* 5 2 5 6 9 2 0 0 2 2 0 1 0 0 1 0 0 *

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002

of the Condition and Affairs of the

Physicians Health Plan of Southwest Michigan

NAIC Group Code..... 1334, (Current Period) (Prior Period) NAIC Company Code..... 52569 Employer's ID Number..... 38-3376063

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..... March 31, 2000 Date Commenced Business..... June 1, 2000

Statutory Home Office	106 Farmers Alley Suite 300 ….. Kalamazoo ..... MI ..... 49005-1100 *(Street and Number) (City or Town, State and Zip Code)*	
Address of Main Administrative Office	106 Farmers Alley Suite 300 ….. Kalamazoo ..... MI ..... 49005-1100 *(Street and Number) (City or Town, State and Zip Code)*	269-341-7200 *(Area Code) (Telephone Number)*
Mail Address	106 Farmers Alley Suite 300 ….. Kalamazoo ..... MI ..... 49005-1100 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	106 Farmers Alley Suite 300 ….. Kalamazoo ..... MI ..... 49005-1100 *(Street and Number) (City or Town, State and Zip Code)*	269-341-7200 *(Area Code) (Telephone Number)*
Internet Website Address	www.phpiba.com	
Statement Contact	David Lee Vis *(Name)*	269-341-7311 *(Area Code) (Telephone Number) (Extension)*
	dvis@ibahealth.com *(E-Mail Address)*	*269-341-6928* *(Fax Number)*
Policyowner Relations Contact	….. .... *(Street and Number) (City or Town, State and Zip Code)*	*(Area Code) (Telephone Number) (Extension)*

OFFICERS

Chief Executive Officer ..... Kenneth Lee Taft Chief Financial Officer ..... David Lee Vis Secretary ..... Kenneth Lee Taft
President ..... Ike David Kibbe

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Frank Joseph Sardone	Kenneth Lee Taft	Owen Mark Berow M.D.	Richard Martin Gerstner M.D.
Abbe Jane Siver #	David Vincent Copeland	Dawn Joann Kline #	Rosalie Novara #
Konrads Valentins Lubvas M.D.			

State of..... MIchigan
County of..... Kalamazoo

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)
Kenneth Lee Taft	Kenneth Lee Taft	David Lee Vis
(Printed Name)	(Printed Name)	(Printed Name)
Chief Executive Officer	Secretary	Chief Financial Officer

Subscribed and sworn to before me this

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

.....

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

b. If no: 1. State the amendment number 1
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	3,937,240		3,937,240	5,659,157
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)			(a) 0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(2,082,127), Schedule E, Part 1) and short-term investments ($.....13,565,528, Schedule DA, Part 2)	11,483,401		11,483,401	10,891,766
6. Other long-term invested assets	336,101	33,421	302,680	291,173
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)	15,756,742	33,421	15,723,321	16,842,096
10. Accident and health premiums due and unpaid	39,291		39,291	357,019
11. Health care receivables	2,429,342		2,429,342	1,078,389
12. Amounts recoverable from reinsurers	226,638		226,638	811,327
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	
14. Investment income due and accrued	44,698		44,698	67,567
15. Amounts due from parent, subsidiaries and affiliates	16,416		16,416	1,000,000
16. Amounts receivable relating to uninsured accident and health plans			0	
17. Furniture and equipment	1,630		1,630	6,011
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			0	4,994
21. Other nonadmitted assets			0	
22. Aggregate write-ins for other than invested assets	106,805	0	106,805	19,612
23. Total assets (Lines 9 plus 10 through 22)	18,621,562	33,421	18,588,141	20,187,016

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. Receivable from PHP of South Michigan	99,783		99,783	4,434
2202. Other Receivable	7,023		7,023	9,265
2203. Receivable from PHP of Michigan entities			0	5,913
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)	106,805	0	106,805	19,612

