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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2003

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)*	
Main Administrative Office	One Jackson Square ..... Jackson ..... MI ..... 49201 *(Street and Number) (City or Town, State and Zip Code)*	800-428-7163 *(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)*	800-428-7163 *(Area Code) (Telephone Number)*
Internet Website Address	N/A	
Statutory 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)*	800-428-7163 *(Area Code) (Telephone Number) (Extension)*

OFFICERS

President ..... Greg Gieseman Chief Financial Officer ..... David Spring Secretary/ Treasurer ..... 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
Mark Browne M.D.	Phil Milhoan	Carolyn Bradley	

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	David Spring
(Printed Name)	(Printed Name)	(Printed Name)

Subscribed and sworn to before me this

.....day of ....., 2004

.....

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 (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	8,429,747		8,429,747	8,733,190
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks			0	
3. Mortgage loans on real estate (Schedule B):				
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)	60,103	9,015	51,087	73,948
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(2,157,806), Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....23,531,171 Sch. DA)	21,373,365		21,373,365	14,628,840
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)	360,266	44,507	315,759	302,679
8. Receivable for securities			0	
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	30,223,481	53,522	30,169,959	23,738,657
11. Investment income due and accrued	91,406		91,406	120,960
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in course of collection	336,885	16,273	320,612	251,661
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
12.3 Accrued retrospective premiums			0	
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	89,170		89,170	39,172
13.2 Funds held by or deposited with reinsured companies			0	
13.3 Other amounts receivable under reinsurance contracts			0	
14. Amounts receivable relating to uninsured plans			0	
15.1 Current federal and foreign income tax recoverable and interest thereon			0	
15.2 Net deferred tax asset			0	
16. Guaranty funds receivable or on deposit			0	
17. Electronic data processing equipment and software	68,324		68,324	38,099
18. Furniture and equipment, including health care delivery assets ($.....0)	3,120	468	2,652	6,541
19. Net adjustment in assets and liabilities due to foreign exchange rates			0	
20. Receivable from parent, subsidiaries and affiliates	31,243		31,243	41,172
21. Health care ($.....635,920) and other amounts receivable	635,920		635,920	501,710
22. Other assets nonadmitted			0	
23. Aggregate write-ins for other than invested assets	192,096	179,763	12,334	73,075
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	31,671,647	250,026	31,421,620	24,811,047
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	31,671,647	250,026	31,421,620	24,811,047

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
0999. Totals (Lines 0901 thru 0903 plus 0999) (Line 9 above)	0	0	0	0
2301. Prepaid Insurance	179,763	179,763	0	
2302. Other Receivable	12,334		12,334	73,075
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	192,096	179,763	12,334	73,075

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $.....124,322 reinsurance ceded)	8,964,488	1,295,885	10,260,372	8,155,486
2. Accrued medical incentive pool and bonus amounts	2,181,252		2,181,252	2,640,239
3. Unpaid claims adjustment expenses	810,220		810,220	494,026
4. Aggregate health policy reserves			0	
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	493,648		493,648	1,134,369
9. General expenses due or accrued	1,618,498		1,618,498	1,120,439
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable	81,641		81,641	
12. Amounts withheld or retained for the account of others			0	
13. Remittances and items not allocated			0	
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	495,685		495,685	323,935
16. Payable for securities			0	
17. Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18. Reinsurance in unauthorized companies			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	
20. Liability for amounts held under uninsured accident and health plans			0	
21. Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	14,645,431	1,295,885	15,941,316	13,868,494
23. Common capital stock	XXX	XXX		
24. Preferred capital stock	XXX	XXX		
25. Gross paid in and contributed surplus	XXX	XXX	10,888,193	10,888,193
26. Surplus notes	XXX	XXX		
27. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
28. Unassigned funds (surplus)	XXX	XXX	4,592,111	54,360
29. Less treasury stock at cost:				
29.1 .....0.000 shares common (value included in Line 23 $.....0)	XXX	XXX		
29.2 .....0.000 shares preferred (value included in Line 24 $.....0)	XXX	XXX		
30. Total capital and surplus (Lines 23 to 28 minus Line 29)	XXX	XXX	15,480,304	10,942,553
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	31,421,620	24,811,047

