



**HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2007
OF THE CONDITION AND AFFAIRS OF THE**

Fidelis SecureCare of Michigan Inc.

NAIC Group Code 3744 , 3744 NAIC Company Code 10769 Employer's ID Number 30-0312489
(Current Period) (Prior Period)

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

Country of Domicile United States

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

Incorporated/Organized 12/09/2004 Commenced Business 07/15/2005

Statutory Home Office 38777 West Six Mile Road, Suite 207 , Livonia, MI 48152
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1700 East Golf Road, Suite 1115
(Street and Number)
Schaumburg, IL 60173 847-605-0501
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1700 East Golf Road, Suite 1115 , Schaumburg, IL 60173
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1700 East Golf Road, Suite 1115
(Street and Number)
Schaumburg, IL 60173
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.fidelissc.com

Statutory Statement Contact _____
(Name) (Area Code) (Telephone Number) (Extension)

(E-mail Address) (FAX Number)

OFFICERS

| | | | |
|---------------------------|------------------|-----------------------------|------------------|
| Name | Title | Name | Title |
| <u>Cathy Kiley Mrs. #</u> | <u>President</u> | <u>Samuel Willcoxon Mr.</u> | <u>Secretary</u> |
| <u>David Goltz Mr.</u> | <u>Treasurer</u> | | |

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Jerome Wilborn Mr. Samuel Willcoxon Mr. David Goltz Mr.

State ofIllinois.....

ss

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.

Cathy Kiley
President

Samuel Willcoxon
Secretary

David Goltz
Treasurer

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

Tracie Wilcox

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 _____

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

ASSETS

| | Current Year | | | Prior Year |
|--|--------------|-------------------------|---|-----------------------------|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 1,045,340 | | 1,045,340 | 544,763 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | .0 | | .0 | .0 |
| 2.2 Common stocks | .0 | | .0 | .0 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | .0 | .0 |
| 3.2 Other than first liens | | | .0 | .0 |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances)..... | | | .0 | .0 |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | .0 | .0 |
| 4.3 Properties held for sale (less \$ encumbrances)..... | | | .0 | .0 |
| 5. Cash (\$5,512,179 , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$36,922 , Schedule DA)..... | 5,549,101 | | 5,549,101 | 4,165,476 |
| 6. Contract loans, (including \$ premium notes) | | | .0 | .0 |
| 7. Other invested assets (Schedule BA) | .0 | .0 | .0 | .0 |
| 8. Receivables for securities | | | .0 | .0 |
| 9. Aggregate write-ins for invested assets | .0 | .0 | .0 | .0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9)..... | 6,594,441 | .0 | 6,594,441 | 4,710,239 |
| 11. Title plants less \$ charged off (for Title Insurers only) | | | .0 | .0 |
| 12. Investment income due and accrued | 27,154 | | 27,154 | 25,897 |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | .0 | 478,546 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premium)..... | | | .0 | .0 |
| 13.3 Accrued retrospective premium..... | | | .0 | .0 |
| 14. Reinsurance: | | | | |
| 14.1 Amounts recoverable from reinsurers | | | .0 | .0 |
| 14.2 Funds held by or deposited with reinsured companies | | | .0 | .0 |
| 14.3 Other amounts receivable under reinsurance contracts | | | .0 | .0 |
| 15. Amounts receivable relating to uninsured plans | | | .0 | .0 |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | .0 | .0 |
| 16.2 Net deferred tax asset..... | | | .0 | .0 |
| 17. Guaranty funds receivable or on deposit | | | .0 | .0 |
| 18. Electronic data processing equipment and software..... | | | .0 | .0 |
| 19. Furniture and equipment, including health care delivery assets (\$) | | | .0 | .0 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | | .0 | .0 |
| 21. Receivables from parent, subsidiaries and affiliates | | | .0 | .0 |
| 22. Health care (\$) and other amounts receivable..... | 138,973 | 138,973 | .0 | .0 |
| 23. Aggregate write-ins for other than invested assets | .0 | .0 | .0 | .0 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)..... | 6,760,568 | 138,973 | 6,621,595 | 5,214,682 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | .0 | .0 |
| 26. Total (Lines 24 and 25) | 6,760,568 | 138,973 | 6,621,595 | 5,214,682 |
| DETAILS OF WRITE-INS | | | | |
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | .0 | .0 | .0 | .0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | .0 | .0 | .0 | .0 |
| 2301. | | | | |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | .0 | .0 | .0 | .0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | .0 | .0 | .0 | .0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|--|--------------|----------------|------------|------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$ reinsurance ceded) | 4,078,543 | | 4,078,543 | 2,863,829 |
| 2. Accrued medical incentive pool and bonus amounts | 103,396 | | 103,396 | 16,426 |
| 3. Unpaid claims adjustment expenses | 47,121 | | 47,121 | 26,971 |
| 4. Aggregate health policy reserves | | | 0 | 0 |
| 5. Aggregate life policy reserves | | | 0 | 0 |
| 6. Property/casualty unearned premium reserves | | | 0 | 0 |
| 7. Aggregate health claim reserves | | | 0 | 0 |
| 8. Premiums received in advance | | | 0 | 0 |
| 9. General expenses due or accrued | | | 0 | 30,265 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)) | | | 0 | 0 |
| 10.2 Net deferred tax liability | | | 0 | 0 |
| 11. Ceded reinsurance premiums payable | | | 0 | 0 |
| 12. Amounts withheld or retained for the account of others | | | 0 | 0 |
| 13. Remittance and items not allocated | | | 0 | 0 |
| 14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current) | | | 0 | 0 |
| 15. Amounts due to parent, subsidiaries and affiliates | 148,676 | | 148,676 | 61,610 |
| 16. Payable for securities | | | 0 | 0 |
| 17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers) | | | 0 | 0 |
| 18. Reinsurance in unauthorized companies | | | 0 | 0 |
| 19. Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 20. Liability for amounts held under uninsured plans | 515,128 | | 515,128 | 0 |
| 21. Aggregate write-ins for other liabilities (including \$ current) | 10,532 | 0 | 10,532 | 657,782 |
| 22. Total liabilities (Lines 1 to 21) | 4,903,396 | 0 | 4,903,396 | 3,656,883 |
| 23. Aggregate write-ins for special surplus funds | XXX | XXX | 0 | 0 |
| 24. Common capital stock | XXX | XXX | 1 | 1 |
| 25. Preferred capital stock | XXX | XXX | | 0 |
| 26. Gross paid in and contributed surplus | XXX | XXX | 1,599,999 | 1,599,999 |
| 27. Surplus notes | XXX | XXX | | 0 |
| 28. Aggregate write-ins for other than special surplus funds | XXX | XXX | 0 | 0 |
| 29. Unassigned funds (surplus) | XXX | XXX | 118,200 | (42,201) |
| 30. Less treasury stock, at cost: | | | | |
| 30.1 shares common (value included in Line 24 \$) | XXX | XXX | | 0 |
| 30.2 shares preferred (value included in Line 25 \$) | XXX | XXX | | 0 |
| 31. Total capital and surplus (Lines 23 to 29 minus Line 30) | XXX | XXX | 1,718,200 | 1,557,799 |
| 32. Total liabilities, capital and surplus (Lines 22 and 31) | XXX | XXX | 6,621,596 | 5,214,682 |
| DETAILS OF WRITE-INS | | | | |
| 2101. Due to CMS - overpayment (2007) LICs (2006) | 10,532 | | 10,532 | 657,782 |
| 2102. | | | | |
| 2103. | | | | |
| 2198. Summary of remaining write-ins for Line 21 from overflow page | 0 | 0 | 0 | 0 |
| 2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above) | 10,532 | 0 | 10,532 | 657,782 |
| 2301. | XXX | XXX | | |
| 2302. | XXX | XXX | | |
| 2303. | XXX | XXX | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | XXX | XXX | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | XXX | XXX | 0 | 0 |
| 2801. | XXX | XXX | | |
| 2802. | XXX | XXX | | |
| 2803. | XXX | XXX | | |
| 2898. Summary of remaining write-ins for Line 28 from overflow page | XXX | XXX | 0 | 0 |
| 2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above) | XXX | XXX | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|--|----------------|------------|------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member Months..... | XXX | 9,777 | 4,739 |
| 2. Net premium income (including \$0 non-health premium income)..... | XXX | 19,289,952 | 8,756,847 |
| 3. Change in unearned premium reserves and reserve for rate credits..... | XXX | | 0 |
| 4. Fee-for-service (net of \$ medical expenses)..... | XXX | | 0 |
| 5. Risk revenue..... | XXX | | 0 |
| 6. Aggregate write-ins for other health care related revenues..... | XXX | 0 | 0 |
| 7. Aggregate write-ins for other non-health revenues..... | XXX | 0 | 0 |
| 8. Total revenues (Lines 2 to 7)..... | XXX | 19,289,952 | 8,756,847 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits..... | | 8,536,363 | 4,296,368 |
| 10. Other professional services..... | | 4,428,254 | 2,583,166 |
| 11. Outside referrals..... | | | 0 |
| 12. Emergency room and out-of-area..... | | 110,959 | 28,789 |
| 13. Prescription drugs..... | | 3,585,706 | 1,462,001 |
| 14. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | 410,676 | 46,235 |
| 16. Subtotal (Lines 9 to 15)..... | 0 | 17,071,958 | 8,416,559 |
| Less: | | | |
| 17. Net reinsurance recoveries..... | | | (103,721) |
| 18. Total hospital and medical (Lines 16 minus 17)..... | 0 | 17,071,958 | 8,520,280 |
| 19. Non-health claims (net)..... | | | 0 |
| 20. Claims adjustment expenses, including \$0 cost containment expenses..... | | 34,860 | 26,971 |
| 21. General administrative expenses..... | | 2,094,299 | 241,445 |
| 22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)..... | | 0 | 0 |
| 23. Total underwriting deductions (Lines 18 through 22)..... | 0 | 19,201,117 | 8,788,696 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23)..... | XXX | 88,835 | (31,849) |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | | 165,464 | 89,400 |
| 26. Net realized capital gains (losses) less capital gains tax of \$ | | | 0 |
| 27. Net investment gains (losses) (Lines 25 plus 26)..... | 0 | 165,464 | 89,400 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]..... | | | 0 |
| 29. Aggregate write-ins for other income or expenses..... | 0 | 0 | 0 |
| 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 | 254,299 | 57,551 |
| 31. Federal and foreign income taxes incurred..... | XXX | 47,089 | 0 |
| 32. Net income (loss) (Lines 30 minus 31)..... | XXX | 207,210 | 57,551 |
| DETAILS OF WRITE-INS | | | |
| 0601. | XXX | | |
| 0602. | XXX | | |
| 0603. | XXX | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | XXX | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)..... | XXX | 0 | 0 |
| 0701. | XXX | | |
| 0702. | XXX | | |
| 0703. | XXX | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page..... | XXX | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)..... | XXX | 0 | 0 |
| 1401. | | | |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page..... | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)..... | 0 | 0 | 0 |
| 2901. | | | |
| 2902. | | | |
| 2903. | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page..... | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)..... | 0 | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