(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 $.....13,279 reinsurance ceded)	7,260,408	563,308	7,823,716	10,823,305
2. Accrued medical incentive pool and bonus payments	773,817		773,817	794,760
3. Unpaid claims adjustment expenses	272,475		272,475	
4. Aggregate policy reserves	493,000		493,000	896,570
5. Aggregate claim reserves			0	
6. Premiums received in advance	103,993		103,993	621,820
7. General expenses due or accrued	690,334		690,334	1,280,628
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 $.....0 current)			0	
11. Amounts due to parent, subsidiaries and affiliates	977,483		977,483	213,497
12. Payable for securities			0	
13. Funds held under reinsurance treaties with ($.....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)	10,571,509	563,308	11,134,817	14,630,581
19. Common capital stock	XXX	XXX	450	450
20. Preferred capital stock	XXX	XXX		
21. Gross paid in and contributed surplus	XXX	XXX	10,232,000	8,881,550
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	(2,779,126)	(3,325,565)
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	7,453,324	5,556,435
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	18,588,141	20,187,016

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	391,538	465,404
2. Net premium income	XXX	62,030,109	74,502,993
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	62,030,109	74,502,993
Medical and Hospital:			
8. Hospital/medical benefits	2,884,616	40,064,110	52,118,940
9. Other professional services	2,112	29,333	27,910
10. Outside referrals			
11. Emergency room and out-of-area			
12. Prescription drugs	920,568	12,785,673	14,200,978
13. Aggregate write-ins for other medical and hospital	0	(42,040)	2,719
14. Incentive pool and withhold adjustments		886,621	534,714
15. Subtotal (Lines 8 to 14)	3,807,296	53,723,697	66,885,262
Less:			
16. Net reinsurance recoveries		(33,648)	962,976
17. Total medical and hospital (Lines 15 minus 16)	3,807,296	53,757,344	65,922,286
18. Claims adjustment expenses		2,417,773	2,102,106
19. General administrative expenses		6,126,158	7,735,119
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)	3,807,296	62,301,276	75,759,511
22. Total underwriting gain or (loss) (Lines 7 minus 21)	XXX	(271,167)	(1,256,519)
23. Net investment income earned		453,213	630,692
24. Net realized capital gains or (losses)		2,321	27,253
25. Net investment gains or (losses) (Lines 23 plus 24)	0	455,534	657,945
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	184,367	(598,573)
29. Federal and foreign income taxes incurred	XXX		
30. Net income (loss) (Lines 28 minus 29)	XXX	184,367	(598,573)

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		(42,040)	2,719
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	(42,040)	2,719
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	5,556,435	1,590,492
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30	184,367	(598,573)
33. Change in valuation basis of aggregate policy and claim reserves		
34. Net unrealized capital gains and losses	32,908	163,814
35. Change in net unrealized foreign exchange capital gain or (loss)		
36. Change in net deferred income tax		
37. Change in nonadmitted assets	268,041	18,702
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	1,350,450	4,382,000
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	61,124	0
46. Net change in capital and surplus (Lines 32 to 45)	1,896,890	3,965,943
47. Capital and surplus end of reporting year (Line 31 plus 46)	7,453,324	5,556,435

DETAILS OF WRITE-INS

4501. Accounts Receivable allowance for bad debt and retroactivity	61,124	
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)	61,124	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance	61,830,009	75,961,138
2. Claims and claims adjustment expenses	58,742,056	68,722,014
3. General administrative expenses paid	6,716,453	7,426,113
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(3,628,499)	(186,989)
6. Net Investment income	495,883	643,833
7. Other income (expenses)	(77,818)	
8. Federal and foreign income taxes (paid) recovered		
9. Net cash from operations (Lines 5 to 8)	(3,210,433)	456,844
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	4,775,000	530,625
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)	4,775,000	530,625
11. Cost of investments acquired (long-term only):		
11.1 Bonds	3,049,163	4,354,376
11.2 Stocks		
11.3 Mortgage loans		
11.4 Real estate		
11.5 Other invested assets		
11.6 Miscellaneous applications		
11.7 Total investments acquired (Lines 11.1 to 11.6)	3,049,163	4,354,376
12. Net cash from investments (Line 10.8 minus Line 11.7)	1,725,837	(3,823,751)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in	1,350,450	4,382,000
13.2 Net transfers from affiliates	1,747,570	
13.3 Borrowed funds received		
13.4 Other cash provided		942,539
13.5 Total (Lines 13.1 to 13.4)	3,098,020	5,324,539
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates		613,067
14.3 Borrowed funds repaid		
14.4 Other applications	1,021,788	24,826
14.5 Total (Lines 14.1 to 14.4)	1,021,788	637,893
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	2,076,232	4,686,647
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	591,636	1,319,740
17. Cash and short-term investments:		
17.1 Beginning of year	10,891,766	9,572,026
17.2 End of year (Line 16 plus Line 17.1)	11,483,401	10,891,766

