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ANNUAL STATEMENT

For the Year Ended December 31, 2013

of the Condition and Affairs of the

Priority Health

NAIC Group Code.....3383, 3383 (Current Period) (Prior Period) NAIC Company Code..... 95561 Employer's ID Number..... 38-2715520

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

Licensed as Business Type.....Health Maintenance Organization Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized..... March 7, 1986 Commenced Business..... October 15, 1986

Statutory Home Office	1231 East Beltline NE….. Grand Rapids ..... MI ..... United States …. 49525-4501 *(Street and Number) (City or Town, State, Country and Zip Code)*	
Main Administrative Office	1231 East Beltline NE….. Grand Rapids ..... MI ..... United States …. 49525-4501 *(Street and Number) (City or Town, State, Country and Zip Code)*	616-942-0954 *(Area Code) (Telephone Number)*
Mail Address	1231 East Beltline NE….. Grand Rapids ..... MI ..... United States …. 49525-4501 *(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*	
Primary Location of Books and Records	1231 East Beltline NE….. Grand Rapids ..... MI ..... United States …. 49525-4501 *(Street and Number) (City or Town, State, Country and Zip Code)*	616-464-8926 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.priority-health.com	
Statutory Statement Contact	Kristy Lynn Shoemaker *(Name)*	616-464-8926 *(Area Code) (Telephone Number) (Extension)*
	kristy.shoemaker@priorityhealth.com *(E-Mail Address)*	616-942-7916 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. Michael P Freed	President / Chief Executive Officer	2. Mary Anne Jones	Treasurer / Chief Financial Officer
3. Kimberly L Thomas	Secretary	4.	

OTHER

DIRECTORS OR TRUSTEES

Richard C Breon	Georgia R Fojtasek	Michael P Freed	Rajesh U Kothari
Lynne Liddle	Christina MacInnes	Edward M Millermaier	Edwin Ness
Kathleen S Ponitz	Paul Saginaw	Thomas G Schwaderer	Hilary Snell
James J Stephanak	Michael Sytsma #	Gary W Timmer	Bruce Ullery
Jody D Vanderwel	Michael Vredenburg	Wendy H Walker	Samuel L Wanner

State of.....
County of.....

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.

(Signature)	(Signature)	(Signature)
Michael P Freed	Mary Anne Jones	Kimberly L Thomas
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President / Chief Executive Officer	Treasurer / Chief Financial Officer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This _____ day of _____ 2014

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	192,723,654		192,723,654	139,675,373
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	152,327,768	1	152,327,767	113,761,672
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)	1,524,742	1,524,742	0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(26,282,981), Schedule E-Part 1), cash equivalents ($.....250,402, Schedule E-Part 2) and short-term investments ($.....245,743,816, Schedule DA)	219,711,233		219,711,233	231,237,588
6. Contract loans (including $.....0 premium notes)			0	
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)			0	
9. Receivables for securities			0	
10. Securities lending reinvested collateral assets (Schedule DL)			0	
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	566,287,397	1,524,743	564,762,654	484,674,633
13. Title plants less $.....0 charged off (for Title insurers only)			0	
14. Investment income due and accrued	2,584,116		2,584,116	2,522,949
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	18,704,446	486,888	18,217,558	21,208,929
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
15.3 Accrued retrospective premiums			0	3,734,061
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	195,035	71,797	123,238	7,678
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts			0	
17. Amounts receivable relating to uninsured plans	1,738,070		1,738,070	2,617,233
18.1 Current federal and foreign income tax recoverable and interest thereon			0	
18.2 Net deferred tax asset			0	
19. Guaranty funds receivable or on deposit			0	
20. Electronic data processing equipment and software			0	
21. Furniture and equipment, including health care delivery assets ($.....0)	6,415,206	6,415,206	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates	29,111,399	85,792	29,025,607	19,821,203
24. Health care ($.....7,582,460) and other amounts receivable	8,660,966	1,078,506	7,582,460	7,943,542
25. Aggregate write-ins for other than invested assets	688,035	688,035	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	634,384,670	10,350,967	624,033,703	542,530,228
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTALS (Lines 26 and 27)	634,384,670	10,350,967	624,033,703	542,530,228

DETAILS OF WRITE-INS

1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Prepaid expenses	688,035	688,035	0	
2502.			0	
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	688,035	688,035	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $.....0 reinsurance ceded)	136,006,195	9,233,663	145,239,858	146,817,097
2. Accrued medical incentive pool and bonus amounts	27,786,519		27,786,519	25,947,323
3. Unpaid claims adjustment expenses	2,493,023	178,376	2,671,399	2,690,090
4. Aggregate health policy reserves, including the liability of $.....0 for medical loss ratio rebate per the Public Health Service Act	1,719,000		1,719,000	1,200,000
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	3,021,096		3,021,096	10,315,516
9. General expenses due or accrued	12,275,032		12,275,032	10,844,254
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others	632		632	573
13. Remittances and items not allocated	1,843,077		1,843,077	1,068,037
14. Borrowed money (including $.....0 current) and interest thereon $.....2,506 (including $.....2,506 current)	10,002,506		10,002,506	10,002,417
15. Amounts due to parent, subsidiaries and affiliates	23,545,473		23,545,473	26,430,344
16. Derivatives			0	
17. Payable for securities	708,660		708,660	
18. Payable for securities lending			0	
19. Funds held under reinsurance treaties with ($.....0 authorized reinsurers, $.....0 unauthorized and $.....0 certified reinsurers)			0	
20. Reinsurance in unauthorized and certified ($.....0) companies			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	
22. Liability for amounts held under uninsured plans	361,973		361,973	
23. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
24. Total liabilities (Lines 1 to 23)	219,763,186	9,412,039	229,175,225	235,315,651
25. Aggregate write-ins for special surplus funds	XXX	XXX	1,000,000	1,000,000
26. Common capital stock	XXX	XXX	8,524	8,524
27. Preferred capital stock	XXX	XXX		
28. Gross paid in and contributed surplus	XXX	XXX	35,821,002	35,821,002
29. Surplus notes	XXX	XXX	30,039,572	30,039,572
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	327,989,380	240,345,478
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 $.....0)	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 $.....0)	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	394,858,478	307,214,576
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	624,033,703	542,530,227

DETAILS OF WRITE-INS

2301.			0	
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	0	0	0	0
2501. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	XXX	XXX	1,000,000	1,000,000
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	4,353,085	4,858,476
2. Net premium income (including $.....0 non-health premium income)	XXX	1,877,832,414	1,936,545,978
3. Change in unearned premium reserves and reserve for rate credits	XXX	(519,000)	(614,325)
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	899,239	912,922
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,878,212,653	1,936,844,575
Hospital and Medical:			
9. Hospital/medical benefits		1,291,160,710	1,330,679,342
10. Other professional services		8,552,507	6,893,929
11. Outside referrals		37,259,072	42,613,321
12. Emergency room and out-of-area		56,128,884	57,409,434
13. Prescription drugs		233,127,660	251,881,539
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		32,738,699	29,943,077
16. Subtotal (Lines 9 to 15)	0	1,658,967,532	1,719,420,642
Less:			
17. Net reinsurance recoveries		325,991	223,592
18. Total hospital and medical (Lines 16 minus 17)	0	1,658,641,541	1,719,197,050
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....22,751,528 cost containment expenses		57,303,430	58,458,603
21. General administrative expenses		114,014,475	111,948,431
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)	0	1,829,959,446	1,889,604,084
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	48,253,207	47,240,491
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		4,522,950	7,525,168
26. Net realized capital gains or (losses) less capital gains tax of $.....0		2,862,817	1,933,688
27. Net investment gains or (losses) (Lines 25 plus 26)	0	7,385,767	9,458,856
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29. Aggregate write-ins for other income or expenses	0	2,979,116	3,971,497
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	58,618,090	60,670,844
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	58,618,090	60,670,844