STATEMENT OF REVENUE AND EXPENSES (continued)

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| CAPITAL AND SURPLUS ACCOUNT: | | |
| 33. Capital and surplus prior-reporting period | 1,557,800 | 1,587,356 |
| 34. Net income or (loss) from Line 32 | 207,210 | 57,551 |
| 35. Change in valuation basis of aggregate policy and claim reserves | | 0 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ | | 0 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | 0 |
| 38. Change in net deferred income tax | | 5,057 |
| 39. Change in nonadmitted assets | (46,809) | (92,164) |
| 40. Change in unauthorized reinsurance | 0 | 0 |
| 41. Change in treasury stock | 0 | 0 |
| 42. Change in surplus notes | 0 | 0 |
| 43. Cumulative effect of changes in accounting principles | | 0 |
| 44. Capital Changes: | | |
| 44.1 Paid in | 0 | 0 |
| 44.2 Transferred from surplus (Stock Dividend) | | 0 |
| 44.3 Transferred to surplus | | 0 |
| 45. Surplus adjustments: | | |
| 45.1 Paid in | 0 | 0 |
| 45.2 Transferred to capital (Stock Dividend) | 0 | 0 |
| 45.3 Transferred from capital | | 0 |
| 46. Dividends to stockholders | | 0 |
| 47. Aggregate write-ins for gains or (losses) in surplus | 0 | 0 |
| 48. Net change in capital & surplus (Lines 34 to 47) | 160,401 | (29,556) |
| 49. Capital and surplus end of reporting period (Line 33 plus 48) | 1,718,201 | 1,557,800 |
| 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 through 4703 plus 4798) (Line 47 above) | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

CASH FLOW

| | 1 Current Year To Date | 2 Prior Year Ended December 31 |
|---|------------------------------|--------------------------------------|
| Cash from Operations | | |
| 1. Premiums collected net of reinsurance..... | 19,768,498 | 8,438,393 |
| 2. Net investment income | 164,207 | 64,706 |
| 3. Miscellaneous income | 0 | 0 |
| 4. Total (Lines 1 through 3) | 19,932,705 | 8,503,099 |
| 5. Benefit and loss related payments | 15,770,274 | 6,212,499 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 1,624,146 | 258,676 |
| 8. Dividends paid to policyholders | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)..... | 42,203 | 9,943 |
| 10. Total (Lines 5 through 9) | 17,436,623 | 6,481,118 |
| 11. Net cash from operations (Line 4 minus Line 10) | 2,496,082 | 2,021,981 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 0 | 520,000 |
| 12.2 Stocks | 0 | 1,108,170 |
| 12.3 Mortgage loans | 0 | 0 |
| 12.4 Real estate | 0 | 0 |
| 12.5 Other invested assets | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 12,381 |
| 12.7 Miscellaneous proceeds | 0 | 0 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 0 | 1,640,551 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 493,354 | 542,245 |
| 13.2 Stocks | 0 | 0 |
| 13.3 Mortgage loans | 0 | 0 |
| 13.4 Real estate | 0 | 0 |
| 13.5 Other invested assets | 0 | 0 |
| 13.6 Miscellaneous applications | 0 | 12,381 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 493,354 | 554,626 |
| 14. Net increase (decrease) in contract loans and premium notes | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | (493,354) | 1,085,925 |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock..... | 0 | 0 |
| 16.3 Borrowed funds | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | (706,170) | 686,618 |
| 16.5 Dividends to stockholders | 0 | 0 |
| 16.6 Other cash provided (applied)..... | 87,066 | 58,001 |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) | (619,104) | 744,619 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)..... | 1,383,624 | 3,852,525 |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 4,165,477 | 312,952 |
| 19.2 End of year (Line 18 plus Line 19.1) | 5,549,101 | 4,165,477 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|------------|---|------------------------|----------------|----------------|--|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Net premium income | 19,289,952 | 0 | 0 | 0 | 0 | 0 | 19,289,952 | 0 | 0 | 0 |
| 2. Change in unearned premium reserves and reserve for rate credit | 0 | | | | | | | | | |
| 3. Fee-for-service (net of \$ medical expenses) | 0 | | | | | | | | | XXX |
| 4. Risk revenue | 0 | | | | | | | | | XXX |
| 5. Aggregate write-ins for other health care related revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 6. Aggregate write-ins for other non-health care related revenues | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 7. Total revenues (Lines 1 to 6) | 19,289,952 | 0 | 0 | 0 | 0 | 0 | 19,289,952 | 0 | 0 | 0 |
| 8. Hospital/medical/ benefits | 8,536,363 | | | | | | 8,536,363 | | | XXX |
| 9. Other professional services | 4,428,254 | | | | | | 4,428,254 | | | XXX |
| 10. Outside referrals | 0 | | | | | | | | | XXX |
| 11. Emergency room and out-of-area | 110,959 | | | | | | 110,959 | | | XXX |
| 12. Prescription Drugs | 3,585,706 | | | | | | 3,585,706 | | | 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 | 410,676 | | | | | | 410,676 | | | XXX |
| 15. Subtotal (Lines 8 to 14) | 17,071,958 | 0 | 0 | 0 | 0 | 0 | 17,071,958 | 0 | 0 | XXX |
| 16. Net reinsurance recoveries | 0 | | | | | | | | | XXX |
| 17. Total hospital and medical (Lines 15 minus 16) | 17,071,958 | 0 | 0 | 0 | 0 | 0 | 17,071,958 | 0 | 0 | XXX |
| 18. Non-health claims (net) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 19. Claims adjustment expenses including \$ cost containment expenses | 34,860 | | | | | | 34,860 | | | |
| 20. General administrative expenses | 2,094,299 | | | | | | 2,094,299 | | | |
| 21. Increase in reserves for accident and health contracts | 0 | | | | | | | | | XXX |
| 22. Increase in reserves for life contracts | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 23. Total underwriting deductions (Lines 17 to 22) | 19,201,117 | 0 | 0 | 0 | 0 | 0 | 19,201,117 | 0 | 0 | 0 |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | 88,835 | 0 | 0 | 0 | 0 | 0 | 88,835 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 0501. | | | | | | | | | | XXX |
| 0502. | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | XXX |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0601. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0602. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0603. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 1301. | | | | | | | | | | XXX |
| 1302. | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | XXX |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.

