



# ANNUAL STATEMENT

## For the Year Ending December 31, 2002

### OF THE CONDITION AND AFFAIRS OF THE

# Paramount Care of Michigan

NAIC Group Code 1212 , 1212 NAIC Company Code 95566 Employer's ID Number 38-3200310  
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health[  ] Property/Casualty[  ] Hospital, Medical & Dental Service or Indemnity[  ]  
 Dental Service Corporation[  ] Vision Service Corporation[  ] Health Maintenance Organization[X]  
 Other[  ] Is HMO Federally Qualified? Yes[  ] No[X]

Date Incorporated or Organized 12/16/1993 Date Commenced Business 06/07/1996

Statutory Home Office 106 Park Place , Dundee, MI 48131  
(Street and Number) (City, or Town, State and Zip Code)

Main Administrative Office 106 Park Place  
(Street and Number)

Dundee, MI 48131 (734)529-7800  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 106 Park Place , Dundee, MI 48131  
(Street and Number or P.O. Box) (City, or Town, State and Zip Code)

Primary Location of Books and Records 1901 Indian Wood Circle  
(Street and Number)

Maumee, OH 43537 (419)887-2500  
(City, or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.paramounthealthcare.com

Statement Contact Jeff Martin (419)887-2959  
(Name) (Area Code)(Telephone Number)(Extension)

jeff.martin@promedica.org (419)887-2020  
(E-Mail Address) (Fax Number)

Policyowner Relations Contact 1901 Indian Wood Circle  
(Street and Number)

Maumee, OH 43537 (419)887-2500  
(City, or Town, State and Zip Code) (Area Code) (Telephone Number)(Extension)

### OFFICERS

Chairman John Charles Randolph Mr.  
 President John Charles Randolph Mr.  
 Secretary Jeffrey Craig Kuhn Mr.  
 Treasurer Kathleen S. Hanley Mrs.  
 Vice Chairman Marilyn Naomi Carnell Ms.

### VICE PRESIDENTS

Robert James Kolodgy Mr. Neeraj Kumar Kanwal Dr.  
 Mark Henry Moser Mr.

### DIRECTORS OR TRUSTEES

John Charles Randolph Mr. Janet Elaine Bozek Ms.  
 Marilyn Naomi Carnell Ms. Thomas Henry Gross Dr.  
 Jeffrey Ray Lewis M.D.

State of Michigan  
 County of Monroe ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the 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 manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

\_\_\_\_\_  
(Signature)  
 John Charles Randolph  
(Printed Name)  
 President

\_\_\_\_\_  
(Signature)  
 Jeffrey Craig Kuhn  
(Printed Name)  
 Secretary

\_\_\_\_\_  
(Signature)  
 Robert James Kolodgy  
(Printed Name)  
 Senior Vice President

a. Is this an original filing? Yes[  ] No[X]  
 b. If no, 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2003

\_\_\_\_\_  
(Notary Public Signature)

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds .....				
2. Stocks: .....				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate: .....				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A): .....				
4.1 Properties occupied by the company (less \$..... encumbrances) .....			(a).....	
4.2 Properties held for the production of income (less \$..... encumbrances) .....				
4.3 Properties held for sale (less \$..... encumbrances) .....				
5. Cash (\$.....2,853,500, Schedule E - Part 1) and short-term investments (\$....., Schedule DA - Part 2) .....	2,853,500		2,853,500	1,372,123
6. Other long-term invested assets .....				
7. Receivable for securities .....				
8. Aggregate write-ins for invested assets .....				
9. Subtotal, cash and invested assets (Lines 1 to 8) .....	2,853,500		2,853,500	1,372,123
10. Accident and health premiums due and unpaid .....	45,910		45,910	30,257
11. Health care receivables .....				
12. Amounts recoverable from reinsurers .....				
13. Net adjustment in assets and liabilities due to foreign exchange rates .....				
14. Investment income due and accrued .....				
15. Amounts due from parent, subsidiaries and affiliates .....	1,483,328		1,483,328	1,169,410
16. Amounts receivable relating to uninsured accident and health plans .....				
17. Furniture and equipment .....	1,881	1,881		
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 .....	10,012		10,012	
21. Other nonadmitted assets .....	1,350	1,350		
22. Aggregate write-ins for other than invested assets .....				
23. Total assets (Lines 9 plus 10 through 22) .....	4,395,981	3,231	4,392,750	2,571,790
<b>DETAILS OF WRITE-INS</b>				
0801 .....				
0802 .....				
0803 .....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....				
0899. TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above) .....				
2201 .....				
2202 .....				
2203 .....				
2298. Summary of remaining write-ins for Line 22 from overflow page .....				
2299. TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above) .....				