DETAILS OF WRITE-INS

0601. Wellness Program Revenue	XXX	899,239	912,922
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	899,239	912,922
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Management Fee Revenue		2,979,116	3,971,497
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	2,979,116	3,971,497

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	307,214,576	227,802,872
34. Net income or (loss) from Line 32	58,618,090	60,670,844
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.....0	20,550,366	10,630,831
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	8,475,445	8,110,029
40. Change in unauthorized and certified reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	87,643,901	79,411,704
49. Capital and surplus end of reporting period (Line 33 plus 48)	394,858,477	307,214,576

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	1,877,319,670	1,938,174,226
2. Net investment income	5,618,573	8,786,012
3. Miscellaneous income	899,239	912,922
4. Total (Lines 1 through 3)	1,883,837,482	1,947,873,160
5. Benefit and loss related payments	1,657,492,771	1,712,091,879
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	165,685,566	168,149,222
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	1,823,178,337	1,880,241,101
11. Net cash from operations (Line 4 minus Line 10)	60,659,145	67,632,059
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	48,127,698	43,796,827
12.2 Stocks	8,889,301	5,160,444
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	14,984	1,300
12.7 Miscellaneous proceeds	708,660	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	57,740,643	48,958,571
13. Cost of investments acquired (long-term only):		
13.1 Bonds	101,711,476	59,815,308
13.2 Stocks	24,099,967	5,740,566
13.3 Mortgage loans		
13.4 Real estate		254,820
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	125,811,443	65,810,694
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(68,070,800)	(16,852,123)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(4,114,700)	(10,771,742)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(4,114,700)	(10,771,742)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(11,526,355)	40,008,194
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	231,237,592	191,229,398
19.2 End of year (Line 18 plus Line 19.1)	219,711,237	231,237,592

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	1,877,832,414	1,174,901,567	12,594,308				690,336,539			
2. Change in unearned premium reserves and reserve for rate credit	(519,000)						(519,000)			
3. Fee-for-service (net of $.....0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	899,239	899,239	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,878,212,653	1,175,800,806	12,594,308	0	0	0	689,817,539	0	0	0
8. Hospital/medical benefits	1,291,160,710	754,457,315	10,700,381				526,003,014			XXX
9. Other professional services	8,552,507	6,700,628					1,851,879			XXX
10. Outside referrals	37,259,072	29,191,344					8,067,728			XXX
11. Emergency room and out-of-area	56,128,884	43,975,264					12,153,620			XXX
12. Prescription drugs	233,127,660	158,248,827	34,141				74,844,692			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	32,738,699	26,084,610					6,654,089			XXX
15. Subtotal (Lines 8 to 14)	1,658,967,532	1,018,657,988	10,734,522	0	0	0	629,575,022	0	0	XXX
16. Net reinsurance recoveries	325,991	325,991								XXX
17. Total hospital and medical (Lines 15 minus 16)	1,658,641,541	1,018,331,997	10,734,522	0	0	0	629,575,022	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....22,751,528 cost containment expenses	57,303,430	38,822,752	1,925,245				16,555,433			
20. General administrative expenses	114,014,475	79,169,410	1,905,343				32,939,722			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,829,959,446	1,136,324,159	14,565,110	0	0	0	679,070,177	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	48,253,207	39,476,647	(1,970,802)	0	0	0	10,747,362	0	0	0

DETAILS OF WRITE-INS

0501. Wellness Program Revenue	899,239	899,239								XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	899,239	899,239	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	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. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

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)	1,175,795,873		894,306	1,174,901,567
2. Medicare supplement	12,597,490		3,182	12,594,308
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare	690,374,242		37,703	690,336,539
7. Title XIX - Medicaid				0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	1,878,767,605	0	935,191	1,877,832,414
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	1,878,767,605	0	935,191	1,877,832,414

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	1,655,757,160	1,017,532,038	9,726,202				628,498,920			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	210,428	210,428								
1.4 Net	1,655,546,732	1,017,321,610	9,726,202	0	0	0	628,498,920	0	0	0
2. Paid medical incentive pools and bonuses	30,899,503	25,188,081					5,711,422			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	145,239,858	88,680,300	1,825,320				54,734,238			
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	145,239,858	88,680,300	1,825,320	0	0	0	54,734,238	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									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	27,786,519	21,111,644					6,674,875			
6. Net healthcare receivables (a)	27,951,088	17,171,250					10,779,838			
7. Amounts recoverable from reinsurers December 31, current year	123,238	123,238								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	146,817,097	96,467,710	817,000				49,532,387			
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	146,817,097	96,467,710	817,000	0	0	0	49,532,387	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	25,947,323	20,215,115					5,732,208			
11. Amounts recoverable from reinsurers December 31, prior year	7,675	7,675								
12. Incurred benefits:										
12.1 Direct	1,626,228,833	992,573,378	10,734,522	0	0	0	622,920,933	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	325,991	325,991	0	0	0	0	0	0	0	0
12.4 Net	1,625,902,842	992,247,387	10,734,522	0	0	0	622,920,933	0	0	0
13. Incurred medical incentive pools and bonuses	32,738,699	26,084,610	0	0	0	0	6,654,089	0	0	0

(a) Excludes $.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	46,098,168	29,701,201	991,117				15,405,850			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	46,098,168	29,701,201	991,117	0	0	0	15,405,850	0	0	0
2. Incurred but unreported:										
2.1 Direct	99,111,951	58,949,360	834,203				39,328,388			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	99,111,951	58,949,360	834,203	0	0	0	39,328,388	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	29,739	29,739								
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	29,739	29,739	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	145,239,858	88,680,300	1,825,320	0	0	0	54,734,238	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	145,239,858	88,680,300	1,825,320	0	0	0	54,734,238	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	87,230,828	929,975,219	774,459	87,905,842	88,005,287	96,467,710
2. Medicare supplement	1,412,408	8,313,794	515,658	1,309,662	1,928,066	817,000
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare	44,247,187	584,251,733	55,385	54,678,853	44,302,572	49,532,387
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	132,890,423	1,522,540,746	1,345,502	143,894,357	134,235,925	146,817,097
10. Healthcare receivables (a)	8,529,621	19,477,603		8,473,485	8,529,621	8,529,621
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	24,816,720	6,082,783	756,885	27,029,634	25,573,605	25,947,323
13. Totals (Lines 9 - 10 + 11 + 12)	149,177,522	1,509,145,926	2,102,387	162,450,506	151,279,909	164,234,799