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	62,030,109	19,536,028							42,494,081				
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)	62,030,109	19,536,028	0	0	0	0	0	0	42,494,081	0	0	0	0
7. Medical/hospital benefits	40,064,110	13,791,674							26,272,436				
8. Other professional services	29,333	6,579							22,754				
9. Outside referrals	0												
10. Emergency room and out-of-area	0												
11. Prescription drugs	12,785,673	3,075,543							9,710,130				
12. Aggregate write-ins for other medical and hospital	(42,040)	(99,106)	0	0	0	0	0	0	57,066	0	0	0	0
13. Incentive pool and withhold adjustments	886,621	195,069							691,552				
14. Subtotal (Lines 7 to 13)	53,723,697	16,969,759	0	0	0	0	0	0	36,753,938	0	0	0	0
15. Net reinsurance recoveries	(33,648)	(294,718)							261,070				
16. Total medical and hospital (Lines 14 minus 15)	53,757,344	17,264,476	0	0	0	0	0	0	36,492,868	0	0	0	0
17. Claims adjustment expenses	2,417,773	983,171							1,434,602				
18. General administrative expenses	6,126,158	2,490,933							3,635,225				
19. Increase in reserves for accident and health contracts	0												
20. Total underwriting deductions (Lines 16 to 19)	62,301,275	20,738,580	0	0	0	0	0	0	41,562,695	0	0	0	0
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	(271,167)	(1,202,553)	0	0	0	0	0	0	931,386	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	(42,040)	(99,106)							57,066				
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)	(42,040)	(99,106)	0	0	0	0	0	0	57,066	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)	19,814,520		328,568	19,485,952
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	42,482,141		455,813	42,026,329
8. Other				0
9. Totals	62,296,661	0	784,381	61,512,280

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	55,836,664	20,229,364						35,607,300	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	(33,648)	(294,718)						261,070	
1.4 Net	55,870,312	20,524,082	0	0	0	0	0	35,346,230	0
2. Paid medical incentive pools and bonuses	907,564							907,564	
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	7,836,994	2,864,457						4,972,537	
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	13,278	1,833						11,445	
3.4 Net	7,823,716	2,862,624	0	0	0	0	0	4,961,092	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	773,817	31,646						742,171	
6. Amounts recoverable from reinsurers December 31, current year	226,639	157,690						68,949	
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	10,836,582	6,319,486						4,517,096	
7.2 Reinsurance assumed	0								
7.3 Reinsurance ceded	13,278	1,833						11,445	
7.4 Net	10,823,304	6,317,653	0	0	0	0	0	4,505,651	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	794,760							794,760	
10. Amounts recoverable from reinsurers December 31, prior year	226,639	157,690						68,949	
11. Incurred benefits:									
11.1 Direct	52,837,076	16,774,335	0	0	0	0	0	36,062,741	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	(33,648)	(294,718)	0	0	0	0	0	261,070	0
11.4 Net	52,870,724	17,069,053	0	0	0	0	0	35,801,671	0
12. Incurred medical incentive pools and bonuses	886,621	31,646	0	0	0	0	0	854,975	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	1,830,122	514,904						1,315,218	
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	1,830,122	514,904	0	0	0	0	0	1,315,218	0
2. Incurred but unreported:									
2.1 Direct	5,485,336	2,117,746						3,367,590	
2.2 Reinsurance assumed	0								
2.3 Reinsurance ceded	13,278	1,833						11,445	
2.4 Net	5,472,058	2,115,913	0	0	0	0	0	3,356,145	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct	521,535	231,806						289,729	
3.2 Reinsurance assumed	0								
3.3 Reinsurance ceded	0								
3.4 Net	521,535	231,806	0	0	0	0	0	289,729	0
4. Totals:									
4.1 Direct	7,836,993	2,864,456	0	0	0	0	0	4,972,537	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	13,278	1,833	0	0	0	0	0	11,445	0
4.4 Net	7,823,715	2,862,623	0	0	0	0	0	4,961,092	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)	3,272,918	17,251,164	122,348	2,740,276	3,395,266	6,317,653
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	2,963,748	32,382,482	65,331	4,895,760	3,029,079	4,505,652
8. Other					0	
9. Subtotal	6,236,666	49,633,646	187,679	7,636,036	6,424,345	10,823,305
10. Medical incentive pools, accruals and disbursements	907,564			773,817	907,564	794,760
11. Totals	7,144,230	49,633,646	187,679	8,409,853	7,331,909	11,618,065