DETAILS OF WRITE-INS

2101.			0	
2102.			0	
2103.			0	
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2701.	XXX	XXX		
2702.	XXX	XXX		
2703.	XXX	XXX		
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 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	344,559	354,225
2. Net premium income (including $.....0 non-health premium income)	XXX	73,781,470	67,336,600
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. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	73,781,470	67,336,600
Hospital and Medical:			
9. Hospital/medical benefits	5,151,360	40,786,696	44,999,494
10. Other professional services	641,061	5,075,701	26,529
11. Outside referrals			
12. Emergency room and out-of-area	308,943	2,446,103	
13. Prescription drugs	1,210,346	9,583,102	10,556,884
14. Aggregate write-ins for other hospital and medical	(2,249)	(17,810)	3,768
15. Incentive pool, withhold adjustments and bonus amounts		2,696,736	2,313,578
16. Subtotal (Lines 9 to 15)	7,309,460	60,570,528	57,900,253
Less:			
17. Net reinsurance recoveries		175,681	243,008
18. Total hospital and medical (Lines 16 minus 17)	7,309,460	60,394,847	57,657,245
19. Non-health claims			
20. Claims adjustment expenses		3,100,125	2,588,611
21. General administrative expenses		6,191,541	5,871,979
22. Increase in reserves for life and accident and health contracts including $.....0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)	7,309,460	69,686,513	66,117,835
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	4,094,957	1,218,765
25. Net investment income earned		322,693	397,601
26. Net realized capital gains or (losses)		46,882	150,160
27. Net investment gains or (losses) (Lines 25 plus 26)	0	369,576	547,761
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	4,464,533	1,766,526
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	4,464,533	1,766,526

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
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Other Medical Costs	(2,249)	(17,810)	3,768
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	(2,249)	(17,810)	3,768
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	10,942,553	7,029,004
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	4,464,533	1,766,526
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses	24,166	32,907
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	49,052	(299,078)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		2,303,193
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	110,001
48. Net change in capital and surplus (Lines 34 to 47)	4,537,750	3,913,549
49. Capital and surplus end of reporting period (Line 33 plus 48)	15,480,304	10,942,553

DETAILS OF WRITE-INS

4701. Accounts Receivable allowance for bad debt and retroactivity		110,001
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	110,001

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	73,071,798	68,150,950
2. Net investment income	530,545	425,528
3. Miscellaneous income	44,186	
4. Total (Lines 1 through 3)	73,646,529	68,576,478
5. Benefit and loss related payments	61,501,235	61,336,419
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	5,693,482	6,197,234
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net tax on capital gains (losses)		
10. Total (Lines 5 through 9)	67,194,717	67,533,653
11. Net cash from operations (Line 4 minus Line 10)	6,451,812	1,042,825
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	3,954,097	5,564,122
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,954,097	5,564,122
13. Cost of investments acquired (long-term only):		
13.1 Bonds	3,777,252	14,262,786
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		303,193
13.6 Miscellaneous applications	(19,349)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,757,904	14,565,979
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	196,193	(9,001,857)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		2,303,193
16.3 Borrowed funds received		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	96,520	770,109
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	96,520	3,073,302
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	6,744,525	(4,885,730)
19. Cash and short-term investments:		
19.1 Beginning of year	14,628,840	19,514,570
19.2 End of year (Line 18 plus Line 19.1)	21,373,365	14,628,840

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

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Net premium income	73,781,470	73,772,160						9,310					
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	73,781,470	73,772,160	0	0	0	0	0	9,310	0	0	0	0	0
8. Hospital/medical benefits	40,786,696	40,786,696											XXX
9. Other professional services	5,075,701	5,075,701											XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	2,446,103	2,446,103											XXX
12. Prescription drugs	9,583,102	9,583,102											XXX
13. Aggregate write-ins for other hospital and medical	(17,810)	(17,810)	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	2,696,736	2,696,736											XXX
15. Subtotal (Lines 8 to 14)	60,570,528	60,570,528	0	0	0	0	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	175,681	175,681											XXX
17. Total hospital and medical (Lines 15 minus 16)	60,394,847	60,394,847	0	0	0	0	0	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses	3,100,125	3,100,125											
20. General administrative expenses	6,191,541	6,191,541											
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	69,686,513	69,686,513	0	0	0	0	0	0	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	4,094,957	4,085,647	0	0	0	0	0	9,310	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0												XXX
0502.	0												XXX
0503.	0												XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Other Medical Costs	(17,810)	(17,810)											XXX
1302.	0												XXX
1303.	0												XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	(17,810)	(17,810)	0	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	74,498,487		726,327	73,772,160
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid	9,310			9,310
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	74,507,797	0	726,327	73,781,470
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	74,507,797	0	726,327	73,781,470