(a) Excludes $.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	112,290	112,763	112,706	112,706	112,706
2. 2009	1,102,024	1,206,717	1,207,094	1,207,094	1,207,094
3. 2010	XXX	1,396,948	1,547,661	1,547,661	1,547,661
4. 2011	XXX	XXX	1,524,292	1,685,234	1,685,234
5. 2012	XXX	XXX	XXX	1,555,357	1,704,534
6. 2013	XXX	XXX	XXX	XXX	1,509,146

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 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	112,290	112,763	112,706	112,706	
2. 2009	1,216,299	1,222,265	1,222,064	1,222,064	1,222,064
3. 2010	XXX	1,528,464	1,526,556	1,526,556	1,526,556
4. 2011	XXX	XXX	1,690,832	1,691,879	1,691,879
5. 2012	XXX	XXX	XXX	1,718,150	1,705,195
6. 2013	XXX	XXX	XXX	XXX	1,671,597

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2009	1,324,363	1,208,094	41,418	3.4	1,249,512	94.3			1,249,512	94.3
2. 2010	1,653,567	1,547,661	44,271	2.9	1,591,932	96.3			1,591,932	96.3
3. 2011	1,857,130	1,685,234	50,947	3.0	1,736,181	93.5			1,736,181	93.5
4. 2012	1,937,941	1,704,534	58,465	3.4	1,762,999	91.0	2,102	21	1,765,122	91.1
5. 2013	1,877,833	1,510,953	34,670	2.3	1,545,623	82.3	170,924	2,650	1,719,197	91.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	105,335	105,792	105,749	105,749	105,749
2. 2009	993,571	1,087,433	1,087,771	1,087,771	1,087,771
3. 2010	XXX	1,095,608	1,210,176	1,210,176	1,210,176
4. 2011	XXX	XXX	1,124,044	1,243,867	1,243,867
5. 2012	XXX	XXX	XXX	1,052,247	1,153,174
6. 2013	XXX	XXX	XXX	XXX	924,261

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 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	105,335	105,792	105,749	105,749	
2. 2009	1,093,024	1,100,195	1,100,010	1,100,010	1,100,010
3. 2010	XXX	1,186,053	1,184,955	1,184,955	1,184,955
4. 2011	XXX	XXX	1,245,247	1,248,690	1,248,690
5. 2012	XXX	XXX	XXX	1,161,730	1,152,746
6. 2013	XXX	XXX	XXX	XXX	1,027,316

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2009	1,177,005	1,088,771	39,581	3.6	1,128,352	95.9			1,128,352	95.9
2. 2010	1,276,470	1,210,176	39,511	3.3	1,249,687	97.9			1,249,687	97.9
3. 2011	1,355,417	1,243,867	44,021	3.5	1,287,888	95.0			1,287,888	95.0
4. 2012	1,314,248	1,153,174	47,901	4.2	1,201,075	91.4	1,531	10	1,202,616	91.5
5. 2013	1,174,902	926,068	26,529	2.9	952,597	81.1	108,261	1,618	1,062,476	90.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior					
2. 2009					
3. 2010	XXX	338	472	472	472
4. 2011	XXX	XXX	2,559	2,760	2,760
5. 2012	XXX	XXX	XXX	6,411	7,823
6. 2013	XXX	XXX	XXX	XXX	8,314

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

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 2009	2 2010	3 2011	4 2012	5 2013
1. Prior					
2. 2009					
3. 2010	XXX	345	472	472	472
4. 2011	XXX	XXX	2,796	2,796	2,796
5. 2012	XXX	XXX	XXX	7,195	8,306
6. 2013	XXX	XXX	XXX	XXX	9,624

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2009				0.0	0	0.0			0	0.0
2. 2010	530	472	33	7.0	505	95.3			505	95.3
3. 2011	3,873	2,760	267	9.7	3,027	78.2			3,027	78.2
4. 2012	8,557	7,823	692	8.8	8,515	99.5	516	10	9,041	105.7
5. 2013	12,594	8,314	634	7.6	8,948	71.0	1,309	25	10,282	81.6

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

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

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

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

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

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	6,955	6,971	6,957	6,957	6,957
2. 2009	108,453	119,284	119,323	119,323	119,323
3. 2010	XXX	301,002	337,013	337,013	337,013
4. 2011	XXX	XXX	397,689	438,607	438,607
5. 2012	XXX	XXX	XXX	496,699	543,537
6. 2013	XXX	XXX	XXX	XXX	576,571

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - 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 2009	2 2010	3 2011	4 2012	5 2013
1. Prior	6,955	6,971	6,957	6,957	
2. 2009	123,275	122,070	122,054	122,054	122,054
3. 2010	XXX	342,066	341,129	341,129	341,129
4. 2011	XXX	XXX	442,789	440,393	440,393
5. 2012	XXX	XXX	XXX	549,225	544,143
6. 2013	XXX	XXX	XXX	XXX	634,657

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2009	147,358	119,323	1,837	1.5	121,160	82.2			121,160	82.2
2. 2010	376,567	337,013	4,727	1.4	341,740	90.8			341,740	90.8
3. 2011	497,840	438,607	6,659	1.5	445,266	89.4			445,266	89.4
4. 2012	615,136	543,537	9,872	1.8	553,409	90.0	55	1	553,465	90.0
5. 2013	690,337	576,571	7,507	1.3	584,078	84.6	61,354	1,007	646,439	93.6

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

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

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 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 $.....0) for investment income	1,719,000						1,719,000		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	1,719,000	0	0	0	0	0	1,719,000	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	1,719,000	0	0	0	0	0	1,719,000	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 thru 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 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($.....0 for occupancy of own building)	628,071	953,828	1,917,103		3,499,002
2. Salaries, wages and other benefits	10,285,581	15,620,331	31,395,376		57,301,288
3. Commissions (less $.....0 ceded plus $.....0 assumed)			32,427,920		32,427,920
4. Legal fees and expenses	26,277	39,906	80,209		146,392
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services	363	551	1,107		2,021
7. Traveling expenses	57,505	87,330	175,525		320,360
8. Marketing and advertising	915,954	1,391,026	2,795,829		5,102,809
9. Postage, express and telephone	217,986	331,047	665,373		1,214,406
10. Printing and office supplies	363,703	552,342	1,110,155		2,026,200
11. Occupancy, depreciation and amortization	155,292	235,836	474,009		865,137
12. Equipment					0
13. Cost or depreciation of EDP equipment and software	1,363,432	2,070,594	4,161,695		7,595,721
14. Outsourced services including EDP, claims, and other services	1,287,151	1,954,749	4,153,068		7,394,968
15. Boards, bureaus and association fees	48,808	74,123	148,980		271,911
16. Insurance, except on real estate	37,302	56,649	113,859		207,810
17. Collection and bank service charges	22,547	34,242	359,444		416,233
18. Group service and administration fees	713,982	1,084,298	2,527,684		4,325,964
19. Reimbursements by uninsured plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes	5,098	7,743	90,171		103,012
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes	(5,989)	(9,095)	(18,281)		(33,365)
23.3 Regulatory authority licenses and fees	4,563	6,930	58,938		70,431
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)	13,387	20,330	11,198,595		11,232,312
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	6,610,513	10,039,141	20,177,717	0	36,827,371
26. Total expenses incurred (Lines 1 to 25)	22,751,526	34,551,901	114,014,476	0	(a) 171,317,903
27. Less expenses unpaid December 31, current year	267,140	2,404,259	12,275,032		14,946,431
28. Add expenses unpaid December 31, prior year	269,009	2,421,081	10,844,254		13,534,344
29. Amounts receivable relating to uninsured plans, prior year			2,617,233		2,617,233
30. Amounts receivable relating to uninsured plans, current year			1,738,070		1,738,070
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	22,753,395	34,568,723	111,704,535	0	169,026,653

