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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002

of the Condition and Affairs of the

Molina Healthcare of Michigan, Inc.

NAIC Group Code..... 1531, 1531 (Current Period) (Prior Period) NAIC Company Code..... 52630 Employer's ID Number..... 38-3341599

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

Licensed as Business Type Health Maintenance Organization

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

Date Incorporated or Organized..... February 10, 1997 Date Commenced Business..... January 1, 1998

Statutory Home Office	100 West Big Beaver, Suite 600 ..... Troy ..... MI ..... 48084-5209 *(Street and Number) (City or Town, State and Zip Code)*	
Address of Main Administrative Office	100 West Big Beaver, Suite 600 ..... Troy ..... MI ..... 48084-5209 *(Street and Number) (City or Town, State and Zip Code)*	248-925-1700 *(Area Code) (Telephone Number)*
Mail Address	100 West Big Beaver, Suite 600 ..... Troy ..... MI ..... 48084-5209 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	100 West Big Beaver, Suite 600 ..... Troy ..... MI ..... 48084-5209 *(Street and Number) (City or Town, State and Zip Code)*	248-925-1700 *(Area Code) (Telephone Number)*
Internet Website Address	www.molinahealthcare.com	
Statement Contact	Michael Tegler *(Name)*	248-925-1720 *(Area Code) (Telephone Number) (Extension)*
	MichaelT@MolinaHealthCare.Com *(E-Mail Address)*	*248-925-1722* *(Fax Number)*
Policyowner Relations Contact	100 West Big Beaver, Suite 600 ..... Troy ..... MI ..... 48084-5209 *(Street and Number) (City or Town, State and Zip Code)*	248-925-1700 *(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Roman T Kulich Treasurer ..... Michael Tegler Secretary ..... Mark L Andrews

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Joseph M Molina MD	George S Goldstein	Mark Andrews	John Jamian
Dean G Smith MD	Patricia A McKenzie	Kathryn F Crawford	Sharon Marzicola
Roman T Kulich	Ron Nelson		

State of..... Michigan
County of..... Oakland

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.

(Signature)	(Signature)	(Signature)
Roman T Kulich	Mark L Andrews	Michael Tegler
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

.....day of ....., 2003

.....

a. Is this an original filing? Yes [ ] No [X]

b. If no: 1. State the amendment number 1
2. Date filed..... 5/6/03
3. Number of pages attached..... 7

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	Prior Year 4 Net Admitted Assets
1. Bonds			0	
2. Stocks:				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate:				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)			(a) 0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....15,299,999, Schedule E, Part 1) and short-term investments ($.....1,268,167, Schedule DA, Part 2)	16,568,166		16,568,166	14,048,081
6. Other long-term invested assets			0	
7. Receivable for securities			0	
8. Aggregate write-ins for invested assets	0	0	0	0
9. Subtotal cash and invested assets (Lines 1 to 8)	16,568,166	0	16,568,166	14,048,081
10. Accident and health premiums due and unpaid			0	
11. Health care receivables	1,947,629		1,947,629	3,297,165
12. Amounts recoverable from reinsurers			0	
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	
14. Investment income due and accrued	1,054		1,054	2,577
15. Amounts due from parent, subsidiaries and affiliates			0	213,838
16. Amounts receivable relating to uninsured accident and health plans			0	
17. Furniture and equipment	154,163	154,163	0	66,556
18. Amounts due from agents			0	
19. Federal and foreign income tax recoverable and interest thereon (including $.....153,570 net deferred tax asset)	181,477		181,477	262,326
20. Electronic data processing equipment and software			0	
21. Other nonadmitted assets			0	
22. Aggregate write-ins for other than invested assets	3,952,568	3,952,568	0	0
23. Total assets (Lines 9 plus 10 through 22)	22,805,057	4,106,731	18,698,326	17,890,543

DETAILS OF WRITE-INS

0801.			0	
0802.			0	
0803.			0	
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	0	0	0	0
2201. Prepaid Expenses	70,984	70,984	0	
2202. Deposits	11,919	11,919	0	
2203. Patient Files	42,000	42,000	0	
2298. Summary of remaining write-ins for Line 22 from overflow page	3,827,665	3,827,665	0	0
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	3,952,568	3,952,568	0	0

(a) $.....0 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year 1 Covered	Current Year 2 Uncovered	Current Year 3 Total	Prior year 4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)	11,598,126		11,598,126	9,530,324
2. Accrued medical incentive pool and bonus payments	246,447		246,447	483,167
3. Unpaid claims adjustment expenses			0	
4. Aggregate policy reserves			0	
5. Aggregate claim reserves			0	
6. Premiums received in advance			0	
7. General expenses due or accrued	679,427		679,427	581,368
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 by company for the account of others			0	
10. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	341,089		341,089	1,409,111
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....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			0	
17. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
18. Total liabilities (Lines 1 to 17)	12,865,089	0	12,865,089	12,003,970
19. Common capital stock	XXX	XXX	159,000	159,000
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	8,255,029	8,255,029
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	(2,580,792)	(2,527,456)
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 Line 25)	XXX	XXX	5,833,237	5,886,573
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	18,698,326	17,890,543

