



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2002
 OF THE CONDITION AND AFFAIRS OF THE
Priority Health

NAIC Group Code 3383 0000 NAIC Company Code 95561 Employer's ID Number 38-2715520
(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 [] Dental Service Corporation []
 Vision Service Corporation [] Other [] Health Maintenance Organization [X]
 Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [] No [X]

Incorporated 03/07/1986 Commenced Business 10/15/1986

Statutory Home Office 1231 East Beltline, Grand Rapids, MI 49525-4501
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1231 East Beltline
(Street and Number)
Grand Rapids, MI 49525-4501 616-942-0954
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1231 East Beltline, Grand Rapids, MI 49525-4501
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1231 East Beltline
(Street and Number)
Grand Rapids, MI 49525-4501 616-464-8235
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.priority-health.com

Statement Contact Malcolm Hall 616-464-8235
(Name) (Area Code) (Telephone Number) (Extension)
malcolm.hall@priority-health.com 616-942-7916
(E-mail Address) (FAX Number)

Policyowner Relations Contact _____
(Street and Number)
 _____ 616-942-1221
(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Chief Executive Officer Kimberly K Horn Chief Financial Officer Dennis J Reese
 Secretary Judith W Hooyenga #

VICE PRESIDENTS

Dennis J Reese Judith W Hooyenga #

DIRECTORS OR TRUSTEES

<u>Richard C. Breon</u>	<u>Marilyn M Brown</u>	<u>Gaylen J Byker</u>
<u>James H Childress</u>	<u>Dale A Dykema</u>	<u>Michael P Freed</u>
<u>Jon M Gans</u>	<u>David E Gast</u>	<u>Gail D Gwizdala</u>
<u>Jody D Handy</u>	<u>Edward A Higuera</u>	<u>Nicholas P Kokx</u>
<u>Lynn M Kotecki</u>	<u>Steve R Lasater</u>	<u>Thomas R Macholan</u>
<u>Charles E McCallum</u>	<u>George N Monsma</u>	<u>Shelley E Padnos</u>
<u>Timothy V Smith</u>	<u>Hilary F Snell</u>	<u>Luis A Tomatis</u>
<u>Dennis P Vanderlind</u>		

State of Michigan }
 County of Kent } ss

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

Kimberly K Horn Dennis J Reese Judith W Hooyenga
 Chief Executive Officer Chief Financial Officer Secretary

Subscribed and sworn to before me this
28th day of February, 2003,
2003

Stacey Koning
Notary
08/26/2004

- a. Is this an original filing? Yes [X] No []
b. If no
1. State the amendment number
2. Date filed 02/28/2003
3. Number of pages attached

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

EXHIBIT 8 PART 1- SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total	3 Total Members Covered	4 Column 3 as a % of Total	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	34,491,288	6.4	258,951	100.0	34,491,288	
2. Intermediaries .....	.0	.0		.0		
3. All other providers	89,356,681	16.6		.0	89,356,681	
4. Total capitation payments	123,847,969	23.1	258,951	100.0	123,847,969	.0
Other Payments:						
5. Fee-for-service	36,273,352	6.8	XXX	XXX		36,273,352
6. Contractual fee payments .....	.0	.0	XXX	XXX		
7. Bonus/withhold arrangements - fee-for-service	377,153,385	70.2	XXX	XXX	377,153,385	
8. Bonus/withhold arrangements - contractual fee payments .....	.0	.0	XXX	XXX		
9. Non-contingent salaries .....	.0	.0	XXX	XXX		
10. Aggregate cost arrangements .....	.0	.0	XXX	XXX		
11. All other payments .....	.0	.0	XXX	XXX		
12. Total other payments	413,426,737	76.9	XXX	XXX	377,153,385	36,273,352
13. TOTAL (Line 4 plus Line 12)	537,274,706	100 %	XXX	XXX	501,001,354	36,273,352

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	6 Intermediary's Total Adjusted Capital	7 Intermediary's Authorized Control Level RBC
NONE					
9999999 Totals			XXX	XXX	XXX

