95644200920100100 2009 Document Code: 201

# ANNUAL STATEMENT

**For the Year Ending December 31, 2009**

OF THE CONDITION AND AFFAIRS OF THE

# TOTAL HEALTH CARE, INC.

NAIC Group Code 1238 (Current Period), 1238 (Prior Period) NAIC Company Code 95644 Employer's ID Number 38-2018957

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

Country of Domicile United States of America

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

Incorporated/Organized 07/01/1973 Commenced Business 05/01/1976

Statutory Home Office 3011 W. GRAND BLVD. SUITE 1600 (Street and Number), DETROIT, MI 48202 (City or Town, State and Zip Code)

Main Administrative Office 3011 W. GRAND BLVD. SUITE 1600 (Street and Number)
DETROIT, MI 48202 (City or Town, State and Zip Code) (313)871-2000 (Area Code) (Telephone Number)

Mail Address 3011 W. GRAND BLVD. SUITE 1600 (Street and Number or P.O. Box), DETROIT, MI 48202 (City or Town, State and Zip Code)

Primary Location of Books and Records 3011 W. GRAND BLVD. SUITE 1600 (Street and Number)
DETROIT, MI 48202 (City or Town, State and Zip Code) (313)871-2000 (Area Code) (Telephone Number)

Internet Website Address TOTALHEALTHCAREONLINE.COM

Statutory Statement Contact GERARD A HAMANN, CFO (Name) (313)871-7879 (Area Code)(Telephone Number)(Extension)
GHAMANN@THC-ONLINE.COM (E-Mail Address) (313)871-7406 (Fax Number)

## OFFICERS

| Name | Title | |
|---|---|---|
| LYLE EDWARD ALGATE | EXECUTIVE DIRECTOR | |
| KATHLEEN THERESA KATHER | TREASURER | # |
| ROBYN JAMES ARRINGTON JR.,M.D. | MEDICAL DIRECTOR | |
| DOUGLAS PAUL BAKER | CHAIRPERSON | |
| RUBY OCTAVIA COLE | SECRETARY | # |

## OTHERS

## DIRECTORS OR TRUSTEES

JEANETTE ABBOTT
RUBY OCTAVIA COLE
GERTRUDE HELEN MINKIEWICZ
ELIZABETH PRATCHER #
DOUGLAS PAUL BAKER
KATHLEEN THERESA KATHER
VERLANDO SIMS

State of Michigan
County of WAYNE ss

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

| (Signature) | (Signature) | (Signature) |
|---|---|---|
| LYLE EDWARD ALGATE | KATHLEEN THERESA KATHER | DOUGLAS PAUL BAKER |
| (Printed Name) | (Printed Name) | (Printed Name) |
| 1. | 2. | 3. |
| EXECUTIVE DIRECTOR | TREASURER | CHAIRPERSON |
| (Title) | (Title) | (Title) |

Subscribed and sworn to before me this
_____ day of _____, 2010

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

(Notary Public Signature)

# ASSETS

| | Current Year 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols.1-2) | Prior Year 4 Net Admitted Assets |
|---|---|---|---|---|
| 1. Bonds (Schedule D) | | | | 1,000,000 |
| 2. Stocks (Schedule D) | | | | |
| 2.1 Preferred stocks | | | | |
| 2.2 Common Stocks | 8,306,337 | | 8,306,337 | 12,626,158 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | | |
| 3.2 Other than first liens | | | | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less $.....0 encumbrances) | | | | |
| 4.2 Properties held for the production of income (less $.....0 encumbrances) | | | | |
| 4.3 Properties held for sale (less $.....0 encumbrances) | | | | |
| 5. Cash ($.....11,067,952 Schedule E Part 1), cash equivalents ($.....0 Schedule E Part 2) and short-term investments ($.....16,160,753 Schedule DA) | 27,228,705 | | 27,228,705 | 29,079,226 |
| 6. Contract loans (including $.....0 premium notes) | | | | |
| 7. Other invested assets (Schedule BA) | | | | |
| 8. Receivables for securities | | | | |
| 9. Aggregate write-ins for invested assets | | | | |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 35,535,042 | | 35,535,042 | 42,705,384 |
| 11. Title plants less $.....0 charged off (for Title insurers only) | | | | |
| 12. Investment income due and accrued | 5,831 | | 5,831 | 28,873 |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | | 783 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including $.....0 earned but unbilled premiums) | | | | |
| 13.3 Accrued retrospective premiums | | | | |
| 14. Reinsurance: | | | | |
| 14.1 Amounts recoverable from reinsurers | 88,291 | | 88,291 | |
| 14.2 Funds held by or deposited with reinsured companies | | | | |
| 14.3 Other amounts receivable under reinsurance contracts | | | | |
| 15. Amounts receivable relating to uninsured plans | | | | |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | | |
| 16.2 Net deferred tax asset | | | | |
| 17. Guaranty funds receivable or on deposit | | | | |
| 18. Electronic data processing equipment and software | | | | |
| 19. Furniture and equipment, including health care delivery assets ($.....0) | | | | |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 21. Receivables from parent, subsidiaries and affiliates | 82,391 | | 82,391 | |
| 22. Health care ($.....4,097,975) and other amounts receivable | 4,624,117 | 526,142 | 4,097,975 | 3,364,523 |
| 23. Aggregate write-ins for other than invested assets | 1,266,561 | 1,266,561 | | |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 41,602,233 | 1,792,703 | 39,809,530 | 46,099,563 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 26. Total (Lines 24 and 25) | 41,602,233 | 1,792,703 | 39,809,530 | 46,099,563 |
| **DETAILS OF WRITE-INS** | | | | |
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | | | | |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) | | | | |
| 2301. Intangible Assets | 62,938 | 62,938 | | |
| 2302. Negative A/P > 90 days | 543,681 | 543,681 | | |
| 2303. Due from Management Co. | 659,942 | 659,942 | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | 1,266,561 | 1,266,561 | | |

# LIABILITIES, CAPITAL AND SURPLUS

| | | Current Year 1 Covered | Current Year 2 Uncovered | Current Year 3 Total | Prior Year 4 Total |
|---|---|---|---|---|---|
| 1. | Claims unpaid (less $.....0 reinsurance ceded) | 16,579,054 | | 16,579,054 | 13,268,619 |
| 2. | Accrued medical incentive pool and bonus amounts | 962,735 | | 962,735 | 548,048 |
| 3. | Unpaid claims adjustment expenses | 372,944 | | 372,944 | 298,476 |
| 4. | Aggregate health policy reserves | | | | |
| 5. | Aggregate life policy reserves | | | | |
| 6. | Property/casualty unearned premium reserves | | | | |
| 7. | Aggregate health claim reserves | | | | |
| 8. | Premiums received in advance | 6,884 | | 6,884 | 8,162 |
| 9. | General expenses due or accrued | (117,834) | | (117,834) | |
| 10.1 | Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses)) | | | | |
| 10.2 | Net deferred tax liability | | | | |
| 11. | Ceded reinsurance premiums payable | | | | |
| 12. | Amounts withheld or retained for the account of others | | | | |
| 13. | Remittances and items not allocated | | | | |
| 14. | Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current) | | | | |
| 15. | Amounts due to parent, subsidiaries and affiliates | 442,988 | | 442,988 | 32,252 |
| 16. | Payable for securities | | | | |
| 17. | Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers) | | | | |
| 18. | Reinsurance in unauthorized companies | | | | |
| 19. | Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 20. | Liability for amounts held under uninsured plans | | | | |
| 21. | Aggregate write-ins for other liabilities (including $.....0 current) | 3,000 | | 3,000 | 3,000 |
| 22. | TOTAL Liabilities (Lines 1 to 21) | 18,249,771 | | 18,249,771 | 14,158,557 |
| 23. | Aggregate write-ins for special surplus funds | XXX | XXX | | |
| 24. | Common capital stock | XXX | XXX | | |
| 25. | Preferred capital stock | XXX | XXX | | |
| 26. | Gross paid in and contributed surplus | XXX | XXX | | |
| 27. | Surplus notes | XXX | XXX | | |
| 28. | Aggregate write-ins for other than special surplus funds | XXX | XXX | | |
| 29. | Unassigned funds (surplus) | XXX | XXX | 21,559,759 | 31,941,006 |
| 30. | Less treasury stock, at cost: | | | | |
| | 30.1 .....0 shares common (value included in Line 24 $.....0) | XXX | XXX | | |
| | 30.2 .....0 shares preferred (value included in Line 25 $.....0) | XXX | XXX | | |
| 31. | TOTAL Capital and Surplus (Lines 23 to 29 minus Line 30) | XXX | XXX | 21,559,759 | 31,941,006 |
| 32. | TOTAL Liabilities, Capital and Surplus (Lines 22 and 31) | XXX | XXX | 39,809,530 | 46,099,563 |
| **DETAILS OF WRITE-INS** | | | | | |
| 2101. | Accrued Other | 3,000 | | 3,000 | 3,000 |
| 2102. | | | | | |
| 2103. | | | | | |
| 2198. | Summary of remaining write-ins for Line 21 from overflow page | | | | |
| 2199. | TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) | 3,000 | | 3,000 | 3,000 |
| 2301. | | XXX | XXX | | |
| 2302. | | XXX | XXX | | |
| 2303. | | XXX | XXX | | |
| 2398. | Summary of remaining write-ins for Line 23 from overflow page | XXX | XXX | | |
| 2399. | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | XXX | XXX | | |
| 2801. | | XXX | XXX | | |
| 2802. | | XXX | XXX | | |
| 2803. | | XXX | XXX | | |
| 2898. | Summary of remaining write-ins for Line 28 from overflow page | XXX | XXX | | |
| 2899. | TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) | XXX | XXX | | |