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 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	352,354	294,802
2. Net premium income	XXX	52,409,498	43,345,256
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	52,409,498	43,345,256
Medical and Hospital:			
8. Hospital/medical benefits		23,899,802	18,992,738
9. Other professional services		859,722	562,424
10. Outside referrals		7,000,587	5,726,286
11. Emergency room and out-of-area		2,913,785	2,333,559
12. Prescription drugs		9,604,271	7,563,453
13. Aggregate write-ins for other medical and hospital	0	488,265	502,646
14. Incentive pool and withhold adjustments		64,888	280,000
15. Subtotal (Lines 8 to 14)	0	44,831,320	35,961,106
Less:			
16. Net reinsurance recoveries		76,418	19,162
17. Total medical and hospital (Lines 15 minus 16)	0	44,754,902	35,941,944
18. Claims adjustment expenses		398,798	378,612
19. General administrative expenses		7,770,269	6,014,265
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)	0	52,923,969	42,334,821
22. Total underwriting gain or (loss) (Lines 7 minus 21)	XXX	(514,471)	1,010,435
23. Net investment income earned		188,963	352,227
24. Net realized capital gains or (losses)			
25. Net investment gains or (losses) (Lines 23 plus 24)	0	188,963	352,227
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	232,766
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	0	(325,508)	1,595,428
29. Federal and foreign income taxes incurred	XXX	(461,020)	1,110,311
30. Net income (loss) (Lines 28 minus 29)	XXX	135,512	485,117

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. Patient Transportation		488,265	406,477
1302. Other Health Care Costs			96,169
1303.			
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	488,265	502,646
2701. Miscellaneous Income			187
2702. Rental Income			232,579
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	232,766

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	5,886,573	2,860,664
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30	135,512	485,117
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	(108,754)	408,457
37. Change in nonadmitted assets	(33,331)	(23,782)
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		2,156,117
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	(46,763)	0
46. Net change in capital and surplus (Lines 32 to 45)	(53,336)	3,025,909
47. Capital and surplus end of reporting year (Line 31 plus 46)	5,833,237	5,886,573

DETAILS OF WRITE-INS

4501. Change in State DTA & DTL	(46,763)	
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)	(46,763)	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	52,409,498	44,006,301
2. Claims and claims adjustment expenses	43,322,618	34,968,001
3. General administrative expenses paid	7,672,210	5,930,743
4. Other underwriting income (expenses)		232,766
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	1,414,670	3,340,323
6. Net Investment income	190,486	349,650
7. Other income (expenses)		5,919
8. Federal and foreign income taxes (paid) recovered	433,115	(65,973)
9. Net cash from operations (Lines 5 to 8)	2,038,271	3,629,919
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		2,156,117
13.2 Net transfers from affiliates		1,428,203
13.3 Borrowed funds received		
13.4 Other cash provided	1,335,998	323,033
13.5 Total (Lines 13.1 to 13.4)	1,335,998	3,907,353
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates	854,184	
14.3 Borrowed funds repaid		
14.4 Other applications		201,080
14.5 Total (Lines 14.1 to 14.4)	854,184	201,080
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	481,814	3,706,273
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	2,520,085	7,336,192
17. Cash and short-term investments:		
17.1 Beginning of year	14,048,081	6,711,889
17.2 End of year (Line 16 plus Line 17.1)	16,568,166	14,048,081

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medical Only	4 Medicare Supplement	5 Dental Only	6 Vision Only	7 Federal Employees Health Benefit Plans	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
1. Net premium income	52,409,498								52,409,498				
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												
4. Risk revenue	0												
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5)	52,409,498	0	0	0	0	0	0	0	52,409,498	0	0	0	0
7. Medical/hospital benefits	23,899,802								23,899,802				
8. Other professional services	859,722								859,722				
9. Outside referrals	7,000,587								7,000,587				
10. Emergency room and out-of-area	2,913,785								2,913,785				
11. Prescription drugs	9,604,271								9,604,271				
12. Aggregate write-ins for other medical and hospital	488,265	0	0	0	0	0	0	0	488,265	0	0	0	0
13. Incentive pool and withhold adjustments	64,888								64,888				
14. Subtotal (Lines 7 to 13)	44,831,320	0	0	0	0	0	0	0	44,831,320	0	0	0	0
15. Net reinsurance recoveries	76,418								76,418				
16. Total medical and hospital (Lines 14 minus 15)	44,754,902	0	0	0	0	0	0	0	44,754,902	0	0	0	0
17. Claims adjustment expenses	398,798								398,798				
18. General administrative expenses	7,770,269								7,770,269				
19. Increase in reserves for accident and health contracts	0												
20. Total underwriting deductions (Lines 16 to 19)	52,923,969	0	0	0	0	0	0	0	52,923,969	0	0	0	0
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	(514,471)	0	0	0	0	0	0	0	(514,471)	0	0	0	0

