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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002

of the Condition and Affairs of the

Physicians Health Plan of Mid-Michigan

NAIC Group Code..... 3408, (Current Period) (Prior Period) NAIC Company Code..... 95849 Employer's ID Number..... 38-2356288

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..... December 18, 1980 Date Commenced Business..... October 1, 1981

Statutory Home Office	1400 E. Michigan Avenue ..... Lansing ..... MI ..... 48912 *(Street and Number) (City or Town, State and Zip Code)*	
Address of Main Administrative Office	1400 E. Michigan Avenue ..... Lansing ..... MI ..... 48912 *(Street and Number) (City or Town, State and Zip Code)*	517-364-8400 *(Area Code) (Telephone Number)*
Mail Address	PO Box 30377 ..... Lansing ..... MI ..... 48909 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	1400 E. Michigan Avenue ..... Lansing ..... MI ..... 48912 *(Street and Number) (City or Town, State and Zip Code)*	517-364-8400 *(Area Code) (Telephone Number)*
Internet Website Address	www.phpmm.org	
Statement Contact	Martin L. Pugno *(Name)*	517-364-8400 *(Area Code) (Telephone Number) (Extension)*
	Martin_L_Pugno@uhc.com *(E-Mail Address)*	*517-364-8407* *(Fax Number)*
Policyowner Relations Contact	.... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Olga Dazzo Assistant Secretary ..... Martin L. Pugno Treasurer ..... A. James Budzinski II

Other Officers

Chairperson Marylee Davis

DIRECTORS OR TRUSTEES

John Addy MD	Wendell Barron	Larry Rawesthorne MD	Alan Neiberg MD
Dawn Springer MD	Martha Bibbs	Joseph Damore	Virginia Hilbert
Randolph Rifkin	Brian S Thompson Ph.D.	Richard Bruner	Marylee Davis Ph.D.
Donald Knickerbocker MD	James McGillicuddy MD	A. James Budzinski II	Olga Dazzo

State of..... Michigan
County of..... Ingham

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)
Olga Dazzo	A. James Budzinski II	Martin L. Pugno
(Printed Name)	(Printed Name)	(Printed Name)
President	Treasurer	Assistant Secretary

Subscribed and sworn to before me this

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

.....

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

b. If no: 1. State the amendment number
2. Date filed.....
3. Number of pages attached.....

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	6,735,991		6,735,991	9,382,644
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)	4,375,493		4,375,493	2,164,317
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(7,522,912), Schedule E, Part 1) and short-term investments ($.....60,126,040, Schedule DA, Part 2)	52,603,128		52,603,128	69,710,816
6. Other long-term invested assets	4,836,101	33,421	4,802,680	
7. Receivable for securities	4,277		4,277	
8. Aggregate write-ins for invested assets	0	0	0	0
9. Subtotal cash and invested assets (Lines 1 to 8)	68,554,990	33,421	68,521,569	81,257,777
10. Accident and health premiums due and unpaid	1,514,911	25,088	1,489,823	4,454,793
11. Health care receivables	3,673,797	362,385	3,311,412	934,455
12. Amounts recoverable from reinsurers	98,358		98,358	1,984,312
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	
14. Investment income due and accrued	68,705		68,705	119,002
15. Amounts due from parent, subsidiaries and affiliates	261,522	261,522	0	
16. Amounts receivable relating to uninsured accident and health plans			0	
17. Furniture and equipment	236,194		236,194	1,623,262
18. Amounts due from agents			0	
19. Federal and foreign income tax recoverable and interest thereon (including $.....0 net deferred tax asset)			0	
20. Electronic data processing equipment and software	180,776		180,776	300,215
21. Other nonadmitted assets			0	
22. Aggregate write-ins for other than invested assets	2,151,747	288,064	1,863,683	2,665,287
23. Total assets (Lines 9 plus 10 through 22)	76,741,000	970,480	75,770,520	93,339,103

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. Receivables from Health Delievery Network	1,621,707		1,621,707	
2202. Prepaids	288,064	288,064	0	
2203. Receivable from PHP of South Michigan	207,247		207,247	2,665,287
2298. Summary of remaining write-ins for Line 22 from overflow page	34,729	0	34,729	0
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	2,151,747	288,064	1,863,683	2,665,287