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	32,517	10,705	19
5. 2001	XXX	XXX	XXX	57,062	6,216
6. 2002	XXX	XXX	XXX	XXX	49,633

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	44,003	42,612	43,242
5. 2001	XXX	XXX	XXX	68,496	63,466
6. 2002	XXX	XXX	XXX	XXX	58,043

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	46,062	43,242	1,574	3.6	44,816	97.3			44,816	97.3
5. 2001	75,500	63,278	2,102	3.3	65,380	86.6	187		65,567	86.8
6. 2002	62,814	49,633	2,145	4.3	51,778	82.4	8,410	272	60,461	96.3
7. Total (Lines 1 through 6)	XXX	156,153	5,821	XXX	161,974	XXX	8,597	272	170,844	XXX
8. Total (Lines 2 through 6)	184,376	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	17,901	6,478	10
5. 2001	XXX	XXX	XXX	28,692	3,262
6. 2002	XXX	XXX	XXX	XXX	17,251

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	24,521	24,508	24,389
5. 2001	XXX	XXX	XXX	34,881	32,077
6. 2002	XXX	XXX	XXX	XXX	20,023

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	25,701	24,389	878	3.6	25,267	98.3			25,267	98.3
5. 2001	36,197	31,954	1,007	3.2	32,961	91.1	122		33,083	91.4
6. 2002	19,865	17,251	678	3.9	17,929	90.3	2,772	86	20,787	104.6
7. Total (Lines 1 through 6)	XXX	73,594	2,563	XXX	76,157	XXX	2,894	86	79,137	XXX
8. Total (Lines 2 through 6)	81,763	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	0.0
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	14,616	4,227	9
5. 2001	XXX	XXX	XXX	28,370	2,954
6. 2002	XXX	XXX	XXX	XXX	32,382

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	19,482	18,104	18,853
5. 2001	XXX	XXX	XXX	33,615	31,389
6. 2002	XXX	XXX	XXX	XXX	38,020

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	20,361	18,853	696	3.7	19,549	96.0			19,549	96.0
5. 2001	39,302	31,324	1,095	3.5	32,419	82.5	65		32,484	82.7
6. 2002	42,950	32,382	1,467	4.5	33,849	78.8	5,638	186	39,674	92.4
7. Total (Lines 1 through 6)	XXX	82,559	3,258	XXX	85,817	XXX	5,703	186	91,707	XXX
8. Total (Lines 2 through 6)	102,614	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)	493,000	493,000							
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)	493,000	493,000	0	0	0	0	0	0	0
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	493,000	493,000	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

