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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002

of the Condition and Affairs of the

Physicians Health Plan 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 Health Maintenance Organization

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	David Spring *(Name)*	517-841-6973 *(Area Code) (Telephone Number) (Extension)*
	david_w_spring@uhc.com *(E-Mail Address)*	*517-782-4512* *(Fax Number)*
Policyowner Relations Contact	One Jackson Square ..... Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	517-782-7154 *(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Greg Gieseman Treasurer ..... Charles Johnson Secretary ..... Charles Johnson

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

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

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 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.

(Signature)	(Signature)	(Signature)
Greg Gieseman	Charles Johnson	Charles Johnson
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this

.....day of ....., 2003

.....

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

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	Prior Year 4 Net Admitted Assets
1. Bonds	8,733,190		8,733,190	
2. Stocks:				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate:				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)	73,948		(a) 73,948	87,793
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(2,326,808), Schedule E, Part 1) and short-term investments ($.....16,955,648, Schedule DA, Part 2)	14,628,840		14,628,840	19,514,570
6. Other long-term invested assets	336,100	33,421	302,679	
7. Receivable for securities			0	
8. Aggregate write-ins for invested assets	0	0	0	0
9. Subtotal cash and invested assets (Lines 1 to 8)	23,772,078	33,421	23,738,657	19,602,363
10. Accident and health premiums due and unpaid	257,889	6,228	251,661	932,215
11. Health care receivables	623,115	121,405	501,710	
12. Amounts recoverable from reinsurers	39,172		39,172	759,932
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	
14. Investment income due and accrued	120,960		120,960	33,257
15. Amounts due from parent, subsidiaries and affiliates	41,172		41,172	239,451
16. Amounts receivable relating to uninsured accident and health plans			0	
17. Furniture and equipment	6,541		6,541	12,835
18. Amounts due from agents			0	
19. Federal and foreign income tax recoverable and interest thereon (including $.....0 net deferred tax asset)			0	
20. Electronic data processing equipment and software	38,099		38,099	64,120
21. Other nonadmitted assets			0	
22. Aggregate write-ins for other than invested assets	211,099	138,024	73,075	77,636
23. Total assets (Lines 9 plus 10 through 22)	25,110,125	299,078	24,811,047	21,721,808

DETAILS OF WRITE-INS

0801.			0	
0802.			0	
0803.			0	
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	0	0	0	0
2201. Prepaid Insurance	138,024	138,024	0	
2202. Other Receivable	73,075		73,075	77,636
2203.			0	
2298. Summary of remaining write-ins for Line 22 from overflow page	0	0	0	0
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above)	211,099	138,024	73,075	77,636

(a) $.....0 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year 1 Covered	Current Year 2 Uncovered	Current Year 3 Total	Prior year 4 Total
1. Claims unpaid (less $.....88,814 reinsurance ceded)	7,135,235	1,020,251	8,155,486	12,380,314
2. Accrued medical incentive pool and bonus payments	2,998,560		2,998,560	
3. Unpaid claims adjustment expenses	494,026		494,026	
4. Aggregate policy reserves			0	
5. Aggregate claim reserves			0	
6. Premiums received in advance	1,134,369		1,134,369	994,345
7. General expenses due or accrued	1,120,439		1,120,439	1,312,231
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 $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	323,935		323,935	5,913
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....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)	13,206,564	1,020,251	14,226,815	14,692,803
19. Common capital stock	XXX	XXX		
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	10,888,193	8,585,000
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	(303,961)	(1,555,995)
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 24 less Line 25)	XXX	XXX	10,584,232	7,029,005
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	24,811,047	21,721,808

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	354,225	363,370
2. Net premium income	XXX	67,336,600	62,063,789
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	67,336,600	62,063,789
Medical and Hospital:			
8. Hospital/medical benefits	5,629,437	44,999,494	44,306,307
9. Other professional services	3,319	26,529	21,802
10. Outside referrals			
11. Emergency room and out-of-area			
12. Prescription drugs	1,320,666	10,556,884	9,944,391
13. Aggregate write-ins for other medical and hospital	0	3,768	(37,244)
14. Incentive pool and withhold adjustments		2,671,899	(34,686)
15. Subtotal (Lines 8 to 14)	6,953,422	58,258,574	54,200,571
Less:			
16. Net reinsurance recoveries		243,008	799,779
17. Total medical and hospital (Lines 15 minus 16)	6,953,422	58,015,566	53,400,792
18. Claims adjustment expenses		2,588,611	3,517,795
19. General administrative expenses		5,871,979	4,213,455
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)	6,953,422	66,476,156	61,132,042
22. Total underwriting gain or (loss) (Lines 7 minus 21)	XXX	860,444	931,748
23. Net investment income earned		397,601	763,955
24. Net realized capital gains or (losses)		150,160	
25. Net investment gains or (losses) (Lines 23 plus 24)	0	547,761	763,955
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
27. Aggregate write-ins for other income or expenses	0	0	0
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	0	1,408,205	1,695,703
29. Federal and foreign income taxes incurred	XXX		
30. Net income (loss) (Lines 28 minus 29)	XXX	1,408,205	1,695,703

