



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2014
 OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code 1311 , 1311 NAIC Company Code 95844 Employer's ID Number 38-2242827
(Current Period) (Prior Period)

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

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

Incorporated/Organized 06/27/1978 Commenced Business 02/08/1979

Statutory Home Office 2850 West Grand Boulevard , Detroit, MI, US 48202
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 2850 West Grand Boulevard
(Street and Number)
Detroit, MI, US 48202 313-872-8100
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 2850 West Grand Boulevard , Detroit, MI, US 48202
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 2850 West Grand Boulevard
(Street and Number)
Detroit, MI, US 48202 , 248-443-1093
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number) (Extension)

Internet Web Site Address www.hap.org

Statutory Statement Contact Dianna L Ronan CPA , 248-443-1093
(Name) (Area Code) (Telephone Number) (Extension)
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(E-Mail Address) (Fax Number)

OFFICERS

| Name | Title | Name | Title |
|--------------------------|--------------------------|-------------------------|----------------------------|
| <u>James M Connelly</u> | <u>President and CEO</u> | <u>Dianna L Ronan</u> | <u>Treasurer</u> |
| <u>Edith L Eisenmann</u> | <u>Secretary</u> | <u>Dan E Champney #</u> | <u>Assistant Secretary</u> |

OTHER OFFICERS

DIRECTORS OR TRUSTEES

| | | | |
|---------------------------------|----------------------------|---------------------------------|--------------------------------|
| <u>Marvin W Beatty</u> | <u>Shari L Burgess</u> | <u>Sandra A Cavette MPH RDH</u> | <u>James M Connelly</u> |
| <u>Colleen M Ezzeddine Ph D</u> | <u>Joyce V Hayes-Giles</u> | <u>Harvey Hollins III</u> | <u>Jamie C Hsu Ph D</u> |
| <u>Paul F Hughes-Cromwick</u> | <u>Jackie Martin</u> | <u>Judith S Milosic</u> | <u>Susanne M Mitchell</u> |
| <u>Marguerite S Rigby</u> | <u>Kim E Schatzel Ph D</u> | <u>Nancy M Schlichting</u> | <u>Michelle B Schreiber MD</u> |
| <u>James G Vella</u> | <u>Susie M Wells</u> | | |

State of Michigan
 County of Wayne

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. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

James M Connelly
 President and CEO

Dianna L Ronan
 Treasurer

Edith L Eisenmann
 Secretary

Subscribed and sworn to before me this _____ day of _____,

- 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 _____

Roderick Irwin Curry, Notary
 August 14 2020

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

ASSETS

| | Current Year | | | Prior Year |
|--|--------------|-------------------------|---|-----------------------------|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 59,073,614 | | 59,073,614 | 70,256,386 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | 0 | | 0 | 0 |
| 2.2 Common stocks | 186,049,020 | 30,788,368 | 155,260,653 | 125,074,500 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances)..... | 9,310,106 | 8,649,778 | 660,328 | 681,504 |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less \$ encumbrances) | | | 0 | 0 |
| 5. Cash (\$15,802,486 , Schedule E-Part 1), cash equivalents (\$0 , Schedule E-Part 2) and short-term investments (\$155,391,431 , Schedule DA)..... | 171,193,918 | | 171,193,918 | 176,919,066 |
| 6. Contract loans (including \$ premium notes)..... | | | 0 | 0 |
| 7. Derivatives (Schedule DB)..... | | | 0 | 172,819 |
| 8. Other invested assets (Schedule BA) | 10,715,151 | | 10,715,151 | 19,607,498 |
| 9. Receivables for securities | 1,049,196 | | 1,049,196 | 1,422,631 |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 1,426,550 | 0 | 1,426,550 | 1,711,341 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 438,817,555 | 39,438,146 | 399,379,409 | 395,845,744 |
| 13. Title plants less \$ charged off (for Title insurers only)..... | | | 0 | 0 |
| 14. Investment income due and accrued | 419,988 | | 419,988 | 510,708 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 35,847,389 | | 35,847,389 | 46,547,800 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)..... | | | 0 | 0 |
| 15.3 Accrued retrospective premiums..... | | | 0 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 4,455,369 | | 4,455,369 | 0 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | 5,920,000 | | 5,920,000 | 1,070,000 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | 0 | 0 |
| 18.2 Net deferred tax asset..... | | | 0 | 0 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software..... | 82,165,023 | 77,385,238 | 4,779,785 | 4,819,245 |
| 21. Furniture and equipment, including health care delivery assets (\$) | 5,838,614 | 5,838,614 | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 6,673,824 | | 6,673,824 | 4,028,871 |
| 24. Health care (\$11,457,753) and other amounts receivable..... | 13,522,778 | 2,065,025 | 11,457,753 | 3,766,999 |
| 25. Aggregate write-ins for other-than-invested assets | 3,383,361 | 3,295,318 | 88,043 | 89,078 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 597,043,900 | 128,022,340 | 469,021,560 | 456,678,445 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 597,043,900 | 128,022,340 | 469,021,560 | 456,678,445 |
| DETAILS OF WRITE-INS | | | | |
| 1101. Deferred Compensation..... | 1,416,342 | | 1,416,342 | 1,409,561 |
| 1102. Rabbi Trust..... | 10,207 | | 10,207 | 301,780 |
| 1103. | | | 0 | 0 |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 1,426,550 | 0 | 1,426,550 | 1,711,341 |
| 2501. Prepaid Expense..... | 3,295,318 | 3,295,318 | 0 | 0 |
| 2502. Other Assets..... | 57,843 | | 57,843 | 57,843 |
| 2503. Other Receivables..... | 30,200 | | 30,200 | 31,235 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 3,383,361 | 3,295,318 | 88,043 | 89,078 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|---|--------------|----------------|-------------|-------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$239,314 reinsurance ceded) | 124,476,746 | 4,755 | 124,481,501 | 133,653,086 |
| 2. Accrued medical incentive pool and bonus amounts | | | 0 | 1,500,000 |
| 3. Unpaid claims adjustment expenses | 1,567,312 | | 1,567,312 | 1,616,359 |
| 4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act | 275,000 | | 275,000 | 610,000 |
| 5. Aggregate life policy reserves | | | 0 | 0 |
| 6. Property/casualty unearned premium reserves | | | 0 | 0 |
| 7. Aggregate health claim reserves | | | 0 | 0 |
| 8. Premiums received in advance | 14,539,605 | | 14,539,605 | 6,730,165 |
| 9. General expenses due or accrued | 48,572,557 | | 48,572,557 | 31,602,010 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)) | | | 0 | 0 |
| 10.2 Net deferred tax liability | | | 0 | 0 |
| 11. Ceded reinsurance premiums payable | | | 0 | 0 |
| 12. Amounts withheld or retained for the account of others | | | 0 | 0 |
| 13. Remittances and items not allocated | | | 0 | 0 |
| 14. Borrowed money (including \$5,000,000 current) and interest thereon \$ (including \$ current) | 34,166,672 | | 34,166,672 | 39,583,337 |
| 15. Amounts due to parent, subsidiaries and affiliates | 3,620,720 | | 3,620,720 | 1,653,509 |
| 16. Derivatives | | | 0 | 5,372 |
| 17. Payable for securities | 176,686 | | 176,686 | 2,856,387 |
| 18. Payable for securities lending | | | 0 | 0 |
| 19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and \$ certified reinsurers) | | | 0 | 0 |
| 20. Reinsurance in unauthorized and certified (\$) companies | | | 0 | 0 |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 22. Liability for amounts held under uninsured plans | | | 0 | 0 |
| 23. Aggregate write-ins for other liabilities (including \$ current) | 33,359,563 | 0 | 33,359,563 | 26,644,310 |
| 24. Total liabilities (Lines 1 to 23) | 260,754,861 | 4,755 | 260,759,616 | 246,454,536 |
| 25. Aggregate write-ins for special surplus funds | XXX | XXX | 17,352,928 | 14,674,172 |
| 26. Common capital stock | XXX | XXX | | 0 |
| 27. Preferred capital stock | XXX | XXX | | 0 |
| 28. Gross paid in and contributed surplus | XXX | XXX | | 0 |
| 29. Surplus notes | XXX | XXX | | 0 |
| 30. Aggregate write-ins for other-than-special surplus funds | XXX | XXX | 0 | 0 |
| 31. Unassigned funds (surplus) | XXX | XXX | 190,909,016 | 195,549,737 |
| 32. Less treasury stock, at cost: | | | | |
| 32.1 shares common (value included in Line 26 \$) | XXX | XXX | | 0 |
| 32.2 shares preferred (value included in Line 27 \$) | XXX | XXX | | 0 |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32) | XXX | XXX | 208,261,944 | 210,223,909 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) | XXX | XXX | 469,021,560 | 456,678,445 |
| DETAILS OF WRITE-INS | | | | |
| 2301. Pension Liability - Long Term | 29,241,397 | | 29,241,397 | 22,675,127 |
| 2302. Retiree Health Benefits | 1,840,072 | | 1,840,072 | 1,415,013 |
| 2303. Deferred Compensation | 1,416,342 | | 1,416,342 | 1,411,103 |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 861,752 | 0 | 861,752 | 1,143,067 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | 33,359,563 | 0 | 33,359,563 | 26,644,310 |
| 2501. Surplus Appropriated for ACA Section 9010 Fee Due in 2015 | XXX | XXX | 17,352,928 | 14,674,172 |
| 2502. | XXX | XXX | | 0 |
| 2503. | XXX | XXX | | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | XXX | XXX | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | XXX | XXX | 17,352,928 | 14,674,172 |
| 3001. | XXX | XXX | | 0 |
| 3002. | XXX | XXX | | 0 |
| 3003. | XXX | XXX | | 0 |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | XXX | XXX | 0 | 0 |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) | XXX | XXX | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|---|----------------|---------------|---------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member Months..... | XXX | 3,529,098 | 3,999,656 |
| 2. Net premium income (including \$0 non-health premium income)..... | XXX | 1,750,916,368 | 1,869,010,697 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | | 0 |
| 4. Fee-for-service (net of \$ medical expenses) | XXX | | 0 |
| 5. Risk revenue | XXX | | 0 |
| 6. Aggregate write-ins for other health care related revenues | XXX | 0 | 0 |
| 7. Aggregate write-ins for other non-health revenues | XXX | (1,426,870) | 171 |
| 8. Total revenues (Lines 2 to 7) | XXX | 1,749,489,497 | 1,869,010,868 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits | | 1,098,717,051 | 1,200,591,715 |
| 10. Other professional services | | | 0 |
| 11. Outside referrals | | 60,241,907 | 64,925,363 |
| 12. Emergency room and out-of-area | | 149,262,044 | 160,866,294 |
| 13. Prescription drugs | | 237,286,607 | 240,598,850 |
| 14. Aggregate write-ins for other hospital and medical | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | 411,000 | (877,478) |
| 16. Subtotal (Lines 9 to 15) | 0 | 1,545,918,609 | 1,666,104,744 |
| Less: | | | |
| 17. Net reinsurance recoveries | | 4,694,683 | 0 |
| 18. Total hospital and medical (Lines 16 minus 17) | 0 | 1,541,223,926 | 1,666,104,744 |
| 19. Non-health claims (net)..... | | | 0 |
| 20. Claims adjustment expenses, including \$12,800,320 cost containment expenses..... | | 22,907,336 | 24,579,941 |
| 21. General administrative expenses..... | | 194,494,378 | 163,699,978 |
| 22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)..... | | 0 | 0 |
| 23. Total underwriting deductions (Lines 18 through 22) | 0 | 1,758,625,640 | 1,854,384,663 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | (9,136,142) | 14,626,205 |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | | 1,421,133 | 2,124,466 |
| 26. Net realized capital gains (losses) less capital gains tax of \$ | | 2,459,624 | 1,021,181 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | 0 | 3,880,757 | 3,145,647 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)] | | 0 | 0 |
| 29. Aggregate write-ins for other income or expenses | 0 | 257,947 | 108,132 |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)..... | XXX | (4,997,438) | 17,879,984 |
| 31. Federal and foreign income taxes incurred | XXX | | 0 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | (4,997,438) | 17,879,984 |
| DETAILS OF WRITE-INS | | | |
| 0601. | XXX | | 0 |
| 0602. | XXX | | 0 |
| 0603. | XXX | | 0 |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | 0 | 0 |
| 0701. Gain/(Loss) on Sale of Fixed Assets..... | XXX | (1,426,870) | 171 |
| 0702. | XXX | | |
| 0703. | XXX | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) | XXX | (1,426,870) | 171 |
| 1401. | | | 0 |
| 1402. | | | 0 |
| 1403. | | | 0 |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 0 | 0 | 0 |
| 2901. Delta Dental Commission revenues..... | | 257,947 | 108,132 |
| 2902. | | | 0 |
| 2903. | | | 0 |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 257,947 | 108,132 |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| CAPITAL & SURPLUS ACCOUNT | | |
| 33. Capital and surplus prior reporting year | 210,223,909 | 231,454,521 |
| 34. Net income or (loss) from Line 32 | (4,997,438) | 17,879,984 |
| 35. Change in valuation basis of aggregate policy and claim reserves | | 0 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ | 9,955,832 | 5,043,446 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | 0 |
| 38. Change in net deferred income tax | | 0 |
| 39. Change in nonadmitted assets | 5,993,933 | (32,286,619) |
| 40. Change in unauthorized and certified reinsurance | 0 | 0 |
| 41. Change in treasury stock | 0 | 0 |
| 42. Change in surplus notes | 0 | 0 |
| 43. Cumulative effect of changes in accounting principles | | 0 |
| 44. Capital Changes: | | |
| 44.1 Paid in | 0 | 0 |
| 44.2 Transferred from surplus (Stock Dividend) | | 0 |
| 44.3 Transferred to surplus | | 0 |
| 45. Surplus adjustments: | | |
| 45.1 Paid in | 0 | 0 |
| 45.2 Transferred to capital (Stock Dividend) | 0 | 0 |
| 45.3 Transferred from capital | | 0 |
| 46. Dividends to stockholders | | (21,800,000) |
| 47. Aggregate write-ins for gains or (losses) in surplus | (12,914,293) | 9,932,578 |
| 48. Net change in capital and surplus (Lines 34 to 47) | (1,961,966) | (21,230,612) |
| 49. Capital and surplus end of reporting year (Line 33 plus 48) | 208,261,944 | 210,223,909 |
| DETAILS OF WRITE-INS | | |
| 4701. Impact of Transition to Pension Statutory Accounting Principle..... | | 9,932,578 |
| 4702. Additional Pension Liability..... | (12,558,889) | 0 |
| 4703. Additional Retiree Health Benefits..... | (342,316) | 0 |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | (13,088) | 0 |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | (12,914,293) | 9,932,578 |