(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 $.....149,318 reinsurance ceded)	24,446,401	2,752,532	27,198,933	44,794,273
2. Accrued medical incentive pool and bonus payments	11,493,976		11,493,976	450,000
3. Unpaid claims adjustment expenses	1,914,838		1,914,838	3,395,529
4. Aggregate policy reserves	858,740		858,740	528,203
5. Aggregate claim reserves			0	
6. Premiums received in advance	2,093,295		2,093,295	1,936,217
7. General expenses due or accrued	3,635,416		3,635,416	11,494,099
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	48,829		48,829	
10. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	528,342		528,342	5,351,611
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....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	134,086
18. Total liabilities (Lines 1 to 17)	45,019,837	2,752,532	47,772,369	68,084,018
19. Common capital stock	XXX	XXX		
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX		
22. Surplus notes	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	2,000,000	2,000,000
24. Unassigned funds (surplus)	XXX	XXX	25,998,151	23,255,085
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	27,998,151	25,255,085
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	75,770,520	93,339,103

DETAILS OF WRITE-INS

1701. Deferred Compensation			0	134,086
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	134,086
2301. Statutory Contingency Reserve	XXX	XXX	2,000,000	2,000,000
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	2,000,000	2,000,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	1,273,770	1,531,330
2. Net premium income	XXX	241,838,699	261,794,866
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	433,889	0
7. Total revenues (Lines 2 to 6)	XXX	242,272,588	261,794,866
Medical and Hospital:			
8. Hospital/medical benefits	16,204,967	160,128,133	184,768,790
9. Other professional services	11,076	109,448	92,953
10. Outside referrals			
11. Emergency room and out-of-area			
12. Prescription drugs	4,247,192	41,968,302	40,734,249
13. Aggregate write-ins for other medical and hospital	0	(1,324,465)	(528,052)
14. Incentive pool and withhold adjustments		11,290,078	317,049
15. Subtotal (Lines 8 to 14)	20,463,235	212,171,496	225,384,989
Less:			
16. Net reinsurance recoveries		467,022	2,928,306
17. Total medical and hospital (Lines 15 minus 16)	20,463,235	211,704,474	222,456,683
18. Claims adjustment expenses		9,446,606	7,238,164
19. General administrative expenses		17,929,352	24,501,683
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)	20,463,235	239,080,432	254,196,530
22. Total underwriting gain or (loss) (Lines 7 minus 21)	XXX	3,192,156	7,598,336
23. Net investment income earned		337,203	2,543,207
24. Net realized capital gains or (losses)		(534,938)	(557,411)
25. Net investment gains or (losses) (Lines 23 plus 24)	0	(197,735)	1,985,796
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	2,100,951	(9,580,277)
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	0	5,095,372	3,855
29. Federal and foreign income taxes incurred	XXX		(7,576)
30. Net income (loss) (Lines 28 minus 29)	XXX	5,095,372	11,431

DETAILS OF WRITE-INS

0601. Capitated Contract Revenue	XXX	433,889	
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	433,889	0
1301. Other Medical Costs Paid		(1,324,465)	(528,052)
1302.			
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	(1,324,465)	(528,052)
2701. Revenue (Expense) from affiliated Heatlh Delivery Network		2,085,890	(9,614,181)
2702. Other Revenues		15,061	33,904
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	2,100,951	(9,580,277)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	25,255,085	33,993,598
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30	5,095,372	11,431
33. Change in valuation basis of aggregate policy and claim reserves		
34. Net unrealized capital gains and losses	(1,246,924)	78,457
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax		
37. Change in nonadmitted assets	(359,422)	1,171,599
38. Change in unauthorized reinsurance		
39. Change in treasury stock		
40. Change in surplus notes		
41. Cumulative effect of changes in accounting principles		
42. Capital Changes:		
42.1 Paid in		
42.2 Transferred from surplus (stock dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in		
43.2 Transferred to capital (stock dividend)		
43.3 Transferred from capital		
44. Dividends to stockholders		(10,000,000)
45. Aggregate write-ins for gains or (losses) in surplus	(745,960)	0
46. Net change in capital and surplus (Lines 32 to 45)	2,743,066	(8,738,513)
47. Capital and surplus end of reporting year (Line 31 plus 46)	27,998,151	25,255,085