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
1301. Other Medical Costs		3,768	(37,244)
1302.			
1303.			
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	3,768	(37,244)
2701.			
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	7,029,004	4,406,099
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30	1,408,205	1,695,703
33. Change in valuation basis of aggregate policy and claim reserves		
34. Net unrealized capital gains and losses	32,907	
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax		
37. Change in nonadmitted assets	(299,078)	342,202
38. Change in unauthorized reinsurance		
39. Change in treasury stock		
40. Change in surplus notes		
41. Cumulative effect of changes in accounting principles		
42. Capital Changes:		
42.1 Paid in		
42.2 Transferred from surplus (stock dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in	2,303,193	585,000
43.2 Transferred to capital (stock dividend)		
43.3 Transferred from capital		
44. Dividends to stockholders		
45. Aggregate write-ins for gains or (losses) in surplus	110,001	0
46. Net change in capital and surplus (Lines 32 to 45)	3,555,228	2,622,905
47. Capital and surplus end of reporting year (Line 31 plus 46)	10,584,232	7,029,004

DETAILS OF WRITE-INS

4501. Accounts Receivable allowance for bad debt and retroactivity	110,001	
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	110,001	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	68,150,950	62,286,544
2. Claims and claims adjustment expenses	61,336,419	55,993,226
3. General administrative expenses paid	6,063,771	5,807,664
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	750,760	485,654
6. Net Investment income	425,528	827,529
7. Other income (expenses)	(133,463)	694,707
8. Federal and foreign income taxes (paid) recovered		
9. Net cash from operations (Lines 5 to 8)	1,042,825	2,007,890
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	5,564,122	
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)	5,564,122	0
11. Cost of investments acquired (long-term only):		
11.1 Bonds	14,262,786	
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets	303,193	
11.6 Miscellaneous applications		
11.7 Total investments acquired (Lines 11.1 to 11.6)	14,565,979	0
12. Net cash from investments (Line 10.8 minus Line 11.7)	(9,001,857)	0
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in	2,303,193	585,000
13.2 Net transfers from affiliates	516,301	
13.3 Borrowed funds received		
13.4 Other cash provided	753,074	470,501
13.5 Total (Lines 13.1 to 13.4)	3,572,568	1,055,501
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	499,266	14,705
14.5 Total (Lines 14.1 to 14.4)	499,266	248,243
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	3,073,302	807,258
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(4,885,730)	2,815,148
17. Cash and short-term investments:		
17.1 Beginning of year	19,514,570	16,699,422
17.2 End of year (Line 16 plus Line 17.1)	14,628,840	19,514,570

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	67,336,600	67,336,600											
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)	67,336,600	67,336,600	0	0	0	0	0	0	0	0	0	0	0
7. Medical/hospital benefits	44,999,494	45,002,702							(3,208)				
8. Other professional services	26,529	26,529											
9. Outside referrals	0												
10. Emergency room and out-of-area	0												
11. Prescription drugs	10,556,884	10,556,898							(14)				
12. Aggregate write-ins for other medical and hospital	3,768	3,768	0	0	0	0	0	0	0	0	0	0	0
13. Incentive pool and withhold adjustments	2,671,899	2,673,174							(1,275)				
14. Subtotal (Lines 7 to 13)	58,258,574	58,263,071	0	0	0	0	0	0	(4,497)	0	0	0	0
15. Net reinsurance recoveries	243,008	243,008											
16. Total medical and hospital (Lines 14 minus 15)	58,015,566	58,020,063	0	0	0	0	0	0	(4,497)	0	0	0	0
17. Claims adjustment expenses	2,588,611	2,588,611											
18. General administrative expenses	5,871,979	5,871,979											
19. Increase in reserves for accident and health contracts	0												
20. Total underwriting deductions (Lines 16 to 19)	66,476,156	66,480,653	0	0	0	0	0	0	(4,497)	0	0	0	0
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	860,444	855,947	0	0	0	0	0	0	4,497	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
1201. Other Medical Costs	3,768	3,768											
1202.	0												
1203.	0												
1298. Summary of remaining write-ins for Line 12 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Total (Lines 1201 thru 1203 plus 1298) (Line 12 above)	3,768	3,768	0	0	0	0	0	0	0	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)	68,105,792		629,169	67,476,623
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				0
8. Other				0
9. Totals	68,105,792	0	629,169	67,476,623