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

EXHIBIT 9 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1. Administrative furniture and equipment	4,636,121		4,101,364	534,757	534,757	0
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total	4,636,121	0	4,101,364	534,757	534,757	0



ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION

Priority Health

2. DIVISION

(LOCATION)

NAIC Group Code

BUSINESS IN THE STATE OF Michigan

DURING THE YEAR 2002

NAIC Company Code

95561

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	268,585	177	242,009						25,610	789
2. First Quarter	286,749	152	260,316						25,412	869
3. Second Quarter	289,842	208	263,185						25,561	888
4. Third Quarter	302,248	195	275,367						25,757	929
5. Current Year	288,535	207	288,328						0	0
6. Current Year Member Months	3,467,361	2,251	3,225,329						231,871	7,910
Total Member Ambulatory Encounters for Year:										
7. Physician	2,131,861	1,365	1,956,438						168,316	5,742
8. Non-Physician	57,807	37	53,050						4,564	156
9. Total	2,189,668	1,402	2,009,488	0	0	0	0	0	172,880	5,898
10. Hospital Patient Days Incurred	64,507	42	57,967						6,473	25
11. Number of Inpatient Admissions	17,818	11	16,149						1,603	55
12. Premiums Collected	595,212,262	1,581,142	563,112,267						29,954,529	564,324
13. Premiums Earned	606,858,726	1,612,080	574,130,633						30,540,647	575,366
14. Amount Paid for Provision of Health Care Services	537,274,705	1,459,751	501,298,752						34,025,545	490,657
15. Amount Incurred for Provision of Health Care Services	538,740,832	1,476,141	507,946,994						28,847,117	470,580

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION

Priority Health

2. DIVISION

(LOCATION)

NAIC Group Code

BUSINESS IN THE STATE OF Consolidated

DURING THE YEAR 2002

NAIC Company Code

95561

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	268,585	177	242,009	0	0	0	0	0	25,610	789
2. First Quarter	286,749	152	260,316	0	0	0	0	0	25,412	869
3. Second Quarter	289,842	208	263,185	0	0	0	0	0	25,561	888
4. Third Quarter	302,248	195	275,367	0	0	0	0	0	25,757	929
5. Current Year	288,535	207	288,328	0	0	0	0	0	0	0
6. Current Year Member Months	3,467,361	2,251	3,225,329	0	0	0	0	0	231,871	7,910
Total Member Ambulatory Encounters for Year:										
7. Physician	2,131,861	1,365	1,956,438	0	0	0	0	0	168,316	5,742
8. Non-Physician	57,807	37	53,050	0	0	0	0	0	4,564	156
9. Total	2,189,668	1,402	2,009,488	0	0	0	0	0	172,880	5,898
10. Hospital Patient Days Incurred	64,507	42	57,967	0	0	0	0	0	6,473	25
11. Number of Inpatient Admissions	17,818	11	16,149	0	0	0	0	0	1,603	55
12. Premiums Collected	595,212,262	1,581,142	563,112,267	0	0	0	0	0	29,954,529	564,324
13. Premiums Earned	606,858,726	1,612,080	574,130,633	0	0	0	0	0	30,540,647	575,366
14. Amount Paid for Provision of Health Care Services	537,274,705	1,459,751	501,298,752	0	0	0	0	0	34,025,545	490,657
15. Amount Incurred for Provision of Health Care Services	538,740,832	1,476,141	507,946,994	0	0	0	0	0	28,847,117	470,580

