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HEALTH QUARTERLY STATEMENT

AS OF JUNE 30, 2002

OF THE CONDITION AND AFFAIRS OF THE

Cape Health Plan, Inc.

NAIC Group Code 0000 (Current Period) 0000 (Prior Period) NAIC Company Code 95759 Employer's ID Number 38-2455176

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 04/29/1982 Commenced Business 04/29/1982

Statutory Home Office 26711 Northwestern Highway, Suite 300 (Street and Number), Southfield, MI 48034 (City or Town, State and Zip Code)

Main Administrative Office 26711 Northwestern Highway, Suite 300 (Street and Number)
Southfield, MI 48034 (City or Town, State and Zip Code) 248-386-3000 (Area Code) (Telephone Number)

Mail Address 26711 Northwestern Highway, Suite 300 (Street and Number or P.O. Box), Southfield, MI 48034 (City or Town, State and Zip Code)

Primary Location of Books and Records 26711 Northwestern Highway, Suite 300 (Street and Number)
Southfield, MI 48034 (City or Town, State and Zip Code) 248-386-3003 (Area Code) (Telephone Number)

Internet Website Address www.capehealth.com

Statement Contact THOMAS ASHFORD MURAR MR. (Name) 248-386-3003 (Area Code) (Telephone Number) (Extension)
tmurar@capehealth.com (E-mail Address) 248-945-9149 (FAX Number)

Policyowner Relations Contact 26711 Northwestern Highway , Suite 300 (Street and Number)
Southfield, MI 48034 (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

President Nancy Wanchik Treasurer Ralph Woronoff
Secretary William Brodhead

VICE PRESIDENTS

Michele Lundberg	Thomas Murar	Myla Johnson
Rodger Prong		

DIRECTORS OR TRUSTEES

Nancy Wanchik	Ralph Woronoff	Surjit Bhasin MD
Lynette Burns	Etrue Bryant	Shirley Lightsey
Thomas Murar	Sue Sarin	Gladys Taylor
Janis Coleman	Myra French	William Brodhead

State of MICHIGAN
County of MACOMB } ss

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

NANCY WANCHIK PRESIDENT & COO	THOMAS MURAR CHIEF FINANCIAL OFFICER	SUSAN SARIN CHIEF EXECUTIVE OFFICER

Subscribed and sworn to before me this
12 day of AUGUST, 2002

LINDA RUSIE
NOTARY PUBLIC
MARCH 26, 2003

ASSETS

	Current Period 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	Prior Year 4 Net Admitted Assets
1. Bonds	1,004,000		1,004,000	1,189,000
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 ($ 16,111,473) and short-term investments ($ .....)	16,111,473		16,111,473	19,540,349
6. Other long-term invested assets				
7. Receivable for securities				
8. Aggregate write-ins for invested assets	3,125		3,125	3,125
9. Subtotals, cash and invested assets (Lines 1 to 8)	17,118,598		17,118,598	20,732,474
10. Accident and health premiums due and unpaid				
11. Health care receivables	1,359,430		1,359,430	1,403,159
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				
16. Amounts receivable relating to uninsured accident and health plans				
17. Furniture and equipment	271,026		271,026	300,192
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	480,990	40,133	440,857	303,984
21. Other nonadmitted assets	429,413	429,413	0	
22. Aggregate write-ins for other than invested assets	177,822		177,822	653,413
23. Total assets (Lines 9 plus 10 through 22)	19,837,279	469,546	19,367,733	23,393,222
DETAILS OF WRITE-INS				
0801. Security Deposit	3,125		3,125	3,125
0802. Statutory Deposit			0	0
0803.				
0898. Summary of remaining write-ins for Line 8 from overflow page				
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	3,125		3,125	3,125
2201. Employee Loan	1,325		1,325	296
2202. Federal Income Tax	30,018		30,018	404,091
2203. SBT	78,885		78,885	175,000
2298. Summary of remaining write-ins for Line 22 from overflow page	67,594		67,594	74,026
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	177,822		177,822	653,413