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

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded) .....	1,613,265		1,613,265	1,517,660
2. Accrued medical incentive pool and bonus payments .....				
3. Unpaid claims adjustment expenses .....				
4. Aggregate policy reserves .....				
5. Aggregate claim reserves .....				
6. Premiums received in advance .....	292,440		292,440	108,323
7. General expenses due or accrued .....	6,035		6,035	33,416
8. Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$.....38,000 net deferred tax liability) .....	39,715		39,715	
9. Amounts withheld or retained for account of others .....				
10. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
11. Amounts due to parent, subsidiaries and affiliates .....	18,891		18,891	47,779
12. Payable to securities .....				
13. Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers .....				
14. Reinsurance in unauthorized companies .....				
15. Net adjustments in assets and liabilities due to foreign exchange rates .....				
16. Liability for amounts held under uninsured accident and health plans .....				
17. Aggregate write-ins for other liabilities (including \$..... 1,680 current) .....				
18. Total liabilities (Lines 1 to 17) .....	1,970,346		1,970,346	1,707,178
19. Common capital stock .....	X X X	X X X	10,000	10,000
20. Preferred capital stock .....	X X X	X X X		
21. Gross paid in and contributed surplus .....	X X X	X X X	3,990,000	3,190,000
22. Surplus notes .....	X X X	X X X		
23. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
24. Unassigned funds (surplus) .....	X X X	X X X	(1,577,596)	(2,335,388)
25. Less treasury stock, at cost:	X X X	X X X		
25.1 ..... shares common (value included in Line 19 \$.....)	X X X	X X X		
25.2 ..... shares preferred (value included in Line 20 \$.....)	X X X	X X X		
26. Total capital and surplus (Lines 19 to 25) .....	X X X	X X X	2,422,404	864,612
27. Total liabilities, capital and surplus (Lines 18 and 26) .....	X X X	X X X	4,392,750	2,571,790
<b>DETAILS OF WRITE-INS</b>				
1701. 0 .....				
1702. 0 .....				
1703 .....				
1798. Summary of remaining write-ins for Line 17 from overflow page .....				
1799. TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above) .....				
2301 .....	X X X	X X X		
2302 .....	X X X	X X X		
2303 .....	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months .....	X X X	47,726	36,352
2. Net premium income .....	X X X	13,329,293	9,974,668
3. Change in unearned premium reserves and reserve for rate credits .....	X X X		
4. Fee-for-service (net of \$..... medical expenses) .....	X X X		
5. Risk revenue .....	X X X		
6. Aggregate Write-Ins for Other health care related revenues .....	X X X		
7. Total revenues (Lines 2 to 6) .....	X X X	13,329,293	9,974,668
<b>Medical and Hospital:</b>			
8. Hospital/medical benefits .....		10,485,607	8,834,973
9. Other Professional Services .....			
10. Outside Referrals .....			
11. Emergency room and out-of-area .....		595,732	756,933
12. Prescription drugs .....		958,788	754,467
13. Aggregate write-ins for other medical and hospital .....			
14. Incentive pool and withhold adjustments .....			
15. Subtotal (Lines 8 to 14) .....		12,040,127	10,346,373
<b>LESS:</b>			
16. Net reinsurance recoveries .....		143,379	
17. Total medical and hospital (Lines 15 minus 16) .....		11,896,748	10,346,373
18. Claims adjustment expenses .....		95,116	
19. General administrative expenses .....		1,340,333	1,180,359
20. Increase in reserves for accident and health contracts .....			
21. Total underwriting deductions (Lines 17 through 20) .....		13,332,197	11,526,732
22. Net underwriting gain or (loss) (Lines 7 minus 21) .....	X X X	(2,904)	(1,552,064)
23. Net investment income earned .....		24,845	58,471
24. Net realized capital gains or (losses) .....			
25. Net investment gains or (losses) (Lines 23 plus 24) .....		24,845	58,471
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 .....			
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....		21,941	(1,493,593)
29. Federal and foreign income taxes incurred .....	X X X	2,727	(724,000)
30. Net income (loss) (Lines 28 minus 29) .....	X X X	19,214	(769,593)
<b>DETAILS OF WRITE-INS</b>			
0601 .....	X X X		
0602 .....	X X X		
0603 .....	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X		
1301 .....			
1302 .....			
1303 .....			
1398. Summary of remaining write-ins for Line 13 from overflow page .....			
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....			
2701 .....			
2702 .....			
2703 .....			
2798. Summary of remaining write-ins for Line 27 from overflow page .....			
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....			