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SCHEDULE A VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value, December 31, prior year (prior year statement).....	874,229
2. Increase (decrease) by adjustment:	
2.1 Totals, Part 1, Column 10.....	(160,052)
2.2 Totals, Part 3, Column 7.....	0
3. Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9).....	0
4. Cost of additions and permanent improvements:	
4.1 Totals, Part 1, Column 13.....	0
4.2 Totals, Part 3, Column 9.....	0
5. Total profit (loss) on sales, Part 3, Column 14.....	0
6. Increase (decrease) by foreign exchange adjustment:	
6.1 Totals, Part 1, Column 11.....	0
6.2 Totals, Part 3, Column 8.....	0
7. Amounts received on sales, Part 3, Column 11 and Part 1, Column 12.....	0
8. Book/adjusted carrying value at end of current period.....	714,177
9. Total valuation allowance.....	
10. Subtotal (Lines 8 plus 9).....	714,177
11. Total nonadmitted amounts.....	
12. Statement value, current period (Page 2, real estate lines, current period).....	714,177

SCHEDULE B VERIFICATION BETWEEN YEARS

1. Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year.....	
2. Amount loaned during year:	
2.1 Actual cost at time of acquisitions.....	
2.2 Additional investment made after acquisitions.....	
3. Accrual of discount and mortgage interest points and commitment fees.....	
4. Increase (decrease) by adjustment.....	
5. Total profit (loss) on sale.....	
6. Amounts paid on account or in full during the year.....	
7. Amortization of premium.....	
8. Increase (decrease) by foreign exchange adjustment.....	
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	
10. Total valuation allowance.....	
11. Subtotal (Lines 9 plus 10).....	
12. Total nonadmitted amounts.....	
13. Statement value of mortgages owned at end of current period.....	

NONE

SCHEDULE BA VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0
2. Cost of acquisitions during year:	
2.1 Actual cost at time of acquisitions.....	4,000,000
2.2 Additional investment made after acquisitions.....	4,000,000
3. Accrual of discount.....	
4. Increase (decrease) by adjustment.....	(479,250)
5. Total profit (loss) on sale.....	
6. Amounts paid on account or in full during the year.....	
7. Amortization of premium.....	
8. Increase (decrease) by foreign exchange adjustment.....	
9. Book/adjusted carrying value of long-term invested assets at end of current period.....	3,520,750
10. Total valuation allowance.....	
11. Subtotal (Lines 9 plus 10).....	3,520,750
12. Total nonadmitted amounts.....	
13. Statement value of long-term invested assets at end of current period.....	3,520,750

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1	29,930,204	8,063,172	549,289			38,542,665	54.4	35,406,696	75.0	38,542,666	
1.2 Class 2						0	0.0	0	0.0		
1.3 Class 3						0	0.0	0	0.0		
1.4 Class 4						0	0.0	0	0.0		
1.5 Class 5						0	0.0	0	0.0		
1.6 Class 6						0	0.0	0	0.0		
1.7 Totals	29,930,204	8,063,172	549,289	0	0	38,542,665	54.4	35,406,696	75.0	38,542,666	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1						0	0.0	0	0.0		
2.2 Class 2						0	0.0	0	0.0		
2.3 Class 3						0	0.0	0	0.0		
2.4 Class 4						0	0.0	0	0.0		
2.5 Class 5						0	0.0	0	0.0		
2.6 Class 6						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1						0	0.0	0	0.0		
3.2 Class 2						0	0.0	0	0.0		
3.3 Class 3						0	0.0	0	0.0		
3.4 Class 4						0	0.0	0	0.0		
3.5 Class 5						0	0.0	0	0.0		
3.6 Class 6						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1			174,566			174,566	0.2	0	0.0	174,566	
4.2 Class 2						0	0.0	0	0.0		
4.3 Class 3						0	0.0	0	0.0		
4.4 Class 4						0	0.0	0	0.0		
4.5 Class 5						0	0.0	0	0.0		
4.6 Class 6						0	0.0	0	0.0		
4.7 Totals	0	0	174,566	0	0	174,566	0.2	0	0.0	174,566	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1	3,030,038	8,059,370	1,863,800	209,383	1,509,017	14,671,608	20.7	0	0.0	14,671,609	
5.2 Class 2						0	0.0	0	0.0		
5.3 Class 3						0	0.0	0	0.0		
5.4 Class 4						0	0.0	0	0.0		
5.5 Class 5						0	0.0	0	0.0		
5.6 Class 6						0	0.0	0	0.0		
5.7 Totals	3,030,038	8,059,370	1,863,800	209,383	1,509,017	14,671,608	20.7	0	0.0	14,671,609	0