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

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $ ..... reinsurance ceded)	8,621,759		8,621,759	12,080,208
2. Accrued medical incentive pool and bonus payments	605,519		605,519	496,369
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves				
6. Premiums received in advance				
7. General expenses due or accrued	2,159,794		2,159,794	2,199,537
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				
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)	402,604		402,604	557,409
18 Total liabilities (Lines 1 to 17)	11,789,676		11,789,676	15,333,523
19. Common capital stock	XXX	XXX	1,000	1,000
20 Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX		
22. Surplus notes	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds	XXX	XXX		
24. Unassigned funds (surplus)	XXX	XXX	7,577,057	8,058,699
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	7,578,057	8,059,699
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	19,367,733	23,393,222
DETAILS OF WRITE-INS				
1701. Accrued Expenses	158,457		158,457	158,081
1702. Accrued PTO	126,171		126,171	111,530
1703. Deferred Income Tax	27,976		27,976	27,976
1798. Summary of remaining write-ins for Line 17 from overflow page	90,000		90,000	259,822
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	402,604		402,604	557,409
2301.	XXX	XXX		
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		

STATEMENT OF REVENUE AND EXPENSES

		Current Year to Date		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	XXX	270,939	481,875
2.	Net premium income	XXX	47,522,979	88,118,476
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	47,522,979	88,118,476
	Medical and Hospital:			
8.	Hospital/medical benefits		25,486,737	48,277,959
9.	Other professional services		6,047,287	12,380,811
10.	Outside referrals			
11.	Emergency room and out-of-area		3,425,766	4,200,999
12.	Prescription drugs		4,934,506	7,556,624
13.	Aggregate write-ins for other medical and hospital	0	966,206	1,136,483
14.	Incentive pool and withhold adjustments		300,000	480,000
15.	Subtotal (Lines 8 to 14)	0	41,160,502	74,032,876
	Less:			
16.	Net reinsurance recoveries			
17.	Total medical and hospital (Lines 15 minus 16)	0	41,160,502	74,032,876
18.	Claims adjustment expenses		(27,905)	
19.	General administrative expenses		5,484,286	11,108,761
20.	Increase in reserves for accident and health contracts			
21.	Total underwriting deductions (Lines 17 through 20)	0	46,616,883	85,141,637
22.	Net underwriting gain or (loss) (Lines 7 minus 21)	XXX	906,096	2,976,839
23.	Net investment income earned		193,891	888,375
24.	Net realized capital gains or (losses)			
25.	Net investment gains or (losses) (Lines 23 plus 24)		193,891	888,375
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			(423,561)
28.	Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)		1,099,987	3,441,653
29.	Federal and foreign income taxes incurred	XXX	374,073	1,198,885
30.	Net income (loss) (Lines 28 minus 29)	XXX	725,914	2,242,768
	DETAILS OF WRITE-INS			
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.	Patient Transportation	0	966,206	1,136,483
1302.				
1303.				
1398.	Summary of remaining write-ins for Line 13 from overflow page			
1399.	Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	966,206	1,136,483
2701.	Disposition of Fixed Assets			(423,561)
2702.				
2703.				
2798.	Summary of remaining write-ins for Line 27 from overflow page			
2799.	Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)			(423,561)

CAPITAL AND SURPLUS ACCOUNT

		1 Current Year to Date	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT:		
31.	Capital and surplus prior reporting period	8,059,699	9,672,729
	GAINS AND LOSSES TO CAPITAL & SURPLUS:		
32.	Net income or (loss) from Line 30	725,914	2,242,768
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	42,444	144,202
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		
	43.2 Transferred to capital (Stock Dividend)		
	43.3 Transferred from capital		
44.	Dividends to stockholders	(1,250,000)	(4,000,000)
45.	Aggregate write-ins for gains or (losses) in surplus		
46.	Net change in capital & surplus (Lines 32 to 45)	(481,642)	(1,613,030)
47.	Capital and surplus end of reporting period (Line 31 plus 46)	7,578,057	8,059,699
	DETAILS OF WRITE-INS		
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)		