CASH FLOW

| | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance | 1,769,426,219 | 1,850,642,063 |
| 2. Net investment income | 3,251,377 | 4,186,442 |
| 3. Miscellaneous income | 258,982 | 1,174,197 |
| 4. Total (Lines 1 through 3) | 1,772,936,578 | 1,856,002,702 |
| 5. Benefit and loss related payments | 1,559,929,749 | 1,667,912,356 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 194,547,991 | 169,741,491 |
| 8. Dividends paid to policyholders | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses) | 0 | 0 |
| 10. Total (Lines 5 through 9) | 1,754,477,741 | 1,837,653,848 |
| 11. Net cash from operations (Line 4 minus Line 10) | 18,458,837 | 18,348,854 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 442,160,366 | 64,570,567 |
| 12.2 Stocks | 42,291,411 | 21,837,623 |
| 12.3 Mortgage loans | 0 | 0 |
| 12.4 Real estate | 0 | 0 |
| 12.5 Other invested assets | 18,999,022 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 0 |
| 12.7 Miscellaneous proceeds | 0 | 2,268,660 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 503,450,799 | 88,676,851 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 431,275,450 | 69,356,543 |
| 13.2 Stocks | 59,701,715 | 2,155,174 |
| 13.3 Mortgage loans | 0 | 0 |
| 13.4 Real estate | 0 | 0 |
| 13.5 Other invested assets | 11,000,000 | 30,798 |
| 13.6 Miscellaneous applications | 2,446,484 | 0 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 504,423,649 | 71,542,516 |
| 14. Net increase (decrease) in contract loans and premium notes | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | (972,850) | 17,134,335 |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock | 0 | 0 |
| 16.3 Borrowed funds | (5,416,665) | (4,583,332) |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | 0 | 0 |
| 16.5 Dividends to stockholders | 0 | 21,800,000 |
| 16.6 Other cash provided (applied) | (17,794,469) | (41,208,451) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (23,211,135) | (67,591,783) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (5,725,148) | (32,108,594) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 176,919,066 | 209,027,660 |
| 19.2 End of year (Line 18 plus Line 19.1) | 171,193,918 | 176,919,066 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|---------------|---|------------------------|----------------|----------------|--|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Net premium income | 1,750,916,368 | 1,135,645,390 | 0 | 0 | 0 | 123,436,710 | 491,834,268 | 0 | 0 | 0 |
| 2. Change in unearned premium reserves and reserve for rate credit | 0 | | | | | | | | | |
| 3. Fee-for-service (net of \$ medical expenses) | 0 | | | | | | | | | XXX |
| 4. Risk revenue | 0 | | | | | | | | | XXX |
| 5. Aggregate write-ins for other health care related revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 6. Aggregate write-ins for other non-health care related revenues | (1,426,870) | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | (1,426,870) |
| 7. Total revenues (Lines 1 to 6) | 1,749,489,497 | 1,135,645,390 | 0 | 0 | 0 | 123,436,710 | 491,834,268 | 0 | 0 | (1,426,870) |
| 8. Hospital/medical benefits | 1,098,717,051 | 662,110,472 | | | | 80,044,795 | 356,561,784 | | | XXX |
| 9. Other professional services | 0 | | | | | | | | | XXX |
| 10. Outside referrals | 60,241,907 | 36,312,018 | | | | 4,387,160 | 19,542,729 | | | XXX |
| 11. Emergency room and out-of-area | 149,262,044 | 89,970,690 | | | | 10,870,116 | 48,421,238 | | | XXX |
| 12. Prescription drugs | 237,286,607 | 168,523,157 | | | | 21,992,786 | 46,770,664 | | | XXX |
| 13. Aggregate write-ins for other hospital and medical | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 14. Incentive pool, withhold adjustments and bonus amounts | 411,000 | 411,000 | | | | | | | | XXX |
| 15. Subtotal (Lines 8 to 14) | 1,545,918,609 | 957,327,337 | 0 | 0 | 0 | 117,294,857 | 471,296,415 | 0 | 0 | XXX |
| 16. Net reinsurance recoveries | 4,694,683 | 4,694,683 | | | | | | | | XXX |
| 17. Total hospital and medical (Lines 15 minus 16) | 1,541,223,926 | 952,632,654 | 0 | 0 | 0 | 117,294,857 | 471,296,415 | 0 | 0 | XXX |
| 18. Non-health claims (net) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 19. Claims adjustment expenses including \$ 12,800,320 cost containment expenses | 22,907,336 | 14,692,165 | | | | 1,210,254 | 7,004,917 | | | |
| 20. General administrative expenses | 194,494,378 | 150,744,598 | | | | 9,783,825 | 33,965,956 | | | |
| 21. Increase in reserves for accident and health contracts | 0 | | | | | | | | | XXX |
| 22. Increase in reserves for life contracts | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 23. Total underwriting deductions (Lines 17 to 22) | 1,758,625,640 | 1,118,069,417 | 0 | 0 | 0 | 128,288,936 | 512,267,288 | 0 | 0 | 0 |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | (9,136,143) | 17,575,973 | 0 | 0 | 0 | (4,852,226) | (20,433,020) | 0 | 0 | (1,426,870) |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 0501. | | | | | | | | | | XXX |
| 0502. | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | XXX |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0601. Gain/(Loss) on Sale of Fixed Assets | (1,426,870) | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | (1,426,870) |
| 0602. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0603. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | (1,426,870) | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | (1,426,870) |
| 1301. | | | | | | | | | | XXX |
| 1302. | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | XXX |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

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 (hospital and medical) | 1,136,304,211 | | 658,821 | 1,135,645,390 |
| 2. Medicare Supplement | | | | .0 |
| 3. Dental only..... | | | | .0 |
| 4. Vision only..... | | | | .0 |
| 5. Federal Employees Health Benefits Plan | 123,468,272 | | 31,562 | 123,436,710 |
| 6. Title XVIII - Medicare | 491,834,268 | | | 491,834,268 |
| 7. Title XIX - Medicaid..... | | | | .0 |
| 8. Other health..... | | | | .0 |
| 9. Health subtotal (Lines 1 through 8) | 1,751,606,751 | 0 | 690,383 | 1,750,916,368 |
| 10. Life | | | | .0 |
| 11. Property/casualty..... | | | | .0 |
| 12. Totals (Lines 9 to 11) | 1,751,606,751 | 0 | 690,383 | 1,750,916,368 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|---------------|--|------------------------|----------------|----------------|---|-------------------------|-----------------------|--------------|----------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non- Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 1,562,865,981 | 992,068,047 | | | | 117,819,569 | 452,978,365 | | | |
| 1.2 Reinsurance assumed | 0 | | | | | | | | | |
| 1.3 Reinsurance ceded | 0 | | | | | | | | | |
| 1.4 Net | 1,562,865,981 | 992,068,047 | 0 | 0 | 0 | 117,819,569 | 452,978,365 | 0 | 0 | 0 |
| 2. Paid medical incentive pools and bonuses | 1,911,000 | 1,911,000 | | | | | | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 124,720,815 | 80,948,263 | 0 | 0 | 0 | 4,908,063 | 38,864,489 | 0 | 0 | 0 |
| 3.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.3 Reinsurance ceded | 239,314 | 239,314 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.4 Net | 124,481,501 | 80,708,949 | 0 | 0 | 0 | 4,908,063 | 38,864,489 | 0 | 0 | 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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Accrued medical incentive pools and bonuses, current year | 0 | | | | | | | | | |
| 6. Net healthcare receivables (a)..... | 8,426,102 | 8,426,102 | | | | | | | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 4,455,369 | 4,455,369 | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 133,653,086 | 107,673,873 | 0 | 0 | 0 | 5,432,774 | 20,546,439 | 0 | 0 | 0 |
| 8.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.4 Net | 133,653,086 | 107,673,873 | 0 | 0 | 0 | 5,432,774 | 20,546,439 | 0 | 0 | 0 |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Accrued medical incentive pools and bonuses, prior year | 1,500,000 | 1,500,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. Amounts recoverable from reinsurers December 31, prior year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. Incurred benefits: | | | | | | | | | | |
| 12.1 Direct | 1,545,507,608 | 956,916,335 | 0 | 0 | 0 | 117,294,858 | 471,296,415 | 0 | 0 | 0 |
| 12.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.3 Reinsurance ceded | 4,694,683 | 4,694,683 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.4 Net | 1,540,812,925 | 952,221,652 | 0 | 0 | 0 | 117,294,858 | 471,296,415 | 0 | 0 | 0 |
| 13. Incurred medical incentive pools and bonuses | 411,000 | 411,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|-------------|--|------------------------|----------------|----------------|---|-------------------------|-----------------------|-----------------|---------------------|
| | Total | Comprehensive (Hospital and Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1. Direct | 18,504,104 | 11,326,629 | | | | 716,599 | 6,460,876 | | | |
| 1.2. Reinsurance assumed | 0 | | | | | | | | | |
| 1.3. Reinsurance ceded | 0 | | | | | | | | | |
| 1.4. Net | 18,504,104 | 11,326,629 | 0 | 0 | 0 | 716,599 | 6,460,876 | 0 | 0 | 0 |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1. Direct | 93,044,045 | 57,046,430 | | | | 3,594,002 | 32,403,613 | | | |
| 2.2. Reinsurance assumed | 0 | | | | | | | | | |
| 2.3. Reinsurance ceded | 239,314 | 239,314 | | | | | | | | |
| 2.4. Net | 92,804,731 | 56,807,116 | 0 | 0 | 0 | 3,594,002 | 32,403,613 | 0 | 0 | 0 |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1. Direct | 13,172,666 | 12,575,204 | | | | 597,462 | | | | |
| 3.2. Reinsurance assumed | 0 | | | | | | | | | |
| 3.3. Reinsurance ceded | 0 | | | | | | | | | |
| 3.4. Net | 13,172,666 | 12,575,204 | 0 | 0 | 0 | 597,462 | 0 | 0 | 0 | 0 |
| 4. TOTALS: | | | | | | | | | | |
| 4.1. Direct | 124,720,815 | 80,948,263 | 0 | 0 | 0 | 4,908,063 | 38,864,489 | 0 | 0 | 0 |
| 4.2. Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3. Reinsurance ceded | 239,314 | 239,314 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4. Net | 124,481,501 | 80,708,949 | 0 | 0 | 0 | 4,908,063 | 38,864,489 | 0 | 0 | 0 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

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 Claims Incurred in Prior Years (Columns 1 + 3) | 6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
|---|--|---|---|---|---|--|
| | 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 | | |
| 1. Comprehensive (hospital and medical) | 85,028,123 | 911,010,657 | 1,610,725 | 79,098,224 | 86,638,848 | 107,673,873 |
| 2. Medicare Supplement | | | | | 0 | 0 |
| 3. Dental Only..... | | | | | 0 | 0 |
| 4. Vision Only..... | | | | | 0 | 0 |
| 5. Federal Employees Health Benefits Plan | 9,554,013 | 108,265,556 | 78,089 | 4,829,974 | 9,632,102 | 5,432,774 |
| 6. Title XVIII - Medicare | 31,127,935 | 421,850,430 | 291,764 | 38,572,725 | 31,419,699 | 20,546,439 |
| 7. Title XIX - Medicaid..... | | | | | 0 | 0 |
| 8. Other health | | | | | 0 | 0 |
| 9. Health subtotal (Lines 1 to 8)..... | 125,710,071 | 1,441,126,643 | 1,980,578 | 122,500,923 | 127,690,649 | 133,653,086 |
| 10. Healthcare receivables (a)..... | | 8,426,102 | | 12,193,101 | 0 | 3,766,999 |
| 11. Other non-health..... | | | | | 0 | 0 |
| 12. Medical incentive pools and bonus amounts | 1,500,000 | 411,000 | | | 1,500,000 | 1,500,000 |
| 13. Totals (Lines 9-10+11+12) | 127,210,071 | 1,433,111,541 | 1,980,578 | 110,307,822 | 129,190,649 | 131,386,087 |

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

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

Section A – Paid Health Claims - Hospital and Medical

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 62,483 | 63,394 | 63,394 | 63,394 | 63,394 |
| 2. 2010 | 1,023,246 | 1,080,323 | 1,079,600 | 1,079,600 | 1,079,600 |
| 3. 2011 | XXX | 1,024,574 | 1,099,773 | 1,099,505 | 1,099,505 |
| 4. 2012 | XXX | XXX | 1,069,918 | 1,147,449 | 1,147,125 |
| 5. 2013 | XXX | XXX | XXX | 1,039,109 | 1,125,961 |
| 6. 2014 | XXX | XXX | XXX | XXX | 909,257 |

Section B – Incurred Health Claims - Hospital and Medical

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 71,603 | 67,852 | 63,394 | 63,394 | 63,394 |
| 2. 2010 | 1,113,892 | 1,089,482 | 1,083,593 | 1,079,600 | 1,079,600 |
| 3. 2011 | XXX | 1,116,333 | 1,107,023 | 1,104,647 | 1,099,505 |
| 4. 2012 | XXX | XXX | 1,175,783 | 1,149,943 | 1,147,760 |
| 5. 2013 | XXX | XXX | XXX | 1,140,647 | 1,126,937 |
| 6. 2014 | XXX | XXX | XXX | XXX | 988,355 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2010..... | 1,177,994 | 1,079,600 | 16,126 | 1.5 | 1,095,726 | 93.0 | | | 1,095,726 | 93.0 |
| 2. 2011..... | 1,207,138 | 1,099,505 | 16,283 | 1.5 | 1,115,788 | 92.4 | | | 1,115,788 | 92.4 |
| 3. 2012..... | 1,282,653 | 1,147,125 | 17,968 | 1.6 | 1,165,093 | 90.8 | 635 | .0 | 1,165,728 | 90.9 |
| 4. 2013..... | 1,273,986 | 1,125,961 | 16,693 | 1.5 | 1,142,654 | 89.7 | 976 | .89 | 1,143,718 | 89.8 |
| 5. 2014..... | 1,135,645 | 909,257 | 12,712 | 1.4 | 921,969 | 81.2 | 79,098 | 928 | 1,001,995 | 88.2 |

12-HM

Pt 2C - Sn A - Paid Claims - MS

NONE

Pt 2C - Sn A - Paid Claims - DO

NONE

Pt 2C - Sn A - Paid Claims - VO

NONE

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

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

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 4,526 | 4,592 | 4,592 | 4,592 | 4,592 |
| 2. 2010 | 91,173 | 95,286 | 95,228 | 95,228 | 95,228 |
| 3. 2011 | XXX | 88,685 | 94,243 | 94,220 | 94,220 |
| 4. 2012 | XXX | XXX | 94,310 | 100,784 | 100,748 |
| 5. 2013 | XXX | XXX | XXX | 102,744 | 112,335 |
| 6. 2014 | XXX | XXX | XXX | XXX | 108,266 |

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 4,968 | 4,900 | 4,592 | 4,592 | 4,592 |
| 2. 2010 | 95,689 | 95,582 | 95,535 | 95,228 | 95,228 |
| 3. 2011 | XXX | 93,201 | 94,476 | 94,641 | 94,220 |
| 4. 2012 | XXX | XXX | 99,799 | 100,707 | 100,818 |
| 5. 2013 | XXX | XXX | XXX | 107,833 | 112,342 |
| 6. 2014 | XXX | XXX | XXX | XXX | 113,096 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2010..... | 105,607 | 95,228 | 1,270 | 1.3 | 96,498 | 91.4 | | | 96,498 | 91.4 |
| 2. 2011..... | 101,999 | 94,220 | 990 | 1.1 | 95,209 | 93.3 | | | 95,209 | 93.3 |
| 3. 2012..... | 113,652 | 100,748 | 1,141 | 1.1 | 101,889 | 89.6 | 70 | 0 | 101,959 | 89.7 |
| 4. 2013..... | 114,315 | 112,335 | 1,191 | 1.1 | 113,525 | 99.3 | 8 | 5 | 113,538 | 99.3 |
| 5. 2014..... | 123,437 | 108,266 | 1,050 | 1.0 | 109,316 | 88.6 | 4,830 | 57 | 114,202 | 92.5 |

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ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

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

Section A - Paid Health Claims - Medicare

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 6,814 | 6,892 | 6,892 | 6,892 | 6,892 |
| 2. 2010 | 399,798 | 410,346 | 410,201 | 410,201 | 410,201 |
| 3. 2011 | XXX | 433,645 | 447,457 | 447,404 | 447,404 |
| 4. 2012 | XXX | XXX | 441,785 | 456,658 | 456,540 |
| 5. 2013 | XXX | XXX | XXX | 427,525 | 458,772 |
| 6. 2014 | XXX | XXX | XXX | XXX | 415,589 |