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	56,611,889	56,611,607						282	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	203,836	203,836							
1.4 Net	56,408,053	56,407,771	0	0	0	0	0	282	0
2. Paid medical incentive pools and bonuses	2,833,782	2,833,782							
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	8,244,298	8,244,298							
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	88,814	88,814							
3.4 Net	8,155,484	8,155,484	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct	0								
4.2 Reinsurance assumed	0								
4.3 Reinsurance ceded	0								
4.4 Net	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	2,998,559	2,998,559							
6. Amounts recoverable from reinsurers December 31, current year	39,172	39,172							
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	9,308,683	9,305,179						3,504	
7.2 Reinsurance assumed	0								
7.3 Reinsurance ceded	88,814	88,814							
7.4 Net	9,219,869	9,216,365	0	0	0	0	0	3,504	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	3,160,443	3,159,168						1,275	
10. Amounts recoverable from reinsurers December 31, prior year	0								
11. Incurred benefits:									
11.1 Direct	55,547,504	55,550,726	0	0	0	0	0	(3,222)	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	243,008	243,008	0	0	0	0	0	0	0
11.4 Net	55,304,496	55,307,718	0	0	0	0	0	(3,222)	0
12. Incurred medical incentive pools and bonuses	2,671,898	2,673,173	0	0	0	0	0	(1,275)	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	1,414,390	1,414,390							
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	1,414,390	1,414,390	0	0	0	0	0	0	0
2. Incurred but unreported:									
2.1 Direct	6,829,908	6,829,908							
2.2 Reinsurance assumed	0								
2.3 Reinsurance ceded	88,814	88,814							
2.4 Net	6,741,094	6,741,094	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct	0								
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	0	0	0	0	0	0	0	0	0
4. Totals:									
4.1 Direct	8,244,298	8,244,298	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	88,814	88,814	0	0	0	0	0	0	0
4.4 Net	8,155,484	8,155,484	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital)	7,464,668	48,943,103	131,536	8,023,948	7,596,204	9,216,365
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	282				282	3,504
8. Other					0	
9. Subtotal	7,464,950	48,943,103	131,536	8,023,948	7,596,486	9,219,869
10. Medical incentive pools, accruals and disbursements	3,375,782		(220,256)	2,676,815	3,155,526	3,160,444
11. Totals	10,840,732	48,943,103	(88,720)	10,700,763	10,752,012	12,380,313

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX	27,165	8,433	99
5. 2001	XXX	XXX	XXX	43,950	7,366
6. 2002	XXX	XXX	XXX	XXX	48,943

SECTION B - INCURRED CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX	37,774	35,720	35,698
5. 2001	XXX	XXX	XXX	56,209	51,447
6. 2002	XXX	XXX	XXX	XXX	59,966

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

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999				0.0	0	0.0			0	0.0
4. 2000	39,876	35,698	1,262	3.5	36,960	92.7			36,960	92.7
5. 2001	62,748	51,316	3,518	6.9	54,834	87.4	132		54,966	87.6
6. 2002	67,966	48,943	2,095	4.3	51,038	75.1	11,023	494	62,555	92.0
7. Total (Lines 1 through 6)	XXX	135,957	6,875	XXX	142,832	XXX	11,155	494	154,481	XXX
8. Total (Lines 2 through 6)	170,590	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX	25,314	8,192	99
5. 2001	XXX	XXX	XXX	43,950	7,366
6. 2002	XXX	XXX	XXX	XXX	48,943

SECTION B - INCURRED CLAIMS - 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 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX	35,594	33,623	33,605
5. 2001	XXX	XXX	XXX	56,209	51,447
6. 2002	XXX	XXX	XXX	XXX	59,966

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICA

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999				0.0	0	0.0			0	0.0
4. 2000	37,612	33,605	1,262	3.8	34,867	92.7			34,867	92.7
5. 2001	62,739	51,316	3,518	6.9	54,834	87.4	132		54,966	87.6
6. 2002	67,966	48,943	2,095	4.3	51,038	75.1	11,023	494	62,555	92.0
7. Total (Lines 1 through 6)	XXX	133,864	6,875	XXX	140,739	XXX	11,155	494	152,388	XXX
8. Total (Lines 2 through 6)	168,317	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - MEDICARE SUPPLEMENT

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - 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 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMEN

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - DENTAL ONLY

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - DENTAL ONLY

NONE

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - VISION ONLY

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - VISION ONLY

NONE

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - 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 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - TITLE XVIII - MEDICARE

