,151,512	8,958,768	4,706,062	8,019,186	10,857,574	12,375,533
2. Medicare Supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal Employees Health Benefits Plan Premiums					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid	474	1		1,275	474	4,779
8. Other					0	
9. Subtotal	6,151,986	8,958,769	4,706,062	8,020,461	10,858,048	12,380,312
10. Medical incentive pools, accruals and disbursements					0	
11. Totals	6,151,986	8,958,769	4,706,062	8,020,461	10,858,048	12,380,312