# STATEMENT OF REVENUE AND EXPENSES

| | | Current Year 1 Uncovered | Current Year 2 Total | Prior Year 3 Total |
|---|---|---|---|---|
| 1. | Member Months | XXX | 647,906 | 646,821 |
| 2. | Net premium income (including $.....0 non-health premium income) | XXX | 182,505,790 | 166,767,689 |
| 3. | Change in unearned premium reserves and reserve for rate credits | XXX | | |
| 4. | Fee-for-service (net of $.....0 medical expenses) | XXX | | |
| 5. | Risk revenue | XXX | | |
| 6. | Aggregate write-ins for other health care related revenues | XXX | (2,511,570) | (9,161,959) |
| 7. | Aggregate write-ins for other non-health revenues | XXX | | |
| 8. | TOTAL Revenues (Lines 2 to 7) | XXX | 179,994,220 | 157,605,730 |
| **Hospital and Medical:** | | | | |
| 9. | Hospital/medical benefits | | 129,059,767 | 103,470,471 |
| 10. | Other professional services | | 5,736,426 | 5,031,161 |
| 11. | Outside referrals | | | |
| 12. | Emergency room and out-of-area | | 8,636,800 | 12,340,385 |
| 13. | Prescription drugs | | 14,268,669 | 13,690,875 |
| 14. | Aggregate write-ins for other hospital and medical | | 958,778 | 750,555 |
| 15. | Incentive pool, withhold adjustments and bonus amounts | | 614,677 | 73,270 |
| 16. | Subtotal (Lines 9 to 15) | | 159,275,117 | 135,356,717 |
| **Less:** | | | | |
| 17. | Net reinsurance recoveries | | 135,376 | 36,095 |
| 18. | TOTAL Hospital and Medical (Lines 16 minus 17) | | 159,139,741 | 135,320,622 |
| 19. | Non-health claims (net) | | | |
| 20. | Claims adjustment expenses, including $.....365,754 cost containment expenses | | 365,754 | 343,429 |
| 21. | General administrative expenses | | 25,925,847 | 17,044,505 |
| 22. | Increase in reserves for life and accident and health contracts (including $.....0 increase in reserves for life only) | | | |
| 23. | TOTAL Underwriting Deductions (Lines 18 through 22) | | 185,431,342 | 152,708,556 |
| 24. | Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | (5,437,122) | 4,897,174 |
| 25. | Net investment income earned (Exhibit of Net Investment Income, Line 17) | | 147,752 | 851,782 |
| 26. | Net realized capital gains (losses) less capital gains tax of $.....0 | | | |
| 27. | Net investment gains (losses) (Lines 25 plus 26) | | 147,752 | 851,782 |
| 28. | Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)] | | | |
| 29. | Aggregate write-ins for other income or expenses | | | |
| 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 | (5,289,370) | 5,748,956 |
| 31. | Federal and foreign income taxes incurred | XXX | | |
| 32. | Net income (loss) (Lines 30 minus 31) | XXX | (5,289,370) | 5,748,956 |
| **DETAILS OF WRITE-INS** | | | | |
| 0601. | QUALITY ASSURANCE ASSESSMENT PAYMENT | XXX | (2,511,570) | (9,161,959) |
| 0602. | | XXX | | |
| 0603. | | XXX | | |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | XXX | | |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | (2,511,570) | (9,161,959) |
| 0701. | | XXX | | |
| 0702. | | XXX | | |
| 0703. | | XXX | | |
| 0798. | Summary of remaining write-ins for Line 7 from overflow page | XXX | | |
| 0799. | TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) | XXX | | |
| 1401. | Other Expense | | 958,778 | 750,555 |
| 1402. | | | | |
| 1403. | | | | |
| 1498. | Summary of remaining write-ins for Line 14 from overflow page | | | |
| 1499. | TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) | | 958,778 | 750,555 |
| 2901. | | | | |
| 2902. | | | | |
| 2903. | | | | |
| 2998. | Summary of remaining write-ins for Line 29 from overflow page | | | |
| 2999. | TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) | | | |

# STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| | **CAPITAL & SURPLUS ACCOUNT** | | |
| 33. | Capital and surplus prior reporting year | 31,941,006 | 31,359,992 |
| 34. | Net income or (loss) from Line 32 | (5,289,370) | 5,748,956 |
| 35. | Change in valuation basis of aggregate policy and claim reserves | | |
| 36. | Change in net unrealized capital gains (losses) less capital gains tax of $.....0 | (4,319,820) | (4,511,630) |
| 37. | Change in net unrealized foreign exchange capital gain or (loss) | | |
| 38. | Change in net deferred income tax | | |
| 39. | Change in nonadmitted assets | (772,057) | (656,312) |
| 40. | Change in unauthorized reinsurance | | |
| 41. | Change in treasury stock | | |
| 42. | Change in surplus notes | | |
| 43. | Cumulative effect of changes in accounting principles | | |
| 44. | Capital Changes: | | |
| | 44.1 Paid in | | |
| | 44.2 Transferred from surplus (Stock Dividend) | | |
| | 44.3 Transferred to surplus | | |
| 45. | Surplus adjustments: | | |
| | 45.1 Paid in | | |
| | 45.2 Transferred to capital (Stock Dividend) | | |
| | 45.3 Transferred from capital | | |
| 46. | Dividends to stockholders | | |
| 47. | Aggregate write-ins for gains or (losses) in surplus | | |
| 48. | Net change in capital and surplus (Lines 34 to 47) | (10,381,247) | 581,014 |
| 49. | Capital and surplus end of reporting year (Line 33 plus 48) | 21,559,759 | 31,941,006 |
| **DETAILS OF WRITE-INS** | | | |
| 4701. | | | |
| 4702. | | | |
| 4703. | | | |
| 4798. | Summary of remaining write-ins for Line 47 from overflow page | | |
| 4799. | TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) | | |

# CASH FLOW

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| | **Cash from Operations** | | |
| 1. | Premiums collected net of reinsurance | 182,505,295 | 166,767,712 |
| 2. | Net investment income | 170,794 | 848,417 |
| 3. | Miscellaneous income | (3,771,164) | (10,478,879) |
| 4. | Total (Lines 1 through 3) | 178,904,925 | 157,137,250 |
| 5. | Benefit and loss related payments | 155,502,910 | 144,926,694 |
| 6. | Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 26,217,132 | 17,380,179 |
| 8. | Dividends paid to policyholders | | |
| 9. | Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses) | | |
| 10. | Total (Lines 5 through 9) | 181,720,042 | 162,306,873 |
| 11. | Net cash from operations (Line 4 minus Line 10) | (2,815,117) | (5,169,623) |
| | **Cash from Investments** | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| | 12.1 Bonds | 1,000,000 | 954,000 |
| | 12.2 Stocks | | 11,250,000 |
| | 12.3 Mortgage loans | | |
| | 12.4 Real estate | | |
| | 12.5 Other invested assets | | |
| | 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | | |
| | 12.7 Miscellaneous proceeds | | |
| | 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 1,000,000 | 12,204,000 |
| 13. | Cost of investments acquired (long-term only): | | |
| | 13.1 Bonds | | |
| | 13.2 Stocks | | 11,250,000 |
| | 13.3 Mortgage loans | | |
| | 13.4 Real estate | | |
| | 13.5 Other invested assets | | |
| | 13.6 Miscellaneous applications | | |
| | 13.7 Total investments acquired (Lines 13.1 to 13.6) | | 11,250,000 |
| 14. | Net increase (decrease) in contract loans and premium notes | | |
| 15. | Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | 1,000,000 | 954,000 |
| | **Cash from Financing and Miscellaneous Sources** | | |
| 16. | Cash provided (applied): | | |
| | 16.1 Surplus notes, capital notes | | |
| | 16.2 Capital and paid in surplus, less treasury stock | | |
| | 16.3 Borrowed funds | | |
| | 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| | 16.5 Dividends to stockholders | | |
| | 16.6 Other cash provided (applied) | (35,404) | (951,050) |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (35,404) | (951,050) |
| | **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) | (1,850,521) | (5,166,673) |
| 19. | Cash, cash equivalents and short-term investments: | | |
| | 19.1 Beginning of year | 29,079,226 | 34,245,899 |
| | 19.2 End of year (Line 18 plus Line 19.1) | 27,228,705 | 29,079,226 |

**Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:**

| | | | |
|---|---|---|---|
| 20.0001 | | | |
| 20.0002 | | | |

# ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | | 1<br>Total | 2<br>Comprehensive (Hospital & Medical) | 3<br>Medicare Supplement | 4<br>Dental Only | 5<br>Vision Only | 6<br>Federal Employees Health Benefit Plan | 7<br>Title XVIII Medicare | 8<br>Title XIX Medicaid | 9<br>Other Health | 10<br>Other Non-Health |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Net premium income | 182,505,790 | 116,421 | | | | | | 182,389,369 | | |
| 2. | Change in unearned premium reserves and reserve for rate credit | | | | | | | | | | |
| 3. | Fee-for-service (net of $.....0 medical expenses) | | | | | | | | | | XXX |
| 4. | Risk revenue | | | | | | | | | | XXX |
| 5. | Aggregate write-ins for other health care related revenues | (2,511,570) | (729) | | | | | | (2,510,841) | | XXX |
| 6. | Aggregate write-ins for other non-health care related revenues | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 7. | TOTAL Revenues (Lines 1 to 6) | 179,994,220 | 115,692 | | | | | | 179,878,528 | | |
| 8. | Hospital/medical benefits | 129,059,767 | 72,810 | | | | | | 128,986,957 | | XXX |
| 9. | Other professional services | 5,736,426 | 17,599 | | | | | | 5,718,827 | | XXX |
| 10. | Outside referrals | | | | | | | | | | XXX |
| 11. | Emergency room and out-of-area | 8,636,800 | 427 | | | | | | 8,636,373 | | XXX |
| 12. | Prescription drugs | 14,268,669 | 15,678 | | | | | | 14,252,991 | | XXX |
| 13. | Aggregate write-ins for other hospital and medical | 958,778 | | | | | | | 958,778 | | XXX |
| 14. | Incentive pool, withhold adjustments and bonus amounts | 614,677 | 776 | | | | | | 613,901 | | XXX |
| 15. | Subtotal (Lines 8 to 14) | 159,275,117 | 107,290 | | | | | | 159,167,827 | | XXX |
| 16. | Net reinsurance recoveries | 135,376 | | | | | | | 135,376 | | XXX |
| 17. | TOTAL Hospital and Medical (Lines 15 minus 16) | 159,139,741 | 107,290 | | | | | | 159,032,451 | | XXX |
| 18. | Non-health claims (net) | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 19. | Claims adjustment expenses including $.....365,754 cost containment expenses | 365,754 | 242 | | | | | | 365,512 | | |
| 20. | General administrative expenses | 25,925,847 | 16,628 | | | | | | 25,909,219 | | |
| 21. | Increase in reserves for accident and health contracts | | | | | | | | | | XXX |
| 22. | Increase in reserves for life contracts | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 23. | TOTAL Underwriting Deductions (Lines 17 to 22) | 185,431,342 | 124,160 | | | | | | 185,307,182 | | |
| 24. | Net underwriting gain or (loss) (Line 7 minus Line 23) | (5,437,122) | (8,468) | | | | | | (5,428,654) | | |
| **DETAILS OF WRITE-INS** | | | | | | | | | | | |
| 0501. | QUALITY ASSESSMENT ASSURANCE FEE | (2,511,570) | (729) | | | | | | (2,510,841) | | XXX |
| 0502. | | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | | XXX |
| 0598. | Summary of remaining write-ins for Line 5 from overflow page | | | | | | | | | | XXX |
| 0599. | TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | (2,511,570) | (729) | | | | | | (2,510,841) | | 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 | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 1301. | Other Expense | 958,778 | | | | | | | 958,778 | | XXX |
| 1302. | | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | | XXX |
| 1398. | Summary of remaining write-ins for Line 13 from overflow page | | | | | | | | | | XXX |
| 1399. | TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) | 958,778 | | | | | | | 958,778 | | XXX |

