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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING December 31, 2001

of the Condition and Affairs of the

PHP of South Michigan

NAIC Group Code..... , (Current Period) (Prior Period) NAIC Company Code..... 52564 Employer's ID Number..... 38-3311905

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

Country of Domicile US

Licensed as Business Type Life, Accident & Health[ ] Property/Casualty [ ] Health Service Corporation [ ]
Dental Service Corporation [ ] Vision Service Corporation [ ] Other [ ]
Health Maintenance Organization [X] Is HMO Federally Qualified? Yes [ ] No [X]

Date Incorporated or Organized..... April 17, 1996 Date Commenced Business..... May 1, 2000

Statutory Home Office	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	
Address of Main Administrative Office	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	517-782-7154 *(Area Code) (Telephone Number)*
Mail Address	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	One Jackson Square….. Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	517-782-7154 *(Area Code) (Telephone Number)*
Internet Website Address	N/A	
Statement Contact	Richard G. Dunlop *(Name)*	952-992-4117 *(Area Code) (Telephone Number) (Extension)*
	richard_g_dunlop@uhc.com *(E-Mail Address)*	*952-992-4235* *(Fax Number)*

OFFICERS

President ..... Gerald Grannan #
Treasurer ..... Charles Johnson #
Secretary ..... Charles Johnson #

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Dave Corravo #	Rick Warren #	Charles Johnson	Phil Milhoan #
Brian Admaczyk M.D.	Carl English	Phil Miller #	Carolyn Bradley #
Georgia Fojtasek	K. V. Rao M.D.	Bernard Levy	

State of..... Michigan
County of..... Jackson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the 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* manuals 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.

(Signature)	(Signature)	(Signature)
Gerald Grannan #	Charles Johnson #	Charles Johnson #
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

.....day of ....., 2002

.....

a. Is this an original filing? Yes [ ] No [X]

b. If no: 1. State the amendment number..... 1
2. Date filed..... 6/1/2002
3. Number of pages attached..... 22

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)	10,457,651	1,922,663	12,380,314	10,608,122
2. Accrued medical incentive pool and bonus payments			0	47,054
3. Unpaid claims adjustment expenses			0	
4. Aggregate policy reserves			0	
5. Aggregate claim reserves			0	
6. Premiums received in advance	994,345		994,345	177,264
7. General expenses due or accrued	1,312,231		1,312,231	2,906,440
8. Federal and foreign income tax payable and interest thereon (including $.....0 (on realized capital gains (losses)) (including $.....0 net deferred tax liability)			0	
9. Amounts withheld or retained by company for the account of others			0	
10. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	5,913		5,913	
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
14. Reinsurance in unauthorized companies			0	
15. Net adjustments in assets and liabilities due to foreign exchange rates			0	
16. Liability for amounts held under uninsured accident and health plans			0	
17. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
18. Total liabilities (Lines 1 to 17)	12,770,140	1,922,663	14,692,803	13,738,880
19. Common capital stock	XXX	XXX		
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	8,585,000	8,000,000
22. Surplus notes	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
24. Unassigned funds (surplus)	XXX	XXX	(1,555,995)	(3,593,901)
25. Less treasury stock, at cost:				
25.1 .....0.000 shares common (value included in Line 19 $.....0)	XXX	XXX		
25.2 .....0.000 shares preferred (value included in Line 20 $.....0)	XXX	XXX		
26. Total capital and surplus (Lines 19 to 25)	XXX	XXX	7,029,005	4,406,099
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	21,721,808	18,144,979