DETAILS OF WRITE-INS

0501.	0												
0502.	0												
0503.	0												
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	0
1201. Patient Transportation	488,265								488,265				
1202.	0												
1203.	0												
1298. Summary of remaining write-ins for Line 12 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Total (Lines 1201 thru 1203 plus 1298) (Line 12 above)	488,265	0	0	0	0	0	0	0	488,265	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (medical and hospital)				0
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	52,691,138		281,640	52,409,498
8. Other				0
9. Totals	52,691,138	0	281,640	52,409,498

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Payments during the year:									
1.1 Direct	42,698,630							42,698,630	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	76,418							76,418	
1.4 Net	42,622,212	0	0	0	0	0	0	42,622,212	0
2. Paid medical incentive pools and bonuses	301,608							301,608	
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	11,598,126							11,598,126	
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	11,598,126	0	0	0	0	0	0	11,598,126	0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct	0								
4.2 Reinsurance assumed	0								
4.3 Reinsurance ceded	0								
4.4 Net	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	246,447							246,447	
6. Amounts recoverable from reinsurers December 31, current year	0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	9,530,324							9,530,324	
7.2 Reinsurance assumed	0								
7.3 Reinsurance ceded	0								
7.4 Net	9,530,324	0	0	0	0	0	0	9,530,324	0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct	0								
8.2 Reinsurance assumed	0								
8.3 Reinsurance ceded	0								
8.4 Net	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	483,167							483,167	
10. Amounts recoverable from reinsurers December 31, prior year	0								
11. Incurred benefits:									
11.1 Direct	44,766,432	0	0	0	0	0	0	44,766,432	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	76,418	0	0	0	0	0	0	76,418	0
11.4 Net	44,690,014	0	0	0	0	0	0	44,690,014	0
12. Incurred medical incentive pools and bonuses	64,888	0	0	0	0	0	0	64,888	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Reported in process of adjustment:									
1.1 Direct	1,907,205							1,907,205	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	1,907,205	0	0	0	0	0	0	1,907,205	0
2. Incurred but unreported:									
2.1 Direct	9,690,921							9,690,921	
2.2 Reinsurance assumed	0								
2.3 Reinsurance ceded	0								
2.4 Net	9,690,921	0	0	0	0	0	0	9,690,921	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct	0								
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	0	0	0	0	0	0	0	0	0
4. Totals:									
4.1 Direct	11,598,126	0	0	0	0	0	0	11,598,126	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
4.4 Net	11,598,126	0	0	0	0	0	0	11,598,126	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital)					0	
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	7,557,840	35,064,373	270,153	11,327,973	7,827,993	9,530,324
8. Other					0	
9. Subtotal	7,557,840	35,064,373	270,153	11,327,973	7,827,993	9,530,324
10. Medical incentive pools, accruals and disbursements	301,607		181,560	64,887	483,167	483,167
11. Totals	7,859,447	35,064,373	451,713	11,392,860	8,311,160	10,013,491

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX	13,337	4,406	508	21
4. 2000	XXX	XXX	19,107	7,951	191
5. 2001	XXX	XXX	XXX	26,638	7,346
6. 2002	XXX	XXX	XXX	XXX	35,064

SECTION B - INCURRED CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX	17,615	5,233	526	21
4. 2000	XXX	XXX	26,941	7,688	215
5. 2001	XXX	XXX	XXX	35,906	7,593
6. 2002	XXX	XXX	XXX	XXX	46,392

12.GT

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999	20,433	18,272		0.0	18,272	89.4			18,272	89.4
4. 2000	32,219	27,249		0.0	27,249	84.6			27,249	84.6
5. 2001	43,345	33,984	379	1.1	34,363	79.3	452		34,815	80.3
6. 2002	52,409	35,064	399	1.1	35,463	67.7	11,393		46,856	89.4
7. Total (Lines 1 through 6)	XXX	114,569	778	XXX	115,347	XXX	11,845	0	127,192	XXX
8. Total (Lines 2 through 6)	148,406	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Hospital & Medical
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX	13,337	4,406	508	21
4. 2000	XXX	XXX	19,107	7,951	191
5. 2001	XXX	XXX	XXX	26,638	7,346
6. 2002	XXX	XXX	XXX	XXX	35,064