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1 - PREMIUMS

| | Line of Business | 1<br>Direct Business | 2<br>Reinsurance Assumed | 3<br>Reinsurance Ceded | 4<br>Net Premium Income (Columns 1 + 2 - 3) |
|---|---|---|---|---|---|
| 1. | Comprehensive (hospital and medical) | 116,504 | | 83 | 116,421 |
| 2. | Medicare Supplement | | | | |
| 3. | Dental only | | | | |
| 4. | Vision only | | | | |
| 5. | Federal Employees Health Benefits Plan | | | | |
| 6. | Title XVIII - Medicare | | | | |
| 7. | Title XIX - Medicaid | 182,532,429 | | 143,060 | 182,389,369 |
| 8. | Other health | | | | |
| 9. | Health subtotal (Lines 1 through 8) | 182,648,933 | | 143,143 | 182,505,790 |
| 10. | Life | | | | |
| 11. | Property/casualty | | | | |
| 12. | TOTALS (Lines 9 to 11) | 182,648,933 | | 143,143 | 182,505,790 |

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2 - CLAIMS INCURRED DURING THE YEAR

| | 1<br>Total | 2<br>Comprehensive (Hospital & Medical) | 3<br>Medicare Supplement | 4<br>Dental Only | 5<br>Vision Only | 6<br>Federal Employees Health Benefits Plan | 7<br>Title XVIII Medicare | 8<br>Title XIX Medicaid | 9<br>Other Health | 10<br>Other Non-Health |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 156,937,088 | 1,569,371 | | | | | | 155,367,717 | | |
| 1.2 Reinsurance assumed | | | | | | | | | | |
| 1.3 Reinsurance ceded | 47,085 | | | | | | | 47,085 | | |
| 1.4 Net | 156,890,003 | 1,569,371 | | | | | | 155,320,632 | | |
| 2. Paid medical incentive pools and bonuses | 1,127,660 | 644 | | | | | | 1,127,016 | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 16,579,054 | 11,354 | | | | | | 16,567,700 | | |
| 3.2 Reinsurance assumed | | | | | | | | | | |
| 3.3 Reinsurance ceded | | | | | | | | | | |
| 3.4 Net | 16,579,054 | 11,354 | | | | | | 16,567,700 | | |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | | | | | | | | | | |
| 4.2 Reinsurance assumed | | | | | | | | | | |
| 4.3 Reinsurance ceded | | | | | | | | | | |
| 4.4 Net | | | | | | | | | | |
| 5. Accrued medical incentive pools and bonuses, current year | 962,735 | 550 | | | | | | 962,185 | | |
| 6. Net healthcare receivables (a) | 1,587,083 | 6,394 | | | | | | 1,580,689 | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 88,291 | | | | | | | 88,291 | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 13,268,619 | 14,573 | | | | | | 13,254,046 | | |
| 8.2 Reinsurance assumed | | | | | | | | | | |
| 8.3 Reinsurance ceded | | | | | | | | | | |
| 8.4 Net | 13,268,619 | 14,573 | | | | | | 13,254,046 | | |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | | | | | | | | | | |
| 9.2 Reinsurance assumed | | | | | | | | | | |
| 9.3 Reinsurance ceded | | | | | | | | | | |
| 9.4 Net | | | | | | | | | | |
| 10. Accrued medical incentive pools and bonuses, prior year | 548,048 | 289 | | | | | | 547,759 | | |
| 11. Amounts recoverable from reinsurers December 31, prior year | | | | | | | | | | |
| 12. Incurred benefits: | | | | | | | | | | |
| 12.1 Direct | 158,660,440 | 1,559,758 | | | | | | 157,100,682 | | |
| 12.2 Reinsurance assumed | | | | | | | | | | |
| 12.3 Reinsurance ceded | 135,376 | | | | | | | 135,376 | | |
| 12.4 Net | 158,525,064 | 1,559,758 | | | | | | 156,965,306 | | |
| 13. Incurred medical incentive pools and bonuses | 1,542,347 | 905 | | | | | | 1,541,442 | | |

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

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

| | 1<br>Total | 2<br>Comprehensive (Hospital & Medical) | 3<br>Medicare Supplement | 4<br>Dental Only | 5<br>Vision Only | 6<br>Federal Employees Health Benefits Plan | 7<br>Title XVIII Medicare | 8<br>Title XIX Medicaid | 9<br>Other Health | 10<br>Other Non-Health |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1 Direct | 6,040,740 | 4,137 | | | | | | 6,036,603 | | |
| 1.2 Reinsurance assumed | | | | | | | | | | |
| 1.3 Reinsurance ceded | | | | | | | | | | |
| 1.4 Net | 6,040,740 | 4,137 | | | | | | 6,036,603 | | |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1 Direct | 10,538,314 | 7,217 | | | | | | 10,531,097 | | |
| 2.2 Reinsurance assumed | | | | | | | | | | |
| 2.3 Reinsurance ceded | | | | | | | | | | |
| 2.4 Net | 10,538,314 | 7,217 | | | | | | 10,531,097 | | |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1 Direct | | | | | | | | | | |
| 3.2 Reinsurance assumed | | | | | | | | | | |
| 3.3 Reinsurance ceded | | | | | | | | | | |
| 3.4 Net | | | | | | | | | | |
| 4. TOTALS | | | | | | | | | | |
| 4.1 Direct | 16,579,054 | 11,354 | | | | | | 16,567,700 | | |
| 4.2 Reinsurance assumed | | | | | | | | | | |
| 4.3 Reinsurance ceded | | | | | | | | | | |
| 4.4 Net | 16,579,054 | 11,354 | | | | | | 16,567,700 | | |

# UNDERWRITING AND INVESTMENT EXHIBIT

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

| Line of Business | Claims Paid During the Year | | Claim Reserve and Claim Liability December 31 of Current Year | | 5 | 6 |
|---|---|---|---|---|---|---|
| | 1<br>On Claims Incurred Prior to January 1 of Current Year | 2<br>On Claims Incurred During the Year | 3<br>On Claims Unpaid December 31 of Prior Year | 4<br>On Claims Incurred During the Year | Claims Incurred in Prior Years (Columns 1 + 3) | Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
| 1. Comprehensive (hospital and medical) | 25,082 | 84,522 | 2,000 | 9,354 | 27,082 | 14,573 |
| 2. Medicare Supplement | | | | | | |
| 3. Dental only | | | | | | |
| 4. Vision only | | | | | | |
| 5. Federal Employees Health Benefits Plan | | | | | | |
| 6. Title XVIII - Medicare | | | | | | |
| 7. Title XIX - Medicaid | 14,651,465 | 139,525,890 | 198,000 | 16,369,700 | 14,849,465 | 13,254,046 |
| 8. Other health | | | | | | |
| 9. Health subtotal (Lines 1 to 8) | 14,676,547 | 139,610,412 | 200,000 | 16,379,054 | 14,876,547 | 13,268,619 |
| 10. Healthcare receivables (a) | | | | | | |
| 11. Other non-health | | | | | | |
| 12. Medical incentive pool and bonus amounts | 508,236 | 619,424 | | 962,735 | 508,236 | 548,048 |
| 13. TOTALS (Lines 9 - 10 + 11 + 12) | 15,184,783 | 140,229,836 | 200,000 | 17,341,789 | 15,384,783 | 13,816,667 |

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

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

## Grand Total

### Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---|---|---|---|---|---|
| | 1<br>2005 | 2<br>2006 | 3<br>2007 | 4<br>2008 | 5<br>2009 |
| 1. Prior | 18,663 | 19,915 | 19,628 | 19,607 | 19,606 |
| 2. 2005 | 97,599 | 111,797 | 112,194 | 112,195 | 112,200 |
| 3. 2006 | XXX | 76,295 | 94,635 | 94,912 | 94,900 |
| 4. 2007 | XXX | XXX | 103,670 | 113,849 | 114,182 |
| 5. 2008 | XXX | XXX | XXX | 131,452 | 145,805 |
| 6. 2009 | XXX | XXX | XXX | XXX | 139,611 |

### Section B - Incurred Health Claims

| 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<br>2005 | 2<br>2006 | 3<br>2007 | 4<br>2008 | 5<br>2009 |
| 1. Prior | 3,596 | 3,730 | 3,400 | 3,381 | 19,606 |
| 2. 2005 | 107,931 | 174,250 | 192,135 | 192,407 | 112,200 |
| 3. 2006 | XXX | 91,015 | 94,844 | 94,934 | 94,900 |
| 4. 2007 | XXX | XXX | 124,984 | 114,629 | 114,187 |
| 5. 2008 | XXX | XXX | XXX | 144,468 | 146,000 |
| 6. 2009 | XXX | XXX | XXX | XXX | 156,953 |