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - 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 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

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

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX	1,851	241	
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - 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 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX	2,180	2,097	2,093
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999				0.0	0	0.0			0	0.0
4. 2000	2,264	2,093		0.0	2,093	92.4			2,093	92.4
5. 2001	9			0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	2,093	0	XXX	2,093	XXX	0	0	2,093	XXX
8. Total (Lines 2 through 6)	2,273	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - OTHER

NONE

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION B - INCURRED CLAIMS - OTHER

NONE

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior					
2. 1998					
3. 1999	XXX				
4. 2000	XXX	XXX			
5. 2001	XXX	XXX	XXX		
6. 2002	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998	XXX			XXX	0	XXX			0	XXX
2. 1998				0.0	0	0.0			0	0.0
3. 1999					0	0.0			0	0.0
4. 2000				0	0	0.0			0	0.0
5. 2001				0.0	0	0.0			0	0.0
6. 2002				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	0	0	XXX	0	XXX	0	0	0	XXX
8. Total (Lines 2 through 6)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
POLICY RESERVE									
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	0								
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $.....0) for investment income	0								
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	0	0	0	0	0	0	0	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 5)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0595) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 11911) (Line 11 above)	0	0	0	0	0	0	0	0	0

NONE

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent ($.....0 for occupancy of own building)	85,573	166,154		251,727
2. Salaries, wages and other benefits	1,128,660	2,191,475		3,320,135
3. Commissions (less $.....0 ceded plus $.....0 assumed)	699,948	1,359,063		2,059,011
4. Legal fees and expenses	12,840	24,931		37,771
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services		709,416		709,416
7. Traveling expenses	20,344	39,502		59,846
8. Marketing and advertising		136,354		136,354
9. Postage, express and telephone	456,677	886,711		1,343,388
10. Printing and office supplies	71,394	138,623		210,017
11. Occupancy, depreciation and amortization	46,584	90,451		137,035
12. Equipment				0
13. Cost or depreciation of EDP equipment and software	26,084	50,646		76,730
14. Outsourced services including EDP, claims, and other services	263,594	511,811		775,405
15. Boards, bureaus and association fees	8,797	17,080		25,877
16. Insurance, except on real estate	21,980	42,678		64,658
17. Collection and bank service charges	2,259	4,386		6,645
18. Group service and administration fees				0
19. Reimbursements by uninsured accident and health plans				0
20. Reimbursements from fiscal intermediaries				0
21. Real estate expenses				0
22. Real estate taxes				0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				0
23.2 State premium taxes				0
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes	19,285	37,445		56,730
23.5 Other (excluding federal income and real estate taxes)	1,766	3,429		5,195
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	(277,174)	(538,176)	0	(815,350)
26. Total expenses incurred (Lines 1 to 25)	2,588,611	5,871,979	0	(a) 8,460,590
27. Add expenses unpaid December 31, prior year		1,312,231		1,312,231
28. Less expenses unpaid December 31, current year	494,026	1,120,439		1,614,465
29. Amounts receivable relating to uninsured accident and health plans, prior year				0
30. Amounts receivable relating to uninsured accident and health plans, current year				0
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30)	2,094,585	6,063,771	0	8,158,356

DETAILS OF WRITE-INS

2501. ASO Reimbursement	(277,174)	(538,176)		(815,350)
2502.				0
2503.				0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	(277,174)	(538,176)	0	(815,350)

(a) Includes management fees of $.....0 to affiliates and $.....3,277,544 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 67,803	155,249
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 333	8,449
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/short-term investments	(e) 272,069	278,520
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	340,205	442,218
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) 0
15.	Aggregate write-ins for deductions from investment income		44,617
16.	Total deductions (Lines 11 through 15)		44,617
17.	Net investment income (Line 10 minus Line 16)		397,601

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.	Bank Service Fees		40,618
1502.	Operational Interest Expense		3,999
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		44,617

(a) Includes $.....433 accrual of discount less $.....116,063 amortization of premium and less $.....144,458 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 $.....9,472 amortization of premium and less $.....13,550 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 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1.	U.S. government bonds	149,567		(76,137)		73,430
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)	593		(3,075)		(2,482)
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)					0
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/short-term investments			(9,472)		(9,472)
7.	Derivative instruments					0
8.	Other invested assets			32,907	(33,421)	(514)
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	150,160	0	(55,777)	(33,421)	60,962