Section B - Incurred Health Claims - Medicare

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 7,423 | 7,654 | 6,892 | 6,892 | 6,892 |
| 2. 2010 | 415,259 | 410,668 | 410,950 | 410,201 | 410,201 |
| 3. 2011 | XXX | 451,830 | 447,719 | 448,362 | 447,404 |
| 4. 2012 | XXX | XXX | 460,374 | 456,288 | 456,769 |
| 5. 2013 | XXX | XXX | XXX | 447,485 | 458,834 |
| 6. 2014 | XXX | XXX | XXX | XXX | 454,162 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2010..... | 449,642 | 410,201 | 5,293 | 1.3 | 415,495 | 92.4 | | | 415,495 | 92.4 |
| 2. 2011..... | 482,197 | 447,404 | 6,488 | 1.5 | 453,893 | 94.1 | | | 453,893 | 94.1 |
| 3. 2012..... | 498,843 | 456,540 | 6,959 | 1.5 | 463,499 | 92.9 | 229 | .0 | 463,728 | 93.0 |
| 4. 2013..... | 480,710 | 458,772 | 6,695 | 1.5 | 465,466 | 96.8 | 62 | 34 | 465,563 | 96.8 |
| 5. 2014 | 491,834 | 415,589 | 6,109 | 1.5 | 421,698 | 85.7 | 38,573 | 455 | 460,726 | 93.7 |

Pt 2C - Sn A - Paid Claims - XI

NONE

Pt 2C - Sn A - Paid Claims - OT

NONE

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

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

Section A - Paid Health Claims - Grand Total

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 73,823 | 74,878 | 74,878 | 74,878 | 74,878 |
| 2. 2010 | 1,514,217 | 1,585,955 | 1,585,029 | 1,585,029 | 1,585,029 |
| 3. 2011 | XXX | 1,546,904 | 1,641,473 | 1,641,129 | 1,641,129 |
| 4. 2012 | XXX | XXX | 1,606,013 | 1,704,891 | 1,704,412 |
| 5. 2013 | XXX | XXX | XXX | 1,569,378 | 1,697,067 |
| 6. 2014 | XXX | XXX | XXX | XXX | 1,433,112 |

Section B - Incurred Health Claims - Grand Total

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2010 | 2 2011 | 3 2012 | 4 2013 | 5 2014 |
| 1. Prior | 83,994 | 80,406 | 74,878 | 74,878 | 74,878 |
| 2. 2010 | 1,624,840 | 1,595,732 | 1,590,078 | 1,585,029 | 1,585,029 |
| 3. 2011 | XXX | 1,661,365 | 1,649,218 | 1,647,650 | 1,641,129 |
| 4. 2012 | XXX | XXX | 1,735,956 | 1,706,938 | 1,705,347 |
| 5. 2013 | XXX | XXX | XXX | 1,695,964 | 1,698,113 |
| 6. 2014 | XXX | XXX | XXX | XXX | 1,555,612 |

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2010 | 1,733,243 | 1,585,029 | 22,690 | 1.4 | 1,607,719 | 92.8 | .0 | .0 | 1,607,719 | 92.8 |
| 2. 2011 | 1,791,334 | 1,641,129 | 23,761 | 1.4 | 1,664,890 | 92.9 | .0 | .0 | 1,664,890 | 92.9 |
| 3. 2012 | 1,895,148 | 1,704,412 | 26,068 | 1.5 | 1,730,481 | 91.3 | 935 | .0 | 1,731,415 | 91.4 |
| 4. 2013 | 1,869,011 | 1,697,067 | 24,578 | 1.4 | 1,721,645 | 92.1 | 1,046 | 128 | 1,722,819 | 92.2 |
| 5. 2014 | 1,750,916 | 1,433,112 | 19,871 | 1.4 | 1,452,983 | 83.0 | 122,501 | 1,440 | 1,576,924 | 90.1 |

12-GT

Pt 2C - Sn B - Incurred Claims - MS

NONE

Pt 2C - Sn B - Incurred Claims - DO

NONE

Pt 2C - Sn B - Incurred Claims - VO

NONE

Pt 2C - Sn B - Incurred Claims - XI

NONE

Pt 2C - Sn B - Incurred Claims - OT

NONE

Part 2C - Sn C - Claims Expense Ratio MS

NONE

Part 2C - Sn C - Claims Expense Ratio DO

NONE

Part 2C - Sn C - Claims Expense Ratio VO

NONE

Part 2C - Sn C - Claims Expense Ratio XI

NONE

Part 2C - Sn C - Claims Expense Ratio OT

NONE

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---------|--|------------------------|-------------|-------------|--|-------------------------|-----------------------|-------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| 1. Unearned premium reserves..... | .0 | | | | | | | | |
| 2. Additional policy reserves (a)..... | .0 | | | | | | | | |
| 3. Reserve for future contingent benefits..... | .0 | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$ for investment income)..... | 275,000 | | | | | | 275,000 | | |
| 5. Aggregate write-ins for other policy reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 6. Totals (gross) | 275,000 | .0 | .0 | .0 | .0 | .0 | 275,000 | .0 | .0 |
| 7. Reinsurance ceded | .0 | | | | | | | | |
| 8. Totals (Net) (Page 3, Line 4) | 275,000 | 0 | 0 | 0 | 0 | 0 | 275,000 | 0 | 0 |
| 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 7) | 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 through 0503 plus 0598) (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 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

| | Claim Adjustment Expenses | | 3 General Administrative Expenses | 4 Investment Expenses | 5 Total |
|---|--------------------------------------|--|--|-----------------------------|-------------|
| | 1 Cost Containment Expenses | 2 Other Claim Adjustment Expenses | | | |
| 1. Rent (\$for occupancy of own building) | 103,087 | 79,068 | 2,562,013 | | 2,744,168 |
| 2. Salaries, wages and other benefits | 8,744,482 | 3,496,141 | 57,774,653 | | 70,015,276 |
| 3. Commissions (less \$ceded plus \$assumed) | | | 12,934,270 | | 12,934,270 |
| 4. Legal fees and expenses | | | 749,171 | | 749,171 |
| 5. Certifications and accreditation fees | | | | | 0 |
| 6. Auditing, actuarial and other consulting services | 118,365 | 68,522 | 3,447,327 | | 3,634,214 |
| 7. Traveling expenses | 25,055 | 21,435 | 448,563 | | 495,053 |
| 8. Marketing and advertising | 417,250 | 24,402 | 12,556,110 | | 12,997,762 |
| 9. Postage, express and telephone | 65,671 | 275,720 | 4,395,994 | | 4,737,385 |
| 10. Printing and office supplies | 3,368 | | 135,489 | | 138,857 |
| 11. Occupancy, depreciation and amortization | 24,345 | 77,585 | 284,676 | | 386,606 |
| 12. Equipment | | | 392,547 | | 392,547 |
| 13. Cost or depreciation of EDP equipment and software | 401,717 | 1,092,294 | 16,091,103 | | 17,585,114 |
| 14. Outsourced services including EDP, claims, and other services | 2,308,571 | 4,733,960 | 30,307,482 | | 37,350,012 |
| 15. Boards, bureaus and association fees | | | 390,839 | | 390,839 |
| 16. Insurance, except on real estate | 85 | | 241,545 | | 241,630 |
| 17. Collection and bank service charges | | | 588,582 | | 588,582 |
| 18. Group service and administration fees | | | | | 0 |
| 19. Reimbursements by uninsured plans | | | | | 0 |
| 20. Reimbursements from fiscal intermediaries | | | | | 0 |
| 21. Real estate expenses | | | 120,667 | | 120,667 |
| 22. Real estate taxes | | | 28,724 | | 28,724 |
| 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 | 272 | | 500,298 | | 500,570 |
| 23.4 Payroll taxes | 585,001 | 234,695 | 3,558,933 | | 4,378,628 |
| 23.5 Other (excluding federal income and real estate taxes) | | | 39,092,692 | | 39,092,692 |
| 24. Investment expenses not included elsewhere | | | | | 0 |
| 25. Aggregate write-ins for expenses | 3,051 | 3,194 | 7,892,702 | 0 | 7,898,947 |
| 26. Total expenses incurred (Lines 1 to 25) | 12,800,320 | 10,107,015 | 194,494,378 | 0 (a) | 217,401,714 |
| 27. Less expenses unpaid December 31, current year | | 1,567,312 | 48,572,557 | | 50,139,869 |
| 28. Add expenses unpaid December 31, prior year | 0 | 1,616,359 | 31,602,010 | 0 | 33,218,368 |
| 29. Amounts receivable relating to uninsured plans, prior year | 0 | 0 | 1,070,000 | 0 | 1,070,000 |
| 30. Amounts receivable relating to uninsured plans, current year | | | | | 0 |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 12,800,320 | 10,156,062 | 176,453,831 | 0 | 199,410,214 |
| DETAILS OF WRITE-INS | | | | | |
| 2501. Miscellaneous | 3,051 | 3,194 | 7,892,702 | | 7,898,947 |
| 2502. | | | | | 0 |
| 2503. | | | | | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 | 0 |
| 2599. Totals (Line 2501 through 2503 plus 2598) (Line 25 above) | 3,051 | 3,194 | 7,892,702 | 0 | 7,898,947 |

(a) Includes management fees of \$6,089,000 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds | (a).....270,208 |228,783 |
| 1.1 Bonds exempt from U.S. tax | (a).....3,965 |5,691 |
| 1.2 Other bonds (unaffiliated) | (a).....1,124,050 |1,070,253 |
| 1.3 Bonds of affiliates | (a).....0 |0 |
| 2.1 Preferred stocks (unaffiliated) | (b).....0 |0 |
| 2.11 Preferred stocks of affiliates | (b).....0 |0 |
| 2.2 Common stocks (unaffiliated) |1,287,647 |1,304,844 |
| 2.21 Common stocks of affiliates |0 |0 |
| 3. Mortgage loans | (c)..... | |
| 4. Real estate | (d)..... | |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e).....30,175 |30,535 |
| 7. Derivative instruments | (f)..... | |
| 8. Other invested assets |316 |316 |
| 9. Aggregate write-ins for investment income |32,930 |8,397 |
| 10. Total gross investment income | 2,749,291 | 2,648,819 |
| 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).....1,227,685 |
| 15. Aggregate write-ins for deductions from investment income | |0 |
| 16. Total deductions (Lines 11 through 15) | |1,227,685 |
| 17. Net investment income (Line 10 minus Line 16) | | 1,421,133 |
| DETAILS OF WRITE-INS | | |
| 0901. Deferred Compensation |336 |336 |
| 0902. Rabbi Trust |32,594 |8,061 |
| 0903. | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page |0 |0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | 32,930 | 8,397 |
| 1501. | | |
| 1502. | | |
| 1503. | | |
| 1598. Summary of remaining write-ins for Line 15 from overflow page | |0 |
| 1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above) | | 0 |

- (a) Includes \$ 73,789 accrual of discount less \$ 579,253 amortization of premium and less \$ 473,521 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ 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 \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 136 accrual of discount less \$ 6,512 amortization of premium and less \$ 2,964 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 Realized Gain (Loss) On Sales or Maturity | 2 Other Realized Adjustments | 3 Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4 Change in Unrealized Capital Gain (Loss) | 5 Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|--|---|---------------------------------------|---|---|---|
| 1. U.S. Government bonds | (16,301) | | (16,301) | | |
| 1.1 Bonds exempt from U.S. tax | (797) | | (797) | | |
| 1.2 Other bonds (unaffiliated) | 219,079 | | 219,079 | 5,629 | |
| 1.3 Bonds of affiliates | .0 | .0 | .0 | .0 | .0 |
| 2.1 Preferred stocks (unaffiliated) | .0 | .0 | .0 | .0 | .0 |
| 2.11 Preferred stocks of affiliates | .0 | .0 | .0 | .0 | .0 |
| 2.2 Common stocks (unaffiliated) | 947,524 | .0 | 947,524 | (610,989) | .0 |
| 2.21 Common stocks of affiliates | .0 | .0 | .0 | 11,662,472 | .0 |
| 3. Mortgage loans | .0 | .0 | .0 | .0 | .0 |
| 4. Real estate | .0 | .0 | .0 | .0 | .0 |
| 5. Contract loans | .0 | .0 | .0 | .0 | .0 |
| 6. Cash, cash equivalents and short-term investments | .115 | | .115 | .0 | .0 |
| 7. Derivative instruments | (130,374) | | (130,374) | (42,732) | |
| 8. Other invested assets | 981,433 | .0 | 981,433 | (893,325) | .0 |
| 9. Aggregate write-ins for capital gains (losses) | .0 | 458,944 | 458,944 | (165,223) | .0 |
| 10. Total capital gains (losses) | 2,000,680 | 458,944 | 2,459,624 | 9,955,832 | 0 |
| DETAILS OF WRITE-INS | | | | | |
| 0901. Rabbi Trust and Deferred Compensation | | 163,607 | 163,607 | (165,223) | |
| 0902. The Reserve Primary Fund | | 245,165 | 245,165 | | |
| 0903. JP Morgan Core Bond Trust | | 50,172 | 50,172 | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | .0 | .0 | .0 | .0 | .0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | 0 | 458,944 | 458,944 | (165,223) | 0 |

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|--|--|--|--|
| | Current Year Total Nonadmitted Assets | Prior Year Total Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D)..... | 0 | 0 | 0 |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | 0 | 0 | 0 |
| 2.2 Common stocks | 30,788,368 | 40,171,324 | 9,382,956 |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | 0 | 0 | 0 |
| 3.2 Other than first liens | 0 | 0 | 0 |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | 8,649,778 | 6,445,216 | (2,204,562) |
| 4.2 Properties held for the production of income..... | 0 | 0 | 0 |
| 4.3 Properties held for sale | 0 | 0 | 0 |
| 5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)..... | 0 | 0 | 0 |
| 6. Contract loans | 0 | 0 | 0 |
| 7. Derivatives (Schedule DB)..... | 0 | 0 | 0 |
| 8. Other invested assets (Schedule BA) | 0 | 0 | 0 |
| 9. Receivables for securities | 0 | 0 | 0 |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | 0 | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 39,438,146 | 46,616,540 | 7,178,394 |
| 13. Title plants (for Title insurers only)..... | 0 | 0 | 0 |
| 14. Investment income due and accrued | 0 | 0 | 0 |
| 15. Premiums and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection..... | 0 | 0 | 0 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | 0 | 0 | 0 |
| 15.3 Accrued retrospective premiums..... | 0 | 0 | 0 |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers | 0 | 0 | 0 |
| 16.2 Funds held by or deposited with reinsured companies | 0 | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | 0 | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | 0 | 0 | 0 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 0 | 0 | 0 |
| 18.2 Net deferred tax asset..... | 0 | 0 | 0 |
| 19. Guaranty funds receivable or on deposit | 0 | 0 | 0 |
| 20. Electronic data processing equipment and software..... | 77,385,238 | 78,025,740 | 640,503 |
| 21. Furniture and equipment, including health care delivery assets..... | 5,838,614 | 4,133,589 | (1,705,025) |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | 0 | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 0 | 0 | 0 |
| 24. Health care and other amounts receivable..... | 2,065,025 | 2,109,900 | 44,875 |
| 25. Aggregate write-ins for other-than-invested assets | 3,295,318 | 3,130,504 | (164,814) |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 128,022,340 | 134,016,273 | 5,993,933 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 | 0 |
| 28. Total (Lines 26 and 27) | 128,022,340 | 134,016,273 | 5,993,933 |
| DETAILS OF WRITE-INS | | | |
| 1101. | | 0 | 0 |
| 1102. | | 0 | 0 |
| 1103. | | 0 | 0 |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 |
| 2501. Prepaid Expense..... | 3,295,318 | 3,130,504 | (164,814) |
| 2502. | | 0 | 0 |
| 2503. | | 0 | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 3,295,318 | 3,130,504 | (164,814) |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 Current Year Member Months |
|--|-------------------------|--------------------|---------------------|--------------------|-------------------|------------------------------------|
| | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | |
| 1. Health Maintenance Organizations..... | 329,298 | 314,749 | 313,096 | 273,291 | 271,908 | 3,529,098 |
| 2. Provider Service Organizations..... | .0 | | | | | |
| 3. Preferred Provider Organizations..... | .0 | | | | | |
| 4. Point of Service..... | .0 | | | | | |
| 5. Indemnity Only..... | .0 | | | | | |
| 6. Aggregate write-ins for other lines of business..... | .0 | .0 | .0 | .0 | .0 | .0 |
| 7. Total | 329,298 | 314,749 | 313,096 | 273,291 | 271,908 | 3,529,098 |
| DETAILS OF WRITE-INS | | | | | | |
| 0601. | .0 | | | | | |
| 0602. | .0 | | | | | |
| 0603. | .0 | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | 0 | 0 | 0 | 0 | 0 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan (the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual (NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that these accounting practices, procedures and reporting standards are not modified by accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services (DIFS).