(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)	80,112	155,550		235,662
2. Salaries, wages and other benefits	1,080,412	2,097,795		3,178,207
3. Commissions (less $.....0 ceded plus $.....0 assumed)	129,975	252,367		382,342
4. Legal fees and expenses	10,194	19,793		29,987
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services		1,341,986		1,341,986
7. Traveling expenses	27,282	52,973		80,255
8. Marketing and advertising		89,676		89,676
9. Postage, express and telephone	507,303	985,010		1,492,313
10. Printing and office supplies	47,476	92,183		139,659
11. Occupancy, depreciation and amortization	81,907	159,037		240,944
12. Equipment				0
13. Cost or depreciation of EDP equipment and software	19,940	38,716		58,656
14. Outsourced services including EDP, claims, and other services	290,272	563,610		853,882
15. Boards, bureaus and association fees	4,882	9,479		14,361
16. Insurance, except on real estate	19,549	37,958		57,507
17. Collection and bank service charges	6,179	11,998		18,177
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	10,096	19,604		29,700
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes	21,071	40,912		61,983
23.5 Other (excluding federal income and real estate taxes)	9,816	19,059		28,875
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	71,307	138,454	0	209,761
26. Total expenses incurred (Lines 1 to 25)	2,417,773	6,126,160	0	(a) 8,543,933
27. Add expenses unpaid December 31, prior year		1,280,628		1,280,628
28. Less expenses unpaid December 31, current year	272,475	690,334		962,809
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)	2,145,298	6,716,454	0	8,861,752

DETAILS OF WRITE-INS

2501. Other Miscellaneous	71,307	138,454		209,761
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)	71,307	138,454	0	209,761

(a) Includes management fees of $.....4,133,670 to affiliates and $.....3,580,964 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 207,590	193,430
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 75,394	76,812
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) 223,759	213,631
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	506,743	483,873
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		30,660
16.	Total deductions (Lines 11 through 15)		30,660
17.	Net investment income (Line 10 minus Line 16)		453,213

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		20,028
1502.	Operational Interest Expense		10,632
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)		30,660

(a) Includes $.....6,311 accrual of discount less $.....4,712 amortization of premium and less $.....8,135 paid for accrued interest on purchases.
(b) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued dividends on purchases.
(c) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(d) Includes $.....0 for company's occupancy of its own buildings; and excludes $.....0 interest on encumbrances.
(e) Includes $.....0 accrual of discount less $.....0 amortization of premium and less $.....0 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....0 investment expenses and $.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $.....0 interest on surplus notes and $.....0 interest on capital notes.
(i) Includes $.....0 depreciation on real estate and $.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 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	2,321		(2,342)		(21)
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)			3,942		3,942
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					0
7.	Derivative instruments					0
8.	Other invested assets			32,908		32,908
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	2,321	0	34,508	0	36,829

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	33,421	156,228	122,808
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	0	145,233	145,233
5. Total (Line 1 plus Lines 3 and 4)	33,421	301,461	268,041

DETAILS OF WRITE-INS

0401. Other Receivable		133,337	133,337
0402. Prepaids		11,896	11,896
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)	0	145,233	145,233

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	36,838	33,160	32,661	32,695	31,856	391,538
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	36,838	33,160	32,661	32,695	31,856	391,538

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 the Michigan Office of Financial and Insurance Services (OFIS) and the National Association of Insurance Commissioners. These practices differ in some respects from generally accepted accounting principles. Certain assets are considered non-admitted for statutory purposes and are excluded for the balance sheet. These non-admitted assets have been allocated to retained earning in the financial statements.

Cash and Cash Equivalents – Short-term investments with maturity of three months or less at the time of purchase are reported as cash equivalents.

Property and Equipment - Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis, over the estimated useful lives of the property, which range from 3 to 15 years.

Claims Payable – Accrued medical claims and related expenses (hospitalization and other outside medical services) include amounts billed and not paid and an estimate of costs incurred for unbilled services provided to the balance sheet date.

Premiums – Premiums are recognized in the period in which the members are entitled to health care services. Premiums billed and collected in advance are recorded as unearned premiums.