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

| Years in Which Premiums were Earned and Claims were Incurred | 1<br>Premiums Earned | 2<br>Claims Payments | 3<br>Claim Adjustment Expense Payments | 4<br>(Col. 3/2) Percent | 5<br>Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | 6<br>(Col. 5/1) Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims Adjustment Expenses | 9<br>Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | 10<br>(Col. 9/1) Percent |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. 2005 | 138,913 | 112,200 | 0 | 0.000 | 112,200 | 80.770 | | | 112,200 | 80.770 |
| 2. 2006 | 122,692 | 94,900 | 0 | 0.000 | 94,900 | 77.348 | | 1 | 94,901 | 77.349 |
| 3. 2007 | 162,846 | 114,182 | 0 | 0.000 | 114,182 | 70.117 | 5 | 1 | 114,188 | 70.120 |
| 4. 2008 | 166,768 | 145,805 | 50 | 0.034 | 145,855 | 87.460 | 195 | 9 | 146,059 | 87.582 |
| 5. 2009 | 182,505 | 139,611 | 315 | 0.226 | 139,926 | 76.670 | 17,342 | 362 | 157,630 | 86.370 |

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

## Hospital and Medical

### Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---|---|---|---|---|---|
| | 1<br>2005 | 2<br>2006 | 3<br>2007 | 4<br>2008 | 5<br>2009 |
| 1. Prior | 2,451 | 2,451 | 2,451 | 2,451 | 2,451 |
| 2. 2005 | 12,816 | 12,823 | 12,823 | 12,823 | 12,823 |
| 3. 2006 | XXX | 38 | 47 | 47 | 47 |
| 4. 2007 | XXX | XXX | 52 | 57 | 57 |
| 5. 2008 | XXX | XXX | XXX | 66 | 73 |
| 6. 2009 | XXX | XXX | XXX | XXX | 70 |

### Section B - Incurred Health Claims

| 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<br>2005 | 2<br>2006 | 3<br>2007 | 4<br>2008 | 5<br>2009 |
| 1. Prior | 472 | 472 | 472 | 472 | 2,451 |
| 2. 2005 | 14,173 | 14,206 | 14,215 | 14,215 | 12,823 |
| 3. 2006 | XXX | 46 | 47 | 48 | 47 |
| 4. 2007 | XXX | XXX | 62 | 57 | 57 |
| 5. 2008 | XXX | XXX | XXX | 72 | 73 |
| 6. 2009 | XXX | XXX | XXX | XXX | 79 |

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

| Years in Which Premiums were Earned and Claims were Incurred | 1<br>Premiums Earned | 2<br>Claims Payments | 3<br>Claim Adjustment Expense Payments | 4<br>(Col. 3/2) Percent | 5<br>Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | 6<br>(Col. 5/1) Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims Adjustment Expenses | 9<br>Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | 10<br>(Col. 9/1) Percent |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. 2005 | 20,300 | 12,823 | | | 12,823 | 63.167 | | | 12,823 | 63.167 |
| 2. 2006 | (20) | 47 | | | 47 | (235.000) | | | 47 | (235.000) |
| 3. 2007 | 86 | 57 | | | 57 | 66.279 | | | 57 | 66.279 |
| 4. 2008 | 98 | 73 | | | 73 | 74.490 | | | 73 | 74.490 |
| 5. 2009 | 116 | 70 | | | 70 | 60.345 | 9 | | 79 | 68.103 |

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . . . NONE

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

## Title XIX - Medicaid

### Section A - Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---|---|---|---|---|---|
| | 1<br>2005 | 2<br>2006 | 3<br>2007 | 4<br>2008 | 5<br>2009 |
| 1. Prior | 16,212 | 17,464 | 17,177 | 17,156 | 17,155 |
| 2. 2005 | 84,783 | 98,974 | 99,371 | 99,372 | 99,377 |
| 3. 2006 | XXX | 76,257 | 94,588 | 94,865 | 94,853 |
| 4. 2007 | XXX | XXX | 103,618 | 113,792 | 114,125 |
| 5. 2008 | XXX | XXX | XXX | 131,386 | 145,732 |
| 6. 2009 | XXX | XXX | XXX | XXX | 139,541 |

### Section B - Incurred Health Claims

| 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<br>2005 | 2<br>2006 | 3<br>2007 | 4<br>2008 | 5<br>2009 |
| 1. Prior | 3,124 | 3,258 | 2,928 | 2,909 | 17,155 |
| 2. 2005 | 93,758 | 160,044 | 177,920 | 178,192 | 99,377 |
| 3. 2006 | XXX | 90,969 | 94,797 | 94,886 | 94,853 |
| 4. 2007 | XXX | XXX | 124,922 | 114,572 | 114,130 |
| 5. 2008 | XXX | XXX | XXX | 144,396 | 145,927 |
| 6. 2009 | XXX | XXX | XXX | XXX | 156,874 |

### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

| Years in Which Premiums were Earned and Claims were Incurred | 1<br>Premiums Earned | 2<br>Claims Payments | 3<br>Claim Adjustment Expense Payments | 4<br>(Col. 3/2) Percent | 5<br>Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | 6<br>(Col. 5/1) Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims Adjustment Expenses | 9<br>Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | 10<br>(Col. 9/1) Percent |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. 2005 | 118,613 | 99,377 | 0 | 0.000 | 99,377 | 83.783 | | | 99,377 | 83.783 |
| 2. 2006 | 122,712 | 94,853 | 0 | 0.000 | 94,853 | 77.297 | | 1 | 94,854 | 77.298 |
| 3. 2007 | 162,760 | 114,125 | 0 | 0.000 | 114,125 | 70.119 | 5 | 1 | 114,131 | 70.122 |
| 4. 2008 | 166,670 | 145,732 | 50 | 0.034 | 145,782 | 87.468 | 195 | 9 | 145,986 | 87.590 |
| 5. 2009 | 182,389 | 139,541 | 315 | 0.226 | 139,856 | 76.680 | 17,333 | 362 | 157,551 | 86.382 |

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other . . . . . NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other . . . . . NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve . . . . . NONE

# UNDERWRITING AND INVESTMENT EXHIBIT

## PART 3 - ANALYSIS OF EXPENSES

| | | Claim Adjustment Expenses | | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | | 1<br>Cost Containment Expenses | 2<br>Other Claim Adjustment Expenses | General Administrative Expenses | Investment Expenses | Total |
| 1. | Rent ($.....0 for occupancy of own building) | | | 123,500 | | 123,500 |
| 2. | Salaries, wages and other benefits | 365,754 | | 11,614,469 | | 11,980,223 |
| 3. | Commissions (less $.....0 ceded plus $.....0 assumed) | | | | | |
| 4. | Legal fees and expenses | | | 9,634 | | 9,634 |
| 5. | Certifications and accreditation fees | | | 1,077,631 | | 1,077,631 |
| 6. | Auditing, actuarial and other consulting services | | | 1,077,630 | | 1,077,630 |
| 7. | Traveling expenses | | | 957,894 | | 957,894 |
| 8. | Marketing and advertising | | | 17,325 | | 17,325 |
| 9. | Postage, express and telephone | | | 1,796,052 | | 1,796,052 |
| 10. | Printing and office supplies | | | 1,077,631 | | 1,077,631 |
| 11. | Occupancy, depreciation and amortization | | | 2,155,262 | | 2,155,262 |
| 12. | Equipment | | | 598,684 | | 598,684 |
| 13. | Cost or depreciation of EDP equipment and software | | | | | |
| 14. | Outsourced services including EDP, claims, and other services | | | 1,570,705 | | 1,570,705 |
| 15. | Boards, bureaus and association fees | | | 239,474 | | 239,474 |
| 16. | Insurance, except on real estate | | | 1,454,693 | | 1,454,693 |
| 17. | Collection and bank service charges | | | 239,475 | | 239,475 |
| 18. | Group service and administration fees | | | | | |
| 19. | Reimbursements by uninsured plans | | | | | |
| 20. | Reimbursements from fiscal intermediaries | | | | | |
| 21. | Real estate expenses | | | | | |
| 22. | Real estate taxes | | | | | |
| 23. | Taxes, licenses and fees: | | | | | |
| | 23.1 State and local insurance taxes | | | | | |
| | 23.2 State premium taxes | | | | | |
| | 23.3 Regulator authority licenses and fees | | | | | |
| | 23.4 Payroll taxes | | | 478,947 | | 478,947 |
| | 23.5 Other (excluding federal income and real estate taxes) | | | | | |
| 24. | Investment expenses not included elsewhere | | | | | |
| 25. | Aggregate write-ins for expenses | | | 1,436,841 | | 1,436,841 |
| 26. | TOTAL Expenses Incurred (Lines 1 to 25) | 365,754 | | 25,925,847 | | (a) 26,291,601 |
| 27. | Less expenses unpaid December 31, current year | | | (117,834) | | (117,834) |
| 28. | Add expenses unpaid December 31, prior year | | | | | |
| 29. | Amounts receivable relating to uninsured plans, prior year | | | | | |
| 30. | Amounts receivable relating to uninsured plans, current year | | | | | |
| 31. | TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 365,754 | | 26,043,681 | | 26,409,435 |
| **DETAILS OF WRITE-INS** | | | | | | |
| 2501. | Office Supplies | | | 1,436,841 | | 1,436,841 |
| 2502. | | | | | | |
| 2503. | | | | | | |
| 2598. | Summary of remaining write-ins for Line 25 from overflow page | | | | | |
| 2599. | TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) | | | 1,436,841 | | 1,436,841 |

(a) Includes management fees of $.....0 to affiliates and $.....0 to non-affiliates.