DETAILS OF WRITE-INS

4501. Allowance for Bad Debt	(745,960)	
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)	(745,960)	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	245,206,414	264,891,829
2. Claims and claims adjustment expenses	229,183,135	233,535,526
3. General administrative expenses paid	25,788,035	278,459
4. Other underwriting income (expenses)	(1,667,062)	
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(11,431,818)	31,077,844
6. Net Investment income	398,558	2,785,677
7. Other income (expenses)	379,454	(19,266,154)
8. Federal and foreign income taxes (paid) recovered		7,576
9. Net cash from operations (Lines 5 to 8)	(10,653,806)	14,604,943
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds		
10.2 Stocks	3,962,633	
10.3 Mortgage loans		
10.4 Real estate		
10.5 Other invested assets		(7,602,549)
10.6 Net gains or (losses) on cash and short-term investments	72,145	
10.7 Miscellaneous proceeds		
10.8 Total investment proceeds (Lines 10.1 to 10.7)	4,034,778	(7,602,549)
11. Cost of investments acquired (long-term only):		
11.1 Bonds		
11.2 Stocks	4,027,997	
11.3 Mortgage loans		
11.4 Real estate	745,722	
11.5 Other invested assets	4,500,000	(21,148,906)
11.6 Miscellaneous applications		1,429,353
11.7 Total investments acquired (Lines 11.1 to 11.6)	9,273,719	(19,719,553)
12. Net cash from investments (Line 10.8 minus Line 11.7)	(5,238,941)	12,117,004
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in		
13.2 Net transfers from affiliates		
13.3 Borrowed funds received		
13.4 Other cash provided	3,441,290	(5,779,123)
13.5 Total (Lines 13.1 to 13.4)	3,441,290	(5,779,123)
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates	4,823,269	
14.3 Borrowed funds repaid		
14.4 Other applications	(167,038)	(19,892)
14.5 Total (Lines 14.1 to 14.4)	4,656,231	(19,892)
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(1,214,941)	(5,759,231)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(17,107,688)	20,962,716
17. Cash and short-term investments:		
17.1 Beginning of year	69,710,816	48,748,100
17.2 End of year (Line 16 plus Line 17.1)	52,603,128	69,710,816

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	241,838,699	195,834,240							46,004,459				
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	433,889	351,351	0	0	0	0	0	0	82,538	0	0	0	0
6. Total revenues (Lines 1 to 5)	242,272,588	196,185,591	0	0	0	0	0	0	46,086,997	0	0	0	0
7. Medical/hospital benefits	160,128,133	128,262,045							31,866,088				
8. Other professional services	109,448	87,658							21,790				
9. Outside referrals	0												
10. Emergency room and out-of-area	0												
11. Prescription drugs	41,968,302	32,508,072							9,460,230				
12. Aggregate write-ins for other medical and hospital	(1,324,465)	(847,974)	0	0	0	0	0	0	(476,491)	0	0	0	0
13. Incentive pool and withhold adjustments	11,290,078	10,983,573							306,505				
14. Subtotal (Lines 7 to 13)	212,171,497	170,993,374	0	0	0	0	0	0	41,178,122	0	0	0	0
15. Net reinsurance recoveries	467,022	389,243							77,779				
16. Total medical and hospital (Lines 14 minus 15)	211,704,475	170,604,131	0	0	0	0	0	0	41,100,343	0	0	0	0
17. Claims adjustment expenses	9,446,606	7,649,598							1,797,008				
18. General administrative expenses	17,929,351	14,518,689							3,410,662				
19. Increase in reserves for accident and health contracts	0												
20. Total underwriting deductions (Lines 16 to 19)	239,080,432	192,772,418	0	0	0	0	0	0	46,308,013	0	0	0	0
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	3,192,156	3,413,172	0	0	0	0	0	0	(221,016)	0	0	0	0

DETAILS OF WRITE-INS

0501. Capitated Contract Revenue	433,889	351,351							82,538				
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)	433,889	351,351	0	0	0	0	0	0	82,538	0	0	0	0
1201. Other Medical	(1,324,465)	(847,974)							(476,491)				
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)	(1,324,465)	(847,974)	0	0	0	0	0	0	(476,491)	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)	197,888,692		1,900,777	195,987,915
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	46,247,296		242,837	46,004,459
8. Other				0
9. Totals	244,135,988	0	2,143,614	241,992,374