DETAILS OF WRITE-INS

1701.			0	
1702.			0	
1703.			0	
1798. Summary of remaining write-ins for Line 17 from overflow page	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	363,370	258,404
2. Net premium income	XXX	62,063,789	39,875,895
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	0	0
7. Total revenues (Lines 2 to 6)	XXX	62,063,789	39,875,895
Medical and Hospital:			
8. Hospital/medical benefits	6,815,426	43,885,549	32,022,786
9. Other professional services	3,386	21,802	15,567
10. Outside referrals			
11. Emergency room and out-of-area			
12. Aggregate write-ins for other medical and hospital	0	10,327,905	6,755,315
13. Incentive pool and withhold adjustments		(34,686)	47,055
14. Subtotal (Lines 8 to 13)	6,818,812	54,200,570	38,840,723
Less:			
15. Net reinsurance recoveries		799,779	732,495
16. Total medical and hospital (Lines 14 minus 15)	6,818,812	53,400,791	38,108,228
17. Claims adjustment expenses		3,517,795	1,261,830
18. General administrative expenses		4,213,455	4,338,823
19. Increase in reserves for accident and health contracts			
20. Total underwriting deductions (Lines 16 through 19)	6,818,812	61,132,041	43,708,881
21. Total underwriting gain or (loss) (Lines 7 minus 20)	XXX	931,748	(3,832,986)
22. Net investment income earned		763,955	581,287
23. Net realized capital gains or (losses)			
24. Net investment gains or (losses) (Lines 22 plus 23)	0	763,955	581,287
25. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
26. Aggregate write-ins for other income or expenses	0	0	0
27. Net income or (loss) before federal income taxes (Lines 21 plus 24 plus 25 plus 26)	0	1,695,704	(3,251,699)
28. Federal and foreign income taxes incurred	XXX		
29. Net income (loss) (Lines 27 minus 28)	XXX	1,695,704	(3,251,699)

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
1201. Other Medical Costs		(37,244)	13,576
1202. Pharmacy		9,944,391	6,490,250
1203. Mental Health Capitation		420,758	251,489
1298. Summary of remaining write-ins for Line 12 from overflow page	0	0	0
1299. Totals (Lines 1201 thru 1203 plus 1298) (Line 12 above)	0	10,327,905	6,755,315
2601.			
2602.			
2603.			
2698. Summary of remaining write-ins for Line 26 from overflow page	0	0	0
2699. Totals (Lines 2601 thru 2603 plus 2698) (Line 26 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
30. Capital and surplus prior reporting year	4,406,099	
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
31. Net income or (loss) from Line 29	1,695,704	(3,251,699)
32. Change in valuation basis of aggregate policy and claim reserves		
33. Net unrealized capital gains and losses		
34. Change in net unrealized foreign exchange capital gain or (loss)		
35. Change in net deferred income tax		
36. Change in nonadmitted assets	342,202	(342,202)
37. Change in unauthorized reinsurance		
38. Change in treasury stock		
39. Change in surplus notes		
40. Cumulative effect of changes in accounting principles		
41. Capital Changes:		
41.1 Paid in		
41.2 Transferred from surplus (stock dividend)		
41.3 Transferred to surplus		
42. Surplus adjustments:		
42.1 Paid in	585,000	8,000,000
42.2 Transferred to capital (stock dividend)		
42.3 Transferred from capital		
43. Dividends to stockholders		
44. Aggregate write-ins for gains or (losses) in surplus	0	0
45. Net change in capital and surplus (Lines 31 to 44)	2,622,906	4,406,099
46. Capital and surplus end of reporting year (Line 30 plus 45)	7,029,005	4,406,099

DETAILS OF WRITE-INS

4401.		
4402.		
4403.		
4498. Summary of remaining write-ins for Line 44 from overflow page	0	0
4499. Totals (Lines 4401 thru 4403 plus 4498) (Line 44 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	62,286,544	39,715,270
2. Claims and claims adjustment expenses	52,475,431	27,165,717
3. General administrative expenses paid	9,325,459	5,371,499
4. Other underwriting income (expenses)		251,407
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	485,654	7,429,461
6. Net Investment income	827,529	484,456
7. Other income (expenses)	694,707	
8. Federal and foreign income taxes (paid) recovered		
9. Net cash from operations (Lines 5 to 8)	2,007,890	7,913,917
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds		
10.2 Stocks		
10.3 Mortgage loans		
10.4 Real estate		
10.5 Other invested assets		
10.6 Net gains or (losses) on cash and short-term investments		
10.7 Miscellaneous proceeds		
10.8 Total investment proceeds (Lines 10.1 to 10.7)	0	0
11. Cost of investments acquired (long-term only):		
11.1 Bonds		
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		134,142
11.5 Other invested assets		(512,675)
11.6 Miscellaneous applications		
11.7 Total investments acquired (Lines 11.1 to 11.6)	0	(378,533)
12. Net cash from investments (Line 10.8 minus Line 11.7)	0	378,533
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in	585,000	8,000,000
13.2 Net transfers from affiliates		79,622
13.3 Borrowed funds received		
13.4 Other cash provided	470,501	401,610
13.5 Total (Lines 13.1 to 13.4)	1,055,501	8,481,232
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates	233,538	
14.3 Borrowed funds repaid		
14.4 Other applications	14,705	74,260
14.5 Total (Lines 14.1 to 14.4)	248,243	74,260
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	807,258	8,406,972
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	2,815,148	16,699,422
17. Cash and short-term investments:		
17.1 Beginning of year	16,699,422	
17.2 End of year (Line 16 plus Line 17.1)	19,514,570	16,699,422