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
31. Capital and surplus prior reporting year .....	864,611	1,371,155
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS</b>		
32. Net income or (loss) from Line 30 .....	19,214	(769,593)
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 .....	738,578	(736,951)
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 .....	800,000	1,000,000
43.2 Transferred to capital (Stock Dividend) .....		
43.3 Transferred from capital .....		
44. Dividends to stockholders .....		
45. Aggregate write-ins for gains or (losses) in surplus .....		
46. Net change in capital and surplus (Lines 32 to 45) .....	1,557,792	(506,544)
47. Capital and surplus end of reporting year (Line 31 plus 46) .....	2,422,403	864,611
<b>DETAILS OF WRITE-INS</b>		
4501 .....		
4502 .....		
4503 .....		
4598. Summary of remaining write-ins for Line 45 from overflow page .....		
4599. TOTALS (Lines 4501 through 4503 plus 4598) (Line 45 above) .....		

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums and revenues collected net of reinsurance .....	13,442,963	10,067,673
2. Claims and claims adjustment expenses .....	11,896,260	9,719,010
3. General administrative expenses paid .....	1,367,715	1,163,305
4. Other underwriting income (expenses) .....		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	178,989	(814,642)
6. Net investment income .....	24,845	58,471
7. Other income (expenses) .....		
8. Federal and foreign income taxes (paid) recovered .....	(1,012)	
9. Net cash from operations (Line 5 to 8) .....	202,822	(756,171)
<b>Cash from Investments</b>		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds .....		
10.2 Stocks .....		
10.3 Mortgage loans .....		
10.4 Real estate .....		
10.5 Other invested assets .....		
10.6 Net gains or (losses) on cash and short-term investments .....		
10.7 Miscellaneous proceeds .....		
10.8 Total investment proceeds (Lines 10.1 to 10.7) .....		
11. Cost of investments acquired (long-term only):		
11.1 Bonds .....		
11.2 Stocks .....		
11.3 Mortgage loans .....		
11.4 Real estate .....		
11.5 Other invested assets .....		
11.6 Miscellaneous applications .....		
11.7 Total investments acquired (Lines 11.1 to 11.6) .....		
12. Net cash from investments (Line 10.8 minus Line 11.7) .....		
<b>Cash from Financing and Miscellaneous Sources</b>		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in .....	800,000	1,000,000
13.2 Net transfers from affiliates .....	434,179	
13.3 Borrowed funds received .....		
13.4 Other cash provided .....	69,373	13,273
13.5 Total (Lines 13.1 to 13.4) .....	1,303,552	1,013,273
14. Cash applied:		
14.1 Dividends to stockholder paid .....		
14.2 Net transfers to affiliates .....	14,986	898,191
14.3 Borrowed funds repaid .....		
14.4 Other applications .....	10,012	
14.5 Total (Lines 14.1 to 14.4) .....	24,998	898,191
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	1,278,554	115,082
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) .....	1,481,376	(641,089)
17. Cash and short-term investments:		
17.1 Beginning of year .....	1,372,123	2,013,211
17.2 End of year (Line 16 plus Line 17.1) .....	2,853,499	1,372,122

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1. Net premium income .....	13,329,293	6,276,591						7,052,702					
2. Change in unearned premium reserves and reserve for rate credit .....													
3. Fee-for-service (net of \$..... medical expenses) .....													
4. Risk revenue .....													
5. Aggregate write-ins for other health care related revenues .....													
6. Total revenues (Lines 1 to 5) .....	13,329,293	6,276,591						7,052,702					
7. Medical/hospital benefits .....	10,485,607	4,386,872						6,098,735					
8. Other professional services .....													
9. Outside referrals .....													
10. Emergency room and out-of-area .....	595,732	348,748						246,984					
11. Prescription drugs .....	958,788	529,419						429,369					
12. Aggregate write-ins for other medical and hospital .....													
13. Incentive pool and withhold adjustments .....													
14. Subtotal (Lines 7 to 13) .....	12,040,127	5,265,040						6,775,087					
15. Net reinsurance recoveries .....	143,379	143,379											
16. Total medical and hospital (Lines 14 minus 15) .....	11,896,748	5,121,661						6,775,087					
17. Claims adjustment expenses .....	95,116	40,569						54,547					
18. General administrative expenses .....	1,340,333	1,161,181						179,152					
19. Increase in reserves for accident and health contracts .....													
20. Total underwriting deductions (Lines 16 to 19) .....	13,332,197	6,323,411						7,008,786					
21. Net underwriting gain or (loss) (Line 6 minus Line 20) .....	(2,904)	(46,819)						43,916					
<b>DETAILS OF WRITE-INS</b>													
0501 .....													
0502 .....													
0503 .....													
0598. Summary of remaining write-ins for Line 5 from overflow page .....													
0599. TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above) .....													
1201. 0 .....													
1202 .....													
1203 .....													
1298. Summary of remaining write-ins for Line 12 from overflow page .....													
1299. TOTAL (Lines 1201 through 1203 plus 1298) (Line 12 above) .....													