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	207,880,760	165,513,286						42,367,474	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	368,665	290,885						77,780	
1.4 Net	207,512,095	165,222,401	0	0	0	0	0	42,289,694	0
2. Paid medical incentive pools and bonuses	10,743,742	10,468,582						275,160	
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	27,348,252	20,706,832						6,641,420	
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	149,318	31,881						117,437	
3.4 Net	27,198,934	20,674,951	0	0	0	0	0	6,523,983	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	11,493,975	11,189,387						304,588	
6. Amounts recoverable from reinsurers December 31, current year	98,358	98,358							
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	34,445,952	26,309,311						8,136,641	
7.2 Reinsurance assumed	0								
7.3 Reinsurance ceded	149,318	31,881						117,437	
7.4 Net	34,296,634	26,277,430	0	0	0	0	0	8,019,204	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	10,947,640	10,674,397						273,243	
10. Amounts recoverable from reinsurers December 31, prior year	0								
11. Incurred benefits:									
11.1 Direct	200,783,060	159,910,807	0	0	0	0	0	40,872,253	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	467,023	389,243	0	0	0	0	0	77,780	0
11.4 Net	200,316,037	159,521,564	0	0	0	0	0	40,794,473	0
12. Incurred medical incentive pools and bonuses	11,290,077	10,983,572	0	0	0	0	0	306,505	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	5,917,851	4,283,118						1,634,733	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	5,917,851	4,283,118	0	0	0	0	0	1,634,733	0
2. Incurred but unreported:									
2.1 Direct	21,430,401	16,423,714						5,006,687	
2.2 Reinsurance assumed	0								
2.3 Reinsurance ceded	149,318	31,881						117,437	
2.4 Net	21,281,083	16,391,833	0	0	0	0	0	4,889,250	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	27,348,252	20,706,832	0	0	0	0	0	6,641,420	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	149,318	31,881	0	0	0	0	0	117,437	0
4.4 Net	27,198,934	20,674,951	0	0	0	0	0	6,523,983	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)	20,166,713	145,055,688	1,183,254	19,491,697	21,349,967	26,277,430
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	5,643,443	36,646,252	833,348	5,690,635	6,476,791	8,019,204
8. Other					0	
9. Subtotal	25,810,156	181,701,940	2,016,602	25,182,332	27,826,758	34,296,634
10. Medical incentive pools, accruals and disbursements	10,748,966	(5,223)	1,771,595	9,722,380	12,520,561	10,947,639
11. Totals	36,559,122	181,696,717	3,788,197	34,904,712	40,347,319	45,244,273

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	271,079		1,016		
3. 1999	XXX	327,652	65,077	672	
4. 2000	XXX	XXX	236,151	40,647	431
5. 2001	XXX	XXX	XXX	192,388	25,379
6. 2002	XXX	XXX	XXX	XXX	181,702

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	242,103	242,103	242,103	242,103	242,103
2. 1998	271,079	271,079	272,095	272,095	272,095
3. 1999	XXX	327,652	397,301	393,401	393,401
4. 2000	XXX	XXX	284,271	281,592	277,230
5. 2001	XXX	XXX	XXX	232,389	219,782
6. 2002	XXX	XXX	XXX	XXX	218,378

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	318,123	272,095		0.0	272,095	85.5			272,095	85.5
3. 1999	379,645	393,401		0.0	393,401	103.6			393,401	103.6
4. 2000	302,226	277,230		0.0	277,230	91.7			277,230	91.7
5. 2001	266,912	217,766	7,238	3.3	225,004	84.3	2,016		227,020	85.1
6. 2002	243,979	181,702	10,982	6.0	192,684	79.0	36,676	1,860	231,220	94.8
7. Total (Lines 1 through 6)	XXX	1,342,194	18,220	XXX	1,360,414	XXX	38,692	1,860	1,400,966	XXX
8. Total (Lines 2 through 6)	1,510,885	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998	221,585		817		
3. 1999	XXX	238,133	52,327	569	
4. 2000	XXX	XXX	189,884	34,429	337
5. 2001	XXX	XXX	XXX	159,918	19,830
6. 2002	XXX	XXX	XXX	XXX	145,056

SECTION B - INCURRED CLAIMS - HOSPITAL AND MEDICAL

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	223,149	223,149	223,149	223,149	223,149
2. 1998	221,585	221,585	222,402	222,402	222,402
3. 1999	XXX	238,133	294,110	291,029	291,029
4. 2000	XXX	XXX	228,301	227,368	224,650
5. 2001	XXX	XXX	XXX	193,565	180,930
6. 2002	XXX	XXX	XXX	XXX	175,737

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICA

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	263,868	222,402		0.0	222,402	84.3			222,402	84.3
3. 1999	285,333	291,029		0.0	291,029	102.0			291,029	102.0
4. 2000	245,613	224,650		0.0	224,650	91.5			224,650	91.5
5. 2001	221,657	179,747	5,861	3.3	185,608	83.7	1,183		186,791	84.3
6. 2002	197,732	145,056	8,893	6.1	153,949	77.9	30,681	1,507	186,137	94.1
7. Total (Lines 1 through 6)	XXX	1,062,884	14,754	XXX	1,077,638	XXX	31,864	1,507	1,111,009	XXX
8. Total (Lines 2 through 6)	1,214,203	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - MEDICARE SUPPLEMENT

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - MEDICARE SUPPLEMENT

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMEN

NONE

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					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - DENTAL ONLY

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - DENTAL ONLY

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

NONE

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					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - VISION ONLY

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - VISION ONLY

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

NONE

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					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998	4,044				
3. 1999	XXX	6,154			
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

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	4,044	4,044	4,044	4,044	4,044
3. 1999	XXX	6,154	6,154	6,154	6,154
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