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Payments during the year:													
1.1 Direct	55,739,620	55,739,620											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	(37,811)	(37,811)											
1.4 Net	55,777,431	55,777,431	0	0	0	0	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	3,155,724	3,155,724											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	9,748,774	9,748,774											
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	124,323	124,323											
3.4 Net	9,624,451	9,624,451	0	0	0	0	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	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	2,181,251	2,181,251											
6. Amounts recoverable from reinsurers December 31, current year	89,170	89,170											
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct	7,614,603	7,614,603											
7.2 Reinsurance assumed	0												
7.3 Reinsurance ceded	0												
7.4 Net	7,614,603	7,614,603	0	0	0	0	0	0	0	0	0	0	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	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	2,640,238	2,640,238											
10. Amounts recoverable from reinsurers December 31, prior year	0												
11. Incurred benefits:													
11.1 Direct	57,873,791	57,873,791	0	0	0	0	0	0	0	0	0	0	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	175,682	175,682	0	0	0	0	0	0	0	0	0	0	0
11.4 Net	57,698,109	57,698,109	0	0	0	0	0	0	0	0	0	0	0
12. Incurred medical incentive pools and bonuses	2,696,737	2,696,737	0	0	0	0	0	0	0	0	0	0	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	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct	2,250,641	2,250,641											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	124,323	124,323											
1.4 Net	2,126,318	2,126,318	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	8,134,053	8,134,053											
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	8,134,053	8,134,053	0	0	0	0	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	0	0	0	0
4. Totals:													
4.1 Direct	10,384,694	10,384,694	0	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	124,323	124,323	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	10,260,371	10,260,371	0	0	0	0	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 (hospital and medical)	3,698,428	52,079,003	214,854	9,320,427	3,913,282	7,614,603
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	3,698,428	52,079,003	214,854	9,320,427	3,913,282	7,614,603
10. Other non-health					0	
11. Medical incentive pools, accruals and disbursements	3,008,346	147,378	305,006	1,876,245	3,313,352	2,640,238
12. Totals (Lines 9 to 11)	6,706,774	52,226,381	519,860	11,196,672	7,226,634	10,254,841

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX	27,165	8,433	99	
4. 2001	XXX	XXX	43,950	7,366	(5)
5. 2002	XXX	XXX	XXX	48,943	3,704
6. 2003	XXX	XXX	XXX	XXX	52,079

SECTION B - INCURRED HEALTH 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 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX	37,774	35,720	35,697	35,697
4. 2001	XXX	XXX	56,208	51,448	51,311
5. 2002	XXX	XXX	XXX	59,607	52,862
6. 2003	XXX	XXX	XXX	XXX	61,399

SECTION C - INCURRED YEAR HEALTH 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 1999	XXX			XXX	0	0.0			0	0.0
2. 1999				0.0	0	0.0			0	0.0
3. 2000	39,876	35,697	1,262	3.5	36,959	92.7			36,959	92.7
4. 2001	62,748	51,311	3,518	6.9	54,829	87.4			54,829	87.4
5. 2002	67,966	52,647	2,095	4.0	54,742	80.5	457		55,199	81.2
6. 2003	74,498	52,079	3,100	6.0	55,179	74.1	11,984	810	67,973	91.2
7. Total (Lines 1 through 6)	XXX	191,734	9,975	XXX	201,709	XXX	12,441	810	214,960	XXX
8. Total (Lines 2 through 6)	245,088	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 HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX	25,314	8,394	99	
4. 2001	XXX	XXX	43,748	7,366	(5)
5. 2002	XXX	XXX	XXX	48,943	3,704
6. 2003	XXX	XXX	XXX	XXX	52,079

