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ANNUAL STATEMENT

For the Year Ending December 31, 2005

of the Condition and Affairs of the

Blue Care Network of Michigan

NAIC Group Code.....572, 572 (Current Period) (Prior Period) NAIC Company Code..... 95610 Employer's ID Number..... 38-2359234

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 [X] No [ ]

Incorporated/Organized..... May 6, 1981 Commenced Business..... May 13, 1981

Statutory Home Office	20500 Civic Center Drive… Southfield ..... MI ..... 48076 *(Street and Number) (City, State and Zip Code)*	
Main Administrative Office	20500 Civic Center Drive… Southfield ..... MI ..... 48076 *(Street and Number) (City, State and Zip Code)*	248-799-6400 *(Area Code) (Telephone Number)*
Mail Address	20500 Civic Center Drive MC C455… Southfield ..... MI ..... 48076 *(Street and Number or P. O. Box) (City, State and Zip Code)*	
Primary Location of Books and Records	20500 Civic Center Drive… Southfield ..... MI ..... 48076 *(Street and Number) (City, State and Zip Code)*	248-455-3410 *(Area Code) (Telephone Number)*
Internet Website Address	www.mibcn.com	
Statutory Statement Contact	Joseph John Andraska *(Name)*	248-455-3428 *(Area Code) (Telephone Number) (Extension)*
	jandraska@bcbsm.com *(E-Mail Address)*	248-455-3639 *(Fax Number)*
Policyowner Relations Contact	20500 Civic Center Drive… Southfield ..... MI ..... 48076 *(Street and Number) (City, State and Zip Code)*	800-662-6667 *(Area Code) (Telephone Number) (Extension)*

OFFICERS

Name	Title	Name	Title
1. Kevin Lewis Seitz	President & Chief Executive Officer	2. Julie Concetta Swantek	Secretary
3. Susan Anne Kluge	Treasurer & Chief Financial Officer	4. David Robert Nelson	Chief Actuarial Officer

OTHER

Douglas Robert Woll MD	Chief Medical Officer	Jeanne Helen Carlson	Chief Operating Officer

DIRECTORS OR TRUSTEES

Julie Anne Angott	Mark Robert Bartlett	William Harrison Black	Charles Lee Burkett
Shauna Ryder Diggs MD	Franklin Delano Garrison	Janet Louise Harden #	DeMerritte Bonta Hiscoe MD
Valeriah Ann Holmon	Karen Marie Knapp #	Donald Glenn Oetman	Kevin Lewis Seitz
Gregory Alan Sudderth	Diana Lynn Watson	Richard Elliott Whitmer	

State of..... Michigan
County of..... Oakland

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. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Kevin Lewis Seitz	Julie Concetta Swantek	Susan Anne Kluge
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President & Chief Executive Officer	Secretary	Treasurer & Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to before me

This _____ day of _____

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)	160,725,731		160,725,731	96,626,510
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	1,775,858		1,775,858	1,523,300
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)			0	
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....10,528,249, Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....424,337,804, Sch. DA)	434,866,053		434,866,053	431,201,015
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)	56,008,811		56,008,811	52,835,985
8. Receivables for securities			0	
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	653,376,453	0	653,376,453	582,186,810
11. Title plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	6,438,903		6,438,903	6,633,966
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	16,999,035	42,883	16,956,152	5,566,603
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon			0	580
16.2 Net deferred tax asset			0	
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software	3,043,630	1,653,662	1,389,968	784,742
19. Furniture and equipment, including health care delivery assets ($.....1,668,937)	8,543,619	5,177,519	3,366,100	5,811,100
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates	8,825,206	66,955	8,758,251	11,596,789
22. Health care ($.....7,180,586) and other amounts receivable	8,217,166	797,514	7,419,652	5,715,353
23. Aggregate write-ins for other than invested assets	1,308,732	1,308,732	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	706,752,744	9,047,265	697,705,479	618,295,943
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	706,752,744	9,047,265	697,705,479	618,295,943