DETAILS OF WRITE-INS

2501. Finance Management Fee	1,845,453	2,802,621	5,633,000		10,281,074
2502. Human Resources Management Fee	402,896	611,863	1,229,788		2,244,547
2503. Information Services Management Fee	4,211,675	6,396,115	12,855,583		23,463,373
2598. Summary of remaining write-ins for Line 25 from overflow page	150,489	228,542	459,346	0	838,377
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	6,610,513	10,039,141	20,177,717	0	36,827,371

(a) Includes management fees of $.....118,771,972 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) 2,583,723	2,579,704
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 2,290,067	2,452,382
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	1,435,665	1,435,665
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 56,461	140,965
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	6,365,916	6,608,716
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 1,802,376
14.	Depreciation on real estate and other invested assets		(i) 283,389
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		2,085,765
17.	Net investment income (Line 10 minus Line 16)		4,522,951

DETAILS OF WRITE-INS

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

(a) Includes $.....116,201 accrual of discount less $.....989,513 amortization of premium and less $.....267,060 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....3,561 accrual of discount less $.....4,275,683 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $.....1,802,376 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....283,389 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 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	107,758		107,758		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	230,049		230,049		
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)			0		
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	2,805,065		2,805,065	6,169,440	
2.21	Common stocks of affiliates			0	14,380,926	
3.	Mortgage loans			0		
4.	Real estate	(295,039)		(295,039)		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	14,984		14,984		
7.	Derivative instruments			0		
8.	Other invested assets			0		
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	2,862,817	0	2,862,817	20,550,366	0

DETAILS OF WRITE-INS

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks	1	1	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	1,524,742	2,103,170	578,428
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Derivatives (Schedule DB)			0
8. Other invested assets (Schedule BA)			0
9. Receivables for securities			0
10. Securities lending reinvested collateral assets (Schedule DL)			0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,524,743	2,103,171	578,428
13. Title plants (for Title insurers only)			0
14. Investment income due and accrued			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	486,888	543,138	56,250
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
15.3 Accrued retrospective premiums			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	71,797	4,061	(67,736)
16.2 Funds held by or deposited with reinsured companies			0
16.3 Other amounts receivable under reinsurance contracts			0
17. Amounts receivable relating to uninsured plans			0
18.1 Current federal and foreign income tax recoverable and interest thereon			0
18.2 Net deferred tax asset			0
19. Guaranty funds receivable or on deposit			0
20. Electronic data processing equipment and software			0
21. Furniture and equipment, including health care delivery assets	6,415,206	14,288,407	7,873,201
22. Net adjustment in assets and liabilities due to foreign exchange rates			0
23. Receivables from parent, subsidiaries and affiliates	85,792	39,642	(46,150)
24. Health care and other amounts receivable	1,078,506	1,787,533	709,027
25. Aggregate write-ins for other than invested assets	688,035	60,460	(627,575)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)	10,350,967	18,826,412	8,475,445
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28. TOTALS (Lines 26 and 27)	10,350,967	18,826,412	8,475,445

DETAILS OF WRITE-INS

1101.			0
1102.			0
1103.			0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0
2501.			0
2502. Prepaid Expenses	688,035	60,460	(627,575)
2503.			0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	688,035	60,460	(627,575)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations	264,346	232,698	230,339	225,182	227,731	2,750,088
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service	57,061	49,864	49,289	46,938	46,376	580,859
5. Indemnity only						
6. Aggregate write-ins for other lines of business	76,716	83,344	84,925	86,541	88,023	1,022,138
7. Total	398,123	365,906	364,553	358,661	362,130	4,353,085

DETAILS OF WRITE-INS

0601. Medicare	71,163	76,895	78,199	79,744	81,113	942,576
0602. Medigap	5,553	6,449	6,726	6,797	6,910	79,562
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	76,716	83,344	84,925	86,541	88,023	1,022,138

EXHIBIT 3A - ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Heath Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	8,529,621	19,477,603		8,048,484	8,529,621	8,014,883
2. Claim overpayment receivables	859,910	1,689,591		543,548	859,910	859,910
3. Loans and advances to providers					0	726,000
4. Capitation arrangement receivables					0	
5. Risk sharing receivables					0	
6. Other health care receivables	130,282	833,976	2,229	66,705	132,511	130,282
7. Totals (Lines 1 through 6)	9,519,813	22,001,170	2,229	8,658,737	9,522,042	9,731,075

Note that the accrued amounts in Columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Company) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 93.9% shareholder), as well as Munson Healthcare and Healthshare, Inc. The Company provides coverage for medical, hospital and other health care services to over 360,000 members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial and Medicare subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the parent of Priority Health Choice, Inc. (PH Choice), an HMO established effective October 1, 2002. Priority Health, as the sole owner and parent of PH Choice, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PH Choice has over 75,000 Medicaid and MIChild members as of December 31, 2013.

Priority Health is the parent of Priority Health Insurance Company (PHIC), established effective September 1, 2004. Priority Health, as the sole owner and parent of PHIC, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHIC provides contracts of health insurance, including endorsements, for medical, hospital and other health care services. PHIC has over 56,000 members as of December 31, 2013.

On April 1, 2007, Priority Health purchased 100% ownership of PHMB Properties, LLC and Trinity Health Plans. PHMB Properties, LLC owns the buildings that make up the corporate headquarters of Priority Health. Trinity Health Plans holds contracts with providers, who are located primarily within Michigan. THP had no members as of December 31, 2013.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of defined measures meets, or exceeds, documented thresholds, the providers may share in the surplus, and be eligible for the return of previously withheld fees, as defined in their respective contracts. In addition, the Company provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Department of Insurance and Financial Services (DIFS). The National Association of Insurance Commissioners (NAIC) has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2013.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by DIFS. There is a full adoption and application of applicable Statements of Statutory Accounting Principals (SSAPs).

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and

NOTES TO FINANCIAL STATEMENTS

accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.
3. Investments in Common Stocks are reported at fair market value based upon quoted market prices.
4. Preferred Stocks are Not Applicable.
5. Mortgage loans are Not Applicable.
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.
7. The Company uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Choice, Inc. and Priority Health Insurance Company, as described in SSAP 97.
8. The Company does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Company and therefore this disclosure is Not Applicable.
10. The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.
11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.
12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

A. Not Applicable

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health, have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Not Applicable

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations

The Company has no Discontinued Operations to report.

5. Investments

A. Mortgage Loans – Not Applicable
B. Debt Restructuring – Not Applicable
C. Reverse Mortgages – Not Applicable
D. Loan-backed securities –
1. The Company does not have securities purchased prior to January 1, 1994.
2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.
3. The Company has applied retrospective adjustment methodology to these investments.

E. Repurchase Agreements – Not Applicable
F. Real Estate – Not Applicable
G. Low-Income Housing Tax Credits (LIHTC) – Not Applicable
H. Restricted Assets – Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is not applicable to the Company as no income due is past its due date and no investment income was non-admitted.