CASH FLOW

	1 Current Year to Date	2 Prior Year
Cash from Operations		
1. Premiums and revenues collected net of reinsurance	47,522,979	88,118,476
2. Claims and claims adjustment expenses	44,509,801	75,205,985
3. General administrative expenses paid	5,484,286	11,108,761
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(2,471,108)	1,803,730
6. Net investment income	193,891	888,375
7. Other income (expenses)	27,905	(5,390)
8. Federal and foreign income taxes (paid) recovered	(374,073)	(1,198,885)
9. Net cash from operations (Lines 5 to 8)	(2,623,385)	1,487,830
Cash from Investments		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	295,000	300,533
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)	295,000	300,533
11. Cost of investments acquired (long-term only):		
11.1 Bonds	110,000	789,000
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)	110,000	789,000
12. Net Cash from investments (Line 10.8 minus Line 11.7)	185,000	(488,467)
Cash from Financing and Miscellaneous Sources		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in		
13.2 Net transfers from affiliates		
13.3 Borrowed funds received		
13.4 Other cash provided	590,930	337,764
13.5 Total (Lines 13.1 to 13.4)	590,930	337,764
14. Cash applied:		
14.1 Dividends to stockholders paid	1,250,000	4,000,000
14.2 Net transfers to affiliates		
14.3 Borrowed funds repaid		
14.4 Other applications	331,421	1,295,621
14.5 Total (Lines 14.1 to 14.4)	1,581,421	5,295,621
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(990,491)	(4,957,857)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(3,428,876)	(3,958,494)
17. Cash and short-term investments:		
17.1 Beginning of period	19,540,349	23,498,843
17.2 End of period (Line 16 plus Line 17.1)	16,111,473	19,540,349

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	43,768								43,768	
2 First Quarter	45,039								45,039	
3 Second Quarter	46,488								46,488	
4. Third Quarter										
5. Current Year										
6 Current Year Member Months	270,939								270,939	
Total Member Ambulatory Encounters for Period:										
7. Physician	17,316								17,316	
8. Non-Physician	8,522								8,522	
9. Total	25,838								25,838	
10. Hospital Patient Days Incurred	4,403								4,403	
11. Number of Inpatient Admissions	1,015								1,015	
12. Premiums Collected	24,370,091								24,370,091	
13. Premiums Earned	24,370,091								24,370,091	
14. Amount Paid for Provision of Health Care Services	23,917,491								23,917,491	
15. Amount Incurred for Provision of Health Care Services	8,621,759								8,621,759	

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)						
0199999 Individually Listed Claims Payable						
0299999 Aggregate Accounts Not Individually Listed-Uncovered						
0399999 Aggregate Accounts Not Individually Listed-Covered						
0499999 Subtotals						
0599999 Unreported Claims and Other Claim Reserves	XXX	XXX	XXX	XXX	XXX	8,621,759
0699999 Total Amounts Withheld	XXX	XXX	XXX	XXX	XXX	
0799999 Total Claims Payable	XXX	XXX	XXX	XXX	XXX	8,621,759
0899999 Accrued Medical Incentive Pool	XXX	XXX	XXX	XXX	XXX	605,519

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 Dec. 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 Dec. 31 of Prior Year
1. Comprehensive (Hospital & Medical)						
2. Medicare Supplement						
3. Dental Only						
4. Vision Only						
5. Federal Employees Health Benefits Plan Premiums						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	13,161,044	16,883,061	0	8,621,759	13,161,044	12,080,208
8. Other						
9. Subtotal	13,161,044	16,883,061		8,621,759	13,161,044	12,080,208
10. Medical incentive pools, accruals and disbursements	190,850	0	305,519	300,000	496,369	496,369
11. Totals	13,351,894	16,883,061	305,519	8,921,759	13,657,413	12,576,577

NOTES TO FINANCIAL STATEMENTS

These statements have not been completed in accordance with the NAIC Accounting Practices and Procedures Manual. The Commissioner of the State of Michigan Office of Financial and Insurance Services issued the following notification regarding reporting:

"By Order 00-086-M dated November 15, 2000, the Commissioner adopted the NAIC Accounting Practices and Procedures Manual effective January 1, 2001, including appendices A - F and excluding Acturial Guideline XXXV in Appendix C. This order applies to fire and casualty insurers, life, accident, and health insurers, non-U.S. insurers, title insurers and fraternal benefit societies. For health maintenance organizations and alternative financing and delivery systems and dental service corporations, the Commissioner has delayed adoption of the NAIC Accounting Pratices and Procedures Manual with an effective date of January 1, 2002. These entities will continue to follow previous statutory accounting practices and procedures until the Commissioner officially adopts the new manual for these entities."

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). 12/31/1999

7.4 By what department or departments?

OFFICE OF FINANCIAL AND INSURANCE SERVICES, STATE OF MICHIGAN.....

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:

.....