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) | | | | .0 |
| 2. Medicare Supplement | | | | .0 |
| 3. Dental Only..... | | | | .0 |
| 4. Vision Only..... | | | | .0 |
| 5. Federal Employees Health Benefits Plan | | | | .0 |
| 6. Title XVIII - Medicare | 19,589,079 | | 299,127 | 19,289,952 |
| 7. Title XIX - Medicaid..... | | | | .0 |
| 8. Other health..... | | | | .0 |
| 9. Health subtotal (Lines 1 through 8) | 19,589,079 | 0 | 299,127 | 19,289,952 |
| 10. Life | | | | .0 |
| 11. Property/casualty..... | | | | .0 |
| 12. Totals (Lines 9 to 11) | 19,589,079 | 0 | 299,127 | 19,289,952 |

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 15,446,568 | | | | | | 15,446,568 | | | |
| 1.2 Reinsurance assumed | .0 | | | | | | | | | |
| 1.3 Reinsurance ceded | .0 | | | | | | | | | |
| 1.4 Net | 15,446,568 | .0 | .0 | .0 | .0 | .0 | 15,446,568 | .0 | .0 | .0 |
| 2. Paid medical incentive pools and bonuses | 397,614 | | | | | | 397,614 | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 4,078,543 | .0 | .0 | .0 | .0 | .0 | 4,078,543 | .0 | .0 | .0 |
| 3.2 Reinsurance assumed | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 3.3 Reinsurance ceded | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 3.4 Net | 4,078,543 | .0 | .0 | .0 | .0 | .0 | 4,078,543 | .0 | .0 | .0 |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | .0 | | | | | | | | | |
| 4.2 Reinsurance assumed | .0 | | | | | | | | | |
| 4.3 Reinsurance ceded | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 4.4 Net | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 5. Accrued medical incentive pools and bonuses, current year | 103,396 | | | | | | 103,396 | | | |
| 6. Net healthcare receivables (a) | .0 | | | | | | | | | |
| 7. Amounts recoverable from reinsurers December 31, current year | .0 | | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 2,863,829 | .0 | .0 | .0 | .0 | .0 | 2,863,829 | .0 | .0 | .0 |
| 8.2 Reinsurance assumed | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 8.3 Reinsurance ceded | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 8.4 Net | 2,863,829 | .0 | .0 | .0 | .0 | .0 | 2,863,829 | .0 | .0 | .0 |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 9.2 Reinsurance assumed | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 9.3 Reinsurance ceded | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 9.4 Net | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 10. Accrued medical incentive pools and bonuses, prior year | 16,426 | .0 | .0 | .0 | .0 | .0 | 16,426 | .0 | .0 | .0 |
| 11. Amounts recoverable from reinsurers December 31, prior year | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12. Incurred Benefits: | | | | | | | | | | |
| 12.1 Direct | 16,661,282 | .0 | .0 | .0 | .0 | .0 | 16,661,282 | .0 | .0 | .0 |
| 12.2 Reinsurance assumed | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12.3 Reinsurance ceded | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12.4 Net | 16,661,282 | .0 | .0 | .0 | .0 | .0 | 16,661,282 | .0 | .0 | .0 |
| 13. Incurred medical incentive pools and bonuses | 484,584 | .0 | .0 | .0 | .0 | .0 | 484,584 | .0 | .0 | .0 |

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

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**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|-----------|--|------------------------|----------------|----------------|--|-------------------------|-----------------------|-----------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan Premium | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1. Direct | 164,968 | | | | | | 164,968 | | | |
| 1.2. Reinsurance assumed | 0 | | | | | | | | | |
| 1.3. Reinsurance ceded | 0 | | | | | | | | | |
| 1.4. Net | 164,968 | 0 | 0 | 0 | 0 | 0 | 164,968 | 0 | 0 | 0 |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1. Direct | 3,913,575 | | | | | | 3,913,575 | | | |
| 2.2. Reinsurance assumed | 0 | | | | | | | | | |
| 2.3. Reinsurance ceded | 0 | | | | | | | | | |
| 2.4. Net | 3,913,575 | 0 | 0 | 0 | 0 | 0 | 3,913,575 | 0 | 0 | 0 |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1. Direct | 0 | | | | | | | | | |
| 3.2. Reinsurance assumed | 0 | | | | | | | | | |
| 3.3. Reinsurance ceded | 0 | | | | | | | | | |
| 3.4. Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. TOTALS: | | | | | | | | | | |
| 4.1. Direct | 4,078,543 | 0 | 0 | 0 | 0 | 0 | 4,078,543 | 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 | 4,078,543 | 0 | 0 | 0 | 0 | 0 | 4,078,543 | 0 | 0 | 0 |

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

**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 Dec. 31 of Current Year | | 5 Claims Incurred in Prior Years (Columns 1 + 3) | 6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
|--|--|---|---|---|--|---|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid December 31 of Prior Year | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital and medical) | | | | | .0 | .0 |
| 2. Medicare Supplement | | | | | .0 | .0 |
| 3. Dental Only..... | | | | | .0 | .0 |
| 4. Vision Only..... | | | | | .0 | .0 |
| 5. Federal Employees Health Benefits Plan Premiums | | | | | .0 | .0 |
| 6. Title XVIII - Medicare | 2,033,822 | 13,338,837 | 250,525 | 3,828,018 | 2,284,347 | 2,863,829 |
| 7. Title XIX - Medicaid..... | | | | | .0 | .0 |
| 8. Other health | | | | | .0 | .0 |
| 9. Health subtotal (Lines 1 to 8)..... | 2,033,822 | 13,338,837 | 250,525 | 3,828,018 | 2,284,347 | 2,863,829 |
| 10. Healthcare receivables (a)..... | | | | | .0 | .0 |
| 11. Other non-health..... | | | | | .0 | .0 |
| 12. Medical incentive pools and bonus amounts | 16,425 | 381,189 | | 103,396 | 16,425 | 16,425 |
| 13. Totals (Lines 9 - 10 + 11 + 12) | 2,050,247 | 13,720,026 | 250,525 | 3,931,414 | 2,300,772 | 2,880,254 |

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.

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

Section A - Paid Health Claims - Medicare

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2003 | 2 2004 | 3 2005 | 4 2006 | 5 2007 |
| 1. Prior | .0 | .0 | .0 | .0 | .0 |
| 2. 2003 | .0 | .0 | .0 | .0 | .0 |
| 3. 2004 | XXX | .0 | .0 | .0 | .0 |
| 4. 2005 | XXX | XXX | 175 | 837 | .0 |
| 5. 2006 | XXX | XXX | XXX | 5,553 | 2,034 |
| 6. 2007 | XXX | XXX | XXX | XXX | 14,237 |

Section B - Incurred Health Claims - Medicare

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|---|-----------|-----------|-----------|-----------|
| | 1 2003 | 2 2004 | 3 2005 | 4 2006 | 5 2007 |
| 1. Prior | | | | | |
| 2. 2003 | | | | | |
| 3. 2004 | XXX | | | | |
| 4. 2005 | XXX | XXX | 175 | 837 | .0 |
| 5. 2006 | XXX | XXX | XXX | 9,125 | 11,359 |
| 6. 2007 | XXX | XXX | XXX | XXX | 18,408 |

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

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2003..... | .0 | .0 | | .0 | .0 | .0 | | | .0 | .0 |
| 2. 2004..... | .0 | .0 | | .0 | .0 | .0 | | | .0 | .0 |
| 3. 2005..... | 815 | .0 | .0 | .0 | .0 | .0 | | | .0 | .0 |
| 4. 2006..... | 8,896 | 2,034 | | .0 | 2,034 | 22.9 | | | 2,034 | 22.9 |
| 5. 2007 | 19,589 | 14,237 | | 0.0 | 14,237 | 72.7 | 4,182 | 47 | 18,466 | 94.3 |

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

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

Section A - Paid Health Claims - Grand Total

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2003 | 2 2004 | 3 2005 | 4 2006 | 5 2007 |
| 1. Prior | .0 | .0 | .0 | .0 | .0 |
| 2. 2003 | .0 | .0 | .0 | .0 | .0 |
| 3. 2004 | XXX | .0 | .0 | .0 | .0 |
| 4. 2005 | XXX | XXX | 175 | 837 | .0 |
| 5. 2006 | XXX | XXX | XXX | 5,553 | 2,034 |
| 6. 2007 | XXX | XXX | XXX | XXX | 14,237 |