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

Line of Business		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital) .....	6,309,362		32,771	6,276,591
2.	Medicare Supplement .....				
3.	Dental only .....				
4.	Vision only .....				
5.	Federal Employees Health Benefits Plan Premiums .....				
6.	Title XVIII - Medicare .....	7,089,111		36,410	7,052,702
7.	Title XIX - Medicaid .....				
8.	Other .....				
9.	<b>TOTALS</b> .....	<b>13,398,473</b>		<b>69,180</b>	<b>13,329,293</b>

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct .....	11,944,523	5,241,051					6,703,472		
1.2 Reinsurance assumed .....									
1.3 Reinsurance ceded .....	143,379	143,379							
1.4 Net .....	11,801,144	5,097,672					6,703,472		
2. Paid medical incentive pools and bonuses .....									
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct .....	1,613,265	596,492					1,016,773		
3.2 Reinsurance assumed .....									
3.3 Reinsurance ceded .....									
3.4 Net .....	1,613,265	596,492					1,016,773		
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct .....									
4.2 Reinsurance assumed .....									
4.3 Reinsurance ceded .....									
4.4 Net .....									
5. Accrued medical incentive pools and bonuses, current year .....									
6. Amounts recoverable from reinsurers December 31, current year .....									
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct .....	1,517,660	572,503					945,157		
7.2 Reinsurance assumed .....									
7.3 Reinsurance ceded .....									
7.4 Net .....	1,517,660	572,503					945,157		
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct .....									
8.2 Reinsurance assumed .....									
8.3 Reinsurance ceded .....									
8.4 Net .....									
9. Accrued medical incentive pools and bonuses, prior year .....									
10. Amounts recoverable from reinsurers December 31, prior year .....									
11. Incurred benefits:									
11.1 Direct .....	12,040,128	5,265,040					6,775,088		
11.2 Reinsurance assumed .....									
11.3 Reinsurance ceded .....	143,379	143,379							
11.4 Net .....	11,896,749	5,121,661					6,775,088		
12. Incurred medical incentive pools and bonuses .....									

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1 Direct .....	203,987	57,045					146,942		
1.2 Reinsurance assumed .....									
1.3 Reinsurance ceded .....									
1.4 Net .....	203,987	57,045					146,942		
2. Incurred but Unreported:									
2.1 Direct .....	1,409,278	539,447					869,831		
2.2 Reinsurance assumed .....									
2.3 Reinsurance ceded .....									
2.4 Net .....	1,409,278	539,447					869,831		
3. Amounts Withheld from Paid Claims and Capitations:									
3.1 Direct .....									
3.2 Reinsurance assumed .....									
3.3 Reinsurance ceded .....									
3.4 Net .....									
4. TOTALS									
4.1 Direct .....	1,613,265	596,492					1,016,773		
4.2 Reinsurance assumed .....									
4.3 Reinsurance ceded .....									
4.4 Net .....	1,613,265	596,492					1,016,773		

## 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) .....	380,190	4,717,482	10,000	586,492	390,190	572,504
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan Premiums .....						
6.	Title XVIII - Medicare .....	706,869	5,996,603	40,000	976,773	746,869	945,157
7.	Title XIX - Medicaid .....						
8.	Other .....						
9.	Subtotal .....	1,087,059	10,714,085	50,000	1,563,265	1,137,059	1,517,661
10.	Medical incentive pools, accrual and disbursements .....						
11.	TOTALS .....	1,087,059	10,714,085	50,000	1,563,265	1,137,059	1,517,661

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

#### Grand Total

#### Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior .....	6		1		
2.	1998 .....	163	52	1	0	
3.	1999 .....	X X X	3,299	688	21	1
4.	2000 .....	X X X	X X X	5,404	1,124	8
5.	2001 .....	X X X	X X X	X X X	7,737	1,102
6.	2002 .....	X X X	X X X	X X X	X X X	9,546

#### Section B - Incurred Claims

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 .....	6				
2.	1998 .....	213	52	2	0	
3.	1999 .....	X X X	3,794	688	21	1
4.	2000 .....	X X X	X X X	6,294	1,124	(16)
5.	2001 .....	X X X	X X X	X X X	9,255	1,102
6.	2002 .....	X X X	X X X	X X X	X X X	11,160

#### Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998 .....	X X X			X X X		X X X				X X X
2.	1998 .....	282	215			215	76			215	76
3.	1999 .....	4,516	4,009			4,009	89			4,009	89
4.	2000 .....	8,130	6,537			6,537	80			6,537	80
5.	2001 .....	9,975	8,839	143	2	8,982	90	50		9,032	91
6.	2002 .....	13,329	9,546	95	1	9,641	72	1,563		11,204	84
7.	TOTAL (Lines 1 through 6) .....	X X X	29,153	238	X X X	29,391	X X X	1,613		31,004	X X X
8.	TOTAL (Lines 2 through 6) .....	36,232	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Total