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medical Only	4 Medicare Supplement	5 Dental Only	6 Vision Only	7 Federal Employees Health Benefit Plans	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
1. Net premium income	62,063,789	62,055,186							8,603				
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												
4. Risk revenue	0												
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5)	62,063,789	62,055,186	0	0	0	0	0	0	8,603	0	0	0	0
7. Medical/hospital benefits	43,885,549	44,018,263							(132,714)				
8. Other professional services	21,802	21,802											
9. Outside referrals	0												
10. Emergency room and out-of-area	0												
11. Aggregate write-ins for other medical and hospital	10,327,905	10,330,373	0	0	0	0	0	0	(2,468)	0	0	0	0
12. Incentive pool and withhold adjustments	(34,686)								(34,686)				
13. Subtotal (Lines 7 to 12)	54,200,570	54,370,438	0	0	0	0	0	0	(169,868)	0	0	0	0
14. Net reinsurance recoveries	799,779	799,779											
15. Total medical and hospital (Lines 13 minus 14)	53,400,791	53,570,659	0	0	0	0	0	0	(169,868)	0	0	0	0
16. Claims adjustment expenses	3,517,795	3,517,795											
17. General administrative expenses	4,213,455	4,213,455											
18. Increase in reserves for accident and health contracts	0												
19. Total underwriting deductions (Lines 15 to 18)	61,132,041	61,301,909	0	0	0	0	0	0	(169,868)	0	0	0	0
20. Net underwriting gain or (loss) (Line 6 minus Line 19)	931,748	753,277	0	0	0	0	0	0	178,471	0	0	0	0

DETAILS OF WRITE-INS

0501.	0												
0502.	0												
0503.	0												
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	0
1101. Other Medical Costs	(37,244)	(37,244)											
1102. Pharmacy	9,944,391	9,946,859							(2,468)				
1103. Mental Health Capitation	420,758	420,758											
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
1199. Total (Lines 1101 thru 1103 plus 1198) (Line 11 above)	10,327,905	10,330,373	0	0	0	0	0	0	(2,468)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (medical and hospital)	63,555,710		683,443	62,872,267
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan premiums				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid	8,604			8,604
8. Other				0
9. Totals	63,564,314	0	683,443	62,880,871