8. Derivative Instruments

This note is not applicable to the Company.

9. Income Taxes

The Company is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G
The Company has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Company through common ownership, to provide certain management services. The management fee incurred by the Company was $118,772,000 in 2013 and $111,623,000 in 2012, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., as part of the management contract.

Premium revenues recognized from related organizations were approximately $158,196,000 and $161,984,000 during 2013 and 2012, respectively. Health care costs approximating $386,719,000 during 2013 and $385,944,000 in 2012 were provided to plan members by related organizations.

Amounts due from affiliates were $29,026,000 at December 31, 2013, and $19,814,000 at December 31, 2012. Amounts due to affiliates were $23,545,000 at December 31, 2013, and $26,430,000 at December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

H--None
I---Investment in SCA does not meet criteria
J -- None

11. Debt

In 2008, the Company obtained a $10,000,000 line of credit from Spectrum Health, its parent company, which was outstanding at December 31, 2013 and 2012. The line of credit requires interest be paid in installments and matures in November 2017. This line of credit bears interest at a floating rate based on one-month LIBOR plus 65 basis points (0.82% at December 31, 2013).

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

This note is not applicable to the Company.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

(1) The Company has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 8,524 are issued and outstanding (8,000--Class A, 524--Class B).

(2) The Company has no preferred stock outstanding.

(3) through (5) All stock is non-dividend bearing

(6) There were no restrictions placed on the Company's surplus.

(7) The total amount of advances to surplus not repaid – Not Applicable

(8) This is not applicable to the Company.

(9) This is not applicable to the Company.

(10) The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is $20,550,000.

(11) The Company issued the following surplus notes:

A, B, C, D, E, F, G, H, I, J, K, L, M

1 Date Issued	2 Interest Rate	3 Par Value (Face Amount of Notes)	4 Carrying Value of Note	5 Principal And/Or Interest Paid Current Year	6 Total Principal And/Or Interest Paid	7 Unapproved Principal And/Or Interest	8 Date of Maturity
12/8/06	6%	$6,000,000	$6,000,000	$360,000	$1,440,000	$360,000	None
12/8/06	6%	6,000,000	6,000,000	360,000	1,440,000	360,000	None
12/8/06	6%	6,000,000	6,000,000	360,000	1,440,000	360,000	None
12/8/06	6%	6,000,000	6,000,000	360,000	1,440,000	360,000	None
12/8/06	6%	6,000,000	6,000,000	360,000	1,440,000	360,000	None
12/8/06	6%	3,839,572	39,572	2,374	4,341,498	2,374	None
1310999 Total		$33,839,572	$30,039,572	$1,802,374	$11,541,498	$1,802,374	

NOTES TO FINANCIAL STATEMENTS

The Surplus Notes listed above were issued to Spectrum Health Corporation.

The Surplus Notes have the following repayment conditions and restrictions: Payment of interest and principal, if any, shall be paid annually from earned surplus. Repayment of such amounts will be subject to the approval of the Board of Directors of Priority Health and prior written approval by the State of Michigan's Department of Insurance and Financial Services.

The Surplus Notes have the following subordination terms: The payment of principal and interest is expressly subordinated to claims of creditors and members of Priority Health and any other priority claims provided by Chapter 81 of the Insurance Code, which provides that surplus notes are at the eighth level of priority.

The liquidation preferences to the insurer's shareholders are as follows: If Priority Health is dissolved and there are insufficient assets to pay in full the principal amount of and interest on all outstanding surplus notes, then Priority Health shall pay on all surplus notes pro rata on the basis of the outstanding principal amount of each surplus note and the interest accrued thereon. Regardless of the issuance date of these Surplus Notes or any other surplus note of Priority Health, these Surplus Notes shall be of equal rank with any other surplus note or series of surplus notes.

N. This is not applicable to the Company.

(12) This is not applicable to the Company.

(13) This is not applicable to the Company.

14. Contingencies

A. The Company has committed to its wholly owned subsidiaries, Priority Health Insurance Company, Inc. and Priority Health Choice, Inc., to provide additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
B. Assessments are not applicable.
C. Gain Contingencies are not applicable.
D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits are not applicable.
E. All Other Contingencies are not applicable.

15. Leases

A. Lessee Operating Lease

This note is not applicable to the Company.

B. Lessor Leases

This note is not applicable to the Company.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is not applicable to the Company.

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

NOTES TO FINANCIAL STATEMENTS

This note is not applicable to the Company.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The Company receives funds from the Center for Medicare & Medicaid Services (CMS) for its stand alone Medicare Advantage product (MAPD) that includes both an insured and uninsured payment mechanism. The uninsured payment includes reimbursements for a portion of claims above a catastrophic threshold and for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. The uninsured payment from CMS is received monthly based on a predetermined per member per month amount with an annual settlement occurring in the following year. Liability for amount held under uninsured plans was $362,000 at December 31, 2013. There was no liability recorded at December 31, 2012.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is not applicable to the Company.

20. Fair Value Measurements

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (now codified under FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*). The hierarchy gives the highest ranking to fair values determined using unadjusted quoting prices in active markets for identical assets and liabilities (Level 1) and the lowers ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

NOTES TO FINANCIAL STATEMENTS

The following table summarizes the valuation of the Company's financial instruments by the above pricing categories:

	Total	Quoted Prices In Active Markets (Level 1)	Prices With Other Observable Inputs (Level 2)	Prices With Unobservable Inputs (Level 3)
		(In Thousands)		
December 31, 2013				
Common stock	**$ 77,351**	**$ 77,351**	**$ -**	**$ -**
	$ 77,351	**$ 77,351**	**$ -**	**$ -**
December 31, 2012				
Common stock	$ 53,165	$ 53,165	$ -	$ -
	$ 53,165	$ 53,165	$ -	$ -

21. Other Items

The Company does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

On January 1, 2014, the Company will be subject to an annual fee under section 9010 of the Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premium 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, 2014. As of December 31, 2013, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2014, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2014 to be $15,300,000. This assessment is expected to impact risk based capital by 19.5%.

23. Reinsurance

A. Not Applicable
B. Not Applicable
C. None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. Written premiums for the Company's Medicare Advantage product are subject to retrospective adjustments. The Company estimates accrued retrospective premiums based on a risk corridor calculation as defined by the CMS. The Company also estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder with a charge for administrative expenses.
B. The Company records accrued retrospective premium as an adjustment of earned premium.
C. The amount of net premiums written by the Company at December 31, 2013, that are subject to retrospective rating features was $689,818,000, that represent 36.7% of the total net premiums written for group health. No other net premiums written by the Company are subject to retrospective rating features.
D. Not Applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any

NOTES TO FINANCIAL STATEMENTS

margin associated with these estimates. Reserve adjustments were favorable by approximately $12.6 million in 2013, decreasing the prior year-end claim reserve estimates of $146.8 million to $134.2 million.

26. Intercompany Pooling Arrangements

This note is not applicable to the Company.

27. Structured Settlements

This note is not applicable to the Company.