Use of Estimates – The statutory basis financial statements have been prepared in accordance with the accounting practices prescribed or permitted by the CIS, which is a comprehensive basis of accounting other than generally accepted accounting principles, and requires the use of certain estimates, the most significant of which related to incurred but unreported claims for medical services. Actual results could differ from these estimates.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

The state of Michigan has adopted codification effective January 1, 2003.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

Not applicable.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

7. INVESTMENT INCOME

All income due or accrued has been included in the filing.

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPSWM is not subject to income taxes.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

Bronson Healthcare Group, Inc. contributed capital of $1,350,450 to PHPSWM.

PHPSWM members obtain medical services from Bronson Hospital, which is part of the PHPSWM provider network. As a result, medical service expenses include approximately $12,300,000 of claims for 2002. Additionally, related parties of Bronson Practice Management and Bronson Vicksburg Hospital had medical services expense of approximately $812,000 and $240,000 respectively.

PHPSWM has a management agreement with IBA Health and Life Assurance Company for certain administrative expenses. Payments for these services were $4,363,384 during 2002.

PHPSWM is a partner with 1/3 ownership of the PHP Shared Services, L.L.C. The purpose of the PHP Shared Services, L.L.C. is to facilitate statewide contracting and to achieve economies to obtain health maintenance organization management and other required services. Payments for these services were $279,688 during 2002.

NOTES TO FINANCIAL STATEMENTS

11. DEBT

Not applicable.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTRETIREMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Not applicable

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

Not applicable.

14. CONTINGENCIES

In the ordinary course of operations, PHPSWM 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

There are no lease obligations.

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

PHPSWM 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 decreased by $11.4 million from $11.6 million in 2001 to $.2 million in 2002. Included in this decrease, PHPSWM experienced $4.4 million of favorable prior year claim development on its policies.

26. ORGANIZATION AND OPERATION

Organization

Physicians Health Plan of Southwest Michigan (PHPSWM) 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

PHPSWM is also a wholly controlled subsidiary of Bronson Healthcare Group, Inc. (Bronson).

Contractual Agreements:

Medical Services - PHPSWM 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 PHPSWM Board of Directors, which bases this decision on a number of factors including regulatory and financial criteria such as required reserve levels. The PHPSWM board of directors has approved 100 percent of the 2002 contingency reserve to be returned to providers.

Administrative services – PHPSWM 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, 2005. The services fees paid to UHS by PHPSWM are calculated based on a determined dollar amount per member per month. PHPSWM 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 $3,600,000.

27. MINIMUM NET WORTH REQUIREMENTS

Under the laws of the State of Michigan, PHPSWM 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. Also Section 3551 (4) states that the commissioner shall take into account the risk-based capital requirements as developed by the NAIC in order to determine compliance with Section 403 under this section. PHPSWM has net worth of approximately $7,500,000 and is in compliance with the capital and surplus requirements at year-end 2002.

The State of Michigan further requires health maintenance organizations (HMO's) to maintain positive working capital defined as current assets less current liabilities. PHPSWM has positive working capital of approximately $2,100,000 when measured using the statutory basis of accounting.

In addition, the State of Michigan requires PHPSWM 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, PHPSWM has approximately $1,100,000 to meet the required level for statutory deposits. PHPSWM 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		0.0		0.0
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.0		0.0
1.22 Issued by U.S. government sponsored agencies		0.0		0.0
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	1,627,924	10.3	1,627,924	10.4
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	2,309,317	14.7	2,309,317	14.7
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		0.0		0.0
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)		0.0		0.0
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		0.0		0.0
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		0.0		0.0
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	11,483,401	72.9	11,483,401	73.0
9. Other invested assets	336,101	2.1	302,680	1.9
10. Total invested assets	15,756,743	100.0	15,723,322	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 [X] No [ ]

2.2 If yes, date of change: 02/28/2002
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? Michigan Office of Financial and 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 LLP
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?
Mr Gregory Herrle, FSA, MAAA
Milliman USA, 15800 Bluemound Road, Suite 400 Brookfield, WI 53005-6069

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 [X] No [ ]