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX	35,594	33,830	33,807	33,807
4. 2001	XXX	XXX	56,001	51,245	51,108
5. 2002	XXX	XXX	XXX	59,607	52,862
6. 2003	XXX	XXX	XXX	XXX	61,399

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

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 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000	39,876	33,807	1,262	3.7	35,069	87.9			35,069	87.9
4. 2001	62,748	51,108	3,518	6.9	54,626	87.1			54,626	87.1
5. 2002	67,966	52,647	2,095	4.0	54,742	80.5	457		55,199	81.2
6. 2003	74,498	52,079	3,100	6.0	55,179	74.1	11,984	810	67,973	91.2
7. Total (Lines 1 through 6)	XXX	189,641	9,975	XXX	199,616	XXX	12,441	810	212,867	XXX
8. Total (Lines 2 through 6)	245,088	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	CUmulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX	1,851	39		
4. 2001	XXX	XXX	202		
5. 2002	XXX	XXX	XXX		
6. 2003	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior					
2. 1999					
3. 2000	XXX	2,180	1,890	1,890	1,890
4. 2001	XXX	XXX	207	203	203
5. 2002	XXX	XXX	XXX		
6. 2003	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH 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 1999	XXX			XXX	0	XXX			0	XXX
2. 1999				0.0	0	0.0			0	0.0
3. 2000		1,890		0.0	1,890	0.0			1,890	0.0
4. 2001		203		0.0	203	0.0			203	0.0
5. 2002				0.0	0	0.0			0	0.0
6. 2003				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)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

U & I Ex.-Pt.2D
NONE

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)	57,552	114,210		171,762
2. Salaries, wages and other benefits	1,094,595	2,088,440		3,183,035
3. Commissions (less $.....0 ceded plus $.....0 assumed)	753,855	1,580,775		2,334,630
4. Legal fees and expenses	26,710	53,525		80,235
5. Certifications and accreditation fees				0
6. Auditing, actuarial and other consulting services		531,848		531,848
7. Traveling expenses	10,157	20,570		30,727
8. Marketing and advertising		93,235		93,235
9. Postage, express and telephone	672,610	908,877		1,581,487
10. Printing and office supplies	49,586	105,950		155,536
11. Occupancy, depreciation and amortization	70,892	102,976		173,868
12. Equipment				0
13. Cost or depreciation of EDP equipment and software	17,215	36,674		53,889
14. Outsourced services including EDP, claims, and other services	196,372	294,557		490,929
15. Boards, bureaus and association fees	7,268	15,842		23,110
16. Insurance, except on real estate	40,546	88,374		128,920
17. Collection and bank service charges	97	204		301
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	42,116	55,828		97,944
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes	(431)	(571)		(1,002)
23.5 Other (excluding federal income and real estate taxes)	9,583	16,330		25,913
24. Investment expenses not included elsewhere				0
25. Aggregate write-ins for expenses	51,400	83,898	0	135,298
26. Total expenses incurred (Lines 1 to 25)	3,100,125	6,191,541	0	(a) 9,291,666
27. Less expenses unpaid December 31, current year	810,220	1,618,498		2,428,718
28. Add expenses unpaid December 31, prior 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 minus 27 plus 28 minus 29 plus 30)	2,783,931	5,693,482	0	8,477,413

DETAILS OF WRITE-INS

2501. Other Miscellaneous	51,400	83,898		135,298
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)	51,400	83,898	0	135,298

(a) Includes management fees of $.....0 to affiliates and $.....3,271,764 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 226,298	197,623
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 27,581	40,714
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) 190,542	178,308
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	444,421	416,644
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		93,951
16.	Total deductions (Lines 11 through 15)		93,951
17.	Net investment income (Line 10 minus Line 16)		322,693

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		93,951
1502.			
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)		93,951

(a) Includes $.....549 accrual of discount less $.....174,031 amortization of premium and less $.....32,210 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 $.....1,776 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	42,174		(147,048)		(104,874)
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)	4,708		(26,434)		(21,726)
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			24,166	(44,507)	(20,341)
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	46,882	0	(149,316)	(44,507)	(146,941)