DETAILS OF WRITE-INS

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

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 10 to 16 and 19 to 20, Column 2	161,054		(161,054)
2. Other nonadmitted assets:			
2.1 Bills receivable			0
2.2 Leasehold improvements			0
2.3 Cash advanced to or in hands of officers and agents			0
2.4 Loans on personal security, endorsed or not			0
2.5 Commuted commissions			0
3. Total (Lines 2.1 to 2.5)	0	0	0
4. Aggregate write-ins for other than invested assets	138,024	0	(138,024)
5. Total (Line 1 plus Lines 3 and 4)	299,078	0	(299,078)

DETAILS OF WRITE-INS

0401. Prepaid Insurance	138,024		(138,024)
0402.			0
0403.			0
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	138,024	0	(138,024)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health maintenance organizations	31,494	30,570	30,314	28,521	28,062	354,225
2. Provider service organizations						
3. Preferred provider organizations						
4. Point of service						
5. Indemnity only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	31,494	30,570	30,314	28,521	28,062	354,225

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared on the basis of accounting practices prescribed or permitted by theDepartment of Consumer& Industry Services(CIS) and theNational Association ofInsurance Commissioners. Thesepractices differ in somerespects from generallyaccepted accounting principles. Certain assets are considered non-admitted for statutorypurposes and are excludedfor the balancesheet. Thesenon-admitted assets have been allocated to retainedearnings in thefinancial statements. The statutory adjustments hadno effect onPhysician Health Planof SouthMichigan (PHPSM)net income.

Cash and Cash Equivalents – Short-term investments with maturity of one year or less at the time of purchase are reported ascash equivalents.

Property and Equipment - Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on a straight-linebasis, over the estimateduseful lives of theproperty, which range from3 to 15 years.

Claims Payable – Accrued medical claims and related expenses (hospitalization and other outside medical services) include amounts billed andnot paid and anestimate of costs incurredfor unbilled services providedto the balance sheet date.

Premiums – Premiums are recognized in the period in which the members are entitled to health care services. Premiums billed andcollected in advanceare recorded asunearned premiums.

Use of Estimates – The statutory basis financial statements have been prepared in accordance with the accounting practices prescribed or permittedby the CIS,which is acomprehensive basis ofaccounting other thangenerally accepted accounting principles, and requiresthe use ofcertain estimates, the mostsignificant of whichrelates to incurred but unreported claims formedical services. Actual results coulddiffer from theseestimates.

2. ACCOUNTING CHANGESAND CORRECTIONOF ERRORS

The stateof Michiganhas notadopted codification.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

Not applicable.

6. JOINT VENTURES,PARTNERSHIPS ANDLIMITED LIABILITYCOMPANIES

Not applicable.

7. INVESTMENT INCOME

All incomedue andaccrued has beenincluded inthe filing.

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPSM isnot subjectto incometaxes.

10. INFORMATION CONCERNINGPARENT, SUBSIDIARIESAND AFFILIATES

W.A. FooteMemorial Hospitalcontributed capitalof $2,303,193 tocapitalize PHPSM.

PHPSM members obtain medicalservices from WAFoote Memorial Hospital, whichis part ofthe PHPSM provider network. Asa result, medical serviceexpenses include approximately$10,800,000 of claims incurredfor 2002. PHPSM is a member ofthe PHP Shared Services,L.L.C. The purposeof PHP Shared Services,L.L.C. is to facilitatestatewide contracting and toachieve economies toobtain health maintenanceorganization management andother required services for members.

11. DEBT

Not applicable.

12. RETIREMENT PLANS,DEFERRED COMPENSATION,POSTRETIREMENT BENEFITS ANDCOMPENSATED ABSENCES ANDOTHER POSTRETIREMENTBENEFIT PLANS

NOTES TO FINANCIAL STATEMENTS

Not applicable

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

Not applicable.

14. CONTINGENCIES

In the ordinary course of operations, PHPSM is subject to various litigation matters related to health benefits provided to its subscribers. Although the outcome of these matters cannot be determined, it is management's opinion that disposition of these proceeds will not have a material adverse effect on the financial position or the results of operations.

15. LEASES

PHP of South Michigan leases office space from W.A. Foote Memorial Hospital, with a lease agreement in effect through May, 2008. During 2002, the Company paid rental payments to W.A. Foote Memorial Hospital of approximately $160,000. On the anniversary of the lease commencement, the base rent will be adjusted at 100 percent of the upward differential of the "All Goods and Services" category of the Consumer Price Index, United State Bureau of Labor Statistics.

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

Not applicable.

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

Not applicable.

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

There are no gains and losses from uninsured accident and health plans or partially insured plans.

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

Not applicable.

20. OTHER ITEMS

PHPSM elected to use rounding in reporting amounts in the statement.

21. SUBSEQUENT EVENTS

There are no subsequent events to December 31, 2002 that require disclosure.

22. REINSURANCE

Not applicable.