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 0998) (Line 9 above)	0	0	0	0
2301. Prepaid Pension	778,940	778,940	0	
2302. Prepaid expenses	527,405	527,405	0	
2303. Other Accounts Receivable	1,381	1,381	0	
2398. Summary of remaining write-ins for Line 23 from overflow page	1,006	1,006	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	1,308,732	1,308,732	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	Current Period 2 Uncovered	Current Period 3 Total	Prior Year 4 Total
1. Claims unpaid (less $.....10,767,789 reinsurance ceded)	192,526,720	7,265,814	199,792,534	208,124,014
2. Accrued medical incentive pool and bonus amounts	46,155,302		46,155,302	49,157,673
3. Unpaid claims adjustment expenses	4,911,091		4,911,091	5,375,098
4. Aggregate health policy reserves	6,715,144		6,715,144	6,218,376
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance	27,366,622		27,366,622	31,017,948
9. General expenses due or accrued	33,364,805		33,364,805	30,018,266
10.1 Current federal and foreign income tax payable and interest thereon (including $.....0 on realized capital gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others	2,253,470		2,253,470	2,118,183
13. Remittances and items not allocated	2,354		2,354	1,947
14. Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15. Amounts due to parent, subsidiaries and affiliates	14,134,978		14,134,978	13,868,773
16. Payable for securities			0	
17. Funds held under reinsurance treaties with ($.....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 $.....3,765,584 current)	49,986,265	0	49,986,265	53,917,461
22. Total liabilities (Lines 1 to 21)	377,416,751	7,265,814	384,682,565	399,817,739
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	50,000
25. Preferred capital stock	XXX	XXX		
26. Gross paid in and contributed surplus	XXX	XXX	15,643,045	15,603,045
27. Surplus notes	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	297,369,869	202,825,159
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 $.....0)	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 $.....0)	XXX	XXX		
31. Total capital and surplus (Lines 23 to 28 minus Line 29)	XXX	XXX	313,022,914	218,478,204
32. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	697,705,479	618,295,943

DETAILS OF WRITE-INS

2101. Accrued Post Retirement Benefits	39,599,559		39,599,559	48,383,041
2102. Accrued Pension	6,621,122		6,621,122	102,846
2103. Physician Incentive payable for POS	1,471,888		1,471,888	2,561,654
2198. Summary of remaining write-ins for Line 21 from overflow page	2,293,696	0	2,293,696	2,869,920
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	49,986,265	0	49,986,265	53,917,461
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
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 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	5,398,464	5,509,462
2. Net premium income (including $.....0 non-health premium income)	XXX	1,438,390,510	1,403,542,521
3. Change in unearned premium reserves and reserve for rate credits	XXX	(496,768)	(4,535,447)
4. Fee-for-service (net of $.....9,301,492 medical expenses)	XXX	(2,108,491)	(4,279,225)
5. Risk revenue	XXX	3,445,133	
6. Aggregate write-ins for other health care related revenues	XXX	199,030	710,036
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,439,429,414	1,395,437,885
Hospital and Medical:			
9. Hospital/medical benefits	4,995,412	730,709,993	711,112,706
10. Other professional services		33,504,341	31,356,078
11. Outside referrals	50,200,078	50,200,078	45,175,869
12. Emergency room and out-of-area	1,103,937	86,215,782	78,260,263
13. Prescription drugs		227,103,613	214,982,351
14. Aggregate write-ins for other hospital and medical	0	2,483,649	2,863,726
15. Incentive pool, withhold adjustments and bonus amounts		26,412,095	31,909,749
16. Subtotal (Lines 9 to 15)	56,299,427	1,156,629,551	1,115,660,742
Less:			
17. Net reinsurance recoveries		2,527,658	
18. Total hospital and medical (Lines 16 minus 17)	56,299,427	1,154,101,893	1,115,660,742
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....51,552,669 cost containment expenses		70,738,036	78,409,518
21. General administrative expenses		152,537,245	128,764,350
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)	56,299,427	1,377,377,174	1,322,834,610
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	62,052,240	72,603,275
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		20,725,627	9,265,224
26. Net realized capital gains or (losses) less capital gains tax of $.....0		(4,237,380)	(723,440)
27. Net investment gains or (losses) (Lines 25 plus 26)	0	16,488,247	8,541,784
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....126,478) (amount charged off $.....218,715)]		(92,237)	
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	78,448,250	81,145,059
31. Federal and foreign income taxes incurred	XXX	51,816	145,864
32. Net income (loss) (Lines 30 minus 31)	XXX	78,396,434	80,999,195