SECTION B - INCURRED CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX	17,615	5,233	526	21
4. 2000	XXX	XXX	26,941	7,688	215
5. 2001	XXX	XXX	XXX	35,906	7,593
6. 2002	XXX	XXX	XXX	XXX	46,392

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999	20,433	18,272		0.0	18,272	89.4			18,272	89.4
4. 2000	32,219	27,249		0.0	27,249	84.6			27,249	84.6
5. 2001	43,345	33,984	379	1.1	34,363	79.3	452		34,815	80.3
6. 2002	52,409	35,064	399	1.1	35,463	67.7	11,393		46,856	89.4
7. Total (Lines 1 through 6)	XXX	114,569	778	XXX	115,347	XXX	11,845	0	127,192	XXX
8. Total (Lines 2 through 6)	148,406	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent ($.....0 for occupancy of own building)		347,997		347,997
2. Salaries, wages and other benefits	288,701	4,204,811		4,493,512
3. Commissions (less $.....0 ceded plus $.....0 assumed)				0
4. Legal fees and expenses		71,946		71,946
5. Certifications and accreditation fees		51,217		51,217
6. Auditing, actuarial and other consulting services		360,807		360,807
7. Traveling expenses	355	94,198		94,553
8. Marketing and advertising		155,092		155,092
9. Postage, express and telephone	243	363,762		364,005
10. Printing and office supplies	3,339	307,166		310,505
11. Occupancy, depreciation and amortization	1,112	345,195		346,307
12. Equipment	55	104,186		104,241
13. Cost or depreciation of EDP equipment and software				0
14. Outsourced services including EDP, claims, and other services	86,528	812,277		898,805
15. Boards, bureaus and association fees	16	88,830		88,846
16. Insurance, except on real estate		67,507		67,507
17. Collection and bank service charges		66,689		66,689
18. Group service and administration fees				0
19. Reimbursements by uninsured accident and health plans				0
20. Reimbursements from fiscal intermediaries				0
21. Real estate expenses		5,541		5,541
22. Real estate taxes		5,484		5,484
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes		(3,151)		(3,151)
23.2 State premium taxes				0
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes	18,449	264,035		282,484
23.5 Other (excluding federal income and real estate taxes)		12,956		12,956
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	0	43,724	0	43,724
26. Total expenses incurred (Lines 1 to 25)	398,798	7,770,269	0	(a) 8,169,067
27. Add expenses unpaid December 31, prior year		581,368		581,368
28. Less expenses unpaid December 31, current year		679,427		679,427
29. Amounts receivable relating to uninsured accident and health plans, prior year				0
30. Amounts receivable relating to uninsured accident and health plans, current year				0
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30)	398,798	7,672,210	0	8,071,008

DETAILS OF WRITE-INS

2501. Charitable Contributions		25,111		25,111
2502. Continuing Education		18,613		18,613
2503.				0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	0	43,724	0	43,724

(a) Includes management fees of $.....2,486,264 to affiliates and $.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a)	
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term investments	(e) 199,574	198,051
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	199,574	198,051
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 9,088
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		9,088
17.	Net investment income (Line 10 minus Line 16)		188,963

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1.	U.S. government bonds					0
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)					0
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)					0
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/short-term investments					0
7.	Derivative instruments					0
8.	Other invested assets					0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	0	0	0	0	0

NONE

DETAILS OF WRITE-INS

0901.						0
0902.						0
0903.						0
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0	0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 10 to 16 and 19 to 20, Column 2	(10,492)	100,217	110,709
2. Other nonadmitted assets:			
2.1 Bills receivable			0
2.2 Leasehold improvements			0
2.3 Cash advanced to or in hands of officers and agents			0
2.4 Loans on personal security, endorsed or not			0
2.5 Commuted commissions			0
3. Total (Lines 2.1 to 2.5)	0	0	0
4. Aggregate write-ins for other than invested assets	4,106,731	3,962,691	(144,040)
5. Total (Line 1 plus Lines 3 and 4)	4,096,239	4,062,908	(33,331)

DETAILS OF WRITE-INS

0401. Prepaid Expenses / Deposits	82,903	39,534	(43,369)
0402. Patient Files	42,000	95,492	53,492
0403. Goodwill	3,827,665	3,827,665	0
0498. Summary of remaining write-ins for Line 4 from overflow page	154,163	0	(154,163)
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	4,106,731	3,962,691	(144,040)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations	25,732	27,719	28,593	28,476	33,393	352,354
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	25,732	27,719	28,593	28,476	33,393	352,354

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Molina Healthcare of Michigan, Inc. (the "Company") are presented on the basis of accounting practices prescribed or permitted by the State of Michigan, Office of Financial & Insurance Services ("OFIS").