# EXHIBIT OF NET INVESTMENT INCOME

| | | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|---|---|---|
| 1. | U.S. Government bonds | (a) | |
| 1.1 | Bonds exempt from U.S. tax | (a) | |
| 1.2 | Other bonds (unaffiliated) | (a) 17,443 | 10,112 |
| 1.3 | Bonds of affiliates | (a) | |
| 2.1 | Preferred stocks (unaffiliated) | (b) | |
| 2.11 | Preferred stocks of affiliates | (b) | |
| 2.2 | Common stocks (unaffiliated) | | |
| 2.21 | Common stocks of affiliates | | |
| 3. | Mortgage loans | (c) | |
| 4. | Real estate | (d) | |
| 5. | Contract loans | | |
| 6. | Cash, cash equivalents and short-term investments | (e) 153,351 | 137,640 |
| 7. | Derivative instruments | (f) | |
| 8. | Other invested assets | | |
| 9. | Aggregate write-ins for investment income | | |
| 10. | Total gross investment income | 170,794 | 147,752 |
| 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 | | |
| 16. | Total deductions (Lines 11 through 15) | | |
| 17. | Net Investment income (Line 10 minus Line 16) | | 147,752 |
| **DETAILS OF WRITE-INS** | | | |
| 0901. | | | |
| 0902. | | | |
| 0903. | | | |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) | | |
| 1501. | | | |
| 1502. | | | |
| 1503. | | | |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page | | |
| 1599. | TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) | | |

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

# EXHIBIT OF CAPITAL GAINS (LOSSES)

| | | 1<br>Realized Gain (Loss) on Sales or Maturity | 2<br>Other Realized Adjustments | 3<br>Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4<br>Change in Unrealized Capital Gain (Loss) | 5<br>Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|---|---|---|---|---|---|---|
| 1. | U.S. Government bonds | | | | | |
| 1.1 | Bonds exempt from U.S. tax | | | | | |
| 1.2 | Other bonds (unaffiliated) | | | | | |
| 1.3 | Bonds of affiliates | | | | | |
| 2.1 | Preferred stocks (unaffiliated) | | | | | |
| 2.11 | Preferred stocks of affiliates | | | | | |
| 2.2 | Common stocks (unaffiliated) | | | | | |
| 2.21 | Common stocks of affiliates | | | | (4,319,820) | |
| 3. | Mortgage loans | | | | | |
| 4. | Real estate | | | | | |
| 5. | Contract loans | | | | | |
| 6. | Cash, cash equivalents and short-term investments | | | | | |
| 7. | Derivative instruments | | | | | |
| 8. | Other invested assets | | | | | |
| 9. | Aggregate write-ins for capital gains (losses) | | | | | |
| 10. | Total capital gains (losses) | | | | (4,319,820) | |
| **DETAILS OF WRITE-INS** | | | | | | |
| 0901. | | | | | | |
| 0902. | | | | | | |
| 0903. | | | | | | |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) | | | | | |

# EXHIBIT OF NONADMITTED ASSETS

| | | 1<br>Current Year Total Nonadmitted Assets | 2<br>Prior Year Total Nonadmitted Assets | 3<br>Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
|---|---|---|---|---|
| 1. | Bonds (Schedule D) | | | |
| 2. | Stocks (Schedule D): | | | |
| | 2.1 Preferred stocks | | | |
| | 2.2 Common stocks | | | |
| 3. | Mortgage loans on real estate (Schedule B): | | | |
| | 3.1 First liens | | | |
| | 3.2 Other than first liens | | | |
| 4. | Real estate (Schedule A): | | | |
| | 4.1 Properties occupied by the company | | | |
| | 4.2 Properties held for the production of income | | | |
| | 4.3 Properties held for sale | | | |
| 5. | Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) | | | |
| 6. | Contract loans | | | |
| 7. | Other invested assets (Schedule BA) | | | |
| 8. | Receivables for securities | | | |
| 9. | Aggregate write-ins for invested assets | | | |
| 10. | Subtotals, cash and invested assets (Lines 1 to 9) | | | |
| 11. | Title plants (for Title insurers only) | | | |
| 12. | Invested income due and accrued | | | |
| 13. | Premium and considerations: | | | |
| | 13.1 Uncollected premiums and agents' balances in the course of collection | | | |
| | 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | | | |
| | 13.3 Accrued retrospective premiums | | | |
| 14. | Reinsurance: | | | |
| | 14.1 Amounts recoverable from reinsurers | | | |
| | 14.2 Funds held by or deposited with reinsured companies | | | |
| | 14.3 Other amounts receivable under reinsurance contracts | | | |
| 15. | Amounts receivable relating to uninsured plans | | | |
| 16.1 | Current federal and foreign income tax recoverable and interest thereon | | | |
| 16.2 | Net deferred tax asset | | | |
| 17. | Guaranty funds receivable or on deposit | | | |
| 18. | Electronic data processing equipment and software | | | |
| 19. | Furniture and equipment, including health care delivery assets | | | |
| 20. | Net adjustment in assets and liabilities due to foreign exchange rates | | | |
| 21. | Receivables from parent, subsidiaries and affiliates | | | |
| 22. | Health care and other amounts receivable | 526,142 | 921,744 | 395,602 |
| 23. | Aggregate write-ins for other than invested assets | 1,266,561 | 98,902 | (1,167,659) |
| 24. | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 1,792,703 | 1,020,646 | (772,057) |
| 25. | From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 26. | Total (Lines 24 and 25) | 1,792,703 | 1,020,646 | (772,057) |
| **DETAILS OF WRITE-INS** | | | | |
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) | | | |
| 2301. | Intangible Assets | 62,938 | 98,902 | 35,964 |
| 2302. | Negative A/P > 90 days | 543,681 | | (543,681) |
| 2303. | Due from Management Co. | 659,942 | | (659,942) |
| 2398. | Summary of remaining write-ins for Line 23 from overflow page | | | |
| 2399. | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | 1,266,561 | 98,902 | (1,167,659) |

# EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 |
|---|---|---|---|---|---|---|
| | 1<br>Prior<br>Year | 2<br>First<br>Quarter | 3<br>Second<br>Quarter | 4<br>Third<br>Quarter | 5<br>Current<br>Year | Current Year<br>Member<br>Months |
| 1. Health Maintenance Organizations | 53,566 | 53,925 | 53,115 | 54,722 | 54,862 | 647,906 |
| 2. Provider Service Organizations | | | | | | |
| 3. Preferred Provider Organizations | | | | | | |
| 4. Point of Service | | | | | | |
| 5. Indemnity Only | | | | | | |
| 6. Aggregate write-ins for other lines of business | | | | | | |
| 7. TOTAL | 53,566 | 53,925 | 53,115 | 54,722 | 54,862 | 647,906 |
| **DETAILS OF WRITE-INS** | | | | | | |
| 0601. | | | | | | |
| 0602. | | | | | | |
| 0603. | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | | | | | | |
| 0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | | | | | | |

# Notes to Financial Statements

## Note 1 - Nature of Business and Significant Accounting Policies

Total Health Care, Inc. (the "Company"), a not-for-profit corporation, operates as a state-licensed health maintenance organization (HMO). Total Health Care, Inc. provides medical services to persons primarily in southeastern Michigan who subscribe as recipients of state or federal health benefits, as part of an employer group, or as individuals. Effective November 1, 2005, the Company no longer provides medical services to employer groups. Employer group contracts formerly serviced by the Company were transferred to Total Health Care USA, Inc. in 2005.

Total Health Care, Inc., and its wholly owned subsidiaries, Total Health Choice, Inc. and Total Health Care USA, Inc., have common officers on their respective governing boards.

**Statutory Basis of Accounting** - The financial statements have been prepared in accordance with the NAIC Accounting Practices and Procedures manual and the statutory accounting principles as prescribed by Section 1007 of the Michigan statutes. Statutory accounting principles differ from generally accepted accounting principles (GAAP) in their definition of assets and liabilities. Specifically, certain assets (such as intangible assets and receivables greater than 90 days) are excluded from the statutory basis balance sheet. GAAP net assets exceed statutory net assets by approximately $1,792,703 and $1,020,646 at December 31, 2009 and 2008, respectively. There are no significant differences between statutory accounting principles prescribed by the NAIC and the State of Michigan accounting requirements that are applicable to the Company.

**Cash and Short-term Investments** - The Company considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit in banks or other similar financial institutions with maturity dates of one year or less from the acquisition date are considered cash under statutory accounting principles.

**Investments** - Short-term investments and long-term certificates of deposit are recorded at amortized cost, which approximates fair market value. Long-term certificates of deposit are classified as bonds on the balance sheet per statutory guidance. Investments in health care subsidiaries are reported at the statutory net worth value of the subsidiary under the equity method and are reported as common stocks on the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in net investment income on the statement of operations. Changes in unrealized gains and losses on investments are included as a direct adjustment to capital and surplus.

**Revenue Recognition and Accounts Receivable** - Capitation revenue and subscriber premiums are recognized in the period that members are entitled to related health care services. A portion of the health care receivable is due from third-party payors for subscribers located within southeastern Michigan. No allowance for doubtful accounts is recorded in 2009 or 2008. Receivables greater than 90 days old are treated as non-admitted for statutory accounting purposes. Approximately $544,000 and $278,000 of receivables greater than 90 days old were non-admitted in 2009 and 2008, respectively. The Company also pays quality assurance assessment fees based on a percentage of revenue. Revenue for 2009 and 2008 is reported net of the fees, which totaled $2,511,570 and $9,161,959, respectively. The

# Notes to Financial Statements

quality assurance assessment fees ended March 31, 2009 and were replaced with a Use Tax which is included in General and Administrative Expenses.

**Recognition of Medical and Hospital Expenses** - Medical and hospital expenses and the related liabilities are recorded when eligible medical and hospital services are authorized or performed. Unpaid claims represent management's estimate of the ultimate cost to settle all claims incurred prior to year-end. Capitation retained for the settlement of risk-sharing is included in the accrued medical incentive pool liability at December 31, 2009 and 2008.

**Physician Group Contracts** - The Company contracts with physician groups for the provision of medical care and compensates the groups on a capitation basis. During 2007, the Company revised its physician group contracts. These contracts have a specialty claims incentive and pay-for-performance incentive. If the providers meet the incentives, they share in the savings and a payable is recorded. If the providers do not meet the incentives, they share in the excess costs and a health care receivable is recorded if deemed collectible by management. During 2009 and 2008, health care receivables and payables have been recorded from/to providers.