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

**Hospital and Medical**  
**Section A - Paid Claims**

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior			1		
2. 1998	5	37	1	0	
3. 1999	X X X	388	75	0	0
4. 2000	X X X	X X X	1,795	348	(3)
5. 2001	X X X	X X X	X X X	2,637	407
6. 2002	X X X	X X X	X X X	X X X	3,995

**Section B - Incurred Claims**

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	55	37	2	0	
3. 1999	X X X	497	75	0	0
4. 2000	X X X	X X X	2,092	348	(27)
5. 2001	X X X	X X X	X X X	3,210	407
6. 2002	X X X	X X X	X X X	X X X	4,591

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. Prior to 1998	X X X	1		X X X	1	X X X			1	X X X
2. 1998	205	42			42	21			42	21
3. 1999	686	463			463	67			463	67
4. 2000	2,426	2,140			2,140	88			2,140	88
5. 2001	4,205	3,044	143	5	3,187	76	10		3,197	76
6. 2002	6,277	3,995	95	2	4,090	65	586		4,676	74
7. TOTAL (Lines 1 through 6)	X X X	9,685	238	X X X	9,923	X X X	596		10,519	X X X
8. TOTAL (Lines 2 through 6)	13,798	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Hospital and Medical

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP. . . . . NONE
  
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP. . . . . NONE

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

**Title XVIII - Medicare**  
**Section A - Paid Claims**

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior	6				
2. 1998	158	15			
3. 1999	X X X	2,911	614	20	1
4. 2000	X X X	X X X	3,609	777	11
5. 2001	X X X	X X X	X X X	5,100	695
6. 2002	X X X	X X X	X X X	X X X	5,552

**Section B - Incurred Claims**

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	6				
2. 1998	158	15			
3. 1999	X X X	3,297	614	20	1
4. 2000	X X X	X X X	4,202	777	11
5. 2001	X X X	X X X	X X X	6,045	695
6. 2002	X X X	X X X	X X X	X X X	6,569

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. Prior to 1998	X X X	6		X X X	6	X X X			6	X X X
2. 1998	77	173			173	223			173	223
3. 1999	3,830	3,546			3,546	93			3,546	93
4. 2000	5,704	4,397			4,397	77			4,397	77
5. 2001	5,770	5,795			5,795	100	40		5,835	101
6. 2002	7,053	5,552			5,552	79	977		6,529	93
7. TOTAL (Lines 1 through 6)	X X X	19,469		X X X	19,469	X X X	1,017		20,486	X X X
8. TOTAL (Lines 2 through 6)	22,434	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Title XVIII-Medicare

**12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid . . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid . . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid . . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other . . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other . . . . . NONE**

**13 Underwriting Invest Exh Pt 2D - A & H Reserve - . . . . . 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 (\$.....16,200 for occupancy of own building) .....	1,855	14,345		16,200
2. Salaries, wages and other benefits .....	68,939	656,825		725,764
3. Commissions (less \$..... ceded plus \$..... assumed) .....				
4. Legal fees and expenses .....				
5. Certifications and accreditation fees .....		710		710
6. Auditing, actuarial and other consulting services .....		17,950		17,950
7. Traveling expenses .....		6,053		6,053
8. Marketing and advertising .....		390,584		390,584
9. Postage, express and telephone .....		9,986		9,986
10. Printing and office supplies .....	3,535	27,340		30,875
11. Occupancy, depreciation and amortization .....	383	2,965		3,348
12. Equipment .....	620	4,797		5,417
13. Cost or depreciation of EDP equipment and software .....		2,731		2,731
14. Outsourced services including EDP, claims, and other services .....				
15. Boards, bureaus and association fees .....		12,658		12,658
16. Insurance, except on real estate .....				
17. Collection and bank service charges .....		3,759		3,759
18. Group service and administration fees .....				
19. Reimbursements by uninsured accident and health plans .....				
20. Reimbursements from fiscal intermediaries .....				
21. Real estate expenses .....				
22. Real estate taxes .....				
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes .....				
23.2 State premium taxes .....				
23.3 Regulator authority licenses and fees .....				
23.4 Payroll taxes .....	835	6,455		7,290
23.5 Other (excluding federal income and real estate taxes) .....		898		898
24. Investment expenses not included elsewhere .....				
25. Aggregate write-ins for expenses .....	18,949	182,277		201,226
26. Total expenses incurred (Lines 1 to 25) .....	95,116	1,340,333		(a) 1,435,449
27. Add expenses unpaid December 31, prior year .....		33,416		33,416
28. Less expenses unpaid December 31, current year .....		6,034		6,034
29. Amounts receivable relating to uninsured accident and health plans, prior year .....				
30. Amounts receivable relating to uninsured accident and health plans, current year .....				
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30) .....	95,116	1,367,715		1,462,831
<b>DETAILS OF WRITE-INS</b>				
2501. Subscriptions & Periodicals .....		242		242
2502. Education:Other .....		100		100
2503. Minor Equipment .....		568		568
2598. Summary of remaining write-ins for Line 25 from overflow page .....	18,949	181,368		200,317
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....	18,949	182,277		201,226