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 12 to 20, Column 2	16,741	127,633	110,892
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	233,285	171,445	(61,840)
5. Total (Line 1 plus Lines 3 and 4)	250,026	299,078	49,052

DETAILS OF WRITE-INS

0401. Prepaid Insurance	179,763	138,024	(41,739)
0402. Other Invested Assets	44,507	33,421	(11,086)
0403. Real Estate	9,015		(9,015)
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)	233,285	171,445	(61,840)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

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	28,062	28,830	28,486	28,184	29,222	344,559
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	28,062	28,830	28,486	28,184	29,222	344,559

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services (OFIS) and the National Association of Insurance Commissioners (the NAIC). These practices differ in some respects from generally accepted accounting principles (GAAP). Certain assets are considered non-admitted for statutory purposes and are excluded from the balance sheet. These non-admitted assets have been allocated to retained earnings (deficit) in the financial statements.

Cash and Cash Equivalents – Cash and cash equivalents include operating cash and short-term investments with original maturities of one year or less at the time of purchase. These amounts are reported at cost, which approximates fair value.

Investments – Debt securities consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.

Property and Equipment - Property and equipment are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

Health Care Costs – Health care costs include claims paid, claims in process and pending and estimated unreported claims and charges by physicians, hospitals and other health care providers for services rendered to members during the year. Adjustments to prior period estimates are reported in the current period, and changes in these estimates may be significant. Given the nature of these expenses, amounts accrued at year-end are paid predominantly in the following year.

Claims payable are determined using statistical analyses and represent estimates of the ultimate net cost of all reported and unreported claims that are unpaid at the end of each accounting period. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the liabilities for claims are adequate.

Premiums – Premiums are billed monthly for coverage for the following month and are recognized as revenue in the month for which insurance protection is provided. Premiums collected in advance of services rendered are reflected as unearned premiums.

Use of Estimates – The preparation of financial statements in conformity with accounting practices prescribed and permitted by OFIS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

Not applicable.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

Not applicable.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Not applicable.

7. INVESTMENT INCOME

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

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPSM is not subject to income taxes.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

PHPSM is a wholly owned subsidiary of Foote Health System, which has contributed capital to PHPSM of $2,303,193 since its inception in 2000.

PHPSM has a provider agreement with W. A. Foote Memorial Hospital (Foote), an affiliated entity. Foote provides inpatient and outpatient hospital services to PHPSM members under the terms of this annually renewable contract. Total payments to Foote for hospital and physician services were $13,362,000 in 2003.

NOTES TO FINANCIAL STATEMENTS

PHPSM is a member of PHP Shared Services, LLC (Shared Services), which was formed to provide services for the benefit of the member entities under the common trade identification of "Physicians Health Plan", including statewide marketing, contracting and other services. In addition to the recorded investment in Shared Services, LLC, PHSPM pays Shared Services a monthly fee for licensing and reimbursement of operating expenses.

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

Not applicable.

15. LEASES

PHPSM leases office space and telephone equipment from Foote, with a lease agreement in effect through May 2008. During 2003, the Company made rental payments of $164,000. Pursuant to the lease agreement, the rent is adjusted annually based upon changes in the Consumer Price Index.

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

Not applicable.

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

Not applicable.

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

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. EVENTS SUBSEQUENT

No events occurred subsequent to December 31, 2003 that require disclosure.

22. REINSURANCE

Not applicable.

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

Not applicable.

24. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Reserves for incurred claims attributable to insured events of prior years have decreased by $9,734,000 million from $10,254,000 million in 2002 to $520,000 million in 2003. Claims payments accounted for $6,707,000 of this change while $3,027,000 is due to changes in estimates, which are included in medical services expense in the accompanying statutory statements of operations.

25. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

NOTES TO FINANCIAL STATEMENTS

26. STRUCTURED SETTLEMENTS

Not applicable.

27. HEALTH CARE RECEIVABLES

A.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2003	231	-	-		
9/30/2003	173	165	160		
6/30/2003	203	163	149		
3/30/2003	142	175	160		
12/31/2002	182	175	122		
9/30/2002	168	181	116		
6/30/2002	180	218	175		
3/30/2002	160	210	203		
12/31/2001	203	181	172		
9/30/2001	207	152	147		
6/30/2001	262	151	150		
3/30/2001	-	-	-		

B.