**Hospital Group Contracts** - The Company has contracts with several hospitals and other groups. These contracts are paid under capitated fees or various other charge arrangements.

**Malpractice Claims** - The Company has a claims-made policy for malpractice insurance. The Company's policy is to accrue for estimated costs of claims and incidents during the term of the claims-made policy.

**Employee Staffing and Purchased Services Agreement** - The Company has an employee staffing and purchased services agreement with a limited liability company, which is responsible for payment of most of the management, operational, and administrative expenses. Ultimate operational control rests with the board of directors of Total Health Care, Inc.

**Income Taxes** - Total Health Care, Inc. has received federal income tax exemption under Internal Revenue Code Section 501(c)(4). The Company is also exempt from state and local income taxes.

**Funds Maintained Under Statutory Requirements** - The Company maintains segregated funds under statutory requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be used only at the direction of the insurance commissioner in accordance with statutory and contractual provisions. These funds are classified according to the nature of the investment. At December 31, 2009, $1,000,000 was held in short-term certificates of deposit to fulfill these requirements. At December 31, 2008, $1,000,000 was held in bonds to fulfill these requirements. Interest earned on these funds can be utilized by the Company.

**Use of Estimates** - 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# Notes to Financial Statements

Certain significant estimates exist relating to unpaid claims. It is at least reasonably possible that these estimates will be materially revised in the near term.

A reconciliation of the Total Health Care's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

| | 2009 | 2008 |
|---|---|---|
| (1) Net Income - State Basis | (5,289,370) | 5,748,956 |
| (2) State Prescribed Practices (Income): | | |
| Depreciation of fixed assets | 0 | 0 |
| (3) State Permitted Practices (Income): | | |
| Depreciation, home office property | 0 | 0 |
| (4) Net Income, NAIC SAP | (5,289,370) | 5,748,956 |
| (5) Statutory Surplus State Basis | 21,559,759 | 31,941,006 |
| (6) State Prescribed Practices (Surplus): | | |
| Goodwill, net | 0 | 0 |
| Fixed Assets, net | 0 | 0 |
| (7) State Permitted Practices (Surplus): | | |
| Home Office Property | 0 | 0 |
| (8) Statutory Surplus, NAIC SAP | 21,559,759 | 31,941,006 |

## Note 2 - Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan. Effective January 1, 2003, the State of Michigan required that health maintenance organizations domiciled in the state of Michigan prepare their statutory basis financial statements in accordance with the NAIC Accounting Practices and Procedures manual in effect on January 1, 2003 subject to any deviations prescribed or permitted by the State of Michigan insurance commissioner. There was no impact on the statutory financial statements as a result of the accounting changes.

## Note 3 - Business Combinations and Goodwill

This note is not applicable to the Company.

## Note 4 - Discontinued Operations

This note is not applicable to the Company.

## Note 5 - Investments

The Company does not have investments relating to mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreement, or real estate.

## Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships, or limited liability companies.

## Note 7 - Investment Income

The Company has no investment income due and accrued over 90 days past due.

## Note 8 - Derivative Instruments

The Company does not invest in derivatives.

## Note 9 - Income Taxes

# Notes to Financial Statements

This note is not applicable to the Company.

## Note 10 - Information Concerning Parent, Subsidiaries, and Affiliates

The Company owns 100 percent of two subsidiaries: Total Health Care USA, Inc. and Total Health Choice, Inc whose carrying values are equal to or exceed 10% of the admitted assets of the company. The Company carries Total Health Care USA, Inc. and Total Health Choice, Inc. at GAAP equity.

The Company has an employee, office space, and equipment leasing agreement with Total Health Care USA, Inc. (USA). The agreement calls for the Company to provide personnel, office space, and supplies necessary to USA in order for USA to carry out its HMO business operations. The agreement calls for USA to pay the Company 14 percent of USA's gross revenue from the second preceding month after certain deductions. During 2009 and 2008, the Company received $7,032,826 and $5,350,263, respectively, from this agreement.

The Company's provider contracts are all negotiated in conjunction with Total Health Care USA, Inc., the Company's wholly owned subsidiary. This contracting methodology ultimately produces a blended contract rate, which is higher than Total Health Care, Inc. would have incurred had it contracted for Medicaid members only, and a rate significantly lower than Total Health Care USA, Inc. could obtain for its commercial members. During 2007 an agreement was negotiated between the companies whereby the cost savings realized by Total Health Care USA, Inc. would be shared with the Company, thus reducing some of the excess cost realized by the Company. The amount of the adjustment for 2008 was $3,816,000, which has been recorded as a reduction of hospital and medical expenses. This agreement was terminated effective December 31, 2008. The Company then made capital contributions to Total Health Care USA, Inc. in 2008 in the amount of $954,000,000.

Total Health Care USA, Inc. has a statutory statement value of $8,306,337 and $6,488,575 at December 31, 2009 and 2008, respectively. Total Health Choice, Inc. has a statutory statement value of $0 and $6,137,583 at December 31, 2009 and 2008, respectively. The value of investments in Total Health Care USA, Inc. has been reduced by non-admitted assets totaling $567,409 and $290,307 at December 31, 2009 and 2008, respectively. The value of investments in Total Health Choice, Inc. has been reduced by non-admitted assets totaling $2,032,593 and $100,965 at December 31, 2009 and 2008, respectively.

The Company's share of net income (loss) of Total Health Care USA, Inc. was $2,094,864 for the year ended 12/31/09. The Company's share of net income (loss) of Total Health Choice, Inc. was $(4,205,954) for the year ended 12/31/09.

Items E, H and J-L do not apply to the Company.

## Note 11 - Debt

This note is not applicable to the Company.

## Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and

# Notes to Financial Statements

## Compensated Absences, and Other Postretirement Benefit Plans

This note is not applicable to the Company.

## Note 13 - Capital and Surplus, Stockholders' Divided Restrictions, and Quasi-reorganizations

The Company has no common or preferred stock outstanding. The Company has no surplus notes outstanding. Items 1-9 and 11-13 are not applicable to the Company.

The portion of unassigned funds (surplus) represented or reduced by unrealized gains and the change in non-admitted asset value is $(2,883,147) and $(5,167,942) at December 31, 2009 and 2008, respectively.

## Note 14 - Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company. No amounts have been accrued for losses as no losses are deemed probable or estimable. Estimated losses for claims-related matters are accrued as claims unpaid.

## Note 15 - Leases

The Company leases office space and computer software services under various non-cancelable operating lease agreements that expire through December 2009. Rent payments are the responsibility of the management company and are included in the monthly payment under the employee staffing and purchased services agreement. Rent expense for 2009 and 2008 was approximately $1,694,205 and $814,700, respectively. The future minimum rental payments under the operating lease as of December 31, 2009 are as follows:

| | |
|---|---|
| 2010 | $ 886,723 |
| 2011 | 1,049,113 |
| 2012 | 973,331 |
| 2013 | 919,201 |
| 2014 | 919,201 |
| Thereafter | 865,539 |
| Total | $ 5,613,108 |

## Note 16 - Information about Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk

This note is not applicable to the Company.

## Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is not applicable to the Company.

## Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured

# Notes to Financial Statements

Portion of Partially Insured Plans

This note is not applicable to the Company.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third-party Administrators

This note is not applicable to the Company.

Note 20 - Other Items

At December 31, 2009 and 2008, the Company had admitted assets of $4,097,974 and $3,037,816, respectively, in accounts receivable for amounts due from subscribers, governmental entities, and other health care providers. During 2009 and 2008, the Company routinely assessed the collectability of these receivables and directly wrote off any uncollectible receivables accordingly. Receivables not expected to be collected within 90 days were considered non-admitted.

The Company did not have activity relating to extraordinary items or events, troubled debt restructuring, multiple peril crop insurance, mezzanine real estate loans, subprime mortgage related risk exposure, hybrid securities, hedge funds, credit default swaps or special investment vehicles during 2009 and 2008.

The Companies wholly-owned subsidiaries have no activity related to subprime related risk exposure.

Note 21 - Events Subsequent

No unusual or material events have occurred subsequent to year-end.

Note 22 - Reinsurance

A. Ceded Reinsurance Report

Section 1 1) Total Health Care, Inc. does not have any ownership, directly or indirectly, in any Schedule S non-affiliated company.

2) The company does not have reinsurance policies with any companies chartered in a foreign country.

Section 2 1) The company does not have any reinsurance agreements which may be unilaterally cancelled for reasons other than nonpayment of premiums.

2) The company had reinsurance recoverables of $88,291 and $0 recorded at December 31, 2009 or 2008.

Section 3 1) The estimated reduction in surplus is zero.

2) The Company has a new agreement with Evergreen Re effective November, 2009. The reinsurance policy provides the same coverages on an annual per member basis after a $220,000 deductible is reached. The maximum lifetime reinsurance indemnity payable under each agreement is $2,000,000 per member.

B. Uncollectible Reinsurance

# Notes to Financial Statements

Total Health Care, Inc. did not write off any reinsurance during the year 2009 or 2008.

C. Commutation of Ceded Reinsurance

Total Health Care, Inc. did not have any commutation of reinsurance during the year 2009 or 2008.

## Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

This note is not applicable to the Company.

## Note 24 - Change in Incurred Losses

The estimated reserve for claims payable, including known and unsettled claims, is determined by the Company. The method of making such estimates and for establishing the resulting reserves is continually reviewed and updated and any adjustments resulting therefrom are reflected in expense currently. The estimated reserve for claims incurred but not reported has been determined by an enrolled actuary.

Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Activity in the liability for medical claims, accrued medical incentive pools, and unpaid claims adjustment expense is summarized as follows:

| | 2009 | 2008 |
|---|---|---|
| **Balance** - Beginning of year | $ 14,115,143 | $ 21,805,460 |
| **Incurred (Recovered) Related to** | | |
| Current year | 156,952,201 | 141,422,203 |
| Prior years | 2,262,008 | (6,093,826)) |
| Total incurred | 159,214,209 | 135,328,377 |
| **Paid Related to** | | |
| Current year | 140,229,836 | 129,283,862 |
| Prior years | 15,184,783 | 13,734,832 |
| Total paid | 155,414,619 | 143,018,694 |
| **Reserve for Claims** - End of year | $ 17,914,733 | $ 14,115,143 |

The 2009 and 2008 amounts incurred relating to prior years increased (decreased) due to claims settling for more or less than originally estimated.