(a) Includes management fees of \$..... to affiliates and \$..... 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) 24,845	24,845
7. Derivative instruments .....	(f) .....	.....
8. Other invested assets .....	.....	.....
9. Aggregate write-ins for investment income .....	.....	.....
10. Total gross investment income .....	24,845	24,845
11. Investment expenses .....	.....	(g) .....
12. Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g) .....
13. Interest expense .....	.....	(h) .....
14. Depreciation on real estate and other invested assets .....	.....	(i) .....
15. Aggregate write-ins for deductions from investment income .....	.....	.....
16. Total deductions (Lines 11 through 15) .....	.....	.....
17. Net Investment income (Line 10 minus Line 16) .....	.....	24,845
<b>DETAILS OF WRITE-INS</b>		
0901. 0 .....	.....	.....
0902 .....	.....	.....
0903 .....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501 .....	.....	.....
1502 .....	.....	.....
1503 .....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....

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

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4 Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	5 Total
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment		
1. U.S. Government bonds .....	.....	.....	.....	.....	.....
1.1 Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2 Other bonds (unaffiliated) .....	.....	.....	.....	.....	.....
1.3 Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1 Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.11 Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2 Common stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.21 Common stocks of affiliates .....	.....	.....	.....	.....	.....
3. Mortgage loans .....	.....	.....	.....	.....	.....
4. Real estate .....	.....	.....	.....	.....	.....
5. Contract loans .....	.....	.....	.....	.....	.....
6. Cash/short-term investments .....	.....	.....	.....	.....	.....
7. Derivative instruments .....	.....	.....	.....	.....	.....
8. Other invested assets .....	.....	.....	.....	.....	.....
9. Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....	.....
10. Total capital gains (losses) .....	.....	.....	.....	.....	.....
<b>NONE</b>					
<b>DETAILS OF WRITE-INS</b>					
0901 .....	.....	.....	.....	.....	.....
0902 .....	.....	.....	.....	.....	.....
0903 .....	.....	.....	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2 .....	1,881	737,709	735,828
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....			
2.2 Leasehold improvements .....			
2.3 Cash advanced to or in the hands of officers and agents .....			
2.4 Loans on personal security, endorsed or not .....			
2.5 Commuted commissions .....			
3. Total (Lines 2.1 to 2.5) .....			
4. Aggregate write-ins for other assets .....	1,350	4,100	2,750
5. TOTAL (Line 1 plus Line 3 and Line 4) .....	3,231	741,809	738,578
<b>DETAILS OF WRITE-INS</b>			
0401. Prepaid Rent .....	1,350	1,800	450
0402. Security Deposit .....		2,300	2,300
0403 .....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....			
0499. TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above) .....	1,350	4,100	2,750

## EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	3,241	3,696	3,970	4,061	4,504	47,726
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate write-ins for other lines of business .....						
7. TOTAL .....	3,241	3,696	3,970	4,061	4,504	47,726
<b>DETAILS OF WRITE-INS</b>						
0601 .....						
0602 .....						
0603 .....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

## **Notes to Financial Statement**

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities .....				
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....				
1.22 Issued by U.S. government sponsored agencies .....				
1.3 Foreign government (including Canada, excluding mortgage-backed securities) .....				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....				
1.43 Revenue and assessment obligations .....				
1.44 Industrial development and similar obligations .....				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....				
1.512 Issued by FNMA and FHLMC .....				
1.513 Privately issued .....				
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....				
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....				
1.523 All other privately issued .....				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....				
2.2 Unaffiliated foreign securities .....				
2.3 Affiliated securities .....				
3. Equity interests:				
3.1 Investments in mutual funds .....				
3.2 Preferred stocks:				
3.21 Affiliated .....				
3.22 Unaffiliated .....				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....				
3.32 Unaffiliated .....				
3.4 Other equity securities:				
3.41 Affiliated .....				
3.42 Unaffiliated .....				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....				
3.52 Unaffiliated .....				
4. Mortgage loans:				
4.1 Construction and land development .....				
4.2 Agricultural .....				
4.3 Single family residential properties .....				
4.4 Multifamily residential properties .....				
4.5 Commercial loans .....				
5. Real estate investments:				
5.1 Property occupied by company .....				
5.2 Property held for production of income (includes \$..... of property acquired in satisfaction of debt) .....				
5.3 Property held for sale (\$..... including property acquired in satisfaction of debt) .....				
6. Policy loans .....				
7. Receivables for securities .....				
8. Cash and short-term investments .....	2,853,500	100.000	2,853,500	100.000
9. Other invested assets .....				
10. Total invested assets .....	2,853,500	100.000	2,853,500	100.000