28. Health Care Receivables

A. Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2013, 2012 and 2011 are as follows:

		Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2013	$ 7,025,753	$ -	$ -	$ -	$ -
9/30/2013	$ 6,796,027	$ -	$ 4,402,059	$ 16,150	$ -
6/30/2013	$ 5,633,880	$ -	$ 3,866,603	$ 1,429,692	$ 18,744
3/31/2013	$ 6,489,000	$ -	$ 3,362,924	$ 1,410,226	$ 506,738
12/31/2012	$ 7,068,069	$ -	$ 4,321,859	$ 1,123,310	$ 136,208
9/30/2012	$ 7,139,293	$ -	$ 4,280,320	$ 940,026	$ 112,884
6/30/2012	$ 7,162,715	$ -	$ 4,385,368	$ 761,544	$ 218,262
3/31/2012	$ 7,053,000	$ -	$ 4,379,801	$ 819,425	$ 114,760
12/31/2011	$ 7,401,000	$ -	$ 4,704,579	$ 888,218	$ 16,275
9/30/2011	$ 6,898,522	$ -	$ 3,064,925	$ 607,169	$ 26,607
6/30/2011	$ 6,611,623	$ -	$ 4,659,107	$ 719,682	$ (231,094)
3/31/2011	$ 5,902,280	$ -	$ 4,700,369	$ 485,828	$ (97,436)

B. This note is not applicable to the Company.

29. Participating Policies

This note is not applicable to the Company.

30. Premium Deficiency Reserves

The Company recorded no premium deficiency reserve in the 2013 and 2012 financial statements.

31. Anticipated Salvage and Subrogation

The Company does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

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

1.3 State regulating? Michigan

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

2.2 If yes, date of change: 04/10/2013

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2013

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. 12/31/2009

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). 06/29/2011

3.4 By what department or departments?
State of 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 [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

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

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

1 Name of Entity	2 NAIC Co. 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 [X]

6.2 If yes, give full information:

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

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

1 Nationality		2 Type of Entity

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?
Ernst & Young LLP, 171 Monroe Ave., Grand Rapids, MI 49503

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:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

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 answer 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?
Ernst & Young LLP, Insurance & Actuarial Advisory Services, 5 Times Square, New York, NY 10036

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No [ ]

12.11 Name of real estate holding company
PHMB Properties, LLC

12.12 Number of parcels involved 1

12.13 Total book/adjusted carrying value $.....1

12.2 If yes, provide explanation.
Occupied building owned by a wholly-owned subsidiary, PHMB Properties, LLC

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?

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

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

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

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? Yes [X] No [ ]

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 [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
Amendments to the code of ethics involved transitioning the Priority Health policies to be in line with our parent company's policies.

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).

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

PART 1 - COMMON INTERROGATORIES - 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 [ ]

PART 1 - COMMON INTERROGATORIES - 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 .....

21.22 Borrowed from others .....

21.23 Leased from others .....

21.24 Other .....

PART 1 - COMMON INTERROGATORIES - FINANCIAL

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 .....

22.22 Amount paid as expenses .....

22.23 Other amounts paid .....

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. $.....24,702,523

PART 1 - COMMON INTERROGATORIES - 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 [ ] No [X]

24.02 If no, give full and complete information relating thereto.
Priority Health had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

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).
N/A

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 [ ] N/A [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 [ ] N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [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 [ ] N/A [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. .....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. .....

24.103 Total payable for securities lending reported on the liability page. .....

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 $.....0

25.22 Subject to reverse repurchase agreements $.....0

25.23 Subject to dollar repurchase agreements $.....0

25.24 Subject to reverse dollar repurchase agreements $.....0

25.25 Pledged as collateral $.....0

25.26 Placed under option agreements $.....0

25.27 Letter stock or securities restricted as to sale $.....0

25.28 On deposit with state or other regulatory body $.....1,047,066

25.29 Other $.....0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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
Fifth Third Bank	Grand Rapids, MI
Huntington National Bank	Grand Rapids, MI
Mellon Trust	Pittsburgh, PA

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)

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

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
N/A	Prime Investments	Bloomfield, CT

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 [ ]

PART 1 - COMMON INTERROGATORIES - INVESTMENT

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
233203 58 7	DFA EMERGING MRKTS VALUE	6,865,351
233203 62 9	DFA INTERNATIONAL	7,192,397
693390 70 0	PIMCO FDS TOTAL RETURN - INST	13,717,891
693391 10 4	PIMCO REAL RETURN FUND	6,811,617
921909 82 6	VANGUARD DEV MKTS INDEX FUND	14,153,525
922040 10 0	VANGUARD INSTL INDEX FUND	14,274,180
922908 44 7	VANGUARD MID CAP INDEX-SIGN	7,159,030
922908 87 6	VANGUARD SMALL CAP INDEX FUND	7,176,518
29.2999. TOTAL		77,350,509

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

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
DFA EMERGING MRKTS VALUE	GAZPROM OAO SPON ADR ADR	332,970	12/31/2013
DFA INTERNATIONAL	BP PLC SPONS ADR ADR	231,883	12/31/2013
PIMCO FDS TOTAL RETURN - INST	PIMCO SHORT-TERM FLOATING NAV PORTFOLIO III	1,344,765	12/31/2013
PIMCO REAL RETURN FUND	BRAZIL LETRAS DO TESOURO NATIONAL	118,522	12/31/2013
VANGUARD DEV MKTS INDEX FUND	NESTLE SA	240,610	12/31/2013
VANGUARD INSTL INDEX FUND	APPLE INC.	399,677	12/31/2013
VANGUARD MID CAP INDEX-SIGN	MACY'S INC.	47,966	12/31/2013
VANGUARD SMALL CAP INDEX FUND	UNITED RENTALS INC.	21,530	12/31/2013

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	438,717,868	439,829,200	1,111,332
30.2 Preferred stocks			0
30.3 Totals	438,717,868	439,829,200	1,111,332

30.4 Describe the sources or methods utilized in determining the fair values:
Pricing services and brokers

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:

PART 1 - COMMON INTERROGATORIES - OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $240,738

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
Alliance of Community Health Plans	141,050

34.1 Amount of payments for legal expenses, if any? $115,242

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
Thomas Mellema Law PC	34,659
Buckman MacDonald & Bauer PC	33,075

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $203,519

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
Hooper Lundy & Bookman PLC	75,495
Alliance of Community Health Plans	75,447
Warner Norcross & Judd LLP	52,577

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

1.2 If yes, indicate premium earned on U.S. business only $.....12,488,663

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

1.31 Reason for excluding

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

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.....10,734,522

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.....12,488,663

1.62 Total incurred claims $.....10,734,522

1.63 Number of covered lives 6,910

All years prior to most current three years:

1.64 Total premium earned $.....0

1.65 Total incurred claims $.....0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $.....0

1.72 Total incurred claims $.....0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $.....0

1.75 Total incurred claims $.....0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	1,877,832,414	1,936,545,978
2.2 Premium Denominator	1,877,832,414	1,936,545,978
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	174,745,377	173,964,420
2.5 Reserve Denominator	174,745,377	173,964,420
2.6 Reserve Ratio (2.4/2.5)	100.0	100.0

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, 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 [ ] No [X]

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 $.....1,250,000

5.32 Medical only $.....1,250,000

5.33 Medicare supplement $.....0

5.34 Dental and vision $.....0

5.35 Other limited benefit plan $.....0

5.36 Other $.....0

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:

HMO holds harmless provisions of provider contracts, trust indentures.