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 2003 | 2 2004 | 3 2005 | 4 2006 | 5 2007 |
| 1. Prior | .0 | .0 | .0 | .0 | .0 |
| 2. 2003 | .0 | .0 | .0 | .0 | .0 |
| 3. 2004 | XXX | .0 | .0 | .0 | .0 |
| 4. 2005 | XXX | XXX | 175 | 837 | .0 |
| 5. 2006 | XXX | XXX | XXX | 9,125 | 11,359 |
| 6. 2007 | XXX | XXX | XXX | XXX | 18,408 |

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

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 Col. (3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 Col. (5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 Col. (9/1) Percent |
|--|----------------------|----------------------|--|----------------------------|---|----------------------------|--------------------|--|---|-----------------------------|
| 1. 2003 | .0 | .0 | .0 | 0.0 | .0 | 0.0 | .0 | .0 | .0 | 0.0 |
| 2. 2004 | .0 | .0 | .0 | 0.0 | .0 | 0.0 | .0 | .0 | .0 | 0.0 |
| 3. 2005 | 815 | .0 | .0 | 0.0 | .0 | 0.0 | .0 | .0 | .0 | 0.0 |
| 4. 2006 | 8,896 | 2,034 | .0 | 0.0 | 2,034 | 22.9 | .0 | .0 | 2,034 | 22.9 |
| 5. 2007 | 19,589 | 14,237 | 0 | 0.0 | 14,237 | 72.7 | 4,182 | 47 | 18,466 | 94.3 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

UNDERWRITING AND INVESTMENT EXHIBIT

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

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|-------|--|------------------------|-------------|-------------|--|-------------------------|-----------------------|-------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| 1. Unearned premium reserves | .0 | | | | | | | | |
| 2. Additional policy reserves (a) | .0 | | | | | | | | |
| 3. Reserve for future contingent benefits | .0 | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$ for investment income) | .0 | | | | | | | | |
| 5. Aggregate write-ins for other policy reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 6. Totals (Gross) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 7. Reinsurance ceded | .0 | | | | | | | | |
| 8. Totals (Net) (Page 3, Line 4) | .0 | | | .0 | .0 | .0 | .0 | .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. | | | | | | | | | |
| 0502. | | | | | | | | | |
| 0503. | | | | | | | | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1101. | | | | | | | | | |
| 1102. | | | | | | | | | |
| 1103. | | | | | | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |

NONE

(a) Includes \$ premium deficiency reserve.

**STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES**

| | Claim Adjustment Expenses | | 3 General Administrative Expenses | 4 Investment Expenses | 5 Total |
|--|--------------------------------------|--|--|-----------------------------|---------------|
| | 1 Cost Containment Expenses | 2 Other Claim Adjustment Expenses | | | |
| 1. Rent (\$ for occupancy of own building)..... | | | 91,186 | | 91,186 |
| 2. Salaries, wages and other benefits..... | | | 1,207,514 | | 1,207,514 |
| 3. Commissions (less \$ ceded plus \$ assumed.....) | | | 93,318 | | 93,318 |
| 4. Legal fees and expenses..... | | | 110,095 | | 110,095 |
| 5. Certifications and accreditation fees..... | | | | | 0 |
| 6. Auditing, actuarial and other consulting services..... | | | 110,095 | | 110,095 |
| 7. Traveling expenses..... | | | 86,019 | | 86,019 |
| 8. Marketing and advertising..... | | | 87,748 | | 87,748 |
| 9. Postage, express and telephone..... | | | 22,796 | | 22,796 |
| 10. Printing and office supplies..... | | | | | 0 |
| 11. Occupancy, depreciation and amortization..... | | | | | 0 |
| 12. Equipment..... | | | 22,796 | | 22,796 |
| 13. Cost or depreciation of EDP equipment and software..... | | | | | 0 |
| 14. Outsourced services including EDP, claims, and other services..... | | 34,860 | 160,992 | | 195,852 |
| 15. Boards, bureaus and association fees..... | | | | | 0 |
| 16. Insurance, except on real estate..... | | | 45,593 | | 45,593 |
| 17. Collection and bank service charges..... | | | | | 0 |
| 18. Group service and administration fees..... | | | | | 0 |
| 19. Reimbursements by uninsured plans..... | | | | | 0 |
| 20. Reimbursements from fiscal intermediaries..... | | | | | 0 |
| 21. Real estate expenses..... | | | | | 0 |
| 22. Real estate taxes..... | | | | | 0 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes..... | | | (88,390) | | (88,390) |
| 23.2 State premium taxes..... | | | | | 0 |
| 23.3 Regulatory authority licenses and fees..... | | | | | 0 |
| 23.4 Payroll taxes..... | | | 144,537 | | 144,537 |
| 23.5 Other (excluding federal income and real estate taxes)..... | | | | | 0 |
| 24. Investment expenses not included elsewhere..... | | | | | 0 |
| 25. Aggregate write-ins for expenses..... | 0 | 0 | 0 | 0 | 0 |
| 26. Total expenses incurred (Lines 1 to 25)..... | 0 | 34,860 | 2,094,299 | 0 | (a) 2,129,159 |
| 27. Less expenses unpaid December 31, current year..... | | 47,121 | | | 47,121 |
| 28. Add expenses unpaid December 31, prior year..... | 0 | 26,971 | 30,265 | 0 | 57,236 |
| 29. Amounts receivable relating to uninsured plans, prior year..... | 0 | 0 | 0 | 0 | 0 |
| 30. Amounts receivable relating to uninsured plans, current year..... | | | | | 0 |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 0 | 14,710 | 2,124,564 | 0 | 2,139,274 |
| DETAIL OF WRITE-INS | | | | | |
| 2501. | | | | | |
| 2502. | | | | | |
| 2503. | | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0 | 0 | 0 | 0 |
| 2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above) | 0 | 0 | 0 | 0 | 0 |

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds | (a) 31,550 | 34,866 |
| 1.1 Bonds exempt from U.S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) | |
| 1.3 Bonds of affiliates | (a) | |
| 2.1 Preferred stocks (unaffiliated) | (b) | |
| 2.11 Preferred stocks of affiliates | (b) | |
| 2.2 Common stocks (unaffiliated) | 0 | |
| 2.21 Common stocks of affiliates | 0 | |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) | |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) 124,041 | 130,598 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | 0 | 0 |
| 10. Total gross investment income | 155,591 | 165,464 |
| 11. Investment expenses | | (g) |
| 12. Investment taxes, licenses and fees, excluding federal income taxes | | (g) |
| 13. Interest expense | | (h) |
| 14. Depreciation on real estate and other invested assets | | (i) |
| 15. Aggregate write-ins for deductions from investment income | | 0 |
| 16. Total (Lines 11 through 15) | | 0 |
| 17. Net Investment Income - (Line 10 minus Line 16) | | 165,464 |
| 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 through 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. Total (Lines 1501 through 1503 plus 1598) (Line 15, above) | | 0 |