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received All Other
2003	2003	-	232	-	232	-	-	-	-
2002	2002	-	236	206	-	-	206	-	-
2001	2001	-	-	-	-	-	-	-	-

28. PARTICIPATING POLICIES

Not applicable.

29. PREMIUM DEFICIENCY RESERVES

PHP of South Michigan is not required to have a premium deficiency reserve.

30. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2003 and 2002, 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.

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	3,385,493	11.2	3,385,493	11.2
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	1,927,137	6.4	1,927,137	6.4
1.22 Issued by U.S. government sponsored agencies	1,353,048	4.5	1,353,048	4.5
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		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)	1,764,069	5.8	1,764,069	5.8
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
4.6 Mezzanine real estate loans		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company	60,103	0.2	51,087	0.2
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	21,373,365	70.7	21,373,366	70.8
9. Other invested assets	360,266	1.2	315,759	1.0
10. Total invested assets	30,223,481	100.0	30,169,959	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. 12/31/2001

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). 03/25/2003

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 [X] No [ ]

4.12 renewals? Yes [X] No [ ]

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. .....%

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)

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator].

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

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

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

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

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

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

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

11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

BOARD OF DIRECTORS

12. 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]

13. 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 [ ]

14. 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

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

15.11 To directors or other officers 0

15.12 To stockholders not officers 0

15.13 Trustees, supreme or grand (Fraternal only) 0

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

15.21 To directors or other officers 0

15.22 To stockholders not officers 0

15.23 Trustees, supreme or grand (Fraternal only) 0

16.1 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]

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

16.21 Rented from others .....

16.22 Borrowed from others .....

16.23 Leased from others .....

16.24 Other .....

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

17.1 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]

17.2 If answer is yes:

17.21 Amount paid as losses or risk adjustment .....

17.22 Amount paid as expenses .....

17.23 Other amounts paid .....

GENERAL INTERROGATORIES (continued)

INVESTMENT

18. 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

19.1 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 3-Special Deposits? Yes [X] No [ ]

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

20.1 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 3-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 16.1) Yes [ ] No [X]

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

20.21 Loaned to others .....
20.22 Subject to repurchase agreements .....
20.23 Subject to reverse repurchase agreements .....
20.24 Subject to dollar repurchase agreements .....
20.25 Subject to reverse dollar repurchase agreements .....
20.26 Pledged as collateral .....
20.27 Placed under option agreements .....
20.28 Letter stock or securities restricted as to sale .....
20.29 Other .....

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

20.31
20.32
20.33
20.34
20.35
20.36
20.37
20.38
20.39

For categories (20.21) and (20.23) 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.

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

21.2 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.

22.1 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]

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

GENERAL INTERROGATORIES (continued)

INVESTMENT

23. 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 [ ]

23.01 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	Detroit, MI 48275

23.02 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)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [ ] No [X]

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

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

23.05 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 St, Birmingham, MI 48009

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [X]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999. TOTAL		0

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

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

GENERAL INTERROGATORIES (continued)

OTHER

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

25.2 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

26.1 Amount of payments for legal expenses, if any? $.....78,285

26.2 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
Foster, Swift, Collins & Smith	25,698
Leonard, Street & Deinard	52,587

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

27.2 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. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	73,781,470	67,336,600
2.2 Premium Denominator	73,781,470	67,336,600
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	11,716,532	10,795,723
2.5 Reserve Denominator	12,441,624	10,795,725
2.6 Reserve Ratio (2.4/2.5)	94.2	100.0

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

3.2 If yes, give particulars:

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

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

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

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....210,000

5.32 Medical only $.....0

5.33 Medicare supplement $.....0

5.34 Dental $.....0

5.35 Other limited benefit plan $.....0

5.36 Other $.....0

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

Provider Contracts include standard hold harmless languate to protect consumers in the event of insovency.

This Protection is a benefit of the Reinsurance coverage. PHPSM adheres to the Statutory deposit requirement established under insurance code.