23. RETROSPECTIVELY RATED CONTRACTS

Not applicable.

24. SALVAGE AND SUBROGATION

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2002 and 2001 the company had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Reserves for incurred claims attributable to insured events of prior years has increased by $800,000 from $56.2 million in 2001 to $57.0 million in 2002. Included in this increase, PHP of South Michigan experienced $4.8 million of favorable prior year claim development on retrospectively rated policies. However, since the business to which it relates is subject to premium adjustments, there was no significant impact on surplus.

26. ORGANIZATION AND OPERATION

Organization

Physicians Health Plan of South Michigan (PHPSM) is a non-profit health maintenance organization under the laws of the State of Michigan and is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS

PHPSM is also a wholly controlled subsidiary of Foote Health System (Foote).

Contractual Agreements:

Medical Services - PHPSM has contractual agreements with independent physicians, hospitals, pharmacies, and others to provide comprehensive medical services to enrollees and their eligible dependents. Contracts with participating physicians allow for either capitation payments or interim reimbursement for health care services at less than 100% of their allowable fees. The balance of remaining portion of allowable fees is recorded as contingency reserves, and included in claims payable on the statement of Liabilities and Net Worth.

The aggregate amount of contingency reserves to ultimately be returned to physicians is established by the PHPSM Board of Directors, which bases this decision on a number of factors including regulatory and financial criteria such as required reserve levels. The PHPSM board of directors is expected to approve up to 100 percent of the 2002 contingency reserve.

Administrative services – PHPSM has an administrative services agreement with United Healthcare Service (UHS) which covers management services that are system dependent (i.e. billing, enrollment, claims processing and accounting). The agreement expires December 31, 2004. The services fees paid to UHS by PHPSM are calculated based on a determined dollar amount per member per month. PHPSM withholds a portion of the service fee, which may be paid contingent upon UHS's performance under the terms of the agreement. Fees for 2002 were approximately $3,300,000.

27. MINIMUM NET WORTH REQUIREMENTS

Under the laws of the State of Michigan, PHPSM is required to maintain a minimum net worth. Net worth must be the greater of $1,500,000 or 4% of premium revenue or 3 months' of uncovered expenditures. PHPSM has net worth of approximately $10,600,000 and was in compliance with minimum net worth requirements as of December 31, 2002.

The State of Michigan further requires health maintenance organizations (HMO's) to maintain positive working capital defined as current assets less current liabilities. PHPSM has positive working capital of approximately $1,400,000 when measured using the statutory basis of accounting.

In addition, the State of Michigan requires PHPSM to provide a statutory deposit. The deposit amount must be the greater of $100,000 or 5% of annual premium revenue up to a $1,000,000 maximum. As of December 31, 2002, PHPSM has approximately $1,100,000 to meet the required level for statutory deposits. PHPSM is in compliance with the statutory deposit requirements.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	5,201,106	21.9	5,201,106	21.9
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	1,744,291	7.3	1,744,291	7.3
1.22 Issued by U.S. government sponsored agencies	926,145	3.9	926,145	3.9
1.3 Foreign government (including Canada, excluding mortgage-backed securities)		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations		0.0		0.0
1.43 Revenue and assessment obligations		0.0		0.0
1.44 Industrial development and similar obligations		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA		0.0		0.0
1.512 Issued by FNMA and FHLMC		0.0		0.0
1.513 Privately issued		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.0		0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC	125,000	0.5	125,000	0.5
1.523 All other privately issued		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	736,648	3.1	736,648	3.1
2.2 Unaffiliated foreign securities		0.0		0.0
2.3 Affiliated securities		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated		0.0		0.0
3.22 Unaffiliated		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.0		0.0
3.32 Unaffiliated		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated	336,100	1.4	302,679	1.3
3.42 Unaffiliated		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.0		0.0
3.52 Unaffiliated		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development		0.0		0.0
4.2 Agricultural		0.0		0.0
4.3 Single family residential properties		0.0		0.0
4.4 Multifamily residential properties		0.0		0.0
4.5 Commercial loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company	73,948	0.3	73,948	0.3
5.2 Property held for production of income (includes $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale ($.....0 including property acquired in satisfaction of debt)		0.0		0.0
6. Policy loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash and short-term investments	14,628,840	61.5	14,628,840	61.6
9. Other invested assets		0.0		0.0
10. Total invested assets	23,772,078	100.0	23,738,657	100.0

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:
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. 12/31/2001

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? OFFICE OF FINANCIAL & INSURANCE SERVICES

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 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 is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
ERNST & YOUNG, SUITE 1000, 171 MONROE AVE NW, GRAND RAPIDS, MI 49503