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		4,044		0.0	4,044	0.0			4,044	0.0
3. 1999		6,154		0.0	6,154	0.0			6,154	0.0
4. 2000				0.0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	10,198	0	XXX	10,198	XXX	0	0	10,198	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - TITLE XVIII - MEDICARE

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - TITLE XVIII - MEDICARE

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICAR

NONE

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					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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	45,450		199		
3. 1999	XXX	83,365	12,750	103	
4. 2000	XXX	XXX	46,267	6,218	94
5. 2001	XXX	XXX	XXX	32,470	5,549
6. 2002	XXX	XXX	XXX	XXX	36,646

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	18,954	18,954	18,954	18,954	18,954
2. 1998	45,450	45,450	45,649	45,649	45,649
3. 1999	XXX	83,365	97,037	96,218	96,218
4. 2000	XXX	XXX	55,970	54,224	52,580
5. 2001	XXX	XXX	XXX	38,824	38,852
6. 2002	XXX	XXX	XXX	XXX	42,641

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	54,255	45,649		0.0	45,649	84.1			45,649	84.1
3. 1999	94,312	96,218		0.0	96,218	102.0			96,218	102.0
4. 2000	56,613	52,580		0.0	52,580	92.9			52,580	92.9
5. 2001	45,255	38,019	1,377	3.6	39,396	87.1	833		40,229	88.9
6. 2002	46,247	36,646	2,089	5.7	38,735	83.8	5,995	353	45,083	97.5
7. Total (Lines 1 through 6)	XXX	269,112	3,466	XXX	272,578	XXX	6,828	353	279,759	XXX
8. Total (Lines 2 through 6)	296,682	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - OTHER

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - OTHER

NONE

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				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

NONE

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					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
POLICY RESERVE									
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	858,740							858,740	
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $.....0) for investment income	0								
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	858,740	0	0	0	0	0	0	858,740	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	858,740	0	0	0	0	0	0	858,740	0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 5)	0	0	0	0	0	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
0599. Totals (Lines 0501 thru 0503 plus 0595) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 11911) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $.....0 premium deficiency reserve.

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)	166,080	280,267		446,347
2. Salaries, wages and other benefits	3,685,186	6,218,912		9,904,098
3. Commissions (less $.....0 ceded plus $.....0 assumed)	1,330,603	2,245,450		3,576,053
4. Legal fees and expenses	88,241	148,911		237,152
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services		1,473,943		1,473,943
7. Traveling expenses	66,203	111,720		177,923
8. Marketing and advertising		513,850		513,850
9. Postage, express and telephone	1,784,366	3,011,195		4,795,561
10. Printing and office supplies	232,293	392,005		624,298
11. Occupancy, depreciation and amortization	298,283	503,366		801,649
12. Equipment				0
13. Cost or depreciation of EDP equipment and software	93,615	157,979		251,594
14. Outsourced services including EDP, claims, and other services	1,035,268	1,747,059		2,782,327
15. Boards, bureaus and association fees	22,338	37,696		60,034
16. Insurance, except on real estate	141,454	238,710		380,164
17. Collection and bank service charges	8,861	14,955		23,816
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				0
22. Real estate taxes	21,060	35,540		56,600
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				0
23.2 State premium taxes				0
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes	90,586	152,867		243,453
23.5 Other (excluding federal income and real estate taxes)	44,313	74,780		119,093
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	337,856	570,147	0	908,003
26. Total expenses incurred (Lines 1 to 25)	9,446,606	17,929,352	0	(a) 27,375,958
27. Add expenses unpaid December 31, prior year	3,395,529	11,494,099		14,889,628
28. Less expenses unpaid December 31, current year	1,860,100	3,531,493		5,391,593
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)	10,982,035	25,891,958	0	36,873,993

DETAILS OF WRITE-INS

2501. Other Miscellaneous	337,856	570,147		908,003
2502.				0
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)	337,856	570,147	0	908,003

(a) Includes management fees of $.....0 to affiliates and $.....11,733,365 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)	160,900	164,150
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term investments	(e) 1,023,782	1,089,237
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	1,184,682	1,253,387
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) 0
15.	Aggregate write-ins for deductions from investment income		916,184
16.	Total deductions (Lines 11 through 15)		916,184
17.	Net investment income (Line 10 minus Line 16)		337,203

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.	Bank Service Charges		140,211
1502.	Unrealized Gains / Losses		775,973
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)		916,184

(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)	(675,111)				(675,111)
2.21	Common stocks of affiliates	68,028				68,028
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/short-term investments	72,145				72,145
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)	(534,938)	0	0	0	(534,938)