DETAILS OF WRITE-INS

0601. Miscellaneous Revenue	XXX	168,230	679,908
0602. Pharmacy Over The Counter Revenue	XXX	30,800	30,128
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	199,030	710,036
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 Expense		1,405,965	1,865,829
1402. Occupancy, Depreciation and Amortization		1,077,684	997,897
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)	0	2,483,649	2,863,726
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	218,478,204	141,507,171
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	78,396,434	80,999,195
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.....0	3,126,114	2,281,480
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	2,669,155	(6,309,642)
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	10,353,007	0
48. Net change in capital and surplus (Lines 34 to 47)	94,544,710	76,971,033
49. Capital and surplus end of reporting period (Line 33 plus 48)	313,022,914	218,478,204

DETAILS OF WRITE-INS

4701. Prior period Adjustment Postretirement	12,587,972	
4702. Prior period Adjustment Pension	(2,825,654)	
4703. Prior period Adjustment Premium Bad Debt	590,689	
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)	10,353,007	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	1,423,897,441	1,413,659,111
2. Net investment income	21,250,135	9,341,274
3. Miscellaneous income	1,535,672	(3,569,189)
4. Total (Lines 1 through 3)	1,446,683,248	1,419,431,196
5. Benefit and loss related payments	1,165,435,744	1,105,277,376
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	214,653,864	199,732,228
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net of tax on capital gains (losses)	51,236	422,694
10. Total (Lines 5 through 9)	1,380,140,844	1,305,432,298
11. Net cash from operations (Line 4 minus Line 10)	66,542,404	113,998,898
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	293,593,692	252,770,500
12.2 Stocks	591,466	818,902
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(907,772)	(857,339)
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	293,277,386	252,732,063
13. Cost of investments acquired (long-term only):		
13.1 Bonds	361,380,725	309,215,916
13.2 Stocks	861,977	1,165,749
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	362,242,702	310,381,665
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(68,965,316)	(57,649,602)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	6,087,950	(19,350,214)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	6,087,950	(19,350,214)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	3,665,038	36,999,082
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	431,201,015	394,201,934
19.2 End of year (Line 18 plus Line 19.1)	434,866,053	431,201,015

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		

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	1,438,390,510	1,303,925,665	83,083,040			51,381,805							
2. Change in unearned premium reserves and reserve for rate credit	(496,768)	(95,814)				(400,954)							
3. Fee-for-service (net of $.....9,301,492 medical expenses)	(2,108,491)											(2,108,491)	XXX
4. Risk revenue	3,445,133	3,445,133											XXX
5. Aggregate write-ins for other health care related revenues	199,030	0	0	0	0	0	0	0	0	0	0	199,030	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)	1,439,429,414	1,307,274,984	83,083,040	0	0	50,980,851	0	0	0	0	0	(1,909,461)	0
8. Hospital/medical benefits	730,709,993	677,386,558	24,816,880			28,506,555							XXX
9. Other professional services	33,504,341	29,187,540	3,088,498			1,228,303							XXX
10. Outside referrals	50,200,078	45,724,217	2,551,642			1,924,219							XXX
11. Emergency room and out-of-area	86,215,782	80,017,417	2,830,981			3,367,384							XXX
12. Prescription drugs	227,103,613	182,479,146	36,945,171			7,679,296							XXX
13. Aggregate write-ins for other hospital and medical	2,483,649	1,690,898	691,292	0	0	71,158	0	0	0	0	0	30,301	XXX
14. Incentive pool, withhold adjustments and bonus amounts	26,412,095	25,345,478				1,066,617							XXX
15. Subtotal (Lines 8 to 14)	1,156,629,551	1,041,831,254	70,924,464	0	0	43,843,532	0	0	0	0	0	30,301	XXX
16. Net reinsurance recoveries	2,527,658	2,325,515	202,143										XXX
17. Total hospital and medical (Lines 15 minus 16)	1,154,101,893	1,039,505,739	70,722,321	0	0	43,843,532	0	0	0	0	0	30,301	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....51,552,669 cost containment expenses	70,738,036	63,717,351	4,388,378			2,632,307							
20. General administrative expenses	152,537,245	144,548,542	4,307,954			2,916,928						763,821	
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)	1,377,377,174	1,247,771,632	79,418,653	0	0	49,392,767	0	0	0	0	0	794,122	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	62,052,240	59,503,352	3,664,387	0	0	1,588,084	0	0	0	0	0	(2,703,583)	0