9. 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?
KENTON J. ROEPKE, REDEN & ANDERS LTD, 222 SOUTH NINTH STREET, SUITE 1500, MINNEAPOLIS, MN 55402

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

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

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

10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

11. 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 [ ] No [X]

12. 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 [ ]

13. 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

14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11 To directors or other officers $.....0

14.12 To stockholders not officers $.....0

14.13 Trustees, supreme or grand (Fraternal only) $.....0

14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21 To directors or other officers $.....0

14.22 To stockholders not officers $.....0

14.23 Trustees, supreme or grand (Fraternal only) $.....0

15.1 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]

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

15.21 Rented from others $.....0

15.22 Borrowed from others $.....0

15.23 Leased from others $.....0

15.24 Other $.....0

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

16.1 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]

16.2 If answer is yes:

16.21 Amount paid as losses or risk adjustment $.....0

16.22 Amount paid as expenses $.....0

16.23 Other amounts paid $.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. 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.....	.....XXX.....XXX....

18.1 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 [ ]

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

19.1 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 15.1) Yes [ ] No [X]

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

19.21 Loaned to others	$.....0
19.22 Subject to repurchase agreements	$.....0
19.23 Subject to reverse repurchase agreements	$.....0
19.24 Subject to dollar repurchase agreements	$.....0
19.25 Subject to reverse dollar repurchase agreements	$.....0
19.26 Pledged as collateral	$.....0
19.27 Placed under option agreements	$.....0
19.28 Letter stock or securities restricted as to sale	$.....0
19.29 Other	$.....0

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

19.31
19.32
19.33
19.34
19.35
19.36
19.37
19.38
19.39

For categories (19.21) and (19.23) 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.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

20.2 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.

21.1 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]

21.2 If yes, state the amount thereof at December 31 of the current year: $.....0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
COMERICA BANK, NA	DETROIT MI 48275-8362

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [ ] No [X]

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

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

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
MUNDER CAPITAL	BLADEN MCCLELLAND	480 PIERCE STREET, BIRMINGHAM, MI 48009

OTHER

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

23.2 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

24.1 Amount of payments for legal expenses, if any? $.....29,391

24.2 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
Leonard, Street, et. al	28,170

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

25.2 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

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 $.....125,000

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:

PROVIDER CONTRACTS INCLUDE STANDARD HOLD HARMLESS LANGUAGE TO PROTECT CONSUMERS IN THE EVENT OF INSOLVENCY.

INSOLVENCY PROTECTION IS A BENEFIT OF THE REINSURANCE COVERAGE. PHPSM ADHERES TO THE STATUTORY DEPOSIT REQUIREMENTS ESTABLISHED UNDER INSURA

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 1,127

7.2 Number of providers at end of reporting year 1,220

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 $.....3,292,686

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
JACKSON COUNTY
HILLSDALE COUNTY
WASHTENAW COUNTY
CALHOUN COUNTY
INGHAM COUNTY
LENAWEE COUNTY
LIVINGSTON COUNTY

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	24,811,047	21,721,808	18,144,979		
2. Total liabilities (Page 3, Line 18)	14,226,815	14,692,803	13,738,880		
3. Statutory surplus	10,584,232	7,029,005			
4. Total capital and surplus (Page 3, Line 26)	10,584,232	7,029,005	4,406,099		
Income Statement Items (Page 4)					
5. Total revenues (Line 7)	67,336,600	62,063,789	40,457,182		
6. Total medical and hospital expenses (Line 17)	58,015,566	54,200,570	38,108,228		
7. Total administrative expenses (Line 19)	5,871,979	4,213,455	5,600,653		
8. Net underwriting gain (loss) (Line 22)	860,444	931,748			
9. Net investment gain (loss) (Line 25)	547,761	763,955			
10. Total other income (Lines 26 plus 27)					
11. Net income or (loss) (Line 30)	1,408,205	1,695,704	(3,251,699)		
Risk-Based Capital Analysis					
12. Total adjusted capital	10,584,232	7,029,005	4,406,099		
13. Authorized control level risk-based capital	2,758,205	2,579,993	3,204,724		
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	28,062	31,494	30,910		
15. Total member months (Column 6, Line 7)	354,225	363,370	258,404		
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5)**					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	86.2	87.3			
18. Total underwriting deductions (Line 21)	98.7	98.5			
19. Total underwriting gain (loss) (Line 22)	1.3	1.5			
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	10,752,012	8,567,201			
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	12,380,313	10,655,175			