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the 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? ..... Michigan .....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[X]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended. .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .....12/31/1999 .....
- 3.2 State 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 .....
- 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). .....07/21/2001 .....
- 3.4 By what department or departments?  
Michigan Division of Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[ ] No[X]
- 4.12 renewals? Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes[ ] No[X]
- 4.22 renewals? Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement) Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[ ] No[X]
- 7.2 If yes, ..... %
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	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?  
 Deloitte & Touche LLP, Suite 900, 600 Renaissance Center, Detroit, MI 48243-1895
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?  
 Timothy Gustafson FSA, MAAA, Deloitte & Touche LLP, 180 N. Stetson Ave., Chicago . IL 60601
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?  
 None
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[ ] N/A[X]
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes[ ] No[ ] N/A[X]

### 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[ ] No[X]
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 \$ .....
  - 14.12 To stockholders not officers \$ .....
  - 14.13 Trustees, supreme or grand (Fraternal only) \$ .....
- 14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.21 To directors or other officers \$ .....
  - 14.22 To stockholders not officers \$ .....
  - 14.23 Trustees, supreme or grand (Fraternal only) \$ .....
- 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 \$ .....
  - 15.22 Borrowed from others \$ .....
  - 15.23 Leased from others \$ .....
  - 15.24 Other \$ .....
- Disclose in 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 \$ .....
  - 16.22 Amount paid as expenses \$ .....
  - 16.23 Other amounts paid \$ .....

# GENERAL INTERROGATORIES (continued)

## INVESTMENT

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

	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
1. Preferred .....	.....	.....	.....	.....	Yes[ ] No[ ] N/A[X]	Yes[ ] No[ ] N/A[X]
2. Common .....	60,000,000	1,000	.....	X X X	X X X	X X X

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

19.3 For each category above, if any of these assets are held by other, 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. \$

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[ ] No[X]  
 22.1 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
22.1001	.....	.....

## 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 advisers, 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

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

\$ ..... 10,753

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
Association of Michigan Health Insurance .....	10,753

24.1 Amount of payments for legal expenses, if any?

\$ .....

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

1 Name	2 Amount Paid

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

\$ .....

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

1 Name	2 Amount Paid

## GENERAL INTERROGATORIES (continued)

### PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[ ] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only: \$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?  
1.31 Reason for excluding: \$ .....
- 1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ .....
- 1.6 Individual policies - Most current three years:  
1.61 Total premium earned \$ .....  
1.62 Total incurred claims \$ .....  
1.63 Number of covered lives \$ .....  
All years prior to most current three years:  
1.64 Total premium earned \$ .....  
1.65 Total incurred claims \$ .....  
1.66 Number of covered lives \$ .....
- 1.7 Group policies - Most current three years:  
1.71 Total premium earned \$ .....  
1.72 Total incurred claims \$ .....  
1.73 Number of covered lives \$ .....  
All years prior to most current three years:  
1.74 Total premium earned \$ .....  
1.75 Total incurred claims \$ .....  
1.76 Number of covered lives \$ .....
- 2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes[ ] No[X]
- 2.2 If yes, give particulars:
- 3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes[X] No[ ]
- 3.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[ ] No[X]
- 4.1 Does the reporting entity have stop-loss reinsurance? Yes[X] No[ ]
- 4.2 If no, explain:
- 4.3 Maximum retained risk (see instructions):  
4.31 Comprehensive Medical \$ ..... 115,000  
4.32 Medical Only \$ ..... 115,000  
4.33 Medicare Supplement \$ .....  
4.34 Dental \$ .....  
4.35 Other Limited Benefit Plan \$ .....  
4.36 Other \$ .....
5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
The plan has held harmless provisions with network hospitals. The company's reinsurance contract does provide for payment of certain benefits for 30 days following an event of insolvency
- 6.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes[X] No[ ]
- 6.2 If no, give details:
7. Provide the following information regarding participating providers:  
7.1 Number of providers at start of reporting year ..... 1355  
7.2 Number of providers at end of reporting year ..... 1896
- 8.1 Does the reporting entity have business subject to premium rate guarantees? Yes[ ] No[X]
- 8.2 If yes, direct premium earned:  
8.21 Business with rate guarantees between 15-36 months ..... 0  
8.22 Business with rate guarantees over 36 months ..... 0
- 9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contracts? Yes[ ] No[X]
- 9.2 If yes:  
9.21 Maximum amount payable bonuses \$ .....  
9.22 Amount actually paid for year bonuses \$ .....  
9.23 Maximum amount payable withholds \$ .....  
9.24 Amount actually paid for year withholds \$ .....
10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Lenawee .....
Monroe .....