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 [X]	Yes [ ] No [X]
Common	50,000.000	450.000	1.00	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
National City Trust NA	100 E. MIchigan Ave, Kalamazoo MI, 49005

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
	Mr Kenneth Hartley, Compass Bank, NA	7335 E Doubletree Ranch Road, Scottsdale AZ, 85258

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $.....25,157

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
Michigan Assn. Health Plans	25,157

24.1 Amount of payments for legal expenses, if any? $.....20,670

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
Nyen, Tomtishen & Ayou	20,091

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 [X]

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 $.....190,000

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:

Plan carried coordination of benefits coverage for insolvency as a rider to its stop-loss agreement. Provider contracts contain language stating that in no event, including insolvency of Payor, shall the Provider seek payment from the Member or persons acting on behalf of the Member for Health Services eligible for reimbursement under this Agreement.

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 1,156

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 $.....703,397

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
Kalamazoo, Allegan, Berrien, Barry, Branch, Calhoun, Cass, St. Joseph, Van Buren

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)	18,588,141	20,187,016	15,543,700		
2. Total liabilities (Page 3, Line 18)	11,134,817	14,630,581	13,953,208		
3. Statutory surplus	7,452,874	5,555,985	4,499,550		
4. Total capital and surplus (Page 3, Line 26)	7,453,324	5,556,435	1,590,492		
Income Statement Items (Page 4)					
5. Total revenues (Line 7)	62,030,109	74,502,993	46,061,914		
6. Total medical and hospital expenses (Line 17)	53,757,344	66,885,262	42,720,972		
7. Total administrative expenses (Line 19)	6,126,158	7,735,119	6,679,607		
8. Net underwriting gain (loss) (Line 22)	(271,167)	(1,256,518)	(3,126,943)		
9. Net investment gain (loss) (Line 25)	455,534	657,945	537,599		
10. Total other income (Lines 26 plus 27)					
11. Net income or (loss) (Line 30)	184,367	(598,573)	(2,589,344)		
Risk-Based Capital Analysis					
12. Total adjusted capital	7,453,324	5,556,435	1,590,492		
13. Authorized control level risk-based capital	2,510,114	3,044,616	3,777,311		
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	31,856	36,838	43,381		
15. Total member months (Column 6, Line 7)	391,538	465,404	319,498		
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)	86.7	89.8	92.7		
18. Total underwriting deductions (Line 21)	100.4	101.7	106.8		
19. Total underwriting gain (loss) (Line 22)	(0.4)	(1.7)	6.8		
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	7,331,909	11,563,950			
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	11,618,065	12,248,510			

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	302,680	291,173	139,379		
28. Total of above Lines 22 to 27	302,680	291,173	139,379	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	2,309,317	2,318,626	2,311,355	2,300,000
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	2,309,317	2,318,626	2,311,355	2,300,000
	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				
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	0	0	0	0
	17. United States				
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States	1,627,924	1,712,375	1,620,533	1,640,000
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	1,627,924	1,712,375	1,620,533	1,640,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	3,937,240	4,031,001	3,931,888	3,940,000
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**	3,937,240	4,031,001	3,931,888	

(a) The aggregate value of bonds which are valued at other than actual fair value is $.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year		5,659,157
2. Cost of bonds and stocks acquired, Column 6, Part 3		3,049,163
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	1,905	
3.2 Column 12, Part 2, Section 1		
3.3 Column 10, Part 2, Section 2		
3.4 Column 10, Part 4	(305)	1,600
4. Total gain (loss), Column 14, Part 4		2,321
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		4,775,000

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		3,937,240
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		3,937,240
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		3,937,240