- (a) Includes \$ accrual of discount less \$ amortization of premium and less \$ 2,202 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 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 | 0 | | 0 | | |
| 1.1 Bonds exempt from U.S. tax | 0 | | 0 | | |
| 1.2 Other bonds (unaffiliated) | 0 | | 0 | | |
| 1.3 Bonds of affiliates | 0 | | 0 | 0 | 0 |
| 2.1 Preferred stocks (unaffiliated) | 0 | | 0 | 0 | 0 |
| 2.11 Preferred stocks of affiliates | 0 | | 0 | 0 | 0 |
| 2.2 Common stocks (unaffiliated) | 0 | | 0 | 0 | 0 |
| 2.21 Common stocks of affiliates | 0 | | 0 | 0 | 0 |
| 3. Mortgage loans | 0 | | 0 | | |
| 4. Real estate | 0 | | 0 | | |
| 5. Contract loans | | | 0 | | |
| 6. Cash, cash equivalents and short-term investments | 0 | | 0 | | |
| 7. Derivative instruments | 0 | | 0 | | |
| 8. Other invested assets | | | 0 | | 0 |
| 9. Aggregate write-ins for capital gains (losses) | 0 | 0 | 0 | 0 | 0 |
| 10. Total capital gains (losses) | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above) | 0 | 0 | 0 | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|--|--|----------------------------------|--|
| | Current Year Total Nonadmitted Assets | Prior Year Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D)..... | 0 | 0 | 0 |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | 0 | 0 | 0 |
| 2.2 Common stocks | 0 | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | 0 | 0 | 0 |
| 3.2 Other than first liens | 0 | 0 | 0 |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | 0 | 0 | 0 |
| 4.2 Properties held for the production of income..... | 0 | 0 | 0 |
| 4.3 Properties held for sale | 0 | 0 | 0 |
| 5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA)..... | 0 | 0 | 0 |
| 6. Contract loans | 0 | 0 | 0 |
| 7. Other invested assets (Schedule BA) | 0 | 0 | 0 |
| 8. Receivables for securities | 0 | 0 | 0 |
| 9. Aggregate write-ins for invested assets | 0 | 0 | 0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 0 | 0 | 0 |
| 11. Title plants (for Title insurers only)..... | 0 | 0 | 0 |
| 12. Investment income due and accrued | 0 | 0 | 0 |
| 13. Premiums and considerations: | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | 0 | 0 | 0 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | 0 | 0 | 0 |
| 13.3 Accrued retrospective premium..... | 0 | 0 | 0 |
| 14. Reinsurance: | | | |
| 14.1 Amounts recoverable from reinsurers | 0 | 0 | 0 |
| 14.2 Funds held by or deposited with reinsured companies | 0 | 0 | 0 |
| 14.3 Other amounts receivable under reinsurance contracts | 0 | 0 | 0 |
| 15. Amounts receivable relating to uninsured plans | 0 | 0 | 0 |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | 0 | 0 | 0 |
| 16.2 Net deferred tax asset..... | 0 | 4,886 | 4,886 |
| 17. Guaranty funds receivable or on deposit | 0 | 0 | 0 |
| 18. Electronic data processing equipment and software | 0 | 0 | 0 |
| 19. Furniture and equipment, including health care delivery assets | 0 | 0 | 0 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | 0 | 0 | 0 |
| 21. Receivables from parent, subsidiaries and affiliates | 0 | 0 | 0 |
| 22. Health care and other amounts receivable..... | 138,973 | 87,278 | (51,695) |
| 23. Aggregate write-ins for other than invested assets | 0 | 0 | 0 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)..... | 138,973 | 92,164 | (46,809) |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 | 0 |
| 26. Total (Lines 24 and 25) | 138,973 | 92,164 | (46,809) |
| DETAILS OF WRITE-INS | | | |
| 0901. | | | |
| 0902. | | | |
| 0903. | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above) | 0 | 0 | 0 |
| 2301. | | | |
| 2302. | | | |
| 2303. | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) | 0 | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 Current Year Member Months |
|---|-------------------------|--------------------|---------------------|--------------------|-------------------|------------------------------------|
| | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | |
| 1. Health Maintenance Organizations..... | 672 | 679 | 815 | 889 | 925 | 9,777 |
| 2. Provider Service Organizations..... | .0 | | | | | |
| 3. Preferred Provider Organizations..... | .0 | | | | | |
| 4. Point of Service..... | .0 | | | | | |
| 5. Indemnity Only..... | .0 | | | | | |
| 6. Aggregate write-ins for other lines of business | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Total | 672 | 679 | 815 | 889 | 925 | 9,777 |
| DETAILS OF WRITE-INS | | | | | | |
| 0601. | | | | | | |
| 0602. | | | | | | |
| 0603. | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | .0 | .0 | .0 | .0 | .0 | .0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | 0 | 0 | 0 | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Fidelis SecureCare of Michigan Inc. are presented on the basis of accounting practices prescribed or permitted by the State of Michigan Department of Insurance.

Fidelis SecureCare of Michigan Inc is licensed and domiciled as a Health Maintenance Organization in the State of Michigan. The company is authorized to write Medicare business as a Medicare Advantage plan. The State of Michigan Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of a Health Maintenance Organization, for determining its solvency under the Michigan Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Michigan. In NAIC SAP, some assets, such as prepaid expenses are not admitted. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments that are both readily convertible to known amounts of cash, and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash also includes savings accounts, and certificates of deposits with original maturities of three months or less.

Short Term Investments – Short term investments include investments with remaining maturities of one year or less at the time of acquisition.

Bonds – Investments in bonds are carried at amortized cost. The fair value below is based upon market values provided by an external investment value provider. The amortized cost and estimated fair value of bonds as of December 31, 2007 are as follows:

| | Amortized Cost | Unrealized Gain(Loss) | Fair Value |
|--------------------------------|---------------------------|----------------------------------|-----------------------|
| U.S. Gov't. obligations | \$1,045,341 | \$35,802 | \$1,081,143 |

The statutory carrying value and the fair value of the bonds at December 31, 2007, by stated maturity, are shown below. These bonds are held in trust as required to be deposited in restricted accounts for member's protection pursuant to federal and state regulatory requirements.

| | Amortized Cost | Unrealized Gain(Loss) | Fair Value |
|--------------------------------|---------------------------|----------------------------------|-----------------------|
| Due in One Year or less | \$0 | \$0 | \$0 |
| Due in one through five yrs | \$1,045,341 | \$35,802 | \$1,081,143 |
| Due in over five years | \$0 | \$0 | \$0 |

In December 2003, the Emerging Issues Task Force ("EITF") issued EITF 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. EITF 03-1 specifies certain quantitative and qualitative disclosures for debt and marketable equity securities classified as available for sale or held-to maturity and where costs exceeds market value at the balance sheet date but for which an other-than-temporary impairment has not been recognized. As of December 31, 2007 the fair value of securities, \$1,081,143 exceeded its book value (amortized cost) by \$35,802 for US governments due to mature between one and five years from balance sheet date. The book value (amortized cost) of these instruments as of December 31, 2007 is \$1,045,341. Given the characteristics of the security, management believes that the carrying amount of the security is recoverable as of December 31, 2007.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Health premiums are earned monthly over the terms of the related insurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year and judgment as to the appropriate level of statutory surplus to be retained by the Company.

NOTES TO FINANCIAL STATEMENTS

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 10 % or more (per SSAP 88) are carried on the equity basis. Bonds not backed by other loans are stated at amortized cost using the constant yield interest method.
- (3) The Company anticipates investment income as a factor in the premium deficiency calculation.
- (4) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (5) The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Corrections of Errors

Not Applicable

3. Business Combinations and Goodwill

Not Applicable

4. Discontinued Operations

Not Applicable

5. Investments

See Note 1

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income

Investment income includes interest and dividend income due and unpaid on bonds and short term investments. All amounts have been admitted at 12/31/2007.

8. Derivative Instruments

Not applicable

9. Income Taxes

Fidelis SecureCare of Michigan Inc files consolidated Federal Tax returns with its parent, Fidelis SenioreCare Inc. Two affiliated companies, Fidelis SecureCare of North Carolina Inc and Fidelis SecureCare of Texas Inc also file in that consolidated tax return. Subsidiary federal tax liability shall be paid to the parent company and filed as part of a consolidated federal tax return. The group's consolidated federal tax liability shall be apportioned for purposes of computing earnings and profits in accordance with the method provided in Section 1552(a)(1) of the Code and Regulations Section 1.1552-1(a)(1). The group's unitary tax liability shall be apportioned for tax purposes in accordance with the requirements of applicable state law, or, if none, as reasonably determined by Fidelis.

- A. There is no Deferred Tax Asset as of December 31, 2007.
- B. There are no deferred tax liabilities reported as of December 31, 2007.
- C. Current income taxes incurred consist of the following components:

Total estimated current Federal taxes payable as of 12/31/2007 are \$35.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. The Company paid no dividends to the Parent Company through December 31, 2007.

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

NOTES TO FINANCIAL STATEMENTS

- B. At December 31, 2007, Fidelis SecureCare of Michigan reported \$148,676 as amounts due to the Parent Company, Fidelis SeniorCare Inc. These amounts due to the parent are related to the Administrative Services. The parent entity, Fidelis SeniorCare Inc. provides administrative services to the health plan, Fidelis SecureCare of Michigan Inc. Fidelis SecureCare of Michigan settles all intercompany transactions with the parent entity within 31 days of the end of fiscal periods.
- C All outstanding shares of Fidelis SecureCare of Michigan are owned by the Parent Company, Fidelis SeniorCare Inc, an insurance holding company domiciled in the State of Delaware.

11. Debt

Not applicable

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

Not applicable

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

- (1) The Company has 100 shares authorized (.01 par), 100 shares issued and 100 shares outstanding. All shares are Common shares.
- (2) The Company has no preferred stock outstanding.
- (3) All shareholder dividends are paid out of Earned Surplus .
- (4) No extraordinary dividends or other extraordinary distributions to its shareholder until 30 days after the commissioner has received notice of the declaration thereof and has not within such period disapproved such payment within such thirty day period. For purposes of this section, an extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding twelve months exceeds the greater of ten percent of such insurer's surplus as regards policyholders as of December 31 next preceding, or the net gain from operations of such insurer, not including realized capital gains, for the twelve-month period ending December 31. Any other provision of law to the contrary notwithstanding, an insurer may declare an extraordinary dividend or distribution which is conditional upon the commissioner's approval thereof, and such a declaration confers no rights upon shareholders until the commissioner has approved the payment of such dividend or distribution or the commissioner has not disapproved such payment within the thirty-day period
- (5) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- (6) The total amount of advances to surplus not repaid is \$0.