OFIS recognizes only statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the Michigan Insurance Code. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Michigan.

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

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

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

1) The Company's financial instruments include cash and cash equivalents and investments. The Company believes the carrying amounts of cash and cash equivalents approximate their fair value because of their high liquidity. The fair value of bonds and short-term investments are based on the fair values prescribed by the Securities Valuation Office ("SVO"). For certain investments for which the SVO does not provide an estimated fair value, the Company uses amortized cost as a substitute for estimated marked value, in accordance with prescribed guidance. As of December 31, 2002 and 2001, the estimated fair value of investments included investments totaling $1,268,167 and $1,250,167, respectively that were valued at amortized cost.

2) Unpaid losses and loss adjustment expenses include an amount determined from health care costs estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

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

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures manual – Version effective January 1, 2001, are reported as changes in accounting principles. There were no adjustments required to unassigned funds as a result of the adoption of the NAIC Accounting Practices and Procedures manual – Version effective January 1, 2001.

3. Business Combinations and Goodwill – None

4. Discontinued Operations – None

NOTES TO FINANCIAL STATEMENTS

5. Investments – None

6. Joint Ventures, Partnerships and Limited Liability Companies – None

7. Investment Income –

The Company had no investment income that was excluded. All the Company's investments and the income derived from such investments meet the criteria for admitted receivables.

8. Derivative Instruments – None

9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

		12/31/2002	12/31/2001
1)	Total of all deferred tax assets	503,652	619,930
2)	Total of all deferred tax liabilities	360,574	130,083
3)	Total deferred tax assets (liab) nonadmitted	(10,492)	227,521
4)	Total deferred tax assets admitted	153,570	262,326
5)	Decrease in nonadmitted Net DTAs	238,013	36,690

B. N/A

C. Current income taxes incurred consist of the following major components:

	12/31/2002	12/31/2001
Federal Tax Benefit	(447,373)	1,171,820
Change in Deferred Tax Assets	15,522	25,733
Utilization of NOL Carryforward	(27,235)	(87,242)
Other	(1,932)	-
Current Income taxes incurred	(461,018)	1,110,311

The Net Deferred Tax Asset consists of the following major components:

	12/31/2002	12/31/2001
Deferred tax assets:		
NOL carryforwards	$ 326,823	$ 384,517
Shared risk payables	90,939	179,738
Other	85,890	55,675
Total deferred tax assets	503,652	619,930
Non-admitted deferred tax assets	(7,768)	(234,445)
Admitted deferred tax assets	495,884	385,485
Deferred tax liabilities:		
Shared risk receivables	(354,681)	(115,363)
Other	(5,893)	(14,720)
Total deferred tax liabilities	(360,574)	(130,083)
Non-admitted deferred tax liabilities	18,260	6,924
Admitted deferred tax liabilities	(342,314)	(123,159)
Net admitted deferred tax assets	153,570	262,326
Decrease in net non-admitted assets	$ 238,013	$ 36,690

Per SSAP 10, the Company did not admit state deferred taxes (assets or liabilities), the resulting non admitted deferred tax liability of $18,260 was netted with the non admitted deferred tax assets.

D. There were no significant book to tax adjustments in 2002

E. There were no loss carry forwards

NOTES TO FINANCIAL STATEMENTS

The amount of federal income taxes incurred that will be available for recoupment in the event of future net losses is approximately $0

F. The Company's Federal Income Tax return is consolidated with the following entities:

Molina Healthcare, Inc
Molina Healthcare of California
Molina Healthcare of Michigan
Molina Healthcare of Utah
Molina Advantage, Inc

Molina and its subsidiaries file a consolidated federal income tax return. Under a written Services agreement with the Molina, approved by the Board of Directors, Molina collects from or refunds to the subsidiaries the amount of taxes or benefits determined as if Molina and the subsidiaries filed separate returns.

10. Information Concerning Parent, Subsidiaries and Affiliates –

A. The Company is a wholly owned subsidiary of Molina Healthcare of California, Inc. Molina Healthcare of California is a wholly owned subsidiary of Molina Healthcare, Inc. (Molina). Molina also has other wholly owned subsidiaries located in the states of Washington and Utah.

B. The Company has an agreement with Molina whereby Molina provides certain management and other support services to the Company. Expenses incurred relating to this agreement amounted to $2,486,264 in 2002 and $725,400 in 2001. Additionally, the Company incurred the following transactions with Parent and Affiliates in 2002: $9,088 interest expense to Molina Healthcare, Inc.

C. The Company did not declare or pay dividends during the year.

D. At December 31, 2002, the Company reported $218,612 payable to Molina for administrative services.

E. There are no guarantees or undertakings for the benefit of an affiliate or related party.

F. None

G. Molina Healthcare of California, Inc. owns all outstanding shares of the Company. Molina Healthcare, Inc., an insurance holding company domiciled in the State of California, owns all outstanding shares of Molina Healthcare of California.