DETAILS OF WRITE-INS

0501. Miscellaneous Revenue	168,230											168,230	XXX
0502. Pharmacy Over The Counter Revenue	30,800											30,800	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)	199,030	0	0	0	0	0	0	0	0	0	0	199,030	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 Expenses	1,405,965	948,114	387,268			40,282						30,301	XXX
1302. Occupancy and Depreciation Expenses	1,077,684	742,784	304,024			30,876							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)	2,483,649	1,690,898	691,292	0	0	71,158	0	0	0	0	0	30,301	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)	1,307,214,160		3,288,495	1,303,925,665
2. Medicare supplement	83,231,122		148,082	83,083,040
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan	51,381,805			51,381,805
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid				0
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	1,441,827,087	0	3,436,577	1,438,390,510
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	1,441,827,087	0	3,436,577	1,438,390,510

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	1,144,694,309	1,031,217,644	71,160,867			42,285,497						30,301	
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	8,324,905	7,659,142	665,763										
1.4 Net	1,136,369,404	1,023,558,502	70,495,104	0	0	42,285,497	0	0	0	0	0	30,301	0
2. Paid medical incentive pools and bonuses	29,414,466	28,687,706				726,760							
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	210,560,323	193,016,204	10,403,250			7,140,869							
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	10,767,789	9,906,663	861,126										
3.4 Net	199,792,534	183,109,541	9,542,124	0	0	7,140,869	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	46,155,302	44,291,382				1,863,920							
6. Net healthcare receivables (a)	(348,126)	(348,126)											
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	224,689,050	207,399,946	10,639,653			6,649,451							
8.2 Reinsurance assumed	0												
8.3 Reinsurance ceded	16,565,036	15,240,290	1,324,746										
8.4 Net	208,124,014	192,159,656	9,314,907	0	0	6,649,451	0	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0												
9.2 Reinsurance assumed	0												
9.3 Reinsurance ceded	0												
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	49,157,673	47,633,610				1,524,063							
11. Amounts recoverable from reinsurers December 31, prior year	0												
12. Incurred benefits:													
12.1 Direct	1,130,217,456	1,016,485,776	70,924,464	0	0	42,776,915	0	0	0	0	0	30,301	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	2,527,658	2,325,515	202,143	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,127,689,798	1,014,160,261	70,722,321	0	0	42,776,915	0	0	0	0	0	30,301	0
13. Incurred medical incentive pools and bonuses	26,412,095	25,345,478	0	0	0	1,066,617	0	0	0	0	0	0	0

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

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	45,773,425	42,260,679	1,849,055			1,663,691							
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	45,773,425	42,260,679	1,849,055	0	0	1,663,691	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	154,517,120	140,791,727	8,554,195			5,171,198							
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	10,767,789	9,906,663	861,126										
2.4 Net	143,749,331	130,885,064	7,693,069	0	0	5,171,198	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct	10,269,778	9,963,798				305,980							
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	10,269,778	9,963,798	0	0	0	305,980	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct	210,560,323	193,016,204	10,403,250	0	0	7,140,869	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	10,767,789	9,906,663	861,126	0	0	0	0	0	0	0	0	0	0
4.4 Net	199,792,534	183,109,541	9,542,124	0	0	7,140,869	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)	147,794,495	875,764,007	14,890,585	168,218,956	162,685,080	192,159,655
2. Medicare supplement	7,255,101	63,240,003	131,348	9,410,775	7,386,449	9,314,907
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan	5,070,077	37,215,420	684,239	6,456,631	5,754,316	6,649,452
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid					0	
8. Other health		30,301			0	
9. Health subtotal (Lines 1 to 8)	160,119,673	976,249,731	15,706,172	184,086,362	175,825,845	208,124,014
10. Healthcare receivables (a)		7,515,389			0	7,167,263
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	27,836,262	1,578,204	3,270,123	42,885,179	31,106,385	49,157,673
13. Totals (Lines 9 - 10 + 11 + 12)	187,955,935	970,312,546	18,976,295	226,971,541	206,932,230	250,114,424

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

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	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	180,471	193,619	195,337	195,689	195,836
2. 2001	1,035,933	1,211,488	1,216,311	1,217,177	1,217,201
3. 2002	XXX	974,433	1,150,173	1,152,690	1,153,357
4. 2003	XXX	XXX	892,612	1,093,840	1,094,583
5. 2004	XXX	XXX	XXX	900,314	1,086,691
6. 2005	XXX	XXX	XXX	XXX	970,312