14. Contingencies

Not applicable

15. Leases

A. Lessee Operating Lease

- (1) There is no commitment for the Company.
- (2) The company is not involved in any material sales – leaseback transactions.

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

NOTES TO FINANCIAL STATEMENTS

20. September 11 Events

Not applicable

21. Other Items

A. Other Disclosures

Assets with a market value of \$1,088,473 at December 31, 2007, were on deposit with JP Morgan as custodian in compliance with the Michigan Department of Insurance requirements. This consisted of a Treasury Notes, with an amortized cost of \$1,045,341 and a market value of \$1,081,143 and \$36,922 in JP Morgan Federal Money Market.

22. Events Subsequent

Not Applicable.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (X)

If yes, give full details.

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes () No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate \$ _____.

- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? \$ _____.

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by

NOTES TO FINANCIAL STATEMENTS

either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$ 0 _____

- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$ _____

-

B. Uncollectible Reinsurance

The Company has written off in the current year reinsurance balances due (from the companies listed below) in the amount of: \$ 0 _____, which is reflected as:

| | |
|---------------------------------------|------------|
| (1) Losses incurred | \$ 0 _____ |
| (2) Loss adjustment expenses incurred | \$ 0 _____ |
| (3) Premiums earned | \$ 0 _____ |
| (4) Other | \$ 0 _____ |

C. Commutation of Ceded Reinsurance

The Company has reported \$0 in its operations in the current year as a result of commutation of reinsurance.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Not applicable

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

Not applicable.

28. Health Care Receivables

Not applicable.

29. Participating Policies

The Company paid dividends in the amount of \$0 to policyholders and did not allocate any additional income to such policyholders.

30. Premium Deficiency Reserves

As of December 31, 2007 the Company had liabilities of \$0 related to premium deficiency reserves. The Company does consider anticipated investment income when calculating its premium deficiency reserves.

31. Anticipated Salvage and Subrogation

Not applicable

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | |
|---|---------------------------|-----------------|---|-----------------|
| | 1 Amount | 2 Percentage | 3 Amount | 4 Percentage |
| 1. Bonds: | | | | |
| 1.1 U.S. treasury securities | 1,045,341 | 15.852 | 1,045,341 | 15.852 |
| 1.2 U.S. government agency obligations (excluding mortgage-backed securities): | | | | |
| 1.21 Issued by U.S. government agencies | | 0.000 | | 0.000 |
| 1.22 Issued by U.S. government sponsored agencies | | 0.000 | | 0.000 |
| 1.3 Foreign government (including Canada, excluding mortgaged-backed securities) | | 0.000 | | 0.000 |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.: | | | | |
| 1.41 States, territories and possessions general obligations | | 0.000 | | 0.000 |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations | | 0.000 | | 0.000 |
| 1.43 Revenue and assessment obligations | | 0.000 | | 0.000 |
| 1.44 Industrial development and similar obligations | | 0.000 | | 0.000 |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS): | | | | |
| 1.51 Pass-through securities: | | | | |
| 1.511 Issued or guaranteed by GNMA | | 0.000 | | 0.000 |
| 1.512 Issued or guaranteed by FNMA and FHLMC | | 0.000 | | 0.000 |
| 1.513 All other | | 0.000 | | 0.000 |
| 1.52 CMOs and REMICs: | | | | |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA | | 0.000 | | 0.000 |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 | | 0.000 | | 0.000 |
| 1.523 All other | | 0.000 | | 0.000 |
| 2. Other debt and other fixed income securities (excluding short-term): | | | | |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) | | 0.000 | | 0.000 |
| 2.2 Unaffiliated foreign securities | | 0.000 | | 0.000 |
| 2.3 Affiliated securities | | 0.000 | | 0.000 |
| 3. Equity interests: | | | | |
| 3.1 Investments in mutual funds | | 0.000 | | 0.000 |
| 3.2 Preferred stocks: | | | | |
| 3.21 Affiliated | | 0.000 | | 0.000 |
| 3.22 Unaffiliated | | 0.000 | | 0.000 |
| 3.3 Publicly traded equity securities (excluding preferred stocks): | | | | |
| 3.31 Affiliated | | 0.000 | | 0.000 |
| 3.32 Unaffiliated | | 0.000 | | 0.000 |
| 3.4 Other equity securities: | | | | |
| 3.41 Affiliated | | 0.000 | | 0.000 |
| 3.42 Unaffiliated | | 0.000 | | 0.000 |
| 3.5 Other equity interests including tangible personal property under lease: | | | | |
| 3.51 Affiliated | | 0.000 | | 0.000 |
| 3.52 Unaffiliated | | 0.000 | | 0.000 |
| 4. Mortgage loans: | | | | |
| 4.1 Construction and land development | | 0.000 | | 0.000 |
| 4.2 Agricultural | | 0.000 | | 0.000 |
| 4.3 Single family residential properties | | 0.000 | | 0.000 |
| 4.4 Multifamily residential properties | | 0.000 | | 0.000 |
| 4.5 Commercial loans | | 0.000 | | 0.000 |
| 4.6 Mezzanine real estate loans | | 0.000 | | 0.000 |
| 5. Real estate investments: | | | | |
| 5.1 Property occupied by the company | | 0.000 | 0 | 0.000 |
| 5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt) | | 0.000 | 0 | 0.000 |
| 5.3 Property held for sale (including \$ property acquired in satisfaction of debt) | | 0.000 | 0 | 0.000 |
| 6. Contract loans | | 0.000 | 0 | 0.000 |
| 7. Receivables for securities | | 0.000 | 0 | 0.000 |
| 8. Cash, cash equivalents and short-term investments | 5,549,101 | 84.148 | 5,549,101 | 84.148 |
| 9. Other invested assets | | 0.000 | | 0.000 |
| 10. Total invested assets | 6,594,442 | 100.000 | 6,594,442 | 100.000 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] NA []
- 1.3 State Regulating? Michigan.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.
- 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.
- 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).
- 3.4 By what department or departments?
- 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 Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control;
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

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

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and location (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 Office of Thrift Supervision (OTS), 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 OTS | 6 FDIC | 7 SEC |
|---------------------|--------------------------------|----------|----------|----------|-----------|----------|
| | | | | | | |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte and Touche 111 S Wacker Chicago IL 60601
10. 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?.....
Larry Pfannerstill Milliman, Inc. 15800 Bluemound Road Brookfield WI 53005
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved.....
- 11.13 Total book/adjusted carrying value..... \$.....
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [X] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA [X]
- 13.1 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.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?..... Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. 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 []
15. 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 []
16. 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 likely to conflict with the official duties of such person?..... Yes [X] No []

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

**GENERAL INTERROGATORIES
FINANCIAL**

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers .. \$.....
- 18.12 To stockholders not officers ... \$.....
- 18.13 Trustees, supreme or grand (Fraternal only) \$.....
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers ... \$.....
- 18.22 To stockholders not officers \$.....
- 18.23 Trustees, supreme or grand (Fraternal only) \$.....
- 19.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$.....
- 19.22 Borrowed from others \$.....
- 19.23 Leased from others \$.....
- 19.24 Other \$.....
- 20.1 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]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$.....
- 20.22 Amount paid as expenses \$.....
- 20.23 Other amounts paid \$.....
- 21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 21.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount: \$.....

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? Yes [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 23.1 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 19.1) Yes [] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Loaned to others \$.....
- 23.22 Subject to repurchase agreements \$.....
- 23.23 Subject to reverse repurchase agreements \$.....
- 23.24 Subject to dollar repurchase agreements \$.....
- 23.25 Subject to reverse dollar repurchase agreements \$.....
- 23.26 Pledged as collateral \$.....
- 23.27 Placed under option agreements \$.....
- 23.28 Letter stock or other securities restricted as to sale ... \$.....
- 23.29 On deposit with state or other regulatory body \$.....
- 23.291 Other \$.....
- 23.3 For category (23.28) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
| | | |
| | | |

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] NA [X]
If no, attach a description with this statement.
- 25.1 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]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$.....