DIFS recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining the financial condition and results of operation of an insurance company. The *NAPPM* has been adopted as a component of prescribed or permitted practices by DIFS.

A reconciliation of the Corporation's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan are shown below:

| <u>NET INCOME</u> | <u>State of Domicile</u> | <u>2014</u> | <u>2013</u> |
|---|------------------------------|----------------------|----------------------|
| (1) HAP state basis (Page 4, Line 32, Columns 2 & 3) | Michigan | (\$4,997,000) | \$17,880,000 |
| (2) State Prescribed Practices that increase/(decrease) NAIC SAP: NONE | Michigan | | |
| (3) State Permitted Practices that increase/(decrease) NAIC SAP: NONE | Michigan | | |
| (4) NAIC SAP (1-2-3=4) | Michigan | <u>(\$4,997,000)</u> | <u>\$17,880,000</u> |
| <u>SURPLUS</u> | | | |
| (5) HAP state basis (Page 3, Line 33, Columns 3 & 4) | Michigan | \$208,262,000 | \$210,224,000 |
| (6) State Prescribed Practices that increase/(decrease) NAIC SAP: NONE | Michigan | | |
| (7) State Permitted Practices that increase/(decrease) NAIC SAP: NONE | Michigan | | |
| (8) NAIC SAP (5-6-7=8) | Michigan | <u>\$208,262,000</u> | <u>\$210,224,000</u> |

B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with accounting practices prescribed or permitted by DIFS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory basis financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage is credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.

In addition, the Corporation uses the following accounting policies:

- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
- (2) Bonds not backed by other loans - are stated at amortized cost or the lower of fair value or amortized cost based on the NAIC designation of the underlying security.
- (3) Common stocks are carried at market except for investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
- (4) Preferred Stocks - NOT APPLICABLE.
- (5) Mortgage Loans - NOT APPLICABLE.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

- (6) Loan-Backed Securities - loan backed securities are stated at amortized cost or the lower of amortized cost or fair value based on the NAIC designation of the underlying security unless prescribed otherwise by the NAIC. The retrospective method is used to value all securities. Amortized cost is determined utilizing the scientific interest method.
- (7) The Corporation's subsidiaries are included in the statements of admitted assets, liabilities, and capital and surplus based upon the audited statutory equity or the audited U.S. GAAP equity of the related subsidiary. The Corporation's proportionate share of undistributed earnings is included in unrealized gains and losses. In accordance with SSAP No. 68, Business Combinations and Goodwill, the Corporation reports its investments in subsidiaries inclusive of goodwill. Goodwill in excess of 10% of the Corporation's adjusted capital and surplus is nonadmitted.
- (8) The Corporation has a minor ownership interest in a limited liability limited term high yield fund. The Corporation carries this investment based on the underlying audited GAAP equity of the fund and reports the increase or decrease in the investments in unrealized gains and losses.
- (9) The Corporation does not currently have any holdings in derivatives.
- (10) The Corporation anticipates investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts. As of December 31, 2014, the Corporation is not required to report a premium deficiency reserve.
- (11) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Corporation has not modified its capitalization policy from the prior year.
- (13) The Corporation's pharmaceutical rebate receivables are calculated using historical rebate trends and membership.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERROR

A. Material changes in accounting principles and/or correction of errors – NOT APPLICABLE.

3. BUSINESS COMBINATIONS AND GOODWILL

A. Statutory Purchase Method

The Corporation acquired a 100% interest in Midwest Health Plan (MHP) on November 1, 2011. MHP is a health maintenance organization serving Medicaid and Medicare enrollees in Southeast Michigan. The Corporation accounted for the acquisition using the statutory- purchase method as defined in SSAP No. 68, Business Combinations and Goodwill. The initial investment in MHP was \$79.6 million. The acquisition resulted in goodwill of \$60.5 million which will be amortized over 10 years. The Corporation recognized goodwill amortization of \$6,210,000 and \$6,210,000 for the years ended December 31, 2014 and 2013, respectively, in net unrealized capital gains and losses.

In the year ended December 31, 2012, the Corporation recorded an additional purchase price adjustment of \$1,567,000 related to the MHP acquisition. This resulted from a true-up of certain balance sheet contingencies in the Purchase Agreement.

The Corporation acquired 67% ownership in Administration Systems Research Corporation (ASR) on June 17, 2011. ASR is a third party administrator (TPA). The Corporation accounted for the acquisition using the statutory-purchase method as defined in SSAP No. 68, Business Combinations and Goodwill. The initial investment in ASR was \$11,800,000. The acquisition resulted in goodwill of \$11,518,000, which will be amortized over 10 years. The Corporation recognized goodwill amortization of \$1,226,000 and \$1,226,000 for the years ended December 31, 2014 and 2013, respectively, in net unrealized capital gains and losses.

B. Statutory Merger - NOT APPLICABLE.

C. Assumption Reinsurance - NOT APPLICABLE.

D. Impairment Loss - NOT APPLICABLE.

4. DISCONTINUED OPERATIONS

The Corporation has no discontinued operations to report.

5. INVESTMENTS

A. Mortgage Loans, including Mezzanine Real Estate Loans - NOT APPLICABLE.

B. Debt Restructurings - NOT APPLICABLE.

C. Reverse Mortgages - NOT APPLICABLE.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

D. Loan-Backed Securities

(1) Sources used to determine prepayment assumptions:

Prepayment assumptions for loan-backed and asset backed securities are obtained from broker dealer survey values. A change from the retrospective to the prospective method has not been made.

(2) - (3) Loan-backed securities with a recognized other-than-temporary impairment:

The Corporation has not deemed it necessary to recognize any other than temporary impairments in its earnings as a realized loss in relation to its loan-backed securities.

(4) Loan-backed securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss:

a. The aggregate amount of unrealized losses:

1. Less than 12 months \$512,000.
2. 12 Months or longer \$-0-.

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 months \$64,375,000.
2. 12 Months or longer \$-0-.

(5) In considering whether an investment is other-than-temporarily impaired, management considers its ability and intent to hold the investment, the severity of the decline in fair value and the duration of the impairment, among other factors. Management has determined that it has the ability and intent to hold indefinitely its investment in its loan-backed securities and that the severity and duration of any impairment is insufficient to indicate an other- than-temporary impairment.

E. Repurchase Agreements and/or Securities Lending Transactions – NOT APPLICABLE

F. Real Estate - the Corporation has not recognized an impairment loss on its investments in real estate and has not sold or classified real estate investments as held for sale.

G. Investments in Low-Income Housing Tax Credits - NOT APPLICABLE.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

(1) Restricted Assets (Including Pledged)

| Restricted Asset Category | 1 | 2 | 3 | 4 | 5 | 6 |
|--|--|--|----------------------------------|--|---|---|
| | Total Gross Restricted from Current Year | Total Gross Restricted From Prior Year | Increase/ (Decrease) (1 minus 2) | Total Current Year Admitted Restricted | Percentage Gross Restricted to Total Assets | Percentage Admitted Restricted to Total Admitted Assets |
| a. Subject to contractual obligation for which liability is not shown | | | | | | |
| b. Collateral held under security lending agreements | | | | | | |
| c. Subject to repurchase agreements | | | | | | |
| d. Subject to reverse repurchase agreements | | | | | | |
| e. Subject to dollar repurchase agreements | | | | | | |
| f. Subject to dollar reverse repurchase agreements | | | | | | |
| g. Placed under option contracts | | | | | | |
| h. Letter stock or securities restricted as to sale - excluding FHLB capital stock | | | | | | |
| i. FHLB capital stock | | | | | | |
| j. On deposit with states | \$1,000,000 | \$1,000,000 | | \$1,000,000 | 0.2% | 0.2% |
| k. On deposit with other regulatory bodies | | | | | | |
| l. Pledged as collateral to FHLB (including assets backing funding agreements | | | | | | |
| m. Pledged as collateral not captured in other categories | | \$106,000 | (\$106,000) | | 0.0% | 0.0% |
| n. Other restricted assets | \$12,000,000 | \$12,000,000 | | \$12,000,000 | 2.0% | 2.6% |
| o. Total Restricted Assets | \$13,000,000 | \$13,106,000 | (\$106,000) | \$13,000,000 | 2.2% | 2.8% |

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

| Description of Assets | 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------|--|--|----------------------------------|--|---|---|
| | Total Gross Restricted from Current Year | Total Gross Restricted From Prior Year | Increase/ (Decrease) (1 minus 2) | Total Current Year Admitted Restricted | Percentage Gross Restricted to Total Assets | Percentage Admitted Restricted to Total Admitted Assets |
| a. Derivatives | | \$106,000 | (\$106,000) | | 0.0% | 0.0% |
| Total | \$0 | \$106,000 | (\$106,000) | \$0 | 0.0% | 0.0% |

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS**

(3) Detail of Other Restricted Assets

| Description of Assets | 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------------------------|--|--|----------------------------------|--|---|---|
| | Total Gross Restricted from Current Year | Total Gross Restricted From Prior Year | Increase/ (Decrease) (1 minus 2) | Total Current Year Admitted Restricted | Percentage Gross Restricted to Total Assets | Percentage Admitted Restricted to Total Admitted Assets |
| a. Stop Loss Out-of-Network Reserve | \$12,000,000 | \$12,000,000 | | \$12,000,000 | 2.0% | 2.6% |
| Total | \$12,000,000 | \$12,000,000 | | \$12,000,000 | 2.0% | 2.6% |

I. Working Capital Finance Investments – NOT APPLICABLE

J. Offsetting and Netting of Assets and Liabilities – NOT APPLICABLE

K. Structured Notes

| CUSIP Identification | Actual Cost | Fair Value | Book/Adjusted Carrying Value | Mortgage-Referenced Security (YES/NO) |
|----------------------|------------------|------------------|------------------------------|---------------------------------------|
| 62718QAA3 | \$247,260 | \$242,741 | \$242,974 | No |
| 925369AA8 | 110,159 | 114,350 | 109,488 | No |
| Total | \$357,419 | \$357,091 | \$352,462 | XXX |

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. The Corporation has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Corporation did not recognize any impairment write down for investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. INVESTMENT INCOME

The Corporation had no excluded investment income.

8. DERIVATIVE INSTRUMENTS

The Corporation has no holdings in derivative instruments.

9. INCOME TAXES

The Corporation is an entity described under Internal Revenue Code Section 501(c) (4) and as such is exempt from federal income taxes. The Corporation does not have any material uncertain tax positions as of December 31, 2014 and 2013.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AFFILIATES AND OTHER RELATED PARTIES

A. The Corporation has four wholly owned subsidiaries, HAP Preferred, Inc. (HPI), Alliance Health and Life Insurance Company (AHLIC), Midwest Health Plan (MWHP), HAP Community Alliance, and a majority ownership interest in Administration Systems Research Corporation (ASR). The Corporation is a subsidiary of Henry Ford Health System (HFHS).

B. The Corporation has management agreements with HPI and AHLIC in which it provides various administrative and support services. The Corporation also provides claims processing and premium billing and collection services for AHLIC. HPI provides care and utilization management services to the Corporation's members.

C. The Corporation received subscription revenue from related parties totaling approximately \$92,005,000 and \$177,529,000 in 2014 and 2013, respectively. The Corporation purchased healthcare and administrative services from related parties totaling approximately \$507,548,000 and \$596,467,000 in 2014 and 2013, respectively.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

- D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$638,000, \$5,723,000, \$221,000 and \$92,000 from HPI, AHLIC, MWHP and ASR respectively and intercompany payables of \$15,000, \$2,690,000 and \$920,000 due to HPI, HFHS and AHLIC, respectively. The terms of the settlement require that these amounts are settled within 15 days.
- E. As a member of the Henry Ford Health System Obligated Group (the Obligated Group), the Corporation is jointly and severally liable with the other members of the Obligated Group for outstanding obligations issued under the master indenture. The Obligated Group has no guarantees outstanding for the indebtedness of other entities.
- F. The Corporation has management agreements with HPI, AHLIC, MHP and ASR. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to AHLIC, Midwest Health Plan, ASR and HPI totaled approximately \$44,338,000 and \$34,994,000 in 2014 and 2013, respectively. Included in the statement of admitted assets, liabilities and capital and surplus are receivables associated with healthcare services purchased from related parties totaling approximately \$0 and \$476,000 in 2014 and 2013, respectively.
- G. Common Ownership or Control - The Corporation and its subsidiaries and affiliates are not subject to common ownership or control whereby their operating results or financial position would be significantly different from those if the entities were autonomous.
- H. Ownership in an Upstream Affiliate or Parent - NOT APPLICABLE.
- I. Investments in SCA Entities Exceeding 10% of Admitted Assets
- The Corporation performs the test of significance of an investment to its financial position and results of operations as required by SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88. The carrying value of the investment in MHP exceeded 10% of the Corporation's admitted assets as of December 31, 2014. MHP's financial statement information as of December 31, 2014 included total assets of \$101,372,000, total liabilities of \$61,612,000 and net income of \$19,130,000 recorded in net unrealized capital gains and losses.
- J. Investments in Impaired SCA Entities - NOT APPLICABLE.
- K. Investments in Foreign Insurance Subsidiaries - NOT APPLICABLE.
- L. Investment in Downstream Noninsurance Holding Company - NOT APPLICABLE.

11. DEBT

- A. Debt, including Capital Notes and Reverse Repurchase Agreements

The Corporation has a Promissory Note outstanding in the amount of \$34 million due to Henry Ford Health System, its Parent Company. The Promissory Note was issued December 1, 2011 with principal and interest payments due monthly through November 1, 2021. Interest accrues at LIBOR plus 65 basis points. Early repayment may be made at the option of the Corporation.

The Corporation has no reverse repurchase agreements outstanding.

- B. FHLB (Federal Home Loan Bank) Agreements - NOT APPLICABLE.

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

- A. The Corporation has a noncontributory defined-benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and final average earnings of each participating employee. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Effective December 31, 2011, the Corporation permanently froze the final average pay defined-benefit formula for all nonrepresented participants. Effective January 1, 2012, the Corporation instituted a cash balance defined-benefit formula for all nonrepresented participants and also for participants represented by United Automobile Workers (UAW) Local Union 600 Office/Non-Exempt Bargaining hired on or after January 1, 2012, and for participants represented by UAW Local Union Sale and Labor participants hired on or after April 1, 2012.

The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

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The Corporation provides postretirement healthcare and life insurance benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of a fixed dollar subsidy.