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1 .....						.0	.0.0	.0	.0.0		
6.2 Class 2 .....						.0	.0.0	.0	.0.0		
6.3 Class 3 .....						.0	.0.0	.0	.0.0		
6.4 Class 4 .....						.0	.0.0	.0	.0.0		
6.5 Class 5 .....						.0	.0.0	.0	.0.0		
6.6 Class 6						0	0.0	0	0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1	6,076,612	10,365,092	1,082,953			17,524,657	24.7	11,790,791	25.0	17,524,657	
7.2 Class 2 .....						.0	0.0	.0	0.0		
7.3 Class 3 .....						.0	0.0	.0	0.0		
7.4 Class 4 .....						.0	0.0	.0	0.0		
7.5 Class 5 .....						.0	0.0	.0	0.0		
7.6 Class 6						0	0.0	0	0.0		
7.7 Totals	6,076,612	10,365,092	1,082,953	0	0	17,524,657	24.7	11,790,791	25.0	17,524,657	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1 .....						.0	0.0	.0	0.0		
8.2 Class 2 .....						.0	0.0	.0	0.0		
8.3 Class 3 .....						.0	0.0	.0	0.0		
8.4 Class 4 .....						.0	0.0	.0	0.0		
8.5 Class 5 .....						.0	0.0	.0	0.0		
8.6 Class 6						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1 .....						.0	0.0	.0	0.0		
9.2 Class 2 .....						.0	0.0	.0	0.0		
9.3 Class 3 .....						.0	0.0	.0	0.0		
9.4 Class 4 .....						.0	0.0	.0	0.0		
9.5 Class 5 .....						.0	0.0	.0	0.0		
9.6 Class 6						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	39,036,854	26,487,634	3,670,608	209,383	1,509,017	70,913,496	100.0	XXX	XXX	70,913,498	.0
10.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.5 Class 5	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.6 Class 6	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.7 Totals	39,036,854	26,487,634	3,670,608	209,383	1,509,017	70,913,496	100.0	XXX	XXX	70,913,498	.0
10.8 Line 10.7 as a % of Col. 6	55.0	37.4	5.2	0.3	2.1	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1	33,881,735	13,315,752	.0	.0	.0	XXX	XXX	47,197,487	100.0	47,197,487	.0
11.2 Class 2	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.3 Class 3	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.4 Class 4	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.5 Class 5	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.6 Class 6	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.7 Totals	33,881,735	13,315,752	.0	.0	.0	XXX	XXX	47,197,487	100.0	47,197,487	.0
11.8 Line 11.7 as a % of Col. 8	71.8	28.2	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1	39,036,854	26,487,634	3,670,610	209,383	1,509,017	70,913,498	100.0	47,197,487	100.0	70,913,498	XXX
12.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.5 Class 5	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.6 Class 6	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.7 Totals	39,036,854	26,487,634	3,670,610	209,383	1,509,017	70,913,498	100.0	47,197,487	100.0	70,913,498	XXX
12.8 Line 12.7 as a % of Col. 6	55.0	37.4	5.2	0.3	2.1	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	55.0	37.4	5.2	0.3	2.1	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.2 Class 2	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.3 Class 3	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.4 Class 4	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.5 Class 5	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.6 Class 6	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.7 Totals	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