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 [ ] No [X]

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	$	$
13.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 13.21 to 13.26)	$ 0	$
13.28	Total Investment in Parent included in Lines 13.21 to 13.26 above	$	$
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 [X]

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 [ ] No [X]

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

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)
Merrill Lynch	West Bloomfield	STOCK

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

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				
2. Increase (decrease) by adjustment				
3. Cost of acquired				
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				
9. Total valuation allowance				
10. Subtotal (Lines 8 plus 9)				
11. Total nonadmitted amounts				
12. Statement value, current period (Page 2, real estate lines, current period)				

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 committment 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				

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				

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
BONDS								
1. Class 1	1,004,000	0	0		1,004,000	1,004,000		1,189,000
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. Total Bonds	1,004,000				1,004,000	1,004,000		1,189,000
PREFERRED STOCK								
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	1,004,000				1,004,000	1,004,000		1,189,000

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Amount of Interest Received Current Quarter	5 Paid for Accrued Interest
8099999 Totals		XXX			

SCHEDULE DA - PART 2- Verification

Short-Term Investments Owned

	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				
2. Cost of short-term investments acquired				
3. Increase (decrease) by adjustment				
4. Increase (decrease) by foreign exchange adjustment				
5. Total profit (loss) on disposal of short-term investments				
6. Consideration received on disposal of short-term investments				
7. Book/adjusted carrying value, current period				
8. Total valuation allowance				
9. Subtotal (Lines 7 plus 8)				
10. Total nonadmitted amounts				
11. Statement value (Lines 9 minus 10)				
12. Income collected during period				
13. Income earned during period				

SCHEDULE DB - PART F- SECTION 1

Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset						
					Derivative Instruments Open		Cash Instrument(s) Held				
1 Replication RSAT Number	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	6 Description	7 Fair Value	8 CUSIP	9 Description	10 Statement Value	11 Fair Value	12 NAIC Designation or Other Description
9999999 Totals					XXX		XXX	XXX			XXX

SCHEDULE DB - PART F - SECTION 2

Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-to-Date	
	1 Number of Positions	2 Total Replicated (Synthetic) Assets Statement Value	3 Number of Positions	4 Total Replicated (Synthetic) Assets Statement Value	5 Number of Positions	6 Total Replicated (Synthetic) Assets Statement Value	7 Number of Positions	8 Total Replicated (Synthetic) Assets Statement Value	9 Number of Positions	10 Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	XXX		XXX		XXX		XXX		XXX	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	XXX		XXX		XXX		XXX		XXX	
7. Ending Inventory										

SCHEDULE S—CEDED REINSURANCE

Showing all new reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		LIFE AND ANNUITY AFFILIATES		
		LIFE AND ANNUITY NON-AFFILIATES		
		ACCIDENT AND HEALTH AFFILIATES		
		ACCIDENT AND HEALTH NON-AFFILIATES		
67150	41-0451140	ING Re	Minneapolis, MN	Yes

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	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			47,522,979	
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			47,522,979	
DETAILS OF WRITE-INS						
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

HCLB, Inc.
Holding Company
Tax ID: 38-3535959

Subsidiaries:

CAPE health Plan, Inc.
Licensed HMO - State of Michigan
Tac Id - 38-2455176

Springwater Management, Inc.
Tax ID: 38-3300867

Cape Management, Inc.
Tax ID: 38-3511552

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

MQ002 Additional Aggregate Lines for Page 02 Line 22.
*ASSETS

2204. Leasehold Improvement	67,594		67,594	74,026
2297. Summary of remaining write-ins for Line 21 from Page 02	67,594		67,594	74,026

MQ003 Additional Aggregate Lines for Page 03 Line 17.
*LIAB

1704. Accrued Profit Sharing	90,000		90,000	166,263
1705.			0	2,559
1706.			0	91,000
1797. Summary of remaining write-ins for Line 17 from Page 03	90,000		90,000	259,822

SCHEDULE A - PART 2

Showing all Real Estate ACQUIRED During the Current Quarter

1	Location		4	5	6	7	8	9
	2	3						
Description of Property	City	State	Date Acquired	Name of Vendor	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Expended for Additions and Permanent Improvements
9999999 - Totals								

SCHEDULE A - PART 3

Showing all Real Estate SOLD during the Current Quarter, including Payments during the Final Year on "Sales under Contract"