A summary of the changes in benefit obligations for the Pension and Other Postretirement Benefit Plans at December 31, 2014 and 2013 are as follows (dollars in thousands):

(1) Change in benefit obligation

a. Pension Benefits

| | Overfunded | | Underfunded | |
|--|------------|------|-------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| 1. Benefit obligation at beginning of year | | | \$86,043 | \$89,174 |
| 2. Service cost | | | 4,288 | 4,745 |
| 3. Interest cost | | | 3,846 | 3,630 |
| 4. Contribution by plan participants | N/A | N/A | | |
| 5. Actuarial gain (loss) | | | 11,405 | (10,238) |
| 6. Foreign currency exchange rate changes | | | | |
| 7. Benefits paid | | | (8,508) | (9,258) |
| 8. Plan amendments | | | (633) | 752 |
| 9. Business combinations, divestitures, curtailments, settlements and special termination benefits | | | | |
| Other | | | (607) | 7,238 |
| 10. Benefit Obligation at end of year | | | \$95,834 | \$86,043 |

b. Postretirement Benefits

| | Overfunded | | Underfunded | |
|--|------------|------|-------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| 1. Benefit obligation at beginning of year | | | \$1,415 | \$1,353 |
| 2. Service cost | | | 45 | 57 |
| 3. Interest cost | | | 65 | 58 |
| 4. Contribution by employer | | | (68) | (52) |
| 5. Actuarial gain (loss) | N/A | N/A | 372 | (227) |
| 6. Foreign currency exchange rate changes | | | | |
| 7. Benefits paid | | | | |
| 8. Plan amendments | | | | 211 |
| 9. Business combinations, divestitures, curtailments, settlements and special termination benefits | | | | |
| Other | | | 11 | 15 |
| 10. Benefit Obligation at end of year | | | \$1,840 | \$1,415 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

c. Postemployment & Compensated Absence Benefits

| | Overfunded | | Underfunded | |
|--|------------|------|-------------|------|
| | 2014 | 2013 | 2014 | 2013 |
| 1. Benefit obligation at beginning of year | | | | |
| 2. Service cost | | | | |
| 3. Interest cost | | | | |
| 4. Contribution by plan participants | | | | |
| 5. Actuarial gain (loss) | N/A | N/A | N/A | N/A |
| 6. Foreign currency exchange rate changes | | | | |
| 7. Benefits paid | | | | |
| 8. Plan amendments | | | | |
| 9. Business combinations, divestitures, curtailments, settlements and special termination benefits | | | | |
| Other | | | | |
| 10. Benefit Obligation at end of year | | | | |

(2) Change in plan assets

| | Pension Benefits | | Postretirement Benefits | | Postemployment | |
|---|------------------|----------|-------------------------|------|----------------|------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| a. Fair Value of plan assets at beg of year | \$63,368 | \$59,973 | | | | |
| b. Actual return on plan assets | 2,012 | 6,600 | | | | |
| c. Foreign curr exchange rate changes | | | | | | |
| d. Reporting entity contribution | 10,328 | 1,172 | 68 | 52 | N/A | N/A |
| e. Plan participants' contributions | | | | | | |
| f. Benefits paid | (8,508) | (9,258) | (68) | (52) | | |
| g. Business combinations, divestitures, and settlements | | | | | | |
| Other | (607) | 4,881 | | | | |
| h. Fair value of plan assets at end of year | \$66,593 | \$63,368 | \$0 | \$0 | | |

(3) Funded Status

| | Pension Benefits | | Postretirement Benefits | |
|-----------------------------------|------------------|----------|-------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| Overfunded: | | | | |
| a. Assets (nonadmitted) | | | | |
| 1. Prepaid benefit costs | N/A | N/A | N/A | N/A |
| 2. Overfunded plan assets | | | | |
| 3. Total assets (nonadmitted) | | | | |
| Underfunded: | | | | |
| b. Liabilities recognized | | | | |
| 1. Accrued benefit costs | \$198 | \$6,145 | \$1,474 | \$1,391 |
| 2. Liability for pension benefits | 29,043 | 16,530 | 366 | 24 |
| 3. Total liabilities recognized | \$29,241 | \$22,675 | \$1,840 | \$1,415 |
| c. Unrecognized liabilities | | | | |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

(4) Components of net periodic benefit cost

| | Pension Benefits | | Postretirement Benefits | | Postemployment & Compensated Absence Benefits | |
|---|-------------------------|----------------|--------------------------------|--------------|--|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| a. Service cost | \$4,288 | \$4,745 | \$46 | \$57 | | |
| b. Interest cost | 3,846 | 3,630 | 65 | 58 | | |
| c. Expected return on plan assets | (4,699) | (4,581) | | | | |
| d. Transition asset or obligation | 603 | 603 | (14) | (14) | N/A | N/A |
| e. Gains and losses | 1,279 | 2,949 | | 36 | | |
| f. Prior service cost or credit | (956) | (877) | 43 | 43 | | |
| g. Gain or loss recognized due to a settlement or curtailment | (38) | | | | | |
| h. Total net periodic benefit cost | \$4,323 | \$6,469 | \$140 | \$180 | | |

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

| | Pension Benefits | | Postretirement Benefits | |
|--|-------------------------|-----------------|--------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| a. Items not yet recognized as a component of net periodic cost-prior year | \$16,530 | \$28,353 | \$24 | \$104 |
| b. Net trans asset or obligation recognized | (603) | (603) | 14 | 14 |
| c. Net prior service cost or credit arising during the period | (633) | 752 | | 211 |
| d. Net prior service cost or credit recog | 956 | 877 | (44) | (43) |
| e. Net gains/loss arising during the period | 14,092 | (9,900) | 372 | (227) |
| f. Net gain and loss recognized | (1,278) | (2,949) | | (35) |
| Other | 38 | | | |
| g. Items not yet recog as a component | \$29,102 | \$16,530 | \$366 | \$24 |

(6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost

| | Pension Benefits | | Postretirement Benefits | |
|---------------------------------------|-------------------------|-------------|--------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| a. Net transition asset or obligation | \$603 | (\$603) | (\$14) | (\$14) |
| b. Net prior service cost or credit | (1,358) | (957) | 44 | 44 |
| c. Net recognized gains and losses | 2,404 | 1,197 | 68 | |

(7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

| | Pension Benefits | | Postretirement Benefits | |
|---------------------------------------|-------------------------|-------------|--------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| a. Net transition asset or obligation | \$5,275 | \$5,879 | (\$122) | (\$135) |
| b. Net prior service cost or credit | (8,968) | (9,292) | 85 | 129 |
| c. Net recognized gains and losses | 32,795 | 19,942 | 403 | 31 |

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS**

- (8) Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31:

| | 2014 | 2013 |
|---|--------------------------------|--------------------------------|
| a. Weighted-average discount rate | 4.70% | 3.80% |
| b. Expected long-term rate of return on plan assets | 7.50% | 7.50% |
| c. Rate of compensation increase | Age-related Salary Scale | Age-related Salary Scale |

Weighted-average assumptions used to determine projected benefit obligations as of Dec. 31:

| | 2014 | 2013 |
|-----------------------------------|--------------------------------|--------------------------------|
| d. Weighted-average discount rate | 3.90% | 4.70% |
| e. Rate of compensation increase | Age-related Salary Scale | Age-related Salary Scale |

For measurement purposes, various annual rates of increase in the per capita cost of covered health care benefits was assumed for 2014. The rate was assumed to decrease gradually to 5% percent for 2015 and remain at that level thereafter.

- (9) The amount of the accumulated benefit obligation for the defined benefit plan was \$90,886,000 for the current and \$81,504,000 for the prior year.
- (10) The Corporation also provides postretirement health care benefits to employees who meet minimum age and years of service requirements. Benefits to eligible employees may require employee contributions or may be provided in the form of a fixed dollar subsidy.
- (11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

| | 1 Percentage Point Increase | 1 Percentage Point Decrease |
|--|-----------------------------------|-----------------------------------|
| a. Effect on total of service and interest cost components | 0 | 0 |
| b. Effect on postretirement benefit obligation | \$4 | (\$4) |

- (12) The following benefit payments, which reflect expected future service, as appropriate, are expected be paid in the years indicated:

| | Pension Benefits | Post- retirement Benefits | Annual Subsidy |
|-------------------------|-----------------------------|--|---------------------------|
| 2015 | \$6,794,000 | \$81,000 | \$19,000 |
| 2016 | 6,374,000 | 80,000 | 21,000 |
| 2017 | 6,548,000 | 87,000 | 25,000 |
| 2018 | 5,944,000 | 92,000 | 28,000 |
| 2019 | 7,661,000 | 96,000 | 32,000 |
| Years 2020 through 2024 | 38,148,000 | 681,000 | 7,000 |

- (13) The Corporation is expected to make a contribution to the Plan during 2015 in the amount of \$6,200,000. The Corporation is expected to make a \$81,000 contribution to the postretirement health care plan in 2015.
- (14) There are no securities of the Corporation and related parties included in plan assets, no future benefits of plan participants are covered by insurance contracts issued by the Corporation or its related parties and there are no significant transactions between the Corporation or its related parties and the plan during the period other than those previously disclosed.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

- (15) Alternative methods used to amortize prior service amounts or net gains and losses – NOT APPLICABLE.
- (16) Substantive commitments used as the basis for accounting for the benefit obligation – NOT APPLICABLE.
- (17) The cost of providing special or contractual termination benefits recognized during the period - NOT APPLICABLE.
- (18) Any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by SSAP No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 and SSAP No. 92, Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14- NOT APPLICABLE.
- (19) Plan assets expected to be returned to the Corporation - NOT APPLICABLE.
- (20) The accumulated postretirement and pension benefit obligation as of December 31, 2014 is \$92,726,000. The fair value of HAP's plan assets for defined postretirement and pension benefits is \$66,593,000. HAP's postretirement benefit plans are currently in an underfunded status. The impact on HAP's surplus necessary to reflect the full benefit obligation is \$29,469,000.
- (21) The Corporation adopted SSAP Nos. 92 and 102 effective January 1, 2013 which allowed a transition option for phase-in not to exceed 10 years. The remaining transition balance for postretirement as of December 31, 2013 was \$0. The funded status of the Plan was fully recognized at December 31, 2014.

B. The Corporation invests the majority of the assets of the Plan in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. The percentage of the fair value of total plan assets held as of December 31, the measurement date, is shown below (amounts are in percentages).

| | 2014 | 2013 | Target |
|---------------------------|------|------|--------|
| Stock and stock funds | 40 | 45 | |
| Bonds and bond funds | 35 | 26 | |
| Global asset allocation | 22 | 25 | |
| Alternative investments | 2 | 3 | |
| Cash and cash equivalents | 1 | 1 | |
| Total | 100 | 100 | |

The expected long-term rate of return on plan assets is established based on management's expectations of asset returns for the investment mix in the plans considering both historical experience and the current economic environment. The expected returns of various asset categories are blended to derive one long-term assumption.

C. Fair value of Plan Assets

(1) Fair Value Measurements of Plan Assets at Reporting Date

| <u>Description for each class of plan assets</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | <u>Total</u> |
|--|------------------|------------------|------------------|--------------|
| Cash and cash equivalents | 587 | | | 587 |
| Debt securities: | | | | |
| Asset-backed securities | | 166 | | 166 |
| Corporate debt securities | | 475 | | 475 |
| Government and agency debt securities | | 489 | | 489 |
| Non-agency mortgage-backed securities | | 173 | | 173 |
| Other debt securities | | 31 | | 31 |
| Equity securities: | | | | |
| Collective funds-asset allocation | 12,817 | 2,490 | | 15,307 |
| Collective funds-common stock | 6,309 | 17,623 | | 23,932 |
| Collective funds-debt securities | 8,181 | 14,486 | | 22,667 |
| Common stock | 4,208 | | | 4,208 |
| Hedge funds and private equities | | | 1,645 | 1,645 |
| Total Plan Assets | 32,102 | 35,933 | 1,645 | 69,680 |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

(2) Fair Value of Plan Assets Using Significant Unobservable Inputs (Level 3)

| Descrip for | Beg | Transfers | Transfers | Ret on | Ret on | | Gains | | | End |
|--------------------|---------------|----------------|----------------|-------------|-------------|------------------|---------------|--------------|-------------------|-----------------|
| each class of | Bal | into | out of | Assets | Assets | | or | | | Bal |
| <u>plan assets</u> | <u>1/1/14</u> | <u>Level 3</u> | <u>Level 3</u> | <u>Held</u> | <u>Sold</u> | <u>Purchases</u> | <u>Losses</u> | <u>Sales</u> | <u>Settlement</u> | <u>12/31/14</u> |
| Priv equities | 1,758 | | | | | 112 | 397 | | (622) | 1,645 |
| Hedge Funds | | | | | | | | | | |
| Plan Assets | 1,758 | | | 0 | | 112 | | | (622) | 1,645 |

(3) The estimated fair values of investments in hedge funds and private equities are based on the most current financial statements issued by each fund adjusted for cash flows to and from the fund subsequent to the financial statement reporting date.

D. Basis Used to Determine the Overall Expected Long-Term Rate-of-Return-on-Assets Assumption

The expected long-term rate of return on plan assets is established based on management's expectations of asset returns for the investment mix in the plans considering historical experience, current economic environment, and forecasted risk/reward assumptions. The expected returns of various asset categories are blended to derive one long-term assumption.

E. Defined Contribution Plan

The Corporation maintains a 401(k) plan for the employees of the Corporation. The plan is a defined contribution plan and all employees become eligible to participate after completion of age and service requirements. Under the Plan, a participant may annually contribute an amount not to exceed the contribution limits established by the Internal Revenue Code.

The Corporation enhanced the 401(k) matching contribution as a result of the changes to the defined benefit pension plan. Effective January 1, 2012, the Corporation, at its discretion, can make a matching contribution equal to 100% of the first 1% and 50% of the next 5% of the employee's elective deferral (3.5% maximum match). For years prior to 2012, the matching contribution was equal to 50% of the of the employee's elective deferral up to 6% of compensation (3.0% maximum match). The expense was approximately \$1,805,000 and \$1,666,000 in 2014 and 2013 respectively.

F. Multi-employer Plans - NOT APPLICABLE.

G. Consolidated/Holding Company Plans - NOT APPLICABLE.

H. Postemployment Benefits and Compensated Absences - NOT APPLICABLE.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - NOT APPLICABLE.

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

(1) Capital Stock - NOT APPLICABLE.

(2) Preferred Stock - NOT APPLICABLE.

(3) Dividend Restrictions - without the prior written approval of its domiciliary commissioner dividends are limited by the laws of the Corporation's state of incorporation, Michigan, to the greater of 10% of capital and surplus or net income for the previous year.

(4) The Corporation has not paid a dividend in 2014.

(5) Dividend Restrictions Based on Profits - within the restrictions of (3) above, there are no restrictions placed on the amount of profits that may be paid out as ordinary dividends.

(6) Restrictions on Unassigned Funds (Surplus) - NOT APPLICABLE.

(7) Advances to Surplus not Repaid - NOT APPLICABLE.

(8) Stock Held for Special Purposes - NOT APPLICABLE.

(9) Changes in balances of special surplus funds from the prior year are due to amounts related to the annual fee under section 9010 of the Affordable Care Act (ACA)..

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
NOTES TO FINANCIAL STATEMENTS

- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses are \$37,845,000.
- (11) Surplus Notes - NOT APPLICABLE.
- (12) Impact of a Restatement Due to a Quasi-Reorganization - NOT APPLICABLE.
- (13) The Effective Date(s) of a Quasi-Reorganization for the Prior Ten Years - NOT APPLICABLE.

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Contingent Commitments

The Corporation has no commitments or contingent commitments to Subsidiaries, Controlled or Affiliated entities to report.