H. The Company owns no shares of Molina Healthcare of California, Inc.

I. The Company owns no interest in either Molina Healthcare, Inc. or any of the other subsidiaries of the Molina.

J. N/A

11. Debt – None

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

A. Defined Benefit Plan – The Company does not have a Defined Benefit Plan.

B. Defined Contribution Plan – Employees meeting certain eligibility requirements may participate in the Company' 401(k) plan. Contribution expense to the 401(k) plan totaled $52,847 in 2002 and $52,847 in 2001.

C. Multiemployer Plans: The Company does not have a Multiemployer Plan.

NOTES TO FINANCIAL STATEMENTS

D. Consolidated/Holding Company Plans: The Company does not have a Consolidated/Holding Company Plan.

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

A. The Company has 200,000 shares of common stock authorized and 159,000 shares of common stock issued. Par value is $1.

B. The Company has no preferred stock.

C. The laws of the State of Michigan limit the payment and declaration of extraordinary and ordinary dividends. As set forth in Michigan Insurance Code, dividends require prior approval of OFIS. Additionally, OFIS does will not approve dividends that are greater than 10% of a Plans' surplus over one year period.

D. The Company did not declare or pay dividends in 2002.

E. There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

F. N/A.

G. There is no stock held by the Company.

H. N/A

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

i.	Unrealized gains or losses:	$ 0
ii.	Non admitted asset values:	$ 4,249,808
iii.	For stock purchase warrants:	$ 0

J. NA

K. N/A

L. N/A

14. Contingencies –

A. Contingent Commitments – None

B. Assessments – None

C. Gain Contingencies – None

D. All Other Contingencies

The Company is involved in legal proceedings, which are normal to its business. In the opinion of management, based upon current facts and circumstances known by the Company, the resolution of these matters should not have a material adverse effect on the financial position or results of operation of the Company.

15. Leases –

A. Lessee Operating Lease

1) The Company leases office space, furniture and fixtures and office equipment under various leasing agreements.

2) At January 1, 2002, the minimum aggregate rental commitments are as follows:

NOTES TO FINANCIAL STATEMENTS

Year	Operating Leases
2003	$250,181
2004	247,608
2005	246,123
2006	245,256
2007	19,119

3) The Company is not involved in any material sales-leaseback transactions

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables reported as Sales – None

B. Transfer and Servicing of Financial Assets – None

C. Wash Sales – None

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans – None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – None

20. Other Items – None

21. Events Subsequent – None

22. Reinsurance –

A. The Company does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expense and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

B. There are no reinsurance recoverables in dispute.

C. There is no maximum amount of return commission, which would have been due reinsurers if they or you had canceled all of your company's reinsurance.

D. There is no uncollectible reinsurance

E. The Company has reported in its operations in the current year a reinsurance recovery of $76,418.

F. There was no Retroactive Reinsurance

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination – None

24. Salvage and Subrogation – None

25. Change in Incurred Claims and Claim Adjustment Expenses –

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by $1,702,331 in 2002 for prior years as a result of re-estimation of unpaid claims and claim adjustment expenses. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Organization and Operation –

The Company is a state-licensed health maintenance organization (HMO) whose membership is

NOTES TO FINANCIAL STATEMENTS

exclusively Medicaid. The Company is currently managing over 33,500 Medicaid Members in 34 Counties within the State of Michigan.

The Company contracts with hospitals, physicians and other providers of health care, pursuant to discounted fee for service arrangements, including hospital per diems and Diagnostic Related Group (DRG) reimbursements under which providers bill the Company for each individual service provided to enrollees.

The Company has capitation contracts with primary care providers (Capitated Providers) to provide health care services to enrollees. The Capitated Providers are at risk for the cost of medical care services provided to the Company's enrollees, however, the Company could be responsible for the provision of services to its enrollees should the Capitated Providers be unable to provide the contracted services. The Capitated Providers are paid a fixed amount per enrollee.