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

GENERAL INTERROGATORIES

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

26.01 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 |
|-------------------------------|--|
| JP Morgan Chase Bank N.A..... | 1 Chase Manhattan Plaza New York NY 10005-1489.... |

26.02 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) | 2 Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |
| | | |

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes [] No [X]

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

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| | | | |
| | | | |

26.05 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 | 2 Address |
|--|-----------|--------------|
| | | |
| | | |

27.1 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 [] No [X]

27.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|--------------|--------------------------|-----------------------------------|
| | | |
| | | |
| 27.2999 | TOTAL | 0 |

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

| 1 Name of Mutual Fund (from above table) | 2 Name of Significant Holding Of the Mutual Fund | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|--|--|---|------------------------|
| | | | |
| | | | |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

GENERAL INTERROGATORIES

28. 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 (+) |
|----------------------------|------------------------------------|-----------------|--|
| 28.1 Bonds..... | 1,082,263 | | (1,082,263) |
| 28.2 Preferred stocks..... | 0 | | 0 |
| 28.3 Totals | 1,082,263 | 0 | (1,082,263) |

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

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

29.2 If no, list the exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$

30.2 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 |
|-----------|------------------|
| | |
| | |

31.1 Amount of payments for legal expenses, if any?.....\$110,095

31.2 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 |
|-----------|------------------|
| | |
| | |

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

32.2 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 |
|-----------|------------------|
| | |
| | |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U. S. business only \$0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$0
- 1.31 Reason for excluding
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives 0
- All years prior to most current three years:
- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives 0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives 0
- All years prior to most current three years:
- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives 0
2. Health Test:

| | 1 | | 2 |
|-----------------------------|--------------------|----|----------------|
| | Current Year | | Prior Year |
| 2.1 Premium Numerator | \$19,289,952 | \$ |8,756,847 |
| 2.2 Premium Denominator | \$19,289,952 | \$ |8,756,847 |
| 2.3 Premium Ratio (2.1/2.2) |1.000 | |1.000 |
| 2.4 Reserve Numerator | \$410,676 | \$ |16,425 |
| 2.5 Reserve Denominator | \$4,181,939 | \$ |2,880,255 |
| 2.6 Reserve Ratio (2.4/2.5) |0.098 | |0.006 |

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] 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 \$87,500
- 5.32 Medical Only \$
- 5.33 Medicare Supplement \$
- 5.34 Dental \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
- Risk of Insolvency Insurance in addition to Reinsurance
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? 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 year18
- 8.2 Number of providers at end of reporting year848
- 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

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes No
- 10.2 If yes:
- | | | | |
|--|---|---------|---------|
| | 10.21 Maximum amount payable bonuses | \$..... | 410,676 |
| | 10.22 Amount actually paid for year bonuses | \$..... | 410,676 |
| | 10.23 Maximum amount payable withholds | \$..... | |
| | 10.24 Amount actually paid for year withholds | \$..... | |
- 11.1 Is the reporting entity organized as:
- | | | | |
|---|--|---|--|
| 11.12 A Medical Group/Staff Model, | | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, | | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above) ? | | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth. Michigan
- 11.4 If yes, show the amount required. \$.....1,500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
12. List service areas in which reporting entity is licensed to operate:

| 1 Name of Service Area |
|---|
| Wayne, Macomb, Oakland, Washtenaw, Allegan, Bay, Genesee, Jackson, Kalamazoo, Kent, Muskegan, and Saginaw counties..... |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

FIVE-YEAR HISTORICAL DATA

| | 1 2007 | 2 2006 | 3 2005 | 4 2004 | 5 2003 |
|--|------------|-----------|-----------|-----------|-----------|
| Balance Sheet (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 26) | 6,621,595 | 5,214,682 | 2,210,935 | 0 | 0 |
| 2. Total liabilities (Page 3, Line 22) | 4,903,396 | 3,656,883 | 623,579 | 0 | 0 |
| 3. Statutory surplus | 1,718,200 | 1,557,799 | 1,500,000 | 0 | 0 |
| 4. Total capital and surplus (Page 3, Line 31) | 1,718,200 | 1,557,799 | 1,587,356 | 0 | 0 |
| Income Statement (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 19,289,952 | 8,756,847 | 814,647 | 0 | 0 |
| 6. Total medical and hospital expenses (Line 18) | 17,071,958 | 8,520,280 | 747,137 | 0 | 0 |
| 7. Claims adjustment expenses (Line 20) | 34,860 | 26,971 | 3,481 | 0 | 0 |
| 8. Total administrative expenses (Line 21) | 2,094,299 | 241,445 | 112,769 | 0 | 0 |
| 9. Net underwriting gain (loss) (Line 24) | 88,835 | (31,849) | (48,740) | 0 | 0 |
| 10. Net investment gain (loss) (Line 27) | 165,464 | 89,400 | 36,096 | 0 | 0 |
| 11. Total other income (Lines 28 plus 29) | 0 | 0 | 0 | 0 | 0 |
| 12. Net income (loss) (Line 32) | 207,210 | 57,551 | (12,644) | 0 | 0 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11) | 2,496,082 | 2,021,981 | | | |
| Risk - Based Capital Analysis | | | | | |
| 14. Total adjusted capital | 1,718,200 | 1,557,799 | 1,587,356 | 0 | 0 |
| 15. Authorized control level risk-based capital | 1,197,663 | 577,498 | 169,627 | 0 | 0 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7) | 925 | 672 | 192 | 0 | 0 |
| 17. Total member months (Column 6, Line 7) | 9,777 | 4,739 | 526 | 0 | 0 |
| Operating Percentage (Page 4) | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. Total hospital and medical plus other non-health (Lines 18 plus 19) | 88.5 | 97.3 | 91.7 | 0.0 | 0.0 |
| 20. Cost containment expenses | 0.0 | 0.0 | 0.4 | 0.0 | XXX |
| 21. Other claims adjustment expenses | 0.2 | 0.3 | 0.1 | 0.0 | 0.0 |
| 22. Total underwriting deductions (Line 23) | 99.5 | 100.4 | 106.0 | 0.0 | 0.0 |
| 23. Total underwriting gain (loss) (Line 24) | 0.5 | (0.4) | (6.0) | 0.0 | 0.0 |
| Unpaid Claims Analysis | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13, Col. 5) | 2,300,772 | 661,757 | 0 | 0 | 0 |
| 25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] | 2,880,254 | 572,474 | 0 | 0 | 0 |
| Investments In Parent, Subsidiaries And Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1) | 0 | | | | |
| 29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7) | 0 | | | | |
| 30. Affiliated mortgage loans on real estate | | 0 | 0 | 0 | 0 |
| 31. All other affiliated | | 0 | 0 | 0 | 0 |
| 32. Total of above Lines 26 to 31 | 0 | 0 | 0 | 0 | 0 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

| Description | 1 Book/Adjusted Carrying Value | 2 Fair Value | 3 Actual Cost | 4 Par Value of Bonds |
|--|--------------------------------------|-----------------|------------------|-------------------------|
| BONDS | | | | |
| Governments (Including all obligations guaranteed by governments) | 1. United States1,045,340 |1,081,143 |1,035,600 |1,060,000 |
| | 2. Canada | | | |
| | 3. Other Countries | | | |
| | 4. Totals | 1,045,340 | 1,081,143 | 1,060,000 |
| States, Territories and Possessions (Direct and guaranteed) | 5. United States | | | |
| | 6. Canada | | | |
| | 7. Other Countries | | | |
| | 8. Totals | 0 | 0 | 0 |
| Political Subdivisions of States, Territories and Possessions (Direct and guaranteed) | 9. United States | | | |
| | 10. Canada | | | |
| | 11. Other Countries | | | |
| | 12. Totals | 0 | 0 | 0 |
| Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions | 13. United States | | | |
| | 14. Canada | | | |
| | 15. Other Countries | | | |
| | 16. Totals | 0 | 0 | 0 |
| Public Utilities (unaffiliated) | 17. United States | | | |
| | 18. Canada | | | |
| | 19. Other Countries | | | |
| | 20. Totals | 0 | 0 | 0 |
| Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated) | 21. United States | | | |
| | 22. Canada | | | |
| | 23. Other Countries | | | |
| | 24. Totals | 0 | 0 | 0 |
| Parent, Subsidiaries and Affiliates | 25. Totals | 0 | 0 | 0 |
| | 26. Total Bonds | 1,045,340 | 1,081,143 | 1,060,000 |
| PREFERRED STOCKS | | | | |
| Public Utilities (unaffiliated) | 27. United States | | | |
| | 28. Canada | | | |
| | 29. Other Countries | | | |
| | 30. Totals | 0 | 0 | 0 |
| Banks, Trust and Insurance Companies (unaffiliated) | 31. United States | | | |
| | 32. Canada | | | |
| | 33. Other Countries | | | |
| | 34. Totals | 0 | 0 | 0 |
| Industrial and Miscellaneous (unaffiliated) | 35. United States | | | |
| | 36. Canada | | | |
| | 37. Other Countries | | | |
| | 38. Totals | 0 | 0 | 0 |
| Parent, Subsidiaries and Affiliates | 39. Totals | 0 | 0 | 0 |
| | 40. Total Preferred Stocks | 0 | 0 | 0 |
| COMMON STOCKS | | | | |
| Public Utilities (unaffiliated) | 41. United States | | | |
| | 42. Canada | | | |
| | 43. Other Countries | | | |
| | 44. Totals | 0 | 0 | 0 |
| Banks, Trust and Insurance Companies (unaffiliated) | 45. United States | | | |
| | 46. Canada | | | |
| | 47. Other Countries | | | |
| | 48. Totals | 0 | 0 | 0 |
| Industrial and Miscellaneous (unaffiliated) | 49. United States | | | |
| | 50. Canada | | | |
| | 51. Other Countries | | | |
| | 52. Totals | 0 | 0 | 0 |
| Parent, Subsidiaries and Affiliates | 53. Totals | 0 | 0 | 0 |
| | 54. Total Common Stocks | 0 | 0 | 0 |
| | 55. Total Stocks | 0 | 0 | 0 |
| | 56. Total Bonds and Stocks | 1,045,340 | 1,081,143 | 1,035,600 |