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Payments during the year:									
1.1 Direct	53,155,465	52,914,117						241,348	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	772,342	772,342							
1.4 Net	52,383,123	52,141,775	0	0	0	0	0	241,348	0
2. Paid medical incentive pools and bonuses	12,368							12,368	
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	12,380,313	12,375,534						4,779	
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	12,380,313	12,375,534	0	0	0	0	0	4,779	0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct	0								
4.2 Reinsurance assumed	0								
4.3 Reinsurance ceded	0								
4.4 Net	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0								
6. Amounts recoverable from reinsurers December 31, current year	759,932	759,932							
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	10,608,121	10,279,321						328,800	
7.2 Reinsurance assumed	0								
7.3 Reinsurance ceded	0								
7.4 Net	10,608,121	10,279,321	0	0	0	0	0	328,800	0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct	0								
8.2 Reinsurance assumed	0								
8.3 Reinsurance ceded	0								
8.4 Net	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	47,054							47,054	
10. Amounts recoverable from reinsurers December 31, prior year	732,495	732,495							
11. Incurred benefits:									
11.1 Direct	54,927,657	55,010,330	0	0	0	0	0	(82,673)	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	799,779	799,779	0	0	0	0	0	0	0
11.4 Net	54,127,878	54,210,551	0	0	0	0	0	(82,673)	0
12. Incurred medical incentive pools and bonuses	(34,686)	0	0	0	0	0	0	(34,686)	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Reported in process of adjustment:									
1.1 Direct	1,496,720	1,493,929						2,791	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	1,496,720	1,493,929	0	0	0	0	0	2,791	0
2. Incurred but unreported:									
2.1 Direct	7,723,150	7,722,437						713	
2.2 Reinsurance assumed	0								
2.3 Reinsurance ceded	0								
2.4 Net	7,723,150	7,722,437	0	0	0	0	0	713	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct	3,160,443	3,159,168						1,275	
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	3,160,443	3,159,168	0	0	0	0	0	1,275	0
4. Totals:									
4.1 Direct	12,380,313	12,375,534	0	0	0	0	0	4,779	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
4.4 Net	12,380,313	12,375,534	0	0	0	0	0	4,779	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital)	8,191,767	43,950,007	116,937	12,258,598	8,308,704	10,279,321
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan premiums					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid	241,350	(1)	4,779		246,129	328,800
8. Other					0	
9. Subtotal	8,433,117	43,950,006	121,716	12,258,598	8,554,833	10,608,121
10. Medical incentive pools, accruals and disbursements	12,368				12,368	47,054
11. Totals	8,445,485	43,950,006	121,716	12,258,598	8,567,201	10,655,175

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX	27,166	8,433
6. 2001	XXX	XXX	XXX	XXX	43,950

12.GT

SECTION B - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX	37,774	35,721
6. 2001	XXX	XXX	XXX	XXX	56,209

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX	25,314	8,192
6. 2001	XXX	XXX	XXX	XXX	43,950

SECTION B - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX	35,594	33,623
6. 2001	XXX	XXX	XXX	XXX	56,209

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - MEDICARE SUPPLEMENT

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

12.MS

SECTION B - MEDICARE SUPPLEMENT

NONE

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - DENTAL ONLY

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

NONE

12.DO

SECTION B - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - VISION ONLY

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

NONE

12.VO

SECTION B - VISION ONLY

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

SECTION B - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - TITLE XVIII - MEDICARE

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

SECTION B - TITLE XVIII - MEDICARE

NONE

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX	1,851	241
6. 2001	XXX	XXX	XXX	XXX	

SECTION B - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX	2,180	2,097
6. 2001	XXX	XXX	XXX	XXX	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF INCURRED CLAIMS

(000 Omitted)

SECTION A - OTHER

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

NONE

12.OT

SECTION B - OTHER

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1997	2 1998	3 1999	4 2000	5 2001
1. Prior					
2. 1997					
3. 1998	XXX				
4. 1999	XXX	XXX			
5. 2000	XXX	XXX	XXX		
6. 2001	XXX	XXX	XXX	XXX	

NONE

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 [ ] No [ ] N/A [X]

1.3 State regulating? N/A

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:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. N/A

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. N/A

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). N/A

3.4 By what department or departments? N/A

4.1 During the period covered by this statement, did any agent, broker, sales representative, nonaffiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

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

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) 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(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8. What interest, direct or indirect, has this reporting entity in the capital stock of any other insurance company?
N/A

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP, 171 Monroe Avenue NW, Suite 1000
Grand Rapids, MI 49503

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Reden & Anders, LTD, 222 South Ninth Street, Suite 1500
Minneapolis, MN 55402

11. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement? Yes [ ] No [X]

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?
N/A

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

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

13. Have the instructions for completing the blank required by this department been followed in every detail? Yes [X] No [ ]

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. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement, any commission on the business transactions of the reporting entity? Yes [ ] No [X]

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

FINANCIAL

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 the 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

Disclose in the Notes to Financial the nature of each obligation.

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

GENERAL INTERROGATORIES (continued)

INVESTMENT

21.1 List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred.....	.....	.....	.....	.....	...Yes [ ].....No [ ]...	...Yes [ ].....No [ ]...
Common.....	.....	.....	.....	.....XXX.....	.....XXX.....	.....XXX.....