27. Minimum Net-Worth Requirements –

Under the laws of the State of Michigan, the Company is required to meet the standards set forth in NAIC's Risk-Based Capital (RBC) requirements. Under those requirements, the amount of capital maintained by the Company is to be determined based on the various risk factors related to it. At December 31, 2002, the Company exceeded the RBC requirements as shown below

Comparison of Total Adjusted Capital to Risk-Based Capital

Total Adjusted Capital	$ 5,833,237
Company Action Level = 200% of Authorized Control Level	$ 4,621,730
Regulatory Action Level = 150% of Authorized Control Level	$ 3,466,298
Authorized Control Level = 100% of Authorized Control Level	$ 2,310,865
Mandatory Control Level = 70% of Authorized Control Level	$ 1,617,606

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.0		0.0
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations		0.0		0.0
1.44 Industrial development and similar obligations		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.0		0.0
1.512 Issued by FNMA and FHLMC		0.0		0.0
1.513 Privately issued		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC		0.0		0.0
1.523 All other privately issued		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.0		0.0
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated		0.0		0.0
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company		0.0		0.0
5.2 Property held for production of income (includes $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash and short-term investments	16,568,166	100.0	16,568,166	100.0
9. Other invested assets		0.0		0.0
10. Total invested assets	16,568,166	100.0	16,568,166	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? California

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2001

3.2 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. 12/31/2001

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). n/a

3.4 By what department or departments? Office of Financial and Insurance Services

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. .....0.000 %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
725 South Figueroa Street, Los Angeles, CA 90017-5418

9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Miliman USA-Outside Consultant
1301 5th Ave Suite 3800, Seattle, WA 98101

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

10.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

13. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11 To directors or other officers $.....0

14.12 To stockholders not officers $.....0

14.13 Trustees, supreme or grand (Fraternal only) $.....0

14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21 To directors or other officers $.....0

14.22 To stockholders not officers $.....0

14.23 Trustees, supreme or grand (Fraternal only) $.....0

15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

15.21 Rented from others $.....0

15.22 Borrowed from others $.....0

15.23 Leased from others $.....0

15.24 Other $.....0

Disclose in the Notes to Financial the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

16.2 If answer is yes:

16.21 Amount paid as losses or risk adjustment $.....0

16.22 Amount paid as expenses $.....0

16.23 Other amounts paid $.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes [ ] No [ ]	Yes [ ] No [ ]
Common	200,000.000	159,000.000	1.00	XXX	XXX XXX	XXX XXX

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 2-Special Deposits? Yes [X] No [ ]

18.2 If no, give full and complete information relating thereto.

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [ ] No [X]

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

19.21 Loaned to others	$ 0
19.22 Subject to repurchase agreements	$ 0
19.23 Subject to reverse repurchase agreements	$ 0
19.24 Subject to dollar repurchase agreements	$ 0
19.25 Subject to reverse dollar repurchase agreements	$ 0
19.26 Pledged as collateral	$ 0
19.27 Placed under option agreements	$ 0
19.28 Letter stock or securities restricted as to sale	$ 0
19.29 Other	$ 0

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

19.31
19.32
19.33
19.34
19.35
19.36
19.37
19.38
19.39

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year: $ 0

22. 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 [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
Standard Federal Bank	2600 West Big Beaver Road, Troy, Michigan 48084

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 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)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [ ] No [X]

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

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

22.05 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 Number(s)	2 Name	3 Address

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....18,628

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	18,628

24.1 Amount of payments for legal expenses, if any? $.....71,946

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Legal Support provided by Corporate Legal Department	71,946

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $.....0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only $.....0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $.....0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $.....0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.....0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....0

1.62 Total incurred claims $.....0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $.....0

1.65 Total incurred claims $.....0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

2.2 If yes, give particulars:

3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No [ ]

3.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X]

4.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

4.2 If no, explain:

4.3 Maximum retained risk (see instructions):

4.31 Comprehensive medical $.....0

4.32 Medical only $.....125,000

4.33 Medicare supplement $.....0

4.34 Dental $.....0

4.35 Other limited benefit plan $.....0

4.36 Other $.....0

5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Plan has hold harmless provisions in every provider agreement: PCP, Specialty, Hospital and Ancillary

6.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No [ ]

6.2 If no, give details:

7. Provide the following information regarding participating providers:

7.1 Number of providers at start of reporting year 901

7.2 Number of providers at end of reporting year 1,098

8.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

8.2 If yes, direct premium earned:

8.21 Business with the rate guarantees between 15-36 months $.....0

8.22 Business with rate guarantees over 36 months $.....0

9.1 Does the reporting entity have Bonus/withhold arrangements in its provider contracts? Yes [X] No [ ]

9.2 If yes:

9.21 Maximum amount payable bonuses $.....0

9.22 Amount actually paid for year bonuses $.....0

9.23 Maximum amount payable withholds $.....548,055

9.24 Amount actually paid for year withholds $.....301,608

10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Alpena, Arenac, Bay,
Crawford, Gladwin, Gratiot, Huron,
Ionia, Iosco, Kent, Lake, Manistee,
Montmorency, Muskegon, Newaygo, Oceana,
Ogenaw, Oscoda, Otsego, Ottawa, Presque Isle,
Mecosta, Midland, Missaukeee, Montcalm,
Roscommon, Saginaw, Sanilac, Tuscola, Wexford,
Wayne, Oakland Macomb, Mason