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	648,995	273,427	(375,568)
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	321,485	337,631	16,146
5. Total (Line 1 plus Lines 3 and 4)	970,480	611,058	(359,422)

DETAILS OF WRITE-INS

0401. Prepaid Assets	288,064	11,058	(277,006)
0402. Other Long-term Invested Assets	33,421	326,573	293,152
0403.			0
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	321,485	337,631	16,146

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	126,218	110,911	107,523	103,069	100,126	1,273,770
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	126,218	110,911	107,523	103,069	100,126	1,273,770

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. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Department of Consumer & Industry Services (CIS) and the National Association of Insurance Commissioners. These practices differ in some respects from generally accepted accounting principles. Certain assets are considered non-admitted for statutory purposes and are excluded for the balance sheet. These non-admitted assets have been allocated to retained earnings in the financial statements. The statutory adjustments had no effect on PHPMM net income.

Cash and Cash Equivalents – Short-term investments with maturity of three months or less at the time of purchase are reported as cash equivalents.

Long-term Investments - Long-term investments consist of common stocks. The long-term investments are carried at actual cost, which approximates market value.

Property and Equipment - Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis, over the estimated useful lives of the assets, primarily 7 years for furniture and equipment and 35 years for the building.

Claims Payable – Accrued medical claims and related expenses (hospitalization and other outside medical services) include amounts billed and not paid and an estimate of costs incurred for unbilled services provided to the balance sheet date.

Premiums – Premiums are recognized in the period in which the members are entitled to health care services. Premiums billed and collected in advance are recorded as unearned premiums.

Use of Estimates – The statutory basis financial statements have been prepared in accordance with the accounting practices prescribed or permitted by the CIS, which is a comprehensive basis of accounting other than generally accepted accounting principles, and requires the use of certain estimates, the most significant of which related to incurred but unreported claims for medical services. Actual results could differ from these estimates.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

The state of Michigan has not adopted the NAIC codification.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

Not applicable.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Not applicable.

7. INVESTMENT INCOME

All income due or accrued has been included in the filing.

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPMM is not subject to income taxes.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

PHPMM is a controlled entity of Sparrow Hospital. PHPMM has contracts with the HDNs and their respective sponsors.

PHPMM members obtain medical services from four HDN's. As a result, medical service expenses include approximately $57,570,000 of claims incurred for 2002. PHPMM is a member of the PHP Shared Services, L.L.C. The purpose of PHP Shared Services, L.L.C. is to facilitate statewide contracting and to achieve economies to obtain health maintenance organization management and other required services for members.

11. DEBT

Not applicable.

NOTES TO FINANCIAL STATEMENTS

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTRETIREMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Not applicable

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Not applicable.

14. CONTINGENCIES

In the ordinary course of operations, PHPMM is subject to various litigation matters related to health benefits provided to its subscribers. Although the outcome of these matters cannot be determined, it is management's opinion that disposition of these proceeds will not have a material adverse effect on the financial position or the results of operations.

15. LEASES

Not applicable

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

There are no gains and losses from uninsured accident and health plans or partially insured plans.

19. DIRECT PREMIUM WRITTEN PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

Not applicable.

20. OTHER ITEMS

Dividends paid by a Michigan HMO are subject to limitations imposed by the Michigan Insurance Code (the Code). Under the Code, dividends may be paid only from statutory earnings and net worth. In addition, the OFIS must approve all dividends and may not approve extraordinary dividends.

PHPMM elected to use rounding in reporting amounts in the statement.

21. SUBSEQUENT EVENTS

There are no subsequent events to December 31, 2002 that require disclosure.

22. REINSURANCE

Not applicable.

23. RETROSPECTIVELY RATED CONTRACTS

Not applicable.

24. SALVAGE AND SUBROGATION

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2002 and 2001 the company had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Reserves for incurred claims attributable to insured events of prior years has decreased by $6.5 million from $38.6 million in 2002 to $45.1 million in 2001.

26. ORGANIZATION AND OPERATION

Organization

Physicians Health Plan of Mid- Michigan (PHPMM) is a non-profit health maintenance organization under the laws of the

NOTES TO FINANCIAL STATEMENTS

State of Michigan and is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. PHPMM is also a wholly controlled subsidiary of E.W. Sparrow Hospital.

Contractual Agreements:

The aggregate amount of contingency reserves to ultimately be returned to physicians is established by the PHPMM Board of Directors, which bases this decision on a number of factors including regulatory and financial criteria such as required reserve levels. The PHPMM Board of Directors is expected to approve 100 percent return of the 2002 contingency reserve.