(a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
 (b) Includes \$ current year, \$ prior year of bonds with Z designations and \$, current year, \$ prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
 (c) Includes \$ current year, \$ prior year of bonds with 5* designations and \$, current year, \$ prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations	29,930,204	8,063,172	549,289			38,542,665	54.4	35,406,696	75.0	38,542,666	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
1.7 Totals	29,930,204	8,063,172	549,289	0	0	38,542,665	54.4	35,406,696	75.0	38,542,666	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations						0	0.0	0	0.0		
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
2.3 Defined						0	0.0	0	0.0		
2.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
2.5 Defined						0	0.0	0	0.0		
2.6 Other						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations						0	0.0	0	0.0		
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
3.3 Defined						0	0.0	0	0.0		
3.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
3.5 Defined						0	0.0	0	0.0		
3.6 Other						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations			174,566			174,566	0.2	0	0.0	174,566	
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
4.3 Defined						0	0.0	0	0.0		
4.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
4.5 Defined						0	0.0	0	0.0		
4.6 Other						0	0.0	0	0.0		
4.7 Totals	0	0	174,566	0	0	174,566	0.2	0	0.0	174,566	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Issuer Obligations	1,102,919	4,168,102	1,003,138		1,500,000	7,774,159	11.0	0	0.0	7,774,159	
5.2 Single Class Mortgage-Backed/Asset-Backed Securities	1,162,648	3,712,434	860,662	209,383	9,017	5,954,144	8.4	0	0.0	5,954,145	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0		
5.3 Defined	764,471	178,834				943,305	1.3	0	0.0	943,305	
5.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						0	0.0	0	0.0		
5.5 Defined						0	0.0	0	0.0		
5.6 Other						0	0.0	0	0.0		
5.7 Totals	3,030,038	8,059,370	1,863,800	209,383	1,509,017	14,671,608	20.7	0	0.0	14,671,609	0

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations .....						.0	.0.0	.0	.0.0		
6.2 Single Class Mortgage-Backed/Asset-Based Securities .....						.0	.0.0	.0	.0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
6.3 Defined .....						.0	.0.0	.0	.0.0		
6.4 Other .....						.0	.0.0	.0	.0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
6.5 Defined .....						.0	.0.0	.0	.0.0		
6.6 Other .....						.0	.0.0	.0	.0.0		
6.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	5,627,219	8,524,928	1,082,954			15,235,101	21.5	11,790,791	25.0	15,235,101	
7.2 Single Class Mortgage-Backed/Asset-Based Securities .....						.0	.0.0	.0	.0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
7.3 Defined .....						.0	.0.0	.0	.0.0		
7.4 Other .....						.0	.0.0	.0	.0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
7.5 Defined .....						.0	.0.0	.0	.0.0		
7.6 Other	449,393	1,840,164				2,289,557	3.2	0	0.0	2,289,557	
7.7 Totals	6,076,612	10,365,092	1,082,954	0	0	17,524,658	24.7	11,790,791	25.0	17,524,658	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations .....						.0	.0.0	.0	.0.0		
9.2 Single Class Mortgage-Backed/Asset-Based Securities .....						.0	.0.0	.0	.0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
9.3 Defined .....						.0	.0.0	.0	.0.0		
9.4 Other .....						.0	.0.0	.0	.0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
9.5 Defined .....						.0	.0.0	.0	.0.0		
9.6 Other .....						.0	.0.0	.0	.0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total From Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	36,660,342	20,756,202	2,809,947	0	1,500,000	61,726,491	87.0	XXX	XXX	61,726,492	0
10.2 Single Class Mortgage-Backed/Asset-Backed Bonds MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	1,162,648	3,712,434	860,662	209,383	9,017	5,954,144	8.4	XXX	XXX	5,954,145	0
10.3 Defined	764,471	178,834	0	0	0	943,305	1.3	XXX	XXX	943,305	0
10.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Other	449,393	1,840,164	0	0	0	2,289,557	3.2	XXX	XXX	2,289,557	0
10.7 Totals	39,036,854	26,487,634	3,670,609	209,383	1,509,017	70,913,497	100.0	XXX	XXX	70,913,499	0
10.8 Line 10.7 as a % of Col. 6	55.0	37.4	5.2	0.3	2.1	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Issuer Obligations	33,882,735	13,314,752	0	0	0	XXX	XXX	47,197,487	100.0	47,197,487	0
11.2 Single Class Mortgage-Backed/Asset-Backed Bonds MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.3 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.5 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.6 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.7 Totals	33,882,735	13,314,752	0	0	0	XXX	XXX	47,197,487	100.0	47,197,487	0
11.8 Line 11.7 as a % of Col. 8	71.8	28.2	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	36,660,342	20,756,202	2,809,947	0	1,500,000	61,726,491	87.0	47,197,487	100.0	61,726,491	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Bonds MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	1,162,648	3,712,434	860,662	209,383	9,017	5,954,144	8.4	0	0.0	5,954,144	XXX
12.3 Defined	764,471	178,834	0	0	0	943,305	1.3	0	0.0	943,305	XXX
12.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.5 Defined	0	0	0	0	0	0	0.0	0	0.0	0	XXX
12.6 Other	449,393	1,840,164	0	0	0	2,289,557	3.2	0	0.0	2,289,557	XXX
12.7 Totals	39,036,854	26,487,634	3,670,609	209,383	1,509,017	70,913,497	100.0	47,197,487	100.0	70,913,497	XXX
12.8 Line 12.7 as a % of Col. 6	55.0	37.4	5.2	0.3	2.1	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	55.0	37.4	5.2	0.3	2.1	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.2 Single Class Mortgage-Backed/Asset-Backed Bonds MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.3 Defined	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.4 Other MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.5 Defined	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.6 Other	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years