B. Assessments

Under the Michigan Health Insurance Claims Assessment Act, the Corporation incurs an assessment on certain health care claims. The Corporation bears the ultimate responsibility of the assessment and therefore records the tax under the gross method. The taxes collected and paid are recorded in premium revenues and general and administrative expense, respectively. A liability is reflected in general expenses due or accrued in the amount of \$2,531,000 as of December 31, 2014.

The Affordable Care Act imposes a fee on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The liability for this fee is reflected in general expenses due and accrued in the amount of \$567,000 as of December 31, 2014.

C. Gain Contingencies - NOT APPLICABLE.

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits - NOT APPLICABLE.

E. Joint and Several Liabilities

The Corporation is a member of the Henry Ford Health System Obligated Group (the Obligated Group). Members of the Obligated Group are jointly and severally liable for outstanding obligations issued under the master indenture which having a carrying value of \$885,679,000 as of December 31, 2014.

Based on SSAP No. 5R, Liabilities, Contingencies, and Impairments of Assets, the Corporation has determined that any liabilities as a member of the Obligated Group would be immaterial. The Parent company is current in all payments of principal and interest and the Parent's external credit rating has consistently been A3 over the past 5 years.

F. All Other Contingencies - The Corporation is party to lawsuits incident to its operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements. The Corporation has no assets that it considers to be impaired.

Risk Adjustment Data Validation Audits ("RADV audits"). CMS adjusts capitation payments to Medicare Advantage and Medicare Part D plans according to the predicted health status of each beneficiary, as supported by data provided by health care providers. The Company collects claim and encounter data from providers, who the Company generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted by the Company and member demographic information.

CMS performs RADV audits of selected Medicare Advantage health plans each year to validate the coding practices of and supporting documentation maintained by health care providers. These audits involve a review of medical records maintained by providers and may result in retrospective adjustments to payments made to health plans. To date, the Company has not been selected for audit by CMS. Payment years open for audit include 2011 and forward.

In December 2010, CMS published for public comment a new proposed RADV audit and payment adjustment methodology. The proposed methodology contains provisions allowing retroactive contract level payment adjustments for the year audited using an extrapolation of the "error rate" identified in audit samples. CMS also indicated that it anticipated the final methodology would be issued in the near future. Depending on the methodology utilized, potential payment adjustments could have a material adverse effect on the Company's results of operations, financial position and cash flows.

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
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At December 31, 2014 and December 31, 2013 the Corporation had admitted assets of \$35,847,000 and \$46,548,000, respectively, in Uncollected Premiums. The Corporation routinely assesses the collectability of these receivables. Based upon the Corporation's experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Corporation's financial condition.

As a plan sponsor, the Corporation has a receivable in the amount of \$5,920,000 from CMS related to Medicare Part D prescription drug insurance coverage. The Corporation receives subsidy amounts for reinsurance and for cost sharing related to low-income individuals. The Corporation has no receivables for retrospectively rated contracts.

The Corporation estimates reinsurance recoverable related to the risk sharing provisions of the Affordable Care Act. A recoverable has been estimated in the amount of \$4,455,000.

15. LEASES

A. Lessee Operating Lease

(1)

a. The Corporation leases office facilities and equipment under various noncancelable operating lease agreements that expire through December 2024. Rental expense for 2014 and 2013 was approximately \$2,292,000 and \$2,046,000, respectively.

b. Certain rental commitments have renewal options extending through the year 2014. Some of these renewals are subject to adjustments in future periods.

(2) At January 1, 2015, the minimum aggregate rental commitments are as follows:

| <u>Year Ending</u> <u>December 31</u> | |
|--|---------------------|
| 1. 2015 | \$2,137,000 |
| 2. 2016 | 2,187,000 |
| 3. 2017 | 2,236,000 |
| 4. 2018 | 1,181,000 |
| 5. 2019 | <u>60,000</u> |
| 6. Total | <u>\$ 7,825,000</u> |

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$2,292,000 and \$2,046,000 for the years ended December 31, 2014 and 2013, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

(3) Material Sales - Leaseback Transactions - NOT APPLICABLE.

B. Lessor Leases - NOT APPLICABLE.

C. Leveraged Leases - NOT APPLICABLE.

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

(1) The table below summarizes the face amount of the Corporation's financial instruments with off-balance-sheet risk.

| | <u>Assets</u> | | <u>Liabilities</u> | |
|------------|---------------|------------------|--------------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| a. Swaps | | \$173,000 | | \$5,000 |
| b. Futures | | | | |
| c. Options | | | | |
| d. Total | | <u>\$173,000</u> | | <u>\$5,000</u> |

The Corporation no longer has holdings in derivative financial instruments.

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

A. Transfers of Receivables Reported as Sales - NOT APPLICABLE.

B. Transfer and Servicing of Financial Assets - NOT APPLICABLE.

C. Wash Sales - NOT APPLICABLE.

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

A. ASO Plans - NOT APPLICABLE.

B. ASC Plans - NOT APPLICABLE.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

(1) Revenue from the Corporation's Medicare Part D cost based reimbursement portion of its CMS contract consisted of \$10,854,000 and \$5,606,000 for the reinsurance subsidy and \$3,259,000 and \$2,798,000 for the low-income cost sharing subsidy for the years 2014 and 2013, respectively.

(2) As of December 31, 2014 and 2013, respectively, the Corporation had recorded receivables from the following payors whose balances are greater than 10% of the Corporation's amounts receivable from uninsured accident and health plans or \$10,000:

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Centers for Medicare and Medicaid Services (CMS) | \$5,920,000 | \$1,070,000 |

(3) Allowances and Reserves for Adjustment of Recorded Revenues - NOT APPLICABLE.

(4) The Corporation has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

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

NOT APPLICABLE.

20. FAIR VALUE MEASUREMENT

A.

(1) Fair Value Measurements at Reporting Date

| Description | (Level 1) | (Level 2) | (Level 3) | Total |
|----------------------------|---------------|--------------|-----------|---------------|
| a. Assets at Fair Value | | | | |
| Bonds: | | | | |
| U.S. Governments | \$100,212,000 | | | \$100,212,000 |
| Industrial and Misc. | 54,097,000 | 134,000 | | 54,231,000 |
| Total Bonds | 154,309,000 | 134,000 | | 154,443,000 |
| Common Stock: | | | | |
| Industrial and Misc. | | \$68,600,000 | | 68,600,000 |
| Other Equity Securities | 1,427,000 | | | 1,427,000 |
| Total Common Stocks | 1,427,000 | 68,600,000 | | 70,027,000 |
| Total Assets at Fair Value | \$155,736,000 | \$68,734,000 | | \$224,470,000 |

(2) The Corporation's policy for recognition of transfers between levels within the fair value hierarchy is to recognize the transfer on the actual date of the event or change in circumstances that caused the transfer. The Corporation had no transfers between levels.

(3) The Corporation has no fair value measurements categorized within Level 3 of the fair value hierarchy.

(4) The fair value measurements categorized within Level 2 of the fair value hierarchy reported by the Corporation are obtained primarily from independent pricing services using quoted market prices from published sources. Mortgage backed securities are submitted to the NAIC's Securities Valuation Office for valuation.

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
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(5) Derivative assets and liabilities:

| Description | Beginning Balance at 12/31/13 | Transfers | Total gains and (losses) included in Net Income | Total gains and (losses) included in Surplus | Purchase | Sale | Settlement | Ending Balance at 12/30/14 |
|--------------------------|-------------------------------------|-----------|--|---|---------------|------------------|------------|----------------------------------|
| a. Assets: | | | | | | | | |
| Derivatives: | | | | | | | | |
| Futures & Swaps | 173,000 | | (89,000) | (40,000) | 58,000 | (102,000) | | 0 |
| Total Assets | 173,000 | | (89,000) | (40,000) | 58,000 | (102,000) | | 0 |
| b. Liabilities: | | | | | | | | |
| Derivatives: | | | | | | | | |
| Swaps | 5,000 | | (8,000) | 3,000 | | | | 0 |
| Total Liabilities | 5,000 | | (8,000) | 3,000 | | | | 0 |

The fair value measurements reported by the Corporation are obtained primarily from independent pricing services using quoted market prices from published sources.

The Corporation's policy for recognition of transfers between levels within the fair value hierarchy is to recognize the transfer on the actual date of the event or change in circumstances that caused the transfer.

There were no transfers between levels for derivative assets and liabilities in 2014.

B. Fair value information and information about other similar measurements disclosed under other accounting pronouncements combined with disclosures under SSAP No. 100, Fair Value Measurements - NOT APPLICABLE.

C. Aggregate fair values of all financial instruments and applicable levels within the fair value hierarchy

| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets/ Liabilities | (Level 1) | (Level 2) | (Level 3) | Not Practicable Carrying Value |
|------------------------------------|----------------------------|------------------------------------|-------------|------------|-----------|---|
| Bonds | 214,669,000 | 214,466,000 | 154,309,000 | 60,360,000 | | |
| Common Stock | 70,027,000 | 70,027,000 | 1,427,000 | 68,600,000 | | |

D. Financial instruments or classes of financial instruments for which fair value measurements are not determinable - NOT APPLICABLE.

21. OTHER ITEMS

A. Extraordinary Items - NOT APPLICABLE.

B. Troubled Debt Restructuring - NOT APPLICABLE.

C. Other Disclosures and Unusual Items

Statutory Reserve: As a condition of licensure with the State of Michigan, the Corporation maintains a deposit of \$1,000,000 in a segregated account. These funds can only be used by the Corporation at the direction of the Insurance Commissioner of the State of Michigan. These funds are invested in a money market fund (stated at fair value). Interest on these funds accrues to the Corporation.

Stop Loss/Out-of-Network Reserve: During 2003, the Corporation established a trust in the amount of \$12,000,000 for the sole benefit of subscribers and enrollees, to cover catastrophic exposure for members where HAP retains risk for health care services, which exceed \$500,000 per occurrence and, in the event of insolvency, to cover services provided to members by noncontracted providers. The funds are maintained in compliance with an agreement with the Insurance Commissioner for the State of Michigan and can only be used by the Corporation at the direction of the Insurance Commissioner. The funds are invested in a money market fund (stated at fair value) and interest on these funds accrues to the Corporation.

D. Business Interruption Insurance Recoveries - NOT APPLICABLE.

E. State Transferable Tax Credits - NOT APPLICABLE.

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
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F. Subprime Mortgage Related Risk Exposure - NOT APPLICABLE.

G. Retained Assets – NOT APPLICABLE.

22. EVENTS SUBSEQUENT

Type I – Recognized Subsequent Events - NOT APPLICABLE.

Type II – Nonrecognized Subsequent Events

Subsequent events have been considered through February 28, 2015 for the Statutory Statements issued on December 31, 2014.

On January 1, 2015, the Corporation will be subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the Corporation’s net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2014, the Corporation has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2015, and estimates its portion of the annual health insurance industry fee to be payable on September 30, 2015 to be \$17,353,000. This amount is reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by \$347,000. Reporting the ACA assessment as of December 31, 2014, would not have triggered an RBC action level.

| | <u>Current Year</u> | <u>Prior Year</u> |
|---|---------------------|-------------------|
| A. ACA fee assessment payable for the upcoming year | 17,353,000 | 13,466,000 |
| B. ACA fee assessment paid | 13,466,000 | N/A |
| C. Premium written subject to ACA 9010 assessment | 1,719,357,000 | 1,829,811,000 |
| D. Total Adjusted Capital before surplus adjustment | 208,262 | N/A |
| E. Authorized Control Level before surplus adjustment | 74,499 | N/A |
| F Total Adjusted Capital after surplus adjustment | 190,909 | N/A |
| G. Authorized Control Level after surplus adjustment | 74,499 | N/A |
| H. Would reporting the ACA assessment as of December 31, 2014, have triggered an RBC action level (YES/NO)? | <u>NO</u> | |

23. REINSURANCE

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Corporation or by any representative, officer, trustee or director of the Corporation?
Yes () No (X)
- (2) Have any policies issued by the Corporation been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business? Yes () No (X)

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Corporation have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? Yes () No (X)
- (2) Does the Corporation have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Yes () No (X)

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
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Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Corporation may consider the current or anticipated experience of the business reinsured in making this estimate. \$ None
- (2) Have any new arrangements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts which were in-force or which had existing reserves established by the Corporation as of the effective date of the agreement? Yes ()
No (X)

B. Uncollectible Reinsurance - NOT APPLICABLE.

C. Commutation of Ceded Reinsurance - NOT APPLICABLE.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – NOT APPLICABLE.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

A. The Corporation estimates accrued retrospective premium adjustments related to its Medicare Advantage health insurance contracts. An estimated risk sharing receivable or payable for the CMS risk corridor provision is recognized based on activity-to-date and is accumulated at the contract level and recorded as aggregate policy reserves. Costs for prescription drugs are expensed as incurred.

B. The Corporation records accrued retrospective premium as an adjustment to earned premium.

C. The amount of net premiums written by the Corporation at December 31, 2014 that are subject to retrospective rating or redetermination features was \$635,119,000 million that represented 36.3% of the total net premiums written for the Corporation. No other net premiums written by the Corporation are subject to retrospective rating features.

D. Medical Loss Ratio Rebates – NOT APPLICABLE.

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

(1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? YES

The Corporation had zero balances for the risk corridors and risk adjustment programs due to a lack of sufficient data to provide estimates for the recoverable amounts.

(2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

a. Permanent ACA Risk Adjustment Program

Assets

1. Premium adjustments receivable due to ACA Risk Adjustment \$N/A

Liabilities

2. Risk adjustment user fees payable for ACA Risk Adjustment \$N/A

3. Premium adjustments payable due to ACA Risk Adjustment \$N/A

Operations (Revenue and Expense)

4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment \$N/A

5. Reported in expenses as ACA risk adjustment user fees (incurred/paid) \$N/A

b. Transitional ACA Reinsurance Program

Assets

1. Amounts recoverable for claims paid due to ACA Reinsurance \$4,455,000.

2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability) \$239,000.

3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance \$N/A

Liabilities

4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium \$15,944,000.