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, except as shown by Schedule E-Part 2-Special Deposits? Yes [X] No [ ]

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

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, 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 23.2) Yes [ ] No [X]

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

23.21 Loaned to others	$.....0
23.22 Subject to repurchase agreements	$.....0
23.23 Subject to reverse repurchase agreements	$.....0
23.24 Subject to dollar repurchase agreements	$.....0
23.25 Subject to reverse dollar repurchase agreements	$.....0
23.26 Pledged as collateral	$.....0
23.27 Placed under option agreements	$.....0
23.28 Letter stock or securities restricted as to sale	$.....0
23.29 Other	$.....0

23.3 For each category above, if any of these assets are held by others, identify by whom held:

23.31
23.32
23.33
23.34
23.35
23.36
23.37
23.38
23.39

For categories (23.21) and (23.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

23.4 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] 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)

OTHER

26.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....0

26.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid

27.1 Amount of payments for legal expenses, if any? $.....43,140

27.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Halleland Lewis Nilan Sipkins & Johnson	28,264

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

28.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

29. What officials and heads of departments of the reporting entity supervised the making of this report?
CEO, CFO

30.1 Has any direct new business been solicited or written in any state where the reporting entity was not licensed? Yes [ ] No [X]

30.2 If yes, explain:

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

2.1 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]

2.2 If yes, give particulars:

3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No [ ]

3.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ ]

4.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

4.2 If no, explain:

4.3 Maximum retained risk (see instructions)

4.31 Comprehensive medical $.....100,000

4.32 Medical only $.....0

4.33 Medicare supplement $.....0

4.34 Dental $.....0

4.35 Other limited benefit plan $.....0

4.36 Other $.....0

5. 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:

PHPSM utilizes provider contracts that include standard holdharmless language to protect consumers in the event of insolvency. PHPSM maintains insolvency protection as a benefit of the reinsurance coverage effective for 2001 and PHPSM adheres to the statutory deposit requirements established under insurance code.

6.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No [ ]

6.2 If no, give details:

7. Provide the following information regarding participating providers:

7.1 Number of providers at start of reporting year 1,110

7.2 Number of providers at end of reporting year 1,127

8.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

8.2 If yes, direct premium earned:

8.21 Business with the rate guarantees between 15-36 months $.....0

8.22 Business with rate guarantees over 36 months $.....0

9.1 Does the reporting entity have Bonus/withhold arrangements in its provider contracts? Yes [X] No [ ]

9.2 If yes:

9.21 Maximum amount payable bonuses $.....0

9.22 Amount actually paid for year bonuses $.....0

9.23 Maximum amount payable withholds $.....3,702,443

9.24 Amount actually paid for year withholds $.....0

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

1 Name of Service Area
Washtenaw, Jackson, & Calhoun Counties

FIVE-YEAR HISTORICAL DATA

	1 2001	2 2000	3 1999	4 1998	5 1997
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	21,721,808	18,144,979			
2. Total liabilities (Page 3, Line 18)	14,692,803	13,738,880			
3. Statutory surplus	7,029,005				
4. Total capital and surplus (Page 3, Line 26)	7,029,005	4,406,099			
Income Statement Items (Page 4)					
5. Total revenues (Line 7)	62,063,789	40,457,182			
6. Total medical and hospital expenses (Line 14)	54,200,570	38,108,228			
7. Total administrative expenses (Line 18)	4,213,455	5,600,653			
8. Net underwriting gain (loss) (Line 21)	931,748				
9. Net investment gain (loss) (Line 24)	763,955				
10. Total other income (Lines 25 plus 26)					
11. Net income or (loss) (Line 27)	1,695,704	(3,251,699)			
Risk-Based Capital Analysis					
12. Total adjusted capital	6,487,005	4,406,099			XXX
13. Authorized control level risk-based capital	2,613,558	3,204,724			XXX
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	31,494	30,910			
15. Total member months (Column 6, Line 7)	363,370	258,404			
Operating Percentage (Page 4) **(Item divided by Page 4, Line 2)**					
16. Premiums earned (Line 2)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 14)	87.3				
18. Total underwriting deductions (Line 20)	98.5				
19. Total underwriting gain (loss) (Line 21)	1.5				
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	8,567,201				
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	10,655,175				

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2001	2 2000	3 1999	4 1998	5 1997
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26. Affiliated mortgage loans on real estate					
27. All other affiliated					
28. Total of above Lines 22 to 27	0	0	0	0	0

NONE