	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Assets(a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, prior year	31,762,124	31,762,124	0	0	0
2. Cost of short-term investments acquired	108,425,582	108,425,582			
3. Increase (decrease) by adjustment	(271,979)	(271,979)			
4. Increase (decrease) by foreign exchange adjustment	0				
5. Total profit (loss) on disposal of short-term investments	0				
6. Consideration received on disposal of short-term investments	110,316,000	110,316,000			
7. Book/adjusted carrying value, current year	29,599,727	29,599,727	0	0	0
8. Total valuation allowance	0				
9. Subtotal (Lines 7 plus 8)	29,599,727	29,599,727	0	0	0
10. Total nonadmitted amounts	0				
11. Statement value (Lines 9 minus 10)	29,599,727	29,599,727	0	0	0
12. Income collected during year	1,294,136	1,294,136			
13. Income earned during year	1,167,714	1,167,714			

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY

NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S - Part 1 - Section 2

NONE

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE S - PART 3 - SECTION 2

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Company	5 Location	6 Type	7 Premiums	8 Unearned Premiums (estimated)	9 Reserve Credit Taken Other than for Unearned Premiums	Outstanding Surplus Relief		12 Modified Coinsurance Reserve	13 Funds Withheld Under Coinsurance
									10 Current Year	11 Prior Year		
90611	41-1366075	09/01/2000	Allianz Life Insurance Company of North America	Minnesota	SS/L	1,279,746	0	0	0	0	0	0
25534	94-1517098	01/01/2000	TIG Insurance	California	SS/A	119,345	0	0	0	0	0	0
0299999 - Total - Non-Affiliates						1,399,091						
0399999 Totals												
						1,399,091						

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health

SCHEDULE S - PART 4

Reinsurance Ceded to Unauthorized Companies

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Reserve Credit Taken	6 Paid and Unpaid Losses Recoverable (Debit)	7 Other Debits	8 Total Cols. (5+6+7)	9 Letters of Credit	10 Trust Agreements	11 Funds Deposited by and Withheld from Reinsurers	12 Other	13 Miscellaneous Balances (Credit)	14 Sum of Cols. 9+10+11+12+13 But Not in Excess of Col. 8
NONE													
1199999 Totals													

Schedule S-Part 5
Five-Year Exhibit of Reinsurance Ceded Business
(000 Omitted)