Administrative services – PHPMM has an administrative services agreement with United Healthcare Services (UHS) which covers management services that are system dependent (i.e. billing, enrollment, claims processing and accounting). The agreement expires December 31, 2005. The services fees paid to UHS by PHPMM is calculated based on a determined dollar amount per member per month. PHPMM withholds a portion of the service fee, which may be paid contingent upon UHS's performance under the terms of the agreement. Fees for 2002 were approximately $11,700,000.

27. MINIMUM NET WORTH REQUIREMENTS

Under the laws of the State of Michigan, PHPMM is required to maintain a minimum net worth. Net worth must be the greater of $1,500,000 or 4% of premium revenue or 3 months' of uncovered expenditures. PHPMM has net worth of approximately $6,500,000 and was in compliance with minimum net worth requirements as of December 31, 2002.

The State of Michigan further requires health maintenance organizations (HMO's) to maintain positive working capital defined as current assets less current liabilities. PHPMM has positive working capital of approximately $10,600,000 when measured using the statutory basis of accounting.

In addition, the State of Michigan requires PHPMM to provide a statutory deposit. The deposit amount must be the greater of $100,000 or 5% of annual premium revenue up to a $1,000,000 maximum. As of December 31, 2002, PHPMM has approximately $9,980,000 to meet the required level for statutory deposits. PHPMM is in compliance with the statutory deposit requirements.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	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	91,408	0.1	91,408	0.1
3.32 Unaffiliated	6,644,583	9.7	6,644,583	9.7
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 $.....0 of property acquired in satisfaction of debt)	4,375,493	6.4	4,375,493	6.4
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities	4,277	0.0	4,277	0.0
8. Cash and short-term investments	52,603,128	76.7	52,603,128	76.8
9. Other invested assets	4,836,101	7.1	4,802,680	7.0
10. Total invested assets	68,554,990	100.0	68,521,569	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 [ ] No [X]

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 [ ] No [ ] N/A [X]

1.3 State regulating?

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 [X] No [ ]

2.2 If yes, date of change: 10/21/2002
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. 12/31/1996

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). 02/03/1998

3.4 By what department or departments? OFIS

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:
N/A

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?
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?
Reden-Anders LTD Suite 1500
222 South Ninth Street, Minneapolis MN 55400

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?
N/A

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.....	.....	.....	.....	.....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.
N/A

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 N/A
19.32 N/A
19.33 N/A
19.34 N/A
19.35 N/A
19.36 N/A
19.37 N/A
19.38 N/A
19.39 N/A

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
Mellon Bank NA	One Mellon Center Pittsburgh PA 15258-0001

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)
N/A		

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
N/A	Longwood Investment Advisors	Three Radnor Corporate Center Radnor, PA 19087
104474	Sanford C. Bernstein & Co., Inc.	One North Lexington Ave White Plains, NY 10601
25587	Pimco Advisors Distributors LLC	2187 Atlantic St. 7th Floor Stamford, CT 06902
28832	Janus Distributors LLC	PO Box 173401 Denver, CO 80217
N/A	Western Asset Management Co.	117 E. Colorado Blvd. Pasadena, CA 91105

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....60,034

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	44,131

24.1 Amount of payments for legal expenses, if any? $.....237,152

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
Foster, Swift, Collins, Smith	200,266

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
N/A	

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 [ ]

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 $.....212,500

4.32 Medical only $.....212,500

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:

PHPMM adheres to the statutory deposit requirements established by the NAIC. PHPMM also has established margin at approximately 7% on the Balance Sheet

Also in the case of insolvency, PHPMM does not need to pay the management contract fee, which includes runout for future claims.

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 1,239

7.2 Number of providers at end of reporting year 1,305

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 $.....250,000

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

9.23 Maximum amount payable withholds $.....11,243,976

9.24 Amount actually paid for year withholds $.....0

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

1 Name of Service Area
Clinton County
Eaton County
Gratiot County
Ingham County
Ionia County
Isabella County
Montcalm County
Saginaw County
Shiawasee County
Muskegon County