5. Ceded reinsurance premiums payable due to ACA Reinsurance \$ 239,000.

6. Liabilities for amounts held under uninsured plans contributions for ACA reinsurance \$N/A

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
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Operations (Revenue and Expense)

| | |
|--|---------------|
| 7. Ceded reinsurance premiums due to ACA Reinsurance | \$269,000. |
| 8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected | \$4,455,000. |
| 9. ACA Reinsurance contributions – not reported as ceded premium | \$15,944,000. |

c. Temporary ACA Risk Corridors Program

Assets

| | |
|--|-------|
| 1. Accrued retrospective premium due to ACA Risk Corridors | \$N/A |
|--|-------|

Liabilities

| | |
|---|-------|
| 2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors | \$N/A |
|---|-------|

Operations (Revenue and Expense)

| | |
|--|-------|
| 3. Effect of ACA Risk Corridors on net premium income (paid/received) | \$N/A |
| 4. Effect of ACA Risk Corridors on change in reserves for rate credits | \$N/A |

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

| Accr During the Prior Yr on Bus Written Before Dec 31 of the Prior Year | | Rec'd or Paid as of the Curr Yr on Business Written Before Dec 31 of the Prior Yr | | Differences | | Adjustments | | Ref | Unsettled Bal as of Reporting Date | |
|---|-----------|---|-----------|---|---|---------------------|---------------------|-----|--|--|
| | | | | Prior Year Accr Less Payments (Col 1-3) | Prior Year Accr Less Payments (Col 2-4) | To Pr Year Balances | To Pr Year Balances | | Cumulative Bal from Pr Years (Col 1-3+7) | Cumulative Bal from Pr Years (Col 2-4+8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | 1 | 2 |
| Receivable | (Payable) | Receivable | (Payable) | Receivable | (Payable) | Receivable | (Payable) | | Receivable | (Payable) |

a. Permanent ACA Risk Adjustment Program

| | | |
|---|---|--|
| 1. Premium adjustment receivable | A | |
| 2. Premium adjustments (payable) | B | |
| 3. Subtotal ACA Permanent Risk Adjustment program | | |

b. Transitional ACA Reinsurance Program

| | | |
|---|---|--|
| 1. Amounts recoverable for claims paid | C | |
| 2. Amounts recoverable for claims unpaid (contra liability) | D | |
| 3. Amounts receivable relating to uninsured plans | E | |
| 4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium | F | |
| 5. Ceded reinsurance premiums payable | G | |
| 6. Liability for amounts hold under uninsured plans | H | |
| 7. Subtotal ACA Transitional Reinsurance Program | | |

c. Temporary ACA Risk Corridors Program

| | | |
|---|---|--|
| 1. Accrued retrospective premium | I | |
| 2. Reserve for rate credits or policy experience rating refunds | J | |
| 3. Subtotal ACA Risk Corridors Program | | |

d. Total for ACA Risk Sharing Provisions

Explanations of Adjustments

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None
- G. None
- H. None
- I. None
- J. None

**ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
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25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Activity in the liability for claims unpaid at December 31, 2014 and 2013 is summarized as follows:

| | <u>2014</u> | <u>2013</u> |
|-----------------------|---------------------------|---------------------------|
| Balance - January 1 | 133,653,000 | 138,481,000 |
| Incurred related to: | | |
| Current year | 1,563,627,000 | 1,693,789,000 |
| Prior year | <u>(5,961,000)</u> | <u>(32,583,000)</u> |
| Total incurred | <u>1,557,666,000</u> | <u>1,661,206,000</u> |
| Paid related to: | | |
| Current year | 1,441,127,000 | 1,569,378,000 |
| Prior year | <u>125,710,000</u> | <u>96,656,000</u> |
| Total paid | <u>1,566,837,000</u> | <u>1,666,034,000</u> |
| Balance - December 31 | <u><u>124,822,000</u></u> | <u><u>133,653,000</u></u> |

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior years" reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

26. INTERCOMPANY POOLING ARRANGEMENTS - NOT APPLICABLE.

27. STRUCTURED SETTLEMENTS - NOT APPLICABLE.

28. HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

These rebates are calculated using historical rebate trends and membership.

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Billed or Otherwise Confirmed | Actual Rebates Received Within 90 Days of Billing | Actual Rebates Received Within 91 to 180 Days of Billing | Actual Rebates Received More Than 180 Days After Billing |
|------------|---|---|--|--|--|
| 12/31/2014 | 1,536 | | | | |
| 09/30/2014 | 1,541 | | | | |
| 06/30/2014 | 1,621 | 1,553 | 1,483 | | |
| 03/31/2014 | 1,555 | 1,405 | 1,089 | 983 | |
| 12/31/2013 | 1,611 | 1,947 | 1,247 | 708 | |
| 09/30/2013 | 1,618 | 1,332 | 1,097 | 836 | 2 |
| 06/30/2013 | 1,625 | 1,315 | 1,137 | 513 | 2 |
| 03/31/2013 | 1,630 | 1,258 | 321 | 1,283 | 1 |
| 12/31/2012 | 1,623 | 1,791 | 1,487 | 249 | |
| 09/30/2012 | 1,628 | 1,825 | 1,678 | 94 | |
| 06/30/2012 | 1,641 | 1,756 | 1,565 | 1 | 87 |
| 03/31/2012 | 1,560 | 1,768 | 1,463 | 74 | 78 |

B. Risk Sharing Receivables - NOT APPLICABLE.

29. PARTICIPATING POLICIES

NOT APPLICABLE.

30. PREMIUM DEFICIENCY RESERVES

NOT APPLICABLE.

31. ANTICIPATED SALVAGE AND SUBROGATION

NOT APPLICABLE.

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 []
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 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 []
- 1.3 State Regulating? Michigan.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No []
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2012
- 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.12/31/2012
- 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).02/10/2014
- 3.4 By what department or departments? The Michigan Department of Insurance and Financial Services.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] N/A []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No []
- 4.12 renewals? Yes [] No []
- 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 []
- 4.22 renewals? Yes [] No []
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No []
- 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? Yes [] No []
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No []
- 7.2 If yes,0.0
- 7.21 State the percentage of foreign control0.0
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
| | |
| | |
| | |

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 Affiliate Name | 2 Location (City, State) | 3 FRB | 4 OCC | 5 FDIC | 6 SEC |
|---------------------|--------------------------------|----------|----------|-----------|----------|
| | | | | | |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Deloitte and Touche LLP Suite 3900 200 Renaissance Center Detroit Michigan 48243.....
 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
 10.2 If the response to 10.1 is yes, provide information related to this exemption:
 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
 10.4 If the response to 10.3 is yes, provide information related to this exemption:
 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
 10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 David O Thoen FSA MAAA Deloitte Consulting 50 South 6th Street Minneapolis MN 55402.....
 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 12.11 Name of real estate holding company n/a.....
 12.12 Number of parcels involved0
 12.13 Total book/adjusted carrying value \$0
 12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
 Not applicable.....
 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]
 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code.
 14.11 If the response to 14.1 is no, please explain:
 14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
 14.21 If the response to 14.2 is yes, provide information related to amendment(s)
 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

| 1 American Bankers Association (ABA) Routing Number | 2 Issuing or Confirming Bank Name | 3 Circumstances That Can Trigger the Letter of Credit | 4 Amount |
|--|--------------------------------------|--|-------------|
| | | | |
| | | | |
| | | | |

BOARD OF DIRECTORS

16. 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 []
17. 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 []
18. 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 that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | |
|--|---|----------|
| | 20.11 To directors or other officers | \$.....0 |
| | 20.12 To stockholders not officers | \$.....0 |
| | 20.13 Trustees, supreme or grand (Fraternal only) | \$.....0 |
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | |
|--|---|----------|
| | 20.21 To directors or other officers | \$.....0 |
| | 20.22 To stockholders not officers | \$.....0 |
| | 20.23 Trustees, supreme or grand (Fraternal only) | \$.....0 |
- 21.1 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]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--|----------------------------|----------|
| | 21.21 Rented from others | \$.....0 |
| | 21.22 Borrowed from others | \$.....0 |
| | 21.23 Leased from others | \$.....0 |
| | 21.24 Other | \$.....0 |
- 22.1 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]
- 22.2 If answer is yes:
- | | | |
|--|--|----------|
| | 22.21 Amount paid as losses or risk adjustment | \$.....0 |
| | 22.22 Amount paid as expenses | \$.....0 |
| | 22.23 Other amounts paid | \$.....0 |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....0

INVESTMENT

- 24.01 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? (other than securities lending programs addressed in 24.03) Yes [X] No []
- 24.02 If no, give full and complete information, relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
Not applicable.....
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] NA [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$.....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] NA [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] NA [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [] No [] NA [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- | | | |
|--------|---|----------|
| 24.101 | Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$.....0 |
| 24.102 | Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | \$.....0 |
| 24.103 | Total payable for securities lending reported on the liability page | \$.....0 |

GENERAL INTERROGATORIES

25.1 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 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 21.1 and 24.03). Yes [X] No []

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

| | |
|---|--------------------|
| 25.21 Subject to repurchase agreements | \$ |
| 25.22 Subject to reverse repurchase agreements | \$ |
| 25.23 Subject to dollar repurchase agreements | \$ |
| 25.24 Subject to reverse dollar repurchase agreements | \$ |
| 25.25 Placed under option agreements | \$ |
| 25.26 Letter stock or securities restricted as to sale – excluding FHLB Capital Stock | \$ |
| 25.27 FHLB Capital Stock | \$ |
| 25.28 On deposit with states | \$1,000,000 |
| 25.29 On deposit with other regulatory bodies | \$ |
| 25.30 Pledged as collateral – excluding collateral pledged to an FHLB | \$ |
| 25.31 Pledged as collateral to FHLB – including assets backing funding agreements | \$ |
| 25.32 Other | \$12,000,000 |

25.3 For category (25.26) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| Not applicable..... | | |
| | | |
| | | |
| | | |
| | | |

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

26.2 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.

27.1 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]

27.2 If yes, state the amount thereof at December 31 of the current year. \$

28. Excluding items in Schedule E – Part 3 – Special Deposits, 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 Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No []

28.01 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 |
|---------------------------------|--------------------------|
| Comerica Bank NA..... | Detroit Michigan..... |
| The Northern Trust Company..... | Chicago Illinois..... |

28.02 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) |
|---------------------|------------------|------------------------------|
| Not applicable..... | | |

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

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

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|---------------------|--------------------|---------------------|-------------|
| Not applicable..... | | | |

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

GENERAL INTERROGATORIES

28.05 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 |
|--|--|-------------------------------|
| Not Applicable..... | Brian Gamble..... | Detroit Michigan..... |
| Not Applicable..... | Christopher Graunstadt..... | Detroit Michigan..... |
| 152606..... | Doubleline Capital LP..... | Los Angeles California..... |
| 104863..... | Income Research and Management..... | Boston Massachusetts..... |
| 107038..... | J.P. Morgan Investment Management Inc..... | New York New York..... |
| 104559..... | Pacific Investment Management Company LLC..... | Newport Beach California..... |
| 108860..... | Post Advisory Group LLC..... | Santa Monica California..... |
| 159020..... | Sky Harbor Capital Management LLC..... | Greenwich Connecticut..... |
| 106614..... | Blackrock Advisors LLC..... | Wilmington Delaware..... |
| 105642..... | The Dreyfus Corporation..... | New York New York..... |
| 107738..... | Goldman Sachs Asset Management LP..... | New York New York..... |
| 108281..... | Fidelity management and Research Company..... | Boston Massachusetts..... |
| 110841..... | Wells Fargo Funds Management LLC..... | San Francisco California..... |

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []

29.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------------------|---|-----------------------------------|
| 29.2001. 111994-90-1..... | JP Morgan Core Bond Trust Fund..... | 20,423,055 |
| 29.2002. 09256H-28-6..... | Blackrock S10..... | 14,169,643 |
| 29.2003. 991RN8-99-2..... | Sky Harbor Short Duration High Yield Partners LP..... | 10,715,151 |
| 29.2004. 258620-86-3..... | Doubleline Low Duration Bond Fund..... | 23,170,550 |
| 29.2999 TOTAL | | 68,478,399 |

29.3 For each mutual fund listed in the table above, complete the following schedule:

| 1 Name of Mutual Fund (from above table) | 2 Name of Significant Holding of the Mutual Fund | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|--|--|---|------------------------|
| JP Morgan Core Bond Trust Fund..... | U. S. of America Bond Zero CPN 15/May/2020..... | 1,019,110 | 12/31/2014..... |
| JP Morgan Core Bond Trust Fund..... | Financing Corp FICO Discount Notes Zero Cpn..... | .767,907 | 12/31/2014..... |
| JP Morgan Core Bond Trust Fund..... | Fed Natl Mort Assoc 0% Strip 23/Sep/2020 USD..... | .539,169 | 12/31/2014..... |
| JP Morgan Core Bond Trust Fund..... | Tennessee Valley Auth Fed BE Gen Int 15/Jul/2016..... | .506,492 | 12/31/2014..... |
| JP Morgan Core Bond Trust Fund..... | Resolution Funding Corp Bond Zero Cpn 15/Jul/2020..... | .373,742 | 12/31/2014..... |
| Blackrock S10..... | United States Treasury..... | 2,050,347 | 12/31/2014..... |
| Blackrock S10..... | GNMA II..... | .537,029 | 12/31/2014..... |
| Blackrock S10..... | Italy (Republic of)..... | .515,775 | 12/31/2014..... |
| Blackrock S10..... | Japan (Government of)..... | .402,418 | 12/31/2014..... |
| Blackrock S10..... | SPDR Gold Trust..... | .144,530 | 12/31/2014..... |
| Sky Harbor Short Dur High Yield Partners LP..... | Intl Lease Finance..... | .150,012 | 12/31/2014..... |
| Sky Harbor Short Dur High Yield Partners LP..... | Sprint Nextel..... | .145,726 | 12/31/2014..... |
| Sky Harbor Short Dur High Yield Partners LP..... | First Data Corp..... | .135,011 | 12/31/2014..... |
| Sky Harbor Short Dur High Yield Partners LP..... | NRG Energy Inc..... | .125,367 | 12/31/2014..... |
| Sky Harbor Short Dur High Yield Partners LP..... | CIT Group Inc..... | .123,224 | 12/31/2014..... |
| Doubleline Low Duration Bond Fund..... | United States Treasury..... | 1,621,939 | 12/31/2014..... |
| Doubleline Low Duration Bond Fund..... | Doubleline Emerging Markets Fixed Inc Low Dur I..... | .491,216 | 12/31/2014..... |
| Doubleline Low Duration Bond Fund..... | CSMC 2007-TFLA..... | .199,267 | 12/31/2014..... |
| Doubleline Low Duration Bond Fund..... | NMRK 2013-1A..... | .189,999 | 12/31/2014..... |
| Doubleline Low Duration Bond Fund..... | Comm 2014-Kyo..... | .180,730 | 12/31/2014..... |

GENERAL INTERROGATORIES

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

| | 1 Statement (Admitted) Value | 2 Fair Value | 3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|----------------------------|------------------------------------|-----------------|---|
| 30.1 Bonds..... | 214,465,046 | 214,669,206 | 204,160 |
| 30.2 Preferred Stocks..... | 0 | 0 | 0 |
| 30.3 Totals | 214,465,046 | 214,669,206 | 204,160 |

30.4 Describe the sources or methods utilized in determining the fair values:

Fair values are based on quoted market prices where available obtained primarily from a third-party pricing service which generally uses Level 1 or Level 2 inputs for the determination of fair value.....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$776,788

33.2 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 |
|---------------------------------------|------------------|
| America's Health Insurance Plans..... | \$.....284,941 |

34.1 Amount of payments for legal expenses, if any? \$741,293

34.2 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 |
|--|------------------|
| No law firms represented 25% or more of..... | \$.....0 |

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

35.2 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 |
|---------------------|------------------|
| Not applicable..... | \$.....0 |

GENERAL INTERROGATORIES

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? \$
- 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 \$
- 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 lives0
- 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 lives0
- 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 lives0
- 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 lives0

2. Health Test:

| | | 1 Current Year | 2 Prior Year |
|-----|-------------------------|-----------------------|-----------------------|
| 2.1 | Premium Numerator | \$1,751,185,042 | \$1,869,010,697 |
| 2.2 | Premium Denominator | \$1,750,916,368 | \$1,869,010,697 |
| 2.3 | Premium Ratio (2.1/2.2) |1.000 |1.000 |
| 2.4 | Reserve Numerator | \$124,995,815 | \$135,763,086 |
| 2.5 | Reserve Denominator | \$124,756,501 | \$135,763,086 |
| 2.6 | Reserve Ratio (2.4/2.5) |1.002 |1.000 |

- 3.1 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]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [X] No []
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$2,750,000
- 5.32 Medical Only \$
- 5.33 Medicare Supplement \$
- 5.34 Dental and Vision \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
6. 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:
Please Attachment D
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []
- 7.2 If no, give details
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year8,832
- 8.2 Number of providers at end of reporting year9,373
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months0
- 9.22 Business with rate guarantees over 36 months0