	1 2002	2 2001	3 2000	4 1999	5 1998
A. OPERATIONS ITEMS					
1. Premiums.....	1,283	1,111	1,488	1,488	1,165
2. Title XVIII-Medicare.....	0	0	0	0	0
3. Title XIX-Medicaid.....	117	117	111	181	80
4. Commissions and reinsurance expense allowance.....		0	0	0	0
5. Total medical and hospital expenses.....		0	0	0	0
B. BALANCE SHEET ITEMS					
6. Premiums receivable.....		0	0	0	0
7. Claims payable.....		0	0	0	0
8. Reinsurance recoverable on paid losses.....	0	0	515	447	677
9. Experience rating refunds due or unpaid.....		0	0	0	0
10. Commissions and reinsurance expense allowances unpaid.....		0	0	0	0
11. Unauthorized reinsurance offset.....	0	0	0	0	0
C. UNAUTHORIZED REINSURANCE (DEPOSITS BY AND FUNDS WITHHELD FROM)					
12. Funds deposited by and withheld from (F).....	0	0	0	0	0
13. Letters of credit (L).....	0	0	0	0	0
14. Trust agreements (T).....	0	0	0	0	0
15. Other (O)	0	0	0	0	0

SCHEDULE S-PART 6

Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

	1	2	3
	As Reported (net of ceded)	Restatement Adjustments	Restated (gross of ceded)
ASSETS (Page 2, Col. 3)			
1. Cash and invested assets (Line 9)	124,686,516		124,686,516
2. Amounts recoverable from reinsurers (Line 12)	0		0
3. Accident and health premiums due and unpaid (Line 10).....	12,971,630		12,971,630
4. Net credit for ceded reinsurance.....	XXX	1,083,813	1,083,813
5. All other admitted assets (Balance).....	12,769,288		12,769,288
6. Total assets (Line 23)	150,427,434	1,083,813	151,511,247
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1).....	59,740,655	1,083,813	60,824,468
8. Accrued medical incentive pool and bonus payments (Line 2).....	14,052,199		14,052,199
9. Premiums received in advance (Line 6).....	10,192,198		10,192,198
10. Reinsurance in unauthorized companies (Line 14).....	0		0
11. All other liabilities (Balance).....	4,538,813		4,538,813
12. Total liabilities (Line 18).....	88,523,865	1,083,813	89,607,678
13. Total capital and surplus (Line 26).....	61,903,569	XXX	61,903,569
14. Total liabilities, capital and surplus (Line 27)	150,427,434	1,083,813	151,511,247
NET CREDIT FOR CEDED REINSURANCE			
15. Claims unpaid.....	1,083,813		
16. Accrued medical incentive pool.....	0		
17. Premiums received in advance	0		
18. Reinsurance recoverable on paid losses	0		
19. Other ceded reinsurance recoverables	0		
20. Total ceded reinsurance recoverables	1,083,813		
21. Premiums receivable	0		
22. Unauthorized reinsurance	0		
23. Other ceded reinsurance payables/offsets	0		
24. Total ceded reinsurance payable/offsets	0		
25. Total net credit for ceded reinsurance	1,083,813		

SCHEDULE Y (continued)
PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/(Liability)
	38-3085182	Priority Health Managed Benefits	0	0	0		(43,423,359)				(43,423,359)	
	38-3382353	Spectrum Health Corporation	0	5,312,184	0						5,312,184	
95561	38-2715520	Priority Health	0	0	0		43,423,359				43,423,359	
9999999 Control Totals			0	5,312,184	0	0	0	0	XXX	0	5,312,184	0

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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

- 1. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?..... Yes [] No [X]
- 2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?..... Yes [X] No []
- 3. Will an actuarial certification be filed by March 1?..... Yes [X] No []
- 4. Will the Risk-based Capital Report be filed with the NAIC by March 1?..... Yes [X] No []
- 5. Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?..... Yes [X] No []
- 6. Will the SVO Compliance Certification be filed by March 1? Yes [X] No []

APRIL FILING

- 7. Will Management's Discussion and Analysis be filed by April 1?..... Yes [X] No []
- 8. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile by April 1?..... Yes [] No [X]
- 9. Will the Investment Risks Interrogatories be filed by April 1? Yes [X] No []

JUNE FILING

- 10. Will an audited financial report be filed by June 1 with the state of domicile? Yes [X] No []

EXPLANATIONS:

BAR CODE:



OVERFLOW PAGE FOR WRITE-INS