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	220,781	199,016	195,425	195,689	195,836
2. 2001	1,219,590	1,239,484	1,217,248	1,217,218	1,217,201
3. 2002	XXX	1,133,457	1,162,193	1,153,309	1,153,372
4. 2003	XXX	XXX	1,126,764	1,105,637	1,094,922
5. 2004	XXX	XXX	XXX	1,145,140	1,105,313
6. 2005	XXX	XXX	XXX	XXX	1,197,284

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. 2001	1,358,762	1,217,201	14,027	1.2	1,231,228	90.6			1,231,228	90.6
2. 2002	1,290,524	1,153,357	12,617	1.1	1,165,974	90.3	14		1,165,988	90.3
3. 2003	1,359,511	1,094,583	67,658	6.2	1,162,241	85.5	391	1	1,162,633	85.5
4. 2004	1,399,007	1,086,691	84,931	7.8	1,171,622	83.7	18,571	798	1,190,991	85.1
5. 2005	1,437,894	970,312	59,462	6.1	1,029,774	71.6	226,971	4,112	1,260,857	87.7

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 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	143,223	153,171	154,600	154,938	155,080
2. 2001	854,542	993,630	997,559	998,406	998,435
3. 2002	XXX	880,207	1,039,836	1,042,068	1,042,686
4. 2003	XXX	XXX	808,024	995,258	995,787
5. 2004	XXX	XXX	XXX	812,611	986,237
6. 2005	XXX	XXX	XXX	XXX	869,788

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	176,134	158,184	154,686	154,938	155,080
2. 2001	1,006,431	1,019,950	998,395	998,445	998,435
3. 2002	XXX	1,026,052	1,050,745	1,042,652	1,042,696
4. 2003	XXX	XXX	1,025,665	1,006,410	996,109
5. 2004	XXX	XXX	XXX	1,040,630	1,003,934
6. 2005	XXX	XXX	XXX	XXX	1,079,160

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 Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001	1,136,608	998,435	12,515	1.3	1,010,950	88.9			1,010,950	88.9
2. 2002	1,180,716	1,042,686	11,429	1.1	1,054,115	89.3	10		1,054,125	89.3
3. 2003	1,240,028	995,787	61,558	6.2	1,057,345	85.3	322	1	1,057,668	85.3
4. 2004	1,277,304	986,237	77,322	7.8	1,063,559	83.3	17,696	738	1,081,993	84.7
5. 2005	1,303,830	869,788	53,502	6.2	923,290	70.8	209,372	3,691	1,136,353	87.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	5,315	5,989	6,039	6,041	6,040
2. 2001	27,898	33,452	33,864	33,854	33,848
3. 2002	XXX	56,542	65,169	65,377	65,398
4. 2003	XXX	XXX	52,785	61,506	61,696
5. 2004	XXX	XXX	XXX	57,255	64,307
6. 2005	XXX	XXX	XXX	XXX	63,240

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	4,742	6,041	6,041	6,041	6,040
2. 2001	33,578	33,731	33,936	33,854	33,848
3. 2002	XXX	63,857	65,566	65,389	65,398
4. 2003	XXX	XXX	62,447	61,770	61,698
5. 2004	XXX	XXX	XXX	66,294	64,436
6. 2005	XXX	XXX	XXX	XXX	72,651

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

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 Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001	37,629	33,848	238	0.7	34,086	90.6			34,086	90.6
2. 2002	63,326	65,398	684	1.0	66,082	104.4			66,082	104.4
3. 2003	73,775	61,696	3,830	6.2	65,526	88.8	2		65,528	88.8
4. 2004	77,503	64,307	4,748	7.4	69,055	89.1	129	42	69,226	89.3
5. 2005	83,083	63,240	3,722	5.9	66,962	80.6	9,411	257	76,630	92.2

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	7,655	8,223	8,289	8,301	8,307
2. 2001	34,874	42,543	42,726	42,755	42,756
3. 2002	XXX	37,630	45,114	45,191	45,219
4. 2003	XXX	XXX	31,737	37,010	37,034
5. 2004	XXX	XXX	XXX	30,413	36,112
6. 2005	XXX	XXX	XXX	XXX	37,254

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	9,248	8,399	8,289	8,301	8,307
2. 2001	41,666	43,624	42,755	42,757	42,756
3. 2002	XXX	43,494	45,828	45,214	45,224
4. 2003	XXX	XXX	38,586	37,391	37,049
5. 2004	XXX	XXX	XXX	38,181	36,908
6. 2005	XXX	XXX	XXX	XXX	45,443