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes:
- | | | |
|---|--|------------------|
| 10.21 Maximum amount payable bonuses | | \$.....0 |
| 10.22 Amount actually paid for year bonuses | | \$.....1,911,000 |
| 10.23 Maximum amount payable withholds | | \$.....3,846,574 |
| 10.24 Amount actually paid for year withholds | | \$.....2,110,602 |
- 11.1 Is the reporting entity organized as:
- | | | |
|---|--|---|
| 11.12 A Medical Group/Staff Model, | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above) ? | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth. Michigan.....
- 11.4 If yes, show the amount required. \$.....148,998,596
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation
- The amount reported is the greater of 4% of premiums or 200% of the authorized control level risk based capital
12. List service areas in which reporting entity is licensed to operate:

| 1 Name of Service Area |
|---------------------------|
| Arenac County..... |
| Bay County..... |
| Clare County..... |
| Genesee County..... |
| Gladwin County..... |
| Graiot County..... |
| Huron County..... |
| Iosco County..... |
| Isabella County..... |
| Lapeer County..... |
| Livingston County..... |
| Macomb County..... |
| Midland County..... |
| Monroe County..... |
| Oakland County..... |
| Ogemaw County..... |
| Roscommon County..... |
| Saginaw County..... |
| Sanilac County..... |
| St Clair County..... |
| Tuscola County..... |
| Washtenaw County..... |
| Wayne County..... |

- 13.1 Do you act as a custodian for health savings accounts? Yes No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....
- 13.3 Do you act as an administrator for health savings accounts? Yes No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3 as authorized reinsurers? Yes No N/A
- 14.2 If the answer to 14.1 is yes, please provide the following:

| 1 Company Name | 2 NAIC Company Code | 3 Domiciliary Jurisdiction | 4 Reserve Credit | Assets Supporting Reserve Credit | | |
|-------------------|------------------------|-------------------------------|---------------------|----------------------------------|-----------------------|------------|
| | | | | 5 Letters of Credit | 6 Trust Agreements | 7 Other |
| | | | | | | |

15. Provide the following for Individual ordinary life insurance* policies (U.S. business Only) for the current year:
- | | | |
|--|--|---------|
| 15.1 Direct Premium Written (prior to reinsurance ceded) | | \$..... |
| 15.2 Total incurred claims | | \$..... |
| 15.3 Number of covered lives | | |

| *Ordinary Life Insurance Includes |
|---|
| Term (whether full underwriting, limited underwriting, jet issue, "short form app") |
| Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app") |
| Variable Life (with or without Secondary Guarantee) |
| Universal Life (with or without Secondary Guarantee) |
| Variable Universal Life (with or without Secondary Guarantee) |

FIVE - YEAR HISTORICAL DATA

| | 1 2014 | 2 2013 | 3 2012 | 4 2011 | 5 2010 |
|--|---------------|---------------|---------------|---------------|---------------|
| Balance Sheet (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 28) | 469,021,560 | 456,678,445 | 499,998,727 | 501,529,888 | 454,753,789 |
| 2. Total liabilities (Page 3, Line 24) | 260,759,616 | 246,454,536 | 268,544,205 | 262,969,246 | 169,786,599 |
| 3. Statutory surplus | 148,998,596 | 138,987,794 | 138,646,884 | 130,544,726 | 122,524,008 |
| 4. Total capital and surplus (Page 3, Line 33) | 208,261,944 | 210,223,909 | 231,454,521 | 238,560,616 | 284,967,190 |
| Income Statement (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 1,749,489,497 | 1,869,010,868 | 1,895,087,492 | 1,791,334,792 | 1,733,249,468 |
| 6. Total medical and hospital expenses (Line 18) | 1,541,223,926 | 1,666,104,744 | 1,707,495,571 | 1,627,176,604 | 1,591,824,877 |
| 7. Claims adjustment expenses (Line 20) | 22,907,336 | 24,579,941 | 26,232,035 | 23,295,552 | 22,649,210 |
| 8. Total administrative expenses (Line 21) | 194,494,378 | 163,699,978 | 148,233,840 | 124,063,824 | 102,232,950 |
| 9. Net underwriting gain (loss) (Line 24) | (9,136,142) | 14,626,205 | 13,126,046 | 16,798,811 | 16,542,431 |
| 10. Net investment gain (loss) (Line 27) | 3,880,757 | 3,145,647 | 8,579,867 | 6,980,391 | 9,248,678 |
| 11. Total other income (Lines 28 plus 29) | 257,947 | 108,132 | 127,088 | 0 | 49,738 |
| 12. Net income or (loss) (Line 32) | (4,997,438) | 17,879,984 | 21,833,001 | 23,779,202 | 25,840,847 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11) | 18,458,837 | 18,348,854 | 46,095,556 | 31,734,391 | 33,949,690 |
| Risk-Based Capital Analysis | | | | | |
| 14. Total adjusted capital | 208,261,944 | 210,223,909 | 231,454,521 | 238,560,616 | 284,967,190 |
| 15. Authorized control level risk-based capital | 74,499,298 | 69,493,897 | 69,323,442 | 65,272,363 | 55,766,421 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7) | 271,908 | 329,298 | 342,264 | 331,214 | 342,635 |
| 17. Total members months (Column 6, Line 7) | 3,529,098 | 3,999,656 | 4,128,664 | 3,985,522 | 4,085,888 |
| Operating Percentage (Page 4) | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) | 88.0 | 89.1 | 90.1 | 90.8 | 91.8 |
| 20. Cost containment expenses | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 |
| 21. Other claims adjustment expenses | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| 22. Total underwriting deductions (Line 23) | 100.4 | 99.2 | 99.3 | 99.1 | 99.0 |
| 23. Total underwriting gain (loss) (Line 24) | (0.5) | 0.8 | 0.7 | 0.9 | 1.0 |
| Unpaid Claims Analysis | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13, Col. 5) | 129,190,649 | 107,101,411 | 106,437,312 | 86,713,137 | 85,870,100 |
| 25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] | 131,386,087 | 142,736,788 | 129,765,482 | 120,794,604 | 117,022,946 |
| Investments In Parent, Subsidiaries and Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) | 128,163,750 | 126,088,827 | 124,419,996 | 121,394,012 | 25,507,267 |
| 29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) | 0 | 0 | 0 | 0 | 0 |
| 30. Affiliated mortgage loans on real estate | 0 | 0 | 0 | 0 | 0 |
| 31. All other affiliated | 0 | 0 | 632,400 | 743,382 | 0 |
| 32. Total of above Lines 26 to 31 | 128,163,750 | 126,088,827 | 125,052,396 | 122,137,394 | 25,507,267 |
| 33. Total investment in parent included in Lines 26 to 31 above | 0 | 0 | 0 | 0 | 0 |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []

If no, please explain

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

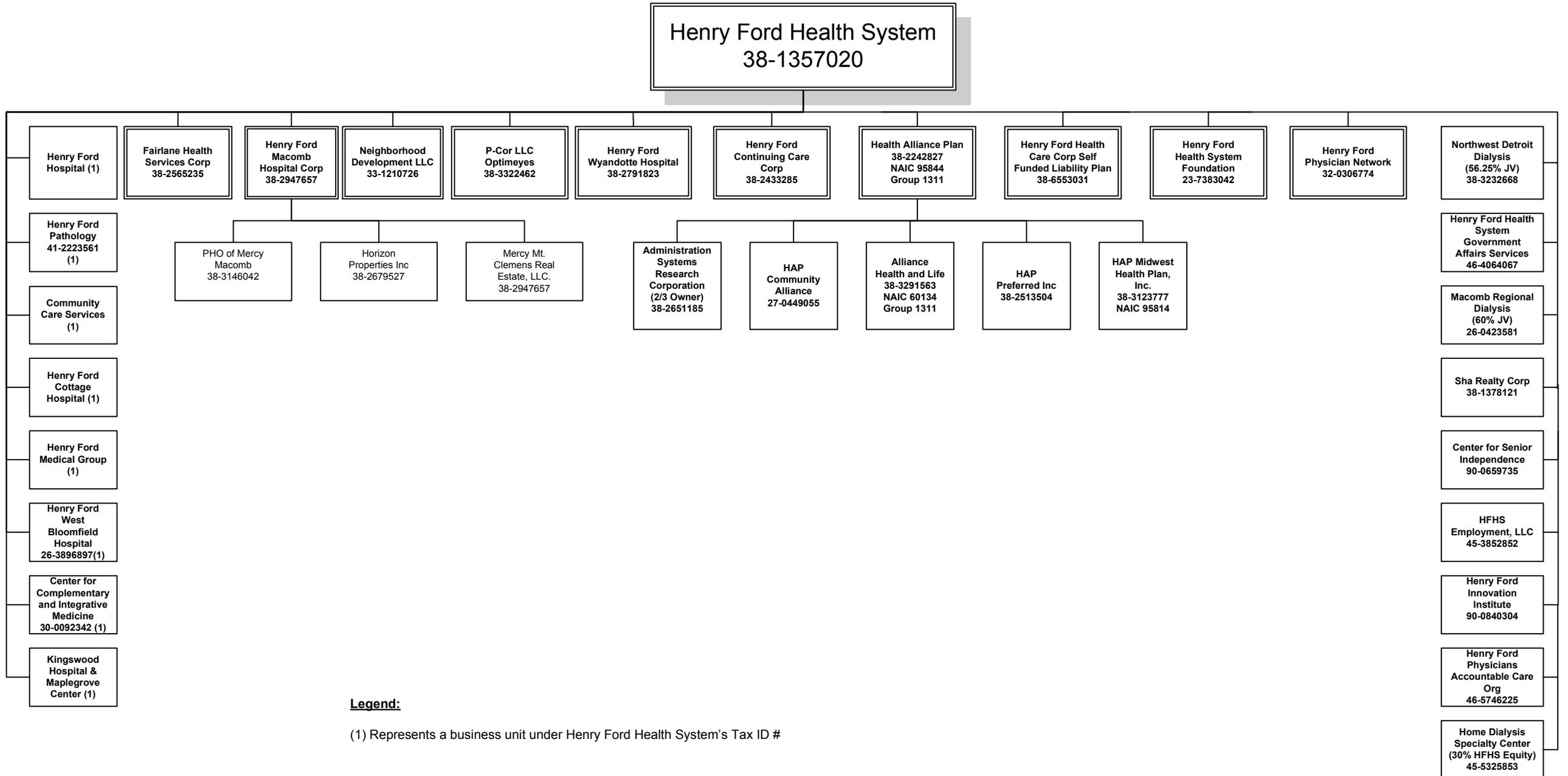
| State, Etc. | 1 Active Status | Direct Business Only | | | | | | | 9 Deposit-Type Contracts | |
|--|--------------------|---------------------------------|---------------------------|-------------------------|--|---|---------------------------------|--------------------------------|-----------------------------|---|
| | | 2 Accident & Health Premiums | 3 Medicare Title XVIII | 4 Medicaid Title XIX | 5 Federal Employees Health Benefits Plan Premiums | 6 Life & Annuity Premiums & Other Considerations | 7 Property/Casualty Premiums | 8 Total Columns 2 Through 7 | | |
| 1. Alabama | AL | N | | | | | | | 0 | 0 |
| 2. Alaska | AK | N | | | | | | | 0 | 0 |
| 3. Arizona | AZ | N | | | | | | | 0 | 0 |
| 4. Arkansas | AR | N | | | | | | | 0 | 0 |
| 5. California | CA | N | | | | | | | 0 | 0 |
| 6. Colorado | CO | N | | | | | | | 0 | 0 |
| 7. Connecticut | CT | N | | | | | | | 0 | 0 |
| 8. Delaware | DE | N | | | | | | | 0 | 0 |
| 9. District of Columbia | DC | N | | | | | | | 0 | 0 |
| 10. Florida | FL | N | | | | | | | 0 | 0 |
| 11. Georgia | GA | N | | | | | | | 0 | 0 |
| 12. Hawaii | HI | N | | | | | | | 0 | 0 |
| 13. Idaho | ID | N | | | | | | | 0 | 0 |
| 14. Illinois | IL | N | | | | | | | 0 | 0 |
| 15. Indiana | IN | N | | | | | | | 0 | 0 |
| 16. Iowa | IA | N | | | | | | | 0 | 0 |
| 17. Kansas | KS | N | | | | | | | 0 | 0 |
| 18. Kentucky | KY | N | | | | | | | 0 | 0 |
| 19. Louisiana | LA | N | | | | | | | 0 | 0 |
| 20. Maine | ME | N | | | | | | | 0 | 0 |
| 21. Maryland | MD | N | | | | | | | 0 | 0 |
| 22. Massachusetts | MA | N | | | | | | | 0 | 0 |
| 23. Michigan | MI | L | 1,131,864,259 | 491,834,268 | | 123,468,272 | | | 1,747,166,799 | 0 |
| 24. Minnesota | MN | N | | | | | | | 0 | 0 |
| 25. Mississippi | MS | N | | | | | | | 0 | 0 |
| 26. Missouri | MO | N | | | | | | | 0 | 0 |
| 27. Montana | MT | N | | | | | | | 0 | 0 |
| 28. Nebraska | NE | N | | | | | | | 0 | 0 |
| 29. Nevada | NV | N | | | | | | | 0 | 0 |
| 30. New Hampshire | NH | N | | | | | | | 0 | 0 |
| 31. New Jersey | NJ | N | | | | | | | 0 | 0 |
| 32. New Mexico | NM | N | | | | | | | 0 | 0 |
| 33. New York | NY | N | | | | | | | 0 | 0 |
| 34. North Carolina | NC | N | | | | | | | 0 | 0 |
| 35. North Dakota | ND | N | | | | | | | 0 | 0 |
| 36. Ohio | OH | N | | | | | | | 0 | 0 |
| 37. Oklahoma | OK | N | | | | | | | 0 | 0 |
| 38. Oregon | OR | N | | | | | | | 0 | 0 |
| 39. Pennsylvania | PA | N | | | | | | | 0 | 0 |
| 40. Rhode Island | RI | N | | | | | | | 0 | 0 |
| 41. South Carolina | SC | N | | | | | | | 0 | 0 |
| 42. South Dakota | SD | N | | | | | | | 0 | 0 |
| 43. Tennessee | TN | N | | | | | | | 0 | 0 |
| 44. Texas | TX | N | | | | | | | 0 | 0 |
| 45. Utah | UT | N | | | | | | | 0 | 0 |
| 46. Vermont | VT | N | | | | | | | 0 | 0 |
| 47. Virginia | VA | N | | | | | | | 0 | 0 |
| 48. Washington | WA | N | | | | | | | 0 | 0 |
| 49. West Virginia | WV | N | | | | | | | 0 | 0 |
| 50. Wisconsin | WI | N | | | | | | | 0 | 0 |
| 51. Wyoming | WY | N | | | | | | | 0 | 0 |
| 52. American Samoa | AS | N | | | | | | | 0 | 0 |
| 53. Guam | GU | N | | | | | | | 0 | 0 |
| 54. Puerto Rico | PR | N | | | | | | | 0 | 0 |
| 55. U.S. Virgin Islands | VI | N | | | | | | | 0 | 0 |
| 56. Northern Mariana Islands | MP | N | | | | | | | 0 | 0 |
| 57. Canada | CAN | N | | | | | | | 0 | 0 |
| 58. Aggregate other alien | OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal | XXX | | 1,131,864,259 | 491,834,268 | 0 | 123,468,272 | 0 | 0 | 1,747,166,799 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | 4,439,952 | | | | | | 4,439,952 | |
| 61. Total (Direct Business) | (a) | 1 | 1,136,304,211 | 491,834,268 | 0 | 123,468,272 | 0 | 0 | 1,751,606,751 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 58001. | XXX | | | | | | | | | |
| 58002. | XXX | | | | | | | | | |
| 58003. | XXX | | | | | | | | | |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | XXX | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | XXX | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc. Premiums are allocated to the states based upon the situs of the contract of the individual and employer group policyholder

(a) Insert the number of L responses except for Canada and other Alien.

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Health Alliance Plan of Michigan
 SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
 PART 1 – ORGANIZATIONAL CHART



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