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
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	302,679				
28. Total of above Lines 22 to 27	302,679	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	7,767,836	7,912,476	7,843,859	7,365,000
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	7,767,836	7,912,476	7,843,859	7,365,000
	5. United States				
States, Territories and Possessions	6. Canada				
(Direct and guaranteed)	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States,	9. United States				
Territories and Possessions	10. Canada				
(Direct and guaranteed)	11. Other Countries				
	12. Totals	0	0	0	0
Special Revenue and Special Assessment	13. United States	103,706	105,125	103,820	100,000
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	103,706	105,125	103,820	100,000
	17. United States				
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States	861,648	866,064	864,723	815,000
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	861,648	866,064	864,723	815,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	8,733,190	8,883,665	8,812,402	8,280,000
PREFERRED STOCKS	27. United States				
Public Utilities	28. Canada				
(Unaffiliated)	29. Other Countries				
	30. Totals	0	0	0	
	31 United States				
Banks, Trust and Insurance Companies	32. Canada				
(Unaffiliated)	33. Other Countries				
	34. Totals	0	0	0	
	35. United States				
Industrial and Miscellaneous	36. Canada				
(Unaffiliated)	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States				
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	0	0	0	
	45. United States				
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries				
	48. Totals	0	0	0	
	49. United States				
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	0	0	0	
	55. **Total Stocks**	0	0	0	
	56. **Total Bonds and Stocks**	8,733,190	8,883,665	8,812,402	

(a) The aggregate value of bonds which are valued at other than actual fair value is $.....487,634.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year		
2. Cost of bonds and stocks acquired, Column 6, Part 3		14,262,785
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	(79,213)	
3.2 Column 12, Part 2, Section 1		
3.3 Column 10, Part 2, Section 2		
3.4 Column 10, Part 4	(36,419)	(115,632)
4. Total gain (loss), Column 14, Part 4		150,160
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		5,564,123

6. Foreign exchange adjustment:		
6.1 Column 17, Part 1		
6.2 Column 13, Part 2, Section 1		
6.3 Column 11, Part 2, Section 2		
6.4 Column 11, Part 4		0
7. Book/adjusted carrying value at end of current period		8,733,190
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		8,733,190
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		8,733,190

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	2	Direct Business Only			
			3	4	5	6
State, Etc.	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1. Alabama AL	NO	NO				
2. Alaska AK	NO	NO				
3. Arizona AZ	NO	NO				
4. Arkansas AR	NO	NO				
5. California CA	NO	NO				
6. Colorado CO	NO	NO				
7. Connecticut CT	NO	NO				
8. Delaware DE	NO	NO				
9. District of Columbia DC	NO	NO				
10. Florida FL	NO	NO				
11. Georgia GA	NO	NO				
12. Hawaii HI	NO	NO				
13. Idaho ID	NO	NO				
14. Illinois IL	NO	NO				
15. Indiana IN	NO	NO				
16. Iowa IA	NO	NO				
17. Kansas KS	NO	NO				
18. Kentucky KY	NO	NO				
19. Louisiana LA	NO	NO				
20. Maine ME	NO	NO				
21. Maryland MD	NO	NO				
22. Massachusetts MA	NO	NO				
23. Michigan MI	NO	YES	68,105,792			
24. Minnesota MN	NO	NO				
25. Mississippi MS	NO	NO				
26. Missouri MO	NO	NO				
27. Montana MT	NO	NO				
28. Nebraska NE	NO	NO				
29. Nevada NV	NO	NO				
30. New Hampshire NH	NO	NO				
31. New Jersey NJ	NO	NO				
32. New Mexico NM	NO	NO				
33. New York NY	NO	NO				
34. North Carolina NC	NO	NO				
35. North Dakota ND	NO	NO				
36. Ohio OH	NO	NO				
37. Oklahoma OK	NO	NO				
38. Oregon OR	NO	NO				
39. Pennsylvania PA	NO	NO				
40. Rhode Island RI	NO	NO				
41. South Carolina SC	NO	NO				
42. South Dakota SD	NO	NO				
43. Tennessee TN	NO	NO				
44. Texas TX	NO	NO				
45. Utah UT	NO	NO				
46. Vermont VT	NO	NO				
47. Virginia VA	NO	NO				
48. Washington WA	NO	NO				
49. West Virginia WV	NO	NO				
50. Wisconsin WI	NO	NO				
51. Wyoming WY	NO	NO				
52. American Samoa AS	NO	NO				
53. Guam GU	NO	NO				
54. Puerto Rico PR	NO	NO				
55. U.S. Virgin Islands VI	NO	NO				
56. Canada CN	NO	NO				
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	68,105,792	0	0	0

DETAILS OF WRITE-INS

5701.				
5702.				
5703.				
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0

Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

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

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

PART 1 – ORGANIZATIONAL CHART