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

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 Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001	45,929	42,756	396	0.9	43,152	94.0			43,152	94.0
2. 2002	46,482	45,219	504	1.1	45,723	98.4	4		45,727	98.4
3. 2003	45,708	37,034	2,270	6.1	39,304	86.0	67		39,371	86.1
4. 2004	44,200	36,112	2,861	7.9	38,973	88.2	746	18	39,737	89.9
5. 2005	50,981	37,254	2,238	6.0	39,492	77.5	8,188	164	47,844	93.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	23,680	25,583	25,662	25,662	25,662
2. 2001	118,619	141,863	142,162	142,162	142,162
3. 2002	XXX				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	29,910	25,645	25,662	25,662	25,662
2. 2001	137,915	142,179	142,162	142,162	142,162
3. 2002	XXX				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

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

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 Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001	138,596	142,162	878	0.6	143,040	103.2			143,040	103.2
2. 2002				0.0	0	0.0			0	0.0
3. 2003				0.0	0	0.0			0	0.0
4. 2004				0.0	0	0.0			0	0.0
5. 2005				0.0	0	0.0			0	0.0

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 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	598	653	747	747	747
2. 2001					
3. 2002	XXX				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	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, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	747	747	747	747	747
2. 2001					
3. 2002	XXX				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	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 Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001				0.0	0	0.0			0	0.0
2. 2002				0.0	0	0.0			0	0.0
3. 2003				0.0	0	0.0			0	0.0
4. 2004				0.0	0	0.0			0	0.0
5. 2005				0.0	0	0.0			0	0.0

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior					
2. 2001					
3. 2002	XXX	54	54	54	54
4. 2003	XXX	XXX	66	66	66
5. 2004	XXX	XXX	XXX	35	35
6. 2005	XXX	XXX	XXX	XXX	30

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior					
2. 2001					
3. 2002	XXX	54	54	54	54
4. 2003	XXX	XXX	66	66	66
5. 2004	XXX	XXX	XXX	35	35
6. 2005	XXX	XXX	XXX	XXX	30

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

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 Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001				0.0	0	0.0			0	0.0
2. 2002		54		0.0	54	0.0			54	0.0
3. 2003		66		0.0	66	0.0			66	0.0
4. 2004		35		0.0	35	0.0			35	0.0
5. 2005		30		0.0	30	0.0			30	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	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 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other
POLICY RESERVE												
1. Unearned premium reserves	2,214,190	2,214,190										
2. Additional policy reserves (a)	0											
3. Reserve for future contingent benefits	0											
4. Reserve for rate credits or experience rating refunds (including $.....0) for investment income	4,500,954					4,500,954						
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0	0	0	0
6. Totals (gross)	6,715,144	2,214,190	0	0	0	4,500,954	0	0	0	0	0	0
7. Reinsurance ceded	0											
8. Totals (net) (Page 3, Line 4)	6,715,144	2,214,190	0	0	0	4,500,954	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	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0											
14. Totals (net) (Page 3, Line 7)	0	0	0	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	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	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	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($.....0 for occupancy of own building)	999,629	819,597	2,975,930		4,795,156
2. Salaries, wages and other benefits	29,951,627	13,010,751	57,602,447	111,213	100,676,038
3. Commissions (less $.....0 ceded plus $.....0 assumed)			30,678,441		30,678,441
4. Legal fees and expenses			24,709		24,709
5. Certifications and accreditation fees	97,894				97,894
6. Auditing, actuarial and other consulting services	191,053	12,972	3,252,709		3,456,734
7. Traveling expenses	655,941	104,943	1,609,969	2,128	2,372,981
8. Marketing and advertising	266,240	37	4,565,943		4,832,220
9. Postage, express and telephone	196,940	10,291	2,652,271	432	2,859,934
10. Printing and office supplies	521,906	118,314	1,995,524	484	2,636,228
11. Occupancy, depreciation and amortization	736,722	334,393	2,737,998	7,751	3,816,864
12. Equipment	69,165	41,348	127,443		237,956
13. Cost or depreciation of EDP equipment and software	3,721,470	145,425	15,202,301	1,182	19,070,378
14. Outsourced services including EDP, claims, and other services	15,806,316	3,830,403	25,580,855	69,133	45,286,707
15. Boards, bureaus and association fees	246,880	7,226	885,848	291	1,140,245
16. Insurance, except on real estate	33,934	11,927	345,013		390,874
17. Collection and bank service charges			191,122		191,122
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			48,841		48,841
23.2 State premium taxes					0
23.3 Regulator authority licenses and fees			185,518		185,518
23.4 Payroll taxes	1,671,248	782,587	3,371,046		5,824,881
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	(3,614,296)	(44,847)	(1,496,683)	0	(5,155,826)
26. Total expenses incurred (Lines 1 to 25)	51,552,669	19,185,367	152,537,245	192,614	(a) 223,467,895
27. Less expenses unpaid December 31, current year	3,579,119	1,331,972	33,364,805		38,275,896
28. Add expenses unpaid December 31, prior year	3,870,649	1,504,449	30,018,266		35,393,364
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)	51,844,199	19,357,844	149,190,706	192,614	220,585,363