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

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 1,220

8.2 Number of providers at end of reporting year 1,205

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

9.2 If yes, direct premium earned:

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

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

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES (continued)

10.1 Does the reporting entity have Incentive Pool, Withhold and Bonus arrangements in its provider contracts? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $.....0

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

10.23 Maximum amount payable withholds $.....2,181,252

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

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or Yes [X] No [ ]

11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No [ ]

11.3 If yes, show the name of the state requiring such net worth. Michigan

11.4 If yes, show the amount required. $.....5,743,112

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation:
The Calculation is derived from the 200 percent authorized control level from the Risk Based Capital Filing.

12. 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 2003	2 2002	3 2001	4 2000	5 1999
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	31,421,620	24,811,047	21,721,808	18,144,979	
2. Total liabilities (Page 3, Line 22)	15,941,316	13,868,494	14,692,803	13,738,880	
3. Statutory surplus	5,743,112	5,480,962	5,159,986		
4. Total capital and surplus (Page 3, Line 30)	15,480,304	10,942,553	7,029,005	4,406,099	
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	73,781,470	67,336,600	62,063,789	40,457,182	
6. Total medical and hospital expenses (Line 18)	60,394,847	57,657,245	54,200,570	38,108,228	
7. Total administrative expenses (Line 21)	6,191,541	5,871,979	4,213,455	5,600,653	
8. Net underwriting gain (loss) (Line 24)	4,094,957	1,218,765	931,748		
9. Net investment gain (loss) (Line 27)	369,576	547,761	763,955		
10. Total other income (Lines 28 plus 29)					
11. Net income or (loss) (Line 32)	4,464,533	1,766,526	1,695,704	(3,251,699)	
Risk-Based Capital Analysis					
12. Total adjusted capital	15,480,304	10,942,553	7,029,005	4,406,099	
13. Authorized control level risk-based capital	2,871,556	2,758,205	2,579,993	3,204,724	
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	29,222	28,062	31,494	30,910	
15. Total member months (Column 6, Line 7)	344,559	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 hospital and medical (Line 18)	81.9	85.6	87.3		
18. Total underwriting deductions (Line 23)	94.4	98.2	98.5		
19. Total underwriting gain (loss) (Line 24)	5.6	1.8	1.5		
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 12, Col. 5)	7,226,634	11,294,012	8,567,201		
21. Estimated liability of unpaid claims - [prior year (Line 12, Col. 6)]	10,254,841	12,380,313	10,655,175		
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	315,759	302,679			
28. Total of above Lines 22 to 27	315,759	302,679	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	6,428,483	6,446,244	6,574,933	6,250,000
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	6,428,483	6,446,244	6,574,933	6,250,000
	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	237,195	235,574	236,747	240,000
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	237,195	235,574	236,747	240,000
	17. United States				
Public Utilities	18. Canada				
(unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States	1,764,069	1,761,150	1,792,869	1,685,000
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	1,764,069	1,761,150	1,792,869	1,685,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	8,429,747	8,442,968	8,604,549	8,175,000
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**	8,429,747	8,442,968	8,604,549	

(a) The aggregate value of bonds which are valued at other than actual fair value is $.....4,129,529.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year		8,733,190
2. Cost of bonds and stocks acquired, Column 6, Part 3		3,777,252
3. Increase (decrease) by adjustment:		
3.1 Column 16, Part 1	(131,417)	
3.2 Column 12, Part 2, Section 1		
3.3 Column 10, Part 2, Section 2		
3.4 Column 10, Part 4	(42,065)	(173,482)
4. Total gain (loss), Column 14, Part 4		46,883
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4		3,954,097
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		8,429,747
8. Total valuation allowance		
9. Subtotal (Lines 7 plus 8)		8,429,747
10. Total nonadmitted amounts		
11. Statement value of bonds and stocks, current period		8,429,747

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	1	2	Direct Business Only					
			3	4	5	6	7	8
State, Etc.	Guaranty Fund (YES or NO)	Is Insurer Licensed? (YES or NO)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Deposit-Type Contract Funds	Property/ Casualty 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	74,498,487		9,310			
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	0	0
58. Total (Direct Business)	XXX	(a) 1	74,498,487	0	9,310	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	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(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

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

PART 1 – ORGANIZATIONAL CHART