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	19,030,993	17,890,543	12,260,453	10,020,467	
2. Total liabilities (Page 3, Line 18)	13,197,756	12,003,970	9,399,789	7,446,163	
3. Statutory surplus	4,621,730	5,727,573	1,000,000	1,000,000	
4. Total capital and surplus (Page 3, Line 26)	5,833,237	5,886,573	2,860,664	2,574,304	
Income Statement Items (Page 4)					
5. Total revenues (Line 7)	52,409,498	43,345,256	32,218,976	20,432,894	
6. Total medical and hospital expenses (Line 17)	44,754,902	35,961,106	27,449,927	17,305,231	
7. Total administrative expenses (Line 19)	7,770,269	6,014,265	5,724,712	2,512,536	
8. Net underwriting gain (loss) (Line 22)	(514,471)	1,010,435	(955,663)	615,127	
9. Net investment gain (loss) (Line 25)	188,963	352,227	368,762	136,286	
10. Total other income (Lines 26 plus 27)		232,766	41,028	5,446	
11. Net income or (loss) (Line 30)	135,512	1,595,428	(416,666)	1,058,545	
Risk-Based Capital Analysis					
12. Total adjusted capital	5,833,237	5,886,573	2,860,664		
13. Authorized control level risk-based capital	2,310,865	1,932,872	1,469,197		
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	33,393	25,732	22,183	23,077	
15. Total member months (Column 6, Line 7)	352,354	294,802	271,336	171,180	
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5)**					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	85.4	83.0	85.2	84.7	
18. Total underwriting deductions (Line 21)	101.0	97.7	103.0	96.9	
19. Total underwriting gain (loss) (Line 22)	(1.0)	2.3	(3.0)	3.0	
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	8,311,160	8,417,270	5,142,977	701,144	
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	10,013,491	8,660,936	4,278,000	701,144	

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	0	0	0	0	0

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States				
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	0	0	0	0
	5. United States				
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States				
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	0	0	0	0
	17. United States				
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States				
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	0	0	0	0
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States				
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	0	0	0	
	55. **Total Stocks**	0	0	0	
	56. **Total Bonds and Stocks**	0	0	0	

NONE

(a) The aggregate value of bonds which are valued at other than actual fair value is $.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year
2. Cost of bonds and stocks acquired, Column 6, Part 3
3. Increase (decrease) by adjustment:
   - 3.1 Column 16, Part 1
   - 3.2 Column 12, Part 2, Section 1
   - 3.3 Column 10, Part 2, Section 2
   - 3.4 Column 10, Part 4
4. Total gain (loss), Column 14, Part 4
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4
6. Foreign exchange adjustment:
   - 6.1 Column 17, Part 1
   - 6.2 Column 13, Part 2, Section 1
   - 6.3 Column 11, Part 2, Section 2
   - 6.4 Column 11, Part 4 0
7. Book/adjusted carrying value at end of current period 0
8. Total valuation allowance
9. Subtotal (Lines 7 plus 8) 0
10. Total nonadmitted amounts
11. Statement value of bonds and stocks, current period 0

NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	2	Direct Business Only			
			3	4	5	6
State, Etc.	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1. Alabama AL	No	No				
2. Alaska AK	No	No				
3. Arizona AZ	No	No				
4. Arkansas AR	No	No				
5. California CA	No	No				
6. Colorado CO	No	No				
7. Connecticut CT	No	No				
8. Delaware DE	No	No				
9. District of Columbia DC	No	No				
10. Florida FL	No	No				
11. Georgia GA	No	No				
12. Hawaii HI	No	No				
13. Idaho ID	No	No				
14. Illinois IL	No	No				
15. Indiana IN	No	No				
16. Iowa IA	No	No				
17. Kansas KS	No	No				
18. Kentucky KY	No	No				
19. Louisiana LA	No	No				
20. Maine ME	No	No				
21. Maryland MD	No	No				
22. Massachusetts MA	No	No				
23. Michigan MI	No	Yes			52,691,138	
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					
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	0	0	52,691,138	0

DETAILS OF WRITE-INS

5701.				
5702.				
5703.				
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0

Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

(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

Company Code	ST	Fed ID #	Name of Company
00000	CA	33-0876972	Molina Healthcare, Inc.
|-00000	DE	13-4204626	Molina Healthcare, Inc.
|-00000	CA	33-0342719	Molina Healthcare of California, Inc.
|-52630	MI	38-3341599	Molina Healthcare of Michigan, Inc.
|-95502	UT	33-0617992	Molina Healthcare of Utah, Inc.
|-96270	WA	91-1284790	Molina Healthcare of Washington, Inc.
|-00000	UT	87-0641493	Molina Advantage, Inc.