DETAILS OF WRITE-INS

2501. Recoveries	(4,224,151)	(75,920)	(1,645,858)		(5,945,929)
2502. Other	609,855	31,073	149,175		790,103
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	(3,614,296)	(44,847)	(1,496,683)	0	(5,155,826)

(a) Includes management fees of $.....41,360,000 to affiliates and $.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 548,643	505,609
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 5,536,948	5,887,762
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	94,993	104,586
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 14,857,990	14,349,440
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	70,844	70,844
10.	Total gross investment income	21,109,418	20,918,241
11.	Investment expenses		(g) 192,614
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		0
16.	Total deductions (Lines 11 through 15)		192,614
17.	Net investment income (Line 10 minus Line 16)		20,725,627

DETAILS OF WRITE-INS

0901.	Security Lending	70,844	70,844
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)	70,844	70,844
1501.			
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)		0

(a) Includes $.....64,693 accrual of discount less $.....394,145 amortization of premium and less $.....1,815,488 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 $.....1,292,962 accrual of discount less $.....7,960,080 amortization of premium and less $.....4,904,806 paid for accrued interest on purchases.
(f) Includes $.....0 accrual of discount less $.....0 amortization of premium.
(g) Includes $.....192,614 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 Total
1.	U.S. government bonds	(221,620)			(221,620)
1.1	Bonds exempt from U.S. tax				0
1.2	Other bonds (unaffiliated)	(3,136,741)			(3,136,741)
1.3	Bonds of affiliates				0
2.1	Preferred stocks (unaffiliated)				0
2.11	Preferred stocks of affiliates				0
2.2	Common stocks (unaffiliated)	28,753		(46,712)	(17,959)
2.21	Common stocks of affiliates				0
3.	Mortgage loans				0
4.	Real estate				0
5.	Contract loans				0
6.	Cash, cash equivalents and short-term investments	(907,772)			(907,772)
7.	Derivative instruments				0
8.	Other invested assets			3,172,826	3,172,826
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0
10.	Total capital gains (losses)	(4,237,380)	0	3,126,114	(1,111,266)

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 0998) (Line 9 above)	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
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			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	42,883		(42,883)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software	1,653,662	3,294,073	1,640,411
19. Furniture and equipment, including health care delivery assets	5,177,519	3,725,084	(1,452,435)
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates	66,955	150,172	83,217
22. Health care and other amounts receivable	797,514	2,159,372	1,361,858
23. Aggregate write-ins for other than invested assets	1,308,732	2,387,719	1,078,987
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	9,047,265	11,716,420	2,669,155
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	9,047,265	11,716,420	2,669,155

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
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0
2301. Prepaid Pension	778,940		(778,940)
2302. Prepaid expenses	527,405	379,683	(147,722)
2303. Other Accounts Receivable	1,381	2,003,006	2,001,625
2398. Summary of remaining write-ins for Line 23 from overflow page	1,006	5,030	4,024
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	1,308,732	2,387,719	1,078,987

EXHIBIT 1 - 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	460,516	457,280	453,517	449,728	452,163	5,398,464
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	460,516	457,280	453,517	449,728	452,163	5,398,464

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

A. Accounting Practices

The financial statements of Blue Care Network of Michigan ("BCN") are presented on the basis of accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Services ("OFIS").

OFIS recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Michigan. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. First, OFIS is phasing in SSAP No 19, *Furniture, Fixtures and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements,* BCN has admitted 25% and 55% of the book value of furniture and equipment and leasehold improvements for years ending December 31, for 2005 and 2004, respectively. In NAIC SAP, furniture and equipment and leasehold improvements are 100% non-admitted. Secondly, amounts receivable from parent, subsidiaries and affiliates (PSA) over 90 days past due are non-admitted by BCN. In NAIC SAP, amounts due from PSAs are admitted regardless of aging.