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 year 13,620

8.2 Number of providers at end of reporting year 15,568

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 months .....

9.22 Business with rate guarantees over 36 months .....

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $.....25,179,374

10.22 Amount actually paid for year bonuses $.....23,282,730

10.23 Maximum amount payable withholds $.....1,746,152

10.24 Amount actually paid for year withholds $.....751,630

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

11.1. Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,	Yes [ ]	No [X]
11.13 An Individual Practice Association (IPA), or	Yes [X]	No [ ]
11.14 A Mixed Model (combination of above)?	Yes [ ]	No [X]
11.2. Is the reporting entity subject to Minimum Net Worth Requirements?	Yes [X]	No [ ]
11.3. If yes, show the name of the state requiring such net worth. Michigan		
11.4. If yes, show the amount required.	$.....157,657,790	
11.5. Is this amount included as part of a contingency reserve in stockholder's equity?	Yes [X]	No [ ]

11.6. If the amount is calculated, show the calculation:
200% ACL

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

1 Name of Service Area
Alcona
Allegan
Alpena
Antrim
Arnenac
Barry
Bay
Benzie
Berrien
Branch
Calhoun
Cass
Charlevoix
Cheboygan
Clare
Clinton
Crawford
Eaton
Emmet
Genesee
Gladwin
Grand Traverse
Gratiot
Hillsdale
Huron
Ingham
Ionia
Iosco
Isabella
Jackson
Kalamazoo
Kalkaska
Kent
Lake
Lapeer
Leelanau
Lenawee
Livingston
Mackinac
Macomb
Manistee
Mason
Mecosta
Midland
Missaukee
Monroe
Montcalm
Montmorency
Muskegon
Newaygo
Oakland
Oceana
Ogemaw
Osceola
Oscoda
Otsego
Ottawa
Presque Isle
Roscommon
Saginaw
St. Clair
St. Joseph
Sanilac
Shiawassee
Tuscola
Van Buren
Washtenaw
Wayne
Wexford

13.1. Do you act as a custodian for health savings account? Yes [ ] No [X]

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 [X]

13.4. If yes, please provide the balance of the funds administered as of the reporting date. .....

FIVE-YEAR HISTORICAL DATA

	1 2013	2 2012	3 2011	4 2010	5 2009
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	624,033,703	542,530,228	472,916,577	425,237,310	426,475,619
2. Total liabilities (Page 3, Line 24)	229,175,225	235,315,651	245,113,705	221,117,404	191,569,323
3. Statutory surplus	157,657,790	161,040,584	160,807,292	148,201,540	113,531,651
4. Total capital and surplus (Page 3, Line 33)	394,858,478	307,214,576	227,802,872	204,119,906	234,906,296
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	1,878,212,653	1,936,844,575	1,857,722,720	1,654,191,556	1,324,363,176
6. Total medical and hospital expenses (Line 18)	1,658,641,541	1,719,197,050	1,688,656,978	1,534,430,448	1,203,496,546
7. Claims adjustment expenses (Line 20)	57,303,430	58,458,603	44,893,086	43,679,933	40,289,583
8. Total administrative expenses (Line 21)	114,014,475	111,948,431	101,157,043	99,978,445	83,704,937
9. Net underwriting gain (loss) (Line 24)	48,253,207	47,240,491	23,015,613	(23,897,270)	(3,127,890)
10. Net investment gain (loss) (Line 27)	7,385,767	9,458,856	7,162,717	13,708,263	18,039,943
11. Total other income (Lines 28 plus 29)	2,979,116	3,971,497	3,002,363	3,026,820	2,909,532
12. Net income or (loss) (Line 32)	58,618,090	60,670,844	33,180,693	(7,162,187)	17,821,585
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	60,659,145	67,632,059	38,376,478	15,295,702	7,792,615
Risk-Based Capital Analysis					
14. Total adjusted capital	394,858,478	307,214,576	227,802,872	204,119,906	234,906,296
15. Authorized control level risk-based capital	78,828,895	80,520,292	80,403,646	74,100,770	56,765,826
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	362,130	398,123	423,989	432,079	380,816
17. Total member months (Column 6, Line 7)	4,353,085	4,858,476	5,164,558	5,055,349	4,408,636
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 (Line 18 plus Line 19)	88.4	88.8	90.9	92.8	90.9
20. Cost containment expenses	1.2	1.3	1.0	1.2	0.5
21. Other claims adjustment expenses	1.8	1.7	1.4	1.5	2.5
22. Total underwriting deductions (Line 23)	97.5	97.6	98.8	101.5	100.3
23. Total underwriting gain (loss) (Line 24)	2.6	2.4	1.2	(1.4)	(0.2)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	151,279,909	162,383,315	145,004,284	121,653,990	113,703,698
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	164,234,799	161,336,453	148,004,403	115,688,194	126,506,033
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)	74,977,259	60,596,334	55,389,992	46,388,714	32,822,113
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	74,977,259	60,596,334	55,389,992	46,388,714	32,822,113
33. Total investment in parent included in Lines 26 to 31 above					

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:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama AL	N							0	
2. Alaska AK	N							0	
3. Arizona AZ	N							0	
4. Arkansas AR	N							0	
5. California CA	N							0	
6. Colorado CO	N							0	
7. Connecticut CT	N							0	
8. Delaware DE	N							0	
9. District of Columbia DC	N							0	
10. Florida FL	N							0	
11. Georgia GA	N							0	
12. Hawaii HI	N							0	
13. Idaho ID	N							0	
14. Illinois IL	N							0	
15. Indiana IN	N							0	
16. Iowa IA	N							0	
17. Kansas KS	N							0	
18. Kentucky KY	N							0	
19. Louisiana LA	N							0	
20. Maine ME	N							0	
21. Maryland MD	N							0	
22. Massachusetts MA	N							0	
23. Michigan MI	L	1,188,393,363	690,374,242					1,878,767,605	
24. Minnesota MN	N							0	
25. Mississippi MS	N							0	
26. Missouri MO	N							0	
27. Montana MT	N							0	
28. Nebraska NE	N							0	
29. Nevada NV	N							0	
30. New Hampshire NH	N							0	
31. New Jersey NJ	N							0	
32. New Mexico NM	N							0	
33. New York NY	N							0	
34. North Carolina NC	N							0	
35. North Dakota ND	N							0	
36. Ohio OH	N							0	
37. Oklahoma OK	N							0	
38. Oregon OR	N							0	
39. Pennsylvania PA	N							0	
40. Rhode Island RI	N							0	
41. South Carolina SC	N							0	
42. South Dakota SD	N							0	
43. Tennessee TN	N							0	
44. Texas TX	N							0	
45. Utah UT	N							0	
46. Vermont VT	N							0	
47. Virginia VA	N							0	
48. Washington WA	N							0	
49. West Virginia WV	N							0	
50. Wisconsin WI	N							0	
51. Wyoming WY	N							0	
52. American Samoa AS	N							0	
53. Guam GU	N							0	
54. Puerto Rico PR	N							0	
55. U.S. Virgin Islands VI	N							0	
56. Northern Mariana Islands MP	N							0	
57. Canada CAN	N							0	
58. Aggregate Other alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	1,188,393,363	690,374,242	0	0	0	0	1,878,767,605	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	1,188,393,363	690,374,242	0	0	0	0	1,878,767,605	0