1	Location		4	5	6	7	8	9	10	11	12	13	14	15	16
	2	3													
Description of Property	City	State	Disposal Date	Name of Purchaser	Actual Cost	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Expended for Additions, Permanent Improvements and Changes in Encum-brances	Book/ Adjusted Carrying Value Less Encum-brances	Amounts Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale	Gross Income Earned Less Interest Incurred on Encum-brances	Taxes, Repairs and Expenses Incurred
9999999 Totals															

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

1	Location		4	5	6	7	8	9	10	11
	2	3								
Loan Number	City	State	Loan Type	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation
9999999 Totals										XXX

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, transferred or paid in full during the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3										
Loan Number	City	State	Loan Type	Date Acquired	Book Value/Recorded Investment Excluding Accrued Interest Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book Value/Recorded Investment Excluding Accrued Interest at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
9999999 Totals												

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

1	Location		4	5	6	7	8	9	10
	2	3							
Number of Units and Description	City	State	Name of Vendor	Date Acquired	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment
9999999 Totals									

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, transferred or paid in full during the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3										
Number of Units and Description	City	State	Name of Purchaser or Nature of Disposition	Date Acquired	Book/ Adjusted Carrying Value Less Encum-brances, Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book/ Adjusted Carrying Value Less Encum-brances at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
9999999 Totals												

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]
6099999 - Total	- Bonds							XXX
6599999 - Total	- Preferred Stocks					XXX		XXX
7099999 - Total	- Common Stocks					XXX		XXX
7199999 - Total	- Preferred and Common Stocks					XXX		XXX
7299999 - Totals						XXX		XXX

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

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 CUSIP Identi-fication	2 Description	3 Disposal Date	4 Name of Purchaser	5 Number of Shares of Stock	6 Consideration	7 Par Value	8 Actual Cost	9 Book/Adjusted Carrying Value at Disposal Date	10 Increase (Decrease) by Adjustment	11 Increase (Decrease) by Foreign Exchange Adjustment	12 Foreign Exchange Gain (Loss) on Disposal	13 Realized Gain (Loss) on Disposal	14 Total Gain (Loss) on Disposal	15 Interest on Bonds Received During Year	16 Dividends on Stocks Received During Year	17 NAIC Desig-nation (a)
6099999 - Total - Bonds															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						XXX										XXX

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

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index	5 Date of Acquisition	6 Exchange or Counterparty	7 Cost/Option Premium	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis of Hedged Item	14 Other Investment/ Miscellaneous Income
2599999 - Subtotal - Hedging Transactions								XXX					
2799999 - Subtotal - Other Derivative Transactions								XXX					
9999999 - Totals								XXX					

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index	5 Date of Issuance/ Purchase	6 Exchange or Counterparty	7 Consideration Received	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis	14 Other Investment/ Miscellaneous Income
2599999 - Subtotal - Hedging Transactions								XXX					
2699999 - Subtotal - Income Generation Transactions								XXX					
2799999 - Subtotal - Other Derivative Transactions								XXX					
9999999 - Totals								XXX					

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1 Description	2 Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index Rec (Pay)	5 Date of Opening Position or Agreement	6 Exchange or Counterparty	7 Cost or (Consideration Received)	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis of Hedged Item	14 Other Investment/ Miscellaneous Income	15 Potential Exposure
2599999 - Subtotal - Hedging Transactions								XXX						
2799999 - Subtotal - Other Derivative Transactions								XXX						
9999999 - Totals								XXX						

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts Open at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
									10	11	12	
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	Recognized	Used to Adjust Basis of Hedged Item	Deferred	Potential Exposure
2599999 - Subtotal - Hedging Transactions						XXX	XXX					
2799999 - Subtotal - Other Derivative Transactions						XXX	XXX					
9999999 - Totals						XXX	XXX					

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	Book Balance at End of Each Month During Current Quarter			8
				5	6	7	
Depository	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
Comerica Bank.....West Bloomfield, Michigan		78,664	160,150	21,274,084	20,485,667	15,875,032	
Merrill Lynch.....Bloomfield Hills, Michigan		923	9,719	235,859	236,164	236,441	
0199998 Deposits in ..... depositories which do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories	XXX						XXX
0199999 Totals - Open Depositories	XXX	79,587	169,869	21,509,943	20,721,831	16,111,473	XXX
0399999 Total Cash on Deposit	XXX	79,587	169,869	21,509,943	20,721,831	16,111,473	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX				XXX
0599999 Total Cash	XXX	79,587	169,869	21,509,943	20,721,831	16,111,473	XXX