## Note 25 - Intercompany Pooling Arrangements

# Notes to Financial Statements

This note is not applicable to the Company.

## Note 26 - Structured Settlements

This note is not applicable to the Company.

## Note 27 - Health Care Receivables

The Company reports risk-sharing receivables and payables related to global capitation and specialty claims arrangements based upon the terms of its contracts.

Pharmaceutical rebates receivable at December 31, 2009 and 2008 were $181,062 and $99,416, respectively. Rebates are netted with pharmacy expense. During 2009 and 2008, pharmacy rebates in the amount of $563,690 and $312,715, respectively, were collected.

Health care receivables include the following amounts related to Pharmaceutical rebates receivables:

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Invoiced/ Confirmed | Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation | Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation | Rebates Collected More Than 180 Days After Invoicing/ Confirmation |
|---|---|---|---|---|---|
| 12/31/09 | 181,062 | 181,062 | 0 | 0 | 0 |
| 9/30/09 | 173,168 | 173,168 | 0 | 0 | 0 |
| 6/30/09 | 178,150 | 178,150 | 0 | 0 | 0 |
| 3/31/09 | 174,824 | 174,824 | 0 | 0 | 0 |
| 12/31/08 | 0 | 99,416 | 0 | 0 | 99,416 |
| 9/30/08 | 0 | 98,959 | 0 | 0 | 98,959 |
| 6/30/08 | 0 | 99,346 | 0 | 0 | 99,346 |
| 3/31/08 | 0 | 100,946 | 0 | 0 | 113,429 |
| 12/31/07 | 0 | 94,761 | 0 | 0 | 114,080 |
| 09/30/07 | 0 | 95,680 | 0 | 0 | 95,680 |
| 06/30/07 | 0 | 91,010 | 0 | 0 | 91,010 |
| 03/31/07 | 0 | 100,869 | 0 | 0 | 101,312 |

Health care receivables include the following amounts related to specialty pool receivables:

| Calendar Year | Evaluation Period Year Ending | Risk-sharing Receivable as Estimated in the Prior Year | Risk-sharing Receivable as Estimated in the Current Year | Risk-sharing Receivable Billed | Risk-sharing Receivable Not Yet Billed | Actual Risk-sharing Amounts Received in Year Billed | Actual Risk-sharing Amounts Received First Year Subsequent |
|---|---|---|---|---|---|---|---|
| 2009 | 2009 | $585,454 | $ 112,514 | $697,968 | $ - | $697,968 | $ - |
| | 2010 | - | 743,950 | - | 743,950 | - | - |

# Notes to Financial Statements

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2008 | 2008 | 463,733 | 180,342 | 644,075 | - | 611,296 | 32,779 |
| | 2009 | - | 585,454 | - | 585,454 | - | - |
| 2007 | 2007 | 418,832 | 385,376 | 804,208 | - | 804,208 | - |
| | 2008 | - | 463,733 | - | 463,733 | - - | - |

## Note 28 - Participating Policies

This note is not applicable to the Company.

## Note 29 - Premium Deficiency Reserves

This note is not applicable to the Company.

## Note 30 - Anticipated Salvage and Subrogation

Loss reserves have not been reduced for any salvage or subrogation. During 2009 and 2008, the Company received subrogation totaling $95,459 and $42,494, respectively.

# 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[ ] N/A[ ]

1.3 State Regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[ ] No[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. 12/31/2005

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2005

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). 08/02/2007

3.4 By what department or departments?
MICHIGAN OFFICE OF FINANCIAL AND INSURANCE SERVICES

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[ ] No[ ] N/A[X]

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

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

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

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

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

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>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 0.000%
7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

| 1<br>Nationality | 2<br>Type of Entity |
|---|---|
| N/A | |

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<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>OTS | 6<br>FDIC | 7<br>SEC |
|---|---|---|---|---|---|---|
| N/A | | Yes[ ] No[X] | Yes[ ] No[X] | Yes[ ] No[X] | Yes[ ] No[X] | Yes[ ] No[X] |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
PLANTE & MORAN, PLLC 2601 CAMBRIDGE COURT, SUITE 500, AUBURN HILLS, MI 48326

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?
GREG FANN, WAKELY CONSULTING GROUP, 19321 US HIGHWAY 19 N, SUITE 515, CLEARWATER, FL 33764

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 0
11.13 Total book/adjusted carrying value $ 0

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[ ] No[ ] N/A[X]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]

# GENERAL INTERROGATORIES (Continued)

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes[ ] No[ ] N/A[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 is likely to conflict with the official duties of such person? Yes[X] No[ ]

## 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 $ 0
18.12 To stockholders not officers $ 0
18.13 Trustees, supreme or grand (Fraternal only) $ 0

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 $ 0
18.22 To stockholders not officers $ 0
18.23 Trustees, supreme or grand (Fraternal only) $ 0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes[ ] No[X]

19.2 If yes, state the amount thereof at December 31 of the current year:
19.21 Rented from others $ 0
19.22 Borrowed from others $ 0
19.23 Leased from others $ 0
19.24 Other $ 0

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 $ 0
20.22 Amount paid as expenses $ 0
20.23 Other amounts paid $ 0

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[X] No[ ]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

## 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? (other than securities lending programs addressed in 22.3) Yes[X] No[ ]

22.2 If no, give full and complete information, relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 16 where this information is also provided)

22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes[ ] No[ ] N/A[X]

22.5 If answer to 22.4 is YES, report amount of collateral $ 0

22.6 If answer to 22.4 is NO, report amount of collateral $ 0

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 and 22.3). Yes[X] No[ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
23.21 Subject to repurchase agreements $ 0
23.22 Subject to reverse repurchase agreements $ 0
23.23 Subject to dollar repurchase agreements $ 0
23.24 Subject to reverse dollar repurchase agreements $ 0
23.25 Pledged as collateral $ 0
23.26 Placed under option agreements $ 0
23.27 Letter stock or securities restricted as to sale $ 0
23.28 On deposit with state or other regulatory body $ 1,000,000
23.29 Other $ 0

23.3 For category (23.27) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>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[ ] N/A[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. $ 0

# GENERAL INTERROGATORIES (Continued)

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - 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<br>Name of Custodian(s) | 2<br>Custodian's Address |
|---|---|
| JP MORGAN - KATE MCDONALD | 500 STANTON CHRISTIANA RD., NEWARK, DE 19713 |
| COMERICA BANK - LYNN HUTZEL-VISEL | P.O. BOX 75000, DETROIT, MI 48275-3462 |
| US BANK - LESLEY KOGER | 535 GRISWOLD ST., STE. 550, DETROIT, MI 48226 |

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<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|---|---|---|
| N/A | | |

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<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|---|---|---|---|
| | | | |

26.05 Identify all investment advisers, 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<br>Central Registration Depository Number(s) | 2<br>Name | 3<br>Address |
|---|---|---|
| N/A | | |

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<br>CUSIP # | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|---|---|---|
| | N/A | |
| 27.2999 Total | | |

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

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

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<br>Statement (Admitted) Value | 2<br>Fair Value | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|---|---|---|---|
| 28.1 Bonds | 16,160,753 | 16,160,753 | |
| 28.2 Preferred stocks | | | |
| 28.3 Totals | 16,160,753 | 16,160,753 | |

28.4 Describe the sources or methods utilized in determining the fair values
BANK STATEMENTS

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

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[ ] No[X] N/A[ ]

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

# GENERAL INTERROGATORIES (Continued)

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[ ] No[X]
30.2 If no, list exceptions:

## OTHER

31.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $ 0
31.2 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<br>Name | 2<br>Amount Paid |
|---|---|
| | |

32.1 Amount of payments for legal expenses, if any? $ 9,634
32.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|---|---|
| YOCKEY AND YOCKEY | 6,186 |

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? $ 0
33.2 List the name of 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 department of government during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|---|---|
| | |

# GENERAL INTERROGATORIES (Continued)

## PART 2 - HEALTH INTERROGATORIES

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

2. Health Test

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| 2.1 | Premium Numerator | 182,505,790 | 166,767,689 |
| 2.2 | Premium Denominator | 182,505,790 | 166,767,689 |
| 2.3 | Premium Ratio (2.1 / 2.2) | 1.000 | 1.000 |
| 2.4 | Reserve Numerator | 14,898,296 | 13,816,667 |
| 2.5 | Reserve Denominator | 17,541,789 | 13,816,667 |
| 2.6 | Reserve Ratio (2.4 / 2.5) | 0.849 | 1.000 |

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes[ ] No[X]
3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes[X] No[ ]
4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[ ] 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 $ 273,000
5.32 Medical Only $ 0
5.33 Medicare Supplement $ 0
5.34 Dental & Vision $ 0
5.35 Other Limited Benefit Plan $ 0
5.36 Other $ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
CATASTROPHIC INSURANCE, LOOK SOLEY LANGUAGE IN CONTRACTS, INSOLVENCY INSURANCE

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 year 1,931
8.2 Number of providers at end of reporting year 1,730

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 0
9.22 Business with rate guarantees over 36 months 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes[X] No[ ]
10.2 If yes:
10.21 Maximum amount payable bonuses $ 962,735
10.22 Amount actually paid for year bonuses $ 1,127,660
10.23 Maximum amount payable withholds $ 0
10.24 Amount actually paid for year withholds $ 0

11.1 Is the reporting entity organized as:
11.12 A Medical Group/Staff Model, Yes[ ] No[X]
11.13 An Individual Practice Association (IPA), or, Yes[ ] No[X]
11.14 A Mixed Model (combination of above)? Yes[ ] No[X]
11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes[X] No[ ]
11.3 If yes, show the name of the state requiring such net worth.
MICHIGAN
11.4 If yes, show the amount required. $ 15,047,746
11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes[ ] No[X]
11.6 If the amount is calculated, show the calculation.
Calculation is based on 200% RBC. See RBC calculation.