DETAILS OF WRITE-INS

58001.								0	
58002.								0	
58003.								0	
58998. Summary of remaining write-ins for line 58		0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998)		0	0	0	0	0	0	0	0

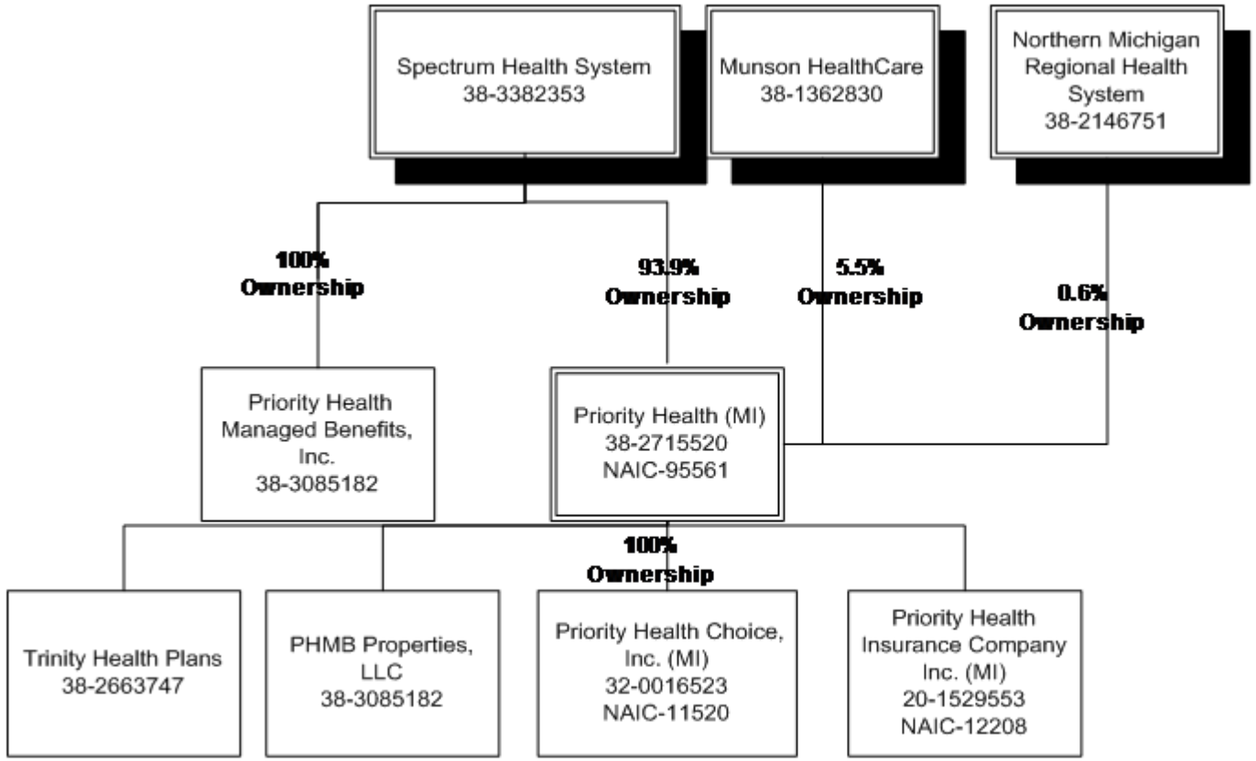
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to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

Explanation of basis of allocation by states, premiums by state, etc.

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

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



2013 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK

Analysis of Operations By Lines of Business	7	Schedule D – Part 6 – Section 2	E16
Assets	2	Schedule D – Summary By Country	SI04
Cash Flow	6	Schedule D – Verification Between Years	SI03
Exhibit 1 – Enrollment By Product Type for Health Business Only	17	Schedule DA – Part 1	E17
Exhibit 2 – Accident and Health Premiums Due and Unpaid	18	Schedule DA – Verification Between Years	SI10
Exhibit 3 – Health Care Receivables	19	Schedule DB – Part A – Section 1	E18
Exhibit 3A – Health Care Receivables Collected and Accrued	20	Schedule DB – Part A – Section 2	E19
Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus	21	Schedule DB – Part A – Verification Between Years	SI11
Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates	22	Schedule DB – Part B – Section 1	E20
Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates	23	Schedule DB – Part B – Section 2	E21
Exhibit 7 – Part 1 – Summary of Transactions With Providers	24	Schedule DB – Part B – Verification Between Years	SI11
Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries	24	Schedule DB – Part C – Section 1	SI12
Exhibit 8 – Furniture, Equipment and Supplies Owned	25	Schedule DB – Part C – Section 2	SI13
Exhibit of Capital Gains (Losses)	15	Schedule DB – Part D – Section 1	E22
Exhibit of Net Investment Income	15	Schedule DB – Part D – Section 2	E23
Exhibit of Nonadmitted Assets	16	Schedule DB – Verification	SI14
Exhibit of Premiums, Enrollment and Utilization (State Page)	30	Schedule DL – Part 1	E24
Five-Year Historical Data	29	Schedule DL – Part 2	E25
General Interrogatories	27	Schedule E – Part 1 – Cash	E26
Jurat Page	1	Schedule E – Part 2 – Cash Equivalents	E27
Liabilities, Capital and Surplus	3	Schedule E – Part 3 – Special Deposits	E28
Notes To Financial Statements	26	Schedule E – Verification Between Years	SI15
Overflow Page For Write-ins	44	Schedule S – Part 1 – Section 2	31
Schedule A – Part 1	E01	Schedule S – Part 2	32
Schedule A – Part 2	E02	Schedule S – Part 3 – Section 2	33
Schedule A – Part 3	E03	Schedule S – Part 4	34
Schedule A – Verification Between Years	SI02	Schedule S – Part 5	35
Schedule B – Part 1	E04	Schedule S – Part 6	36
Schedule B – Part 2	E05	Schedule S – Part 7	37
Schedule B – Part 3	E06	Schedule T – Part 2 – Interstate Compact	38
Schedule B – Verification Between Years	SI02	Schedule T – Premiums and Other Considerations	39
Schedule BA – Part 1	E07	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	40
Schedule BA – Part 2	E08	Schedule Y – Part 1A – Detail of Insurance Holding Company System	41
Schedule BA – Part 3	E09	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	42
Schedule BA – Verification Between Years	SI03	Statement of Revenue and Expenses	4
Schedule D – Part 1	E10	Summary Investment Schedule	SI01
Schedule D – Part 1A – Section 1	SI05	Supplemental Exhibits and Schedules Interrogatories	43
Schedule D – Part 1A – Section 2	SI08	Underwriting and Investment Exhibit – Part 1	8
Schedule D – Part 2 – Section 1	E11	Underwriting and Investment Exhibit – Part 2	9
Schedule D – Part 2 – Section 2	E12	Underwriting and Investment Exhibit – Part 2A	10
Schedule D – Part 3	E13	Underwriting and Investment Exhibit – Part 2B	11
Schedule D – Part 4	E14	Underwriting and Investment Exhibit – Part 2C	12
Schedule D – Part 5	E15	Underwriting and Investment Exhibit – Part 2D	13
Schedule D – Part 6 – Section 1	E16	Underwriting and Investment Exhibit – Part 3	14