**FIVE-YEAR HISTORICAL DATA**

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 23) .....	4,392,750	2,571,790	2,690,228	1,619,020	788,355
2. Total liabilities (Page 3, Line 18) .....	1,970,346	1,707,178	1,319,074	1,076,656	295,186
3. Statutory surplus .....					
4. Total capital and surplus (Page 3, Line 26) .....	2,422,404	864,612	1,371,155	542,364	493,170
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 7) .....	13,329,293	9,974,668	8,129,965	4,501,583	281,211
6. Total medical and hospital expenses (Line 17) .....	11,896,748	10,346,373	7,265,577	4,256,189	260,576
7. Total administrative expenses (Line 19) .....	1,340,333	1,180,359	1,122,796	525,635	131,986
8. Net underwriting gain (loss) (Line 22) .....	(2,904)	(1,552,064)	(258,408)	(280,241)	(1,151)
9. Net investment gain (loss) (Line 25) .....	24,845	58,471	30,341	22,579	23,727
10. Total other income (Lines 26 plus 27) .....					
11. Net income or (loss) (Line 30) .....	19,214	(769,593)	(228,067)	(257,662)	(864)
<b>RISK-BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital .....	2,422,404	864,612	1,371,155	542,364	493,170
13. Authorized control level risk-based capital .....	868,901	658,765	533,245	310,881	200,106
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	4,504	3,241	2,282	1,368	394
15. Total members months (Column 6, Line 7) .....	47,726	36,352	25,367	13,113	2,070
<b>OPERATING PERCENTAGE (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3 and 5)</b>					
16. Premiums earned (Lines 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17) .....	89.3	103.7	89.4	0.9	0.9
18. Total underwriting deductions (Line 21) .....	100.0	115.6	103.2		
19. Total underwriting gain (loss) (Line 22) .....	0.0	(15.6)	(3.2)		
<b>UNPAID CLAIMS ANALYSIS</b> <b>(U&amp;I Exhibit, Part 2B)</b>					
20. Total claims incurred for prior years (Line 11, Col. 5) .....	1,137,059	1,145,493	690,350	53,423	9,410
21. Estimated liability of unpaid claims-[prior year (Line 11, Col. 6)] .....	1,517,661	890,296	494,574	112,014	9,410

**FIVE-YEAR HISTORICAL DATA (Continued)**

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
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) .....	<b>NONE</b>				
26. Affiliated mortgage loans on real estate .....					
27. All other affiliated .....					
28. Total of above Lines 22 to 27 .....					

35 **Schedule A - Verification - . . . . . NONE**

35 **Schedule B - Verification - . . . . . NONE**

35 **Schedule BA - Verification - . . . . . NONE**

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

36 **Schedule D - Verification - . . . . . NONE**

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

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

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

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

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

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

43 **Schedule DA Part 2 - . . . . . NONE**

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

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

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

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

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

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

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

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

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

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

## Allocated by States and Territories

	State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only			6 Federal Employees Health Benefits Program Premiums
				3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	
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	6,309,362	7,089,111	
24.	Minnesota	MN	No	No			
25.	Mississippi	MS	No	No			
26.	Missouri	MO	No	No			
27.	Montana	MT	No	No			
28.	Nebraska	NE	No	No			
29.	Nevada	NV	No	No			
30.	New Hampshire	NH	No	No			
31.	New Jersey	NJ	No	No			
32.	New Mexico	NM	No	No			
33.	New York	NY	No	No			
34.	North Carolina	NC	No	No			
35.	North Dakota	ND	No	No			
36.	Ohio	OH	No	No			
37.	Oklahoma	OK	No	No			
38.	Oregon	OR	No	No			
39.	Pennsylvania	PA	No	No			
40.	Rhode Island	RI	No	No			
41.	South Carolina	SC	No	No			
42.	South Dakota	SD	No	No			
43.	Tennessee	TN	No	No			
44.	Texas	TX	No	No			
45.	Utah	UT	No	No			
46.	Vermont	VT	No	No			
47.	Virginia	VA	No	No			
48.	Washington	WA	No	No			
49.	West Virginia	WV	No	No			
50.	Wisconsin	WI	No	No			
51.	Wyoming	WY	No	No			
52.	American Samoa	AS	No	No			
53.	Guam	GU	No	No			
54.	Puerto Rico	PR	No	No			
55.	U.S. Virgin Islands	VI	No	No			
56.	Canada	CN	No	No			
57.	Aggregate other alien	OT	X X X	X X X			
58.	TOTAL (Direct Business)	X X X	(a)..... 1		6,309,362	7,089,111	

DETAILS OF WRITE-INS							
5701							
5702							
5703							
5798.	Summary of remaining write-ins for Line 57 from overflow page						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)						

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

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