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

| 1<br>Name of Service Area |
|---|
| WAYNE COUNTY |
| OAKLAND COUNTY |
| MACOMB COUNTY |
| GENESEE COUNTY |

13.1 Do you act as a custodian for health savings accounts? Yes[ ] No[X]
13.2 If yes, please provide the amount of custodial funds held as of the reporting date: $ 0
13.3 Do you act as an administrator for health savings accounts? Yes[ ] No[X]

# GENERAL INTERROGATORIES (Continued)

13.4 If yes, please provide the balance of the funds administered as of the reporting date: $..... 0

# FIVE-YEAR HISTORICAL DATA

| | 1<br>2009 | 2<br>2008 | 3<br>2007 | 4<br>2006 | 5<br>2005 |
|---|---|---|---|---|---|
| **BALANCE SHEET (Pages 2 and 3)** | | | | | |
| 1. TOTAL Admitted Assets (Page 2, Line 26) | 39,809,530 | 46,099,563 | 53,176,515 | 36,946,909 | 27,890,810 |
| 2. TOTAL Liabilities (Page 3, Line 22) | 18,249,771 | 14,158,557 | 21,816,523 | 16,232,906 | 14,284,155 |
| 3. Statutory surplus | 15,047,746 | 16,827,062 | 14,746,796 | 12,525,952 | 13,908,098 |
| 4. TOTAL Capital and Surplus (Page 3, Line 31) | 21,559,759 | 31,941,006 | 31,359,992 | 20,714,003 | 13,606,655 |
| **INCOME STATEMENT (Page 4)** | | | | | |
| 5. TOTAL Revenues (Line 8) | 179,994,220 | 157,605,730 | 153,162,384 | 115,233,802 | 131,223,881 |
| 6. TOTAL Medical and Hospital Expenses (Line 18) | 159,139,741 | 135,320,622 | 129,192,335 | 95,623,537 | 113,103,096 |
| 7. Claims adjustment expenses (Line 20) | 365,754 | 343,429 | 366,007 | 336,519 | 401,676 |
| 8. TOTAL Administrative Expenses (Line 21) | 25,925,847 | 17,044,505 | 17,874,644 | 16,439,868 | 19,961,583 |
| 9. Net underwriting gain (loss) (Line 24) | (5,437,122) | 4,897,174 | 5,729,398 | 2,833,878 | (2,242,474) |
| 10. Net investment gain (loss) (Line 27) | 147,752 | 851,782 | 1,702,124 | 1,194,697 | 738,859 |
| 11. TOTAL Other Income (Lines 28 plus 29) | | | | | 81,217 |
| 12. Net income or (loss) (Line 32) | (5,289,370) | 5,748,956 | 7,431,522 | 4,028,575 | (1,422,398) |
| **Cash Flow (Page 6)** | | | | | |
| 13. Net cash from operations (Line 11) | (2,815,117) | (5,169,623) | 10,375,728 | 9,175,113 | |
| **RISK-BASED CAPITAL ANALYSIS** | | | | | |
| 14. TOTAL Adjusted Capital | 21,559,759 | 31,941,006 | 31,359,992 | 20,714,003 | 13,606,655 |
| 15. Authorized control level risk-based capital | 7,523,873 | 8,413,531 | 7,373,398 | 6,262,976 | 6,954,049 |
| **ENROLLMENT (Exhibit 1)** | | | | | |
| 16. TOTAL Members at End of Period (Column 5, Line 7) | 54,862 | 53,566 | 54,551 | 54,270 | 51,775 |
| 17. TOTAL Members Months (Column 6, Line 7) | 647,906 | 646,821 | 666,466 | 636,790 | 736,201 |
| **OPERATING PERCENTAGE (Page 4)** | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) | 87.2 | 81.1 | 79.3 | 77.9 | 80.9 |
| 20. Cost containment expenses | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| 21. Other claims adjustment expenses | | | | | |
| 22. TOTAL Underwriting Deductions (Line 23) | 101.6 | 91.6 | 90.5 | 91.6 | 95.5 |
| 23. TOTAL Underwriting Gain (Loss) (Line 24) | (3.0) | 2.9 | 3.5 | 2.3 | (1.6) |
| **UNPAID CLAIMS ANALYSIS** | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) | 15,384,783 | 11,488,557 | 12,903,991 | 10,180,207 | 16,496,483 |
| 25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] | 13,816,667 | 21,514,739 | 15,218,764 | 11,597,436 | 16,379,870 |
| **INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES** | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) | | | | | |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) | | | | | |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) | 8,306,337 | 12,626,158 | 16,183,788 | 9,555,711 | 8,313,405 |
| 29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) | | | | | |
| 30. Affiliated mortgage loans on real estate | | | | | |
| 31. All other affiliated | | | | | |
| 32. TOTAL of Above Lines 26 to 31 | 8,306,337 | 12,626,158 | 16,183,788 | 9,555,711 | 8,313,405 |

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

If no, please explain::

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

## ALLOCATED BY STATES AND TERRITORIES

| | 1 | Direct Business Only | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| State, Etc. | Active Status | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Program Premiums | Life & Annuity Premiums & Other Considerations | Property/ Casualty Premiums | Total Columns 2 Through 7 | Deposit - Type Contracts |
| 1. Alabama (AL) | N | | | | | | | | |
| 2. Alaska (AK) | N | | | | | | | | |
| 3. Arizona (AZ) | N | | | | | | | | |
| 4. Arkansas (AR) | N | | | | | | | | |
| 5. California (CA) | N | | | | | | | | |
| 6. Colorado (CO) | N | | | | | | | | |
| 7. Connecticut (CT) | N | | | | | | | | |
| 8. Delaware (DE) | N | | | | | | | | |
| 9. District of Columbia (DC) | N | | | | | | | | |
| 10. Florida (FL) | N | | | | | | | | |
| 11. Georgia (GA) | N | | | | | | | | |
| 12. Hawaii (HI) | N | | | | | | | | |
| 13. Idaho (ID) | N | | | | | | | | |
| 14. Illinois (IL) | N | | | | | | | | |
| 15. Indiana (IN) | N | | | | | | | | |
| 16. Iowa (IA) | N | | | | | | | | |
| 17. Kansas (KS) | N | | | | | | | | |
| 18. Kentucky (KY) | N | | | | | | | | |
| 19. Louisiana (LA) | N | | | | | | | | |
| 20. Maine (ME) | N | | | | | | | | |
| 21. Maryland (MD) | N | | | | | | | | |
| 22. Massachusetts (MA) | N | | | | | | | | |
| 23. Michigan (MI) | L | 116,504 | | 182,532,429 | | | | 182,648,933 | |
| 24. Minnesota (MN) | N | | | | | | | | |
| 25. Mississippi (MS) | N | | | | | | | | |
| 26. Missouri (MO) | N | | | | | | | | |
| 27. Montana (MT) | N | | | | | | | | |
| 28. Nebraska (NE) | N | | | | | | | | |
| 29. Nevada (NV) | N | | | | | | | | |
| 30. New Hampshire (NH) | N | | | | | | | | |
| 31. New Jersey (NJ) | N | | | | | | | | |
| 32. New Mexico (NM) | N | | | | | | | | |
| 33. New York (NY) | N | | | | | | | | |
| 34. North Carolina (NC) | N | | | | | | | | |
| 35. North Dakota (ND) | N | | | | | | | | |
| 36. Ohio (OH) | N | | | | | | | | |
| 37. Oklahoma (OK) | N | | | | | | | | |
| 38. Oregon (OR) | N | | | | | | | | |
| 39. Pennsylvania (PA) | N | | | | | | | | |
| 40. Rhode Island (RI) | N | | | | | | | | |
| 41. South Carolina (SC) | N | | | | | | | | |
| 42. South Dakota (SD) | N | | | | | | | | |
| 43. Tennessee (TN) | N | | | | | | | | |
| 44. Texas (TX) | N | | | | | | | | |
| 45. Utah (UT) | N | | | | | | | | |
| 46. Vermont (VT) | N | | | | | | | | |
| 47. Virginia (VA) | N | | | | | | | | |
| 48. Washington (WA) | N | | | | | | | | |
| 49. West Virginia (WV) | N | | | | | | | | |
| 50. Wisconsin (WI) | N | | | | | | | | |
| 51. Wyoming (WY) | N | | | | | | | | |
| 52. American Samoa (AS) | N | | | | | | | | |
| 53. Guam (GU) | N | | | | | | | | |
| 54. Puerto Rico (PR) | N | | | | | | | | |
| 55. U.S. Virgin Islands (VI) | N | | | | | | | | |
| 56. Northern Marianas Islands (MP) | N | | | | | | | | |
| 57. Canada (CN) | N | | | | | | | | |
| 58. Aggregate other alien (OT) | XXX | | | | | | | | |
| 59. Subtotal | XXX | 116,504 | | 182,532,429 | | | | 182,648,933 | |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | | |
| 61. TOTAL (Direct Business) | (a) 1 | 116,504 | | 182,532,429 | | | | 182,648,933 | |
| **DETAILS OF WRITE-INS** | | | | | | | | | |
| 5801. | XXX | | | | | | | | |
| 5802. | XXX | | | | | | | | |
| 5803. | XXX | | | | | | | | |
| 5898. Summary of remaining write-ins for Line 58 from overflow page | XXX | | | | | | | | |
| 5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) | XXX | | | | | | | | |

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

Explanation of basis of allocation of premiums by states, etc.: ALL PREMIUMS ARED WRITTEN WITHIN THE STATE OF MICHIGAN.

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

## MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART

TOTAL HEALTH CARE, INC. - PARENT
38-2018957, NAIC #95644, STATE OF MICHIGAN

TOTAL HEALTH CARE USA, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.
38-3240485, NAIC #12326, STATE OF MICHIGAN

TOTAL HEALTH CHOICE, INC. - WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.
33-0603319, NAIC #95134, STATE OF FLORIDA

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