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

| | | | |
|--|---------|--|-----------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year..... | 544,763 | 7. Amortization of premium | |
| 2. Cost of bonds and stocks acquired, Column 7, Part 3 | 493,354 | 8. Foreign Exchange Adjustment: | |
| 3. Accrual of discount..... | 7,224 | 8.1 Column 15, Part 1 | 0 |
| 4. Increase (decrease) by adjustment:..... | | 8.2 Column 19, Part 2, Sec. 1..... | 0 |
| 4.1 Columns 12 - 14, Part 1..... | 0 | 8.3 Column 16, Part 2, Sec. 2 | 0 |
| 4.2 Columns 15 - 17, Part 2, Sec. 1..... | 0 | 8.4 Column 15, Part 4 | 0 |
| 4.3 Column 15, Part 2, Sec. 2..... | 0 | 9. Book/adjusted carrying value at end of current period | 1,045,341 |
| 4.4 Columns 11 - 13, Part 4 | 0 | 10. Total valuation allowance | |
| 5. Total gain (loss), Column 19, Part 4 | 0 | 11. Subtotal (Lines 9 plus 10) | 1,045,341 |
| 6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 | 0 | 12. Total nonadmitted amounts | |
| | | 13. Statement value of bonds and stocks, current period | 1,045,341 |

**ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.**

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

| States, Etc. | 1 Is Insurer Licensed (Yes or No) | Direct Business Only | | | | | | | 9 Deposit-Type Contracts | |
|---|--|---------------------------------------|------------------------------|----------------------------|--|--|--|--------------------------------------|--------------------------------|---|
| | | 2 Accident & Health Premiums | 3 Medicare Title XVIII | 4 Medicaid Title XIX | 5 Federal Employees Health Benefit Program Premiums | 6 Life & Annuity Premiums & Other Considerations | 7 Property/ Casualty Premiums | 8 Total Columns 2 Through 7 | | |
| 1. Alabama | AL | No | | | | | | | 0 | 0 |
| 2. Alaska | AK | No | | | | | | | 0 | 0 |
| 3. Arizona | AZ | No | | | | | | | 0 | 0 |
| 4. Arkansas | AR | No | | | | | | | 0 | 0 |
| 5. California | CA | No | | | | | | | 0 | 0 |
| 6. Colorado | CO | No | | | | | | | 0 | 0 |
| 7. Connecticut | CT | No | | | | | | | 0 | 0 |
| 8. Delaware | DE | No | | | | | | | 0 | 0 |
| 9. District of Columbia | DC | No | | | | | | | 0 | 0 |
| 10. Florida | FL | No | | | | | | | 0 | 0 |
| 11. Georgia | GA | No | | | | | | | 0 | 0 |
| 12. Hawaii | HI | No | | | | | | | 0 | 0 |
| 13. Idaho | ID | No | | | | | | | 0 | 0 |
| 14. Illinois | IL | No | | | | | | | 0 | 0 |
| 15. Indiana | IN | No | | | | | | | 0 | 0 |
| 16. Iowa | IA | No | | | | | | | 0 | 0 |
| 17. Kansas | KS | No | | | | | | | 0 | 0 |
| 18. Kentucky | KY | No | | | | | | | 0 | 0 |
| 19. Louisiana | LA | No | | | | | | | 0 | 0 |
| 20. Maine | ME | No | | | | | | | 0 | 0 |
| 21. Maryland | MD | No | | | | | | | 0 | 0 |
| 22. Massachusetts | MA | No | | | | | | | 0 | 0 |
| 23. Michigan | MI | Yes | | 19,289,951 | | | | | 19,289,951 | 0 |
| 24. Minnesota | MN | No | | | | | | | 0 | 0 |
| 25. Mississippi | MS | No | | | | | | | 0 | 0 |
| 26. Missouri | MO | No | | | | | | | 0 | 0 |
| 27. Montana | MT | No | | | | | | | 0 | 0 |
| 28. Nebraska | NE | No | | | | | | | 0 | 0 |
| 29. Nevada | NV | No | | | | | | | 0 | 0 |
| 30. New Hampshire | NH | No | | | | | | | 0 | 0 |
| 31. New Jersey | NJ | No | | | | | | | 0 | 0 |
| 32. New Mexico | NM | No | | | | | | | 0 | 0 |
| 33. New York | NY | No | | | | | | | 0 | 0 |
| 34. North Carolina | NC | No | | | | | | | 0 | 0 |
| 35. North Dakota | ND | No | | | | | | | 0 | 0 |
| 36. Ohio | OH | No | | | | | | | 0 | 0 |
| 37. Oklahoma | OK | No | | | | | | | 0 | 0 |
| 38. Oregon | OR | No | | | | | | | 0 | 0 |
| 39. Pennsylvania | PA | No | | | | | | | 0 | 0 |
| 40. Rhode Island | RI | No | | | | | | | 0 | 0 |
| 41. South Carolina | SC | No | | | | | | | 0 | 0 |
| 42. South Dakota | SD | No | | | | | | | 0 | 0 |
| 43. Tennessee | TN | No | | | | | | | 0 | 0 |
| 44. Texas | TX | No | | | | | | | 0 | 0 |
| 45. Utah | UT | No | | | | | | | 0 | 0 |
| 46. Vermont | VT | No | | | | | | | 0 | 0 |
| 47. Virginia | VA | No | | | | | | | 0 | 0 |
| 48. Washington | WA | No | | | | | | | 0 | 0 |
| 49. West Virginia | WV | No | | | | | | | 0 | 0 |
| 50. Wisconsin | WI | No | | | | | | | 0 | 0 |
| 51. Wyoming | WY | No | | | | | | | 0 | 0 |
| 52. American Samoa | AS | No | | | | | | | 0 | 0 |
| 53. Guam | GU | No | | | | | | | 0 | 0 |
| 54. Puerto Rico | PR | No | | | | | | | 0 | 0 |
| 55. U.S. Virgin Islands | VI | No | | | | | | | 0 | 0 |
| 56. Northern Mariana Islands | MP | No | | | | | | | 0 | 0 |
| 57. Canada | CN | No | | | | | | | 0 | 0 |
| 58. Aggregate Other Alien | OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal | XXX | 0 | 19,289,951 | 0 | 0 | 0 | 0 | 19,289,951 | 0 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | 0 | | |
| 61. Total (Direct Business) | (a) 1 | 0 | 19,289,951 | 0 | 0 | 0 | 0 | 19,289,951 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 5801. | XXX | | | | | | | | | |
| 5802. | XXX | | | | | | | | | |
| 5803. | XXX | | | | | | | | | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE
Fidelis SecureCare of Michigan Inc.

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

| | | | | | | | | | |
|---|--|--|--|--|--|---|--|--|--|
| | | | | | | | | | |
| Versant Ventures FEIN 94-3410103 25.7 % owner of Fidelis SeniorCare Inc. | | | Collinson Howe and Lennox FEIN 06-16236012 26.1% owner of Fidelis SeniorCare Inc. | | | Highland Capital Partners FEIN 04-3545784 28.8% owner of Fidelis SeniorCare Inc. | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | Fidelis SeniorCare Inc. Group Code 3744 | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Fidelis SecureCare of North Carolina Inc Company Code 12288 | | | Fidelis SecureCare of Michigan Inc Company Code 10769 | | | Fidelis SecureCare of Texas Inc Company Code 12597 | | | |
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(http://www.naic.org/committees_e_app_blanks.htm)

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