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

Newago County
Oceana County
Ottawa County

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)	75,770,520	93,339,103	100,305,523	62,221,241	68,078,091
2. Total liabilities (Page 3, Line 18)	47,772,369	68,184,018	66,311,925	31,579,644	40,465,782
3. Statutory surplus	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
4. Total capital and surplus (Page 3, Line 26)	27,998,151	25,155,085	33,933,598	30,641,597	27,612,309
Income Statement Items (Page 4)					
5. Total revenues (Line 7)	242,272,588	261,794,866	310,006,867	380,733,686	320,457,675
6. Total medical and hospital expenses (Line 17)	211,704,474	225,384,989	267,339,138	327,652,216	271,078,752
7. Total administrative expenses (Line 19)	17,929,352	24,501,683	38,978,800	49,039,902	43,412,439
8. Net underwriting gain (loss) (Line 22)	3,192,156	7,598,336	(4,781,792)	3,046,370	5,966,484
9. Net investment gain (loss) (Line 25)	(197,735)	1,985,796	4,827,221	995,198	
10. Total other income (Lines 26 plus 27)	2,100,951	(9,580,277)	3,643,500		
11. Net income or (loss) (Line 30)	5,095,372	3,855	3,688,929	4,041,568	5,966,484
Risk-Based Capital Analysis					
12. Total adjusted capital	27,998,151	25,155,085	33,993,598	30,641,597	27,612,309
13. Authorized control level risk-based capital	8,735,172	10,514,879	4,853,286	8,902,296	6,000,003
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	100,126	126,218	133,671	240,495	228,483
15. Total member months (Column 6, Line 7)	1,273,770	1,531,330	2,126,099	2,933,385	2,547,620
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)	0.9	0.9	0.9	0.9	0.9
18. Total underwriting deductions (Line 21)	1.0	1.0	1.0	1.0	1.0
19. Total underwriting gain (loss) (Line 22)	0.0		(0.0)		
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	40,347,319	46,154,326			
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	45,244,273	52,784,341	53,144,810		

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)	91,408				
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	4,802,680				
28. Total of above Lines 22 to 27	4,894,088	0	0	0	0

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	42,450	42,450	51,675	
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	42,450	42,450	51,675	
	45. United States	145,596	145,596	120,927	
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	145,596	145,596	120,927	
	49. United States	6,456,537	6,456,537	7,969,434	
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	6,456,537	6,456,537	7,969,434	
Parent, Subsidiaries and Affiliates	53. Totals	91,408	91,408	23,380	
	54. **Total Common Stocks**	6,735,991	6,735,991	8,165,416	
	55. **Total Stocks**	6,735,991	6,735,991	8,165,416	
	56. **Total Bonds and Stocks**	6,735,991	6,735,991	8,165,416	

(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		9,382,644
2. Cost of bonds and stocks acquired, Column 6, Part 3		4,027,997
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	(605,545)	
3.4 Column 10, Part 4	(1,431,354)	(2,036,899)
4. Total gain (loss), Column 14, Part 4		(675,115)
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		3,962,636
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		6,735,991
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		6,735,991
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		6,735,991

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 3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums
1. Alabama AL		Invalid				
2. Alaska AK		Invalid				
3. Arizona AZ		Invalid				
4. Arkansas AR		Invalid				
5. California CA		Invalid				
6. Colorado CO		Invalid				
7. Connecticut CT		Invalid				
8. Delaware DE		Invalid				
9. District of Columbia DC		Invalid				
10. Florida FL		Invalid				
11. Georgia GA		Invalid				
12. Hawaii HI		Invalid				
13. Idaho ID		Invalid				
14. Illinois IL		Invalid				
15. Indiana IN		Invalid				
16. Iowa IA		Invalid				
17. Kansas KS		Invalid				
18. Kentucky KY		Invalid				
19. Louisiana LA		Invalid				
20. Maine ME		Invalid				
21. Maryland MD		Invalid				
22. Massachusetts MA		Invalid				
23. Michigan MI	No	Yes	197,888,692		46,247,296	
24. Minnesota MN		Invalid				
25. Mississippi MS		Invalid				
26. Missouri MO		Invalid				
27. Montana MT		Invalid				
28. Nebraska NE		Invalid				
29. Nevada NV		Invalid				
30. New Hampshire NH		Invalid				
31. New Jersey NJ		Invalid				
32. New Mexico NM		Invalid				
33. New York NY		Invalid				
34. North Carolina NC		Invalid				
35. North Dakota ND		Invalid				
36. Ohio OH		Invalid				
37. Oklahoma OK		Invalid				
38. Oregon OR		Invalid				
39. Pennsylvania PA		Invalid				
40. Rhode Island RI		Invalid				
41. South Carolina SC		Invalid				
42. South Dakota SD		Invalid				
43. Tennessee TN		Invalid				
44. Texas TX		Invalid				
45. Utah UT		Invalid				
46. Vermont VT		Invalid				
47. Virginia VA		Invalid				
48. Washington WA		Invalid				
49. West Virginia WV		Invalid				
50. Wisconsin WI		Invalid				
51. Wyoming WY		Invalid				
52. American Samoa AS		Invalid				
53. Guam GU		Invalid				
54. Puerto Rico PR		Invalid				
55. U.S. Virgin Islands VI		Invalid				
56. Canada CN						
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	197,888,692	0	46,247,296	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