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only 3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums
1. Alabama AL		Invalid				
2. Alaska AK		Invalid				
3. Arizona AZ		Invalid				
4. Arkansas AR		Invalid				
5. California CA		Invalid				
6. Colorado CO		Invalid				
7. Connecticut CT		Invalid				
8. Delaware DE		Invalid				
9. District of Columbia DC		Invalid				
10. Florida FL		Invalid				
11. Georgia GA		Invalid				
12. Hawaii HI		Invalid				
13. Idaho ID		Invalid				
14. Illinois IL		Invalid				
15. Indiana IN		Invalid				
16. Iowa IA		Invalid				
17. Kansas KS		Invalid				
18. Kentucky KY		Invalid				
19. Louisiana LA		Invalid				
20. Maine ME		Invalid				
21. Maryland MD		Invalid				
22. Massachusetts MA		Invalid				
23. Michigan MI	No	Yes	19,814,520		42,482,141	
24. Minnesota MN		Invalid				
25. Mississippi MS		Invalid				
26. Missouri MO		Invalid				
27. Montana MT		Invalid				
28. Nebraska NE		Invalid				
29. Nevada NV		Invalid				
30. New Hampshire NH		Invalid				
31. New Jersey NJ		Invalid				
32. New Mexico NM		Invalid				
33. New York NY		Invalid				
34. North Carolina NC		Invalid				
35. North Dakota ND		Invalid				
36. Ohio OH		Invalid				
37. Oklahoma OK		Invalid				
38. Oregon OR		Invalid				
39. Pennsylvania PA		Invalid				
40. Rhode Island RI		Invalid				
41. South Carolina SC		Invalid				
42. South Dakota SD		Invalid				
43. Tennessee TN		Invalid				
44. Texas TX		Invalid				
45. Utah UT		Invalid				
46. Vermont VT		Invalid				
47. Virginia VA		Invalid				
48. Washington WA		Invalid				
49. West Virginia WV		Invalid				
50. Wisconsin WI		Invalid				
51. Wyoming WY		Invalid				
52. American Samoa AS		Invalid				
53. Guam GU		Invalid				
54. Puerto Rico PR		Invalid				
55. U.S. Virgin Islands VI		Invalid				
56. Canada CN		Invalid				
57. Aggregate Other alien OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	19,814,520	0	42,482,141	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

NAME	DOMICILE	% OWNED	FEIN	NAIC CO CODE
Bronson Healthcare Group, Inc.	MI	100	38-2418383	
Bronson Methodist Hospital	MI	100	38-1359087	
Bronson Vicksburg Hospital	MI	100	38-2610349	
Bronson Properties Corporation	MI	100	38-6052573	
Bronson Health Foundation	MI	100	38-2415081	
Child Care Plus, Inc.	MI	100	38-2767444	
KalamazooCounty Safe Kids Coalition	MI	100	38-3283257	
Hospital Network, Inc.	MI	71.5	38-2625715	
Van Buren Emergency Medical Services, Inc.	MI	50	38-2745910	
AlleganEmergency Medical Services, Inc.	MI	50	38-2893665	
VanBuren Healthcare Services Corporation	MI	50	38-3027386	
West Michigan Air Care, Inc.	MI	50	38-3067256	
West Michigan Cancer Center	MI	50	38-3061574	
West Michigan Health Ventures, Inc.	MI	50	38-2938976	
Michigan Health Partners	MI	100	38-3252721	
Michigan HealthLink	MI	50	38-3145044	
FirstHealth Development Corporation	MI	50	38-2787945	
Physicians Health Plan of Southwest Michigan	MI	100	38-3376063	52569
Physicians Health Plan Shared Services L.L.C.	MI	33.3	38-3361367	
BronsonManagement Services Corporation	MI	100	38-2415032	
IBA Health and Life Assurance Company	MI	100	38-2346432	81450
Southwest Michigan Health Network, Inc.	MI	100	38-2609888	
IBA Self Funded Group, Inc.	MI	100	38-2432067	
Bronson Practice Management, Inc.	MI	100	38-2511179	
Bronson Physician Services, Inc	MI	100	38-2756971	
Bronson Retirement Center, Inc.	MI	100	38-2850098	
Bronson Community Home Care, Inc.	MI	100	38-3277697	
Bronson Lifestyle Improvement & Research Center	MI	100	38-3552556	

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

PART 1 – ORGANIZATIONAL CHART