A reconciliation of BCN's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below (in thousands):

	2005	2004
Net Income, Michigan basis	$ 78,396,434	$ 80,999,195
State Prescribed Practices:		
None	-	-
State Permitted Practices:		
None	-	-
Net Income, NAIC SAP basis	$ 78,396,434	$ 80,999,195
Statutory Surplus, Michigan basis	$ 313,022,914	$ 218,478,204
State Prescribed Practices:		
Phase in of SSAP No 19	(1,725,840)	(4,402,709)
Amounts receivable from PSA	66,955	150,172
State Permitted Practices:		
None		
Statutory Surplus, NAIC SAP basis	$ 311,364,029	$ 214,225,667

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements, in conformity with Statutory Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Inventories - Consist of pharmaceuticals stated at cost, on a first-in, first-out basis and are included in Furniture and Equipment.

In addition, BCN uses the following accounting policies:

(1) Short-term investments are stated at amortized cost.

(2) Bonds not backed by other loans are stated at amortized cost using the interest method.

(3) Common Stocks are stated at NAIC market value.

(4) Preferred Stocks – NOT APPLICABLE

(5) Mortgage loans on real estate – NOT APPLICABLE

(6) BCN loan-backed securities are stated at amortized cost. Premiums and discounts on loan-backed securities and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original

NOTES TO FINANCIAL STATEMENTS

purchase assumptions are accounted for using the retrospective method.

(7) BCN records its investment in certain affiliated grantor trusts as other long-term invested assets using the adjusted audited GAAP equity method and reports the increase or decrease in the investment as a change in unrealized gain or loss for capital and surplus.

(8) Investments in joint ventures, partnerships and limited liability companies – NOT APPLICABLE

(9) Derivatives – NOT APPLICABLE

(10) BCN was not required to record a premium deficiency reserve in 2005 or 2004. If the need to record such a reserve arises, BCN would use anticipated investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.

(11) Claims Unpaid – The claims unpaid liability for incurred but unpaid and unreported hospital and medical claims is accrued in the period during which the services are provided, and includes actuarial estimates of services performed which have not been reported by providers to BCN. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. BCN has reinsured certain of its claims liabilities through an affiliated self-insured trust. Processing expense related to claims is accrued based on an estimate of expenses to process such claims.

(12) In 2005, BCN updated its capitalization policy to eliminate the combining of certain similar furniture, fixture and equipment items in meeting the minimum threshold amount for capitalization. The change was made solely to facilitate administering the capitalization policy and tracking fixed assets. The financial impact for this change was immaterial. The minimum threshold amounts remain the same.

(13) Pharmaceutical rebate receivables are estimated based on historical rebate trends and membership.

2. Accounting Changes and Corrections of Errors

A. Pension and other postretirement benefits

During the 1st Quarter of 2005, BCN's management determined that BCN is directly liable for the pension and other postretirement benefit plans, even though Blue Cross Blue Shield of Michigan (BCBSM) acts as the administrator for those plans. Accordingly, for the 1st Quarter of 2005, BCN's statutory financial statements were adjusted to exclude non-vested employees and to account for the additional minimum pension liability, the immediate recognition of the initial transition obligation for postretirement benefits and incremental pension liability in accordance with SSAP No. 89, Accounting for Pensions and SSAP No. 14, Postretirement Benefits Other than Pensions. This change was reported as a correction back to January 1, 2003 for the initial implementation of codification and resulted in an increase in surplus of $12,587,972 for postretirement benefits and a decrease in surplus of $2,825,654 for pension. Following guidance in SSAP No. 3, Accounting Changes and Corrections of Errors Paragraph 10, BCN included this change as a write-in on page 5, line 47 aggregate write-ins for gains or (losses) in surplus.

For 2004, there was no impact to the Statement of Revenue and Expenses. The cumulative net increase to the pension liability as of December 31, 2004, was $5,163,013. There was also a cumulative increase of $2,337,359 to the prepaid pension asset as of December 31, 2004, which was non-admitted. The cumulative increase to postretirement liability as of December 31, 2004, was $12,587,972.

Capital stock

In preparing the 2005 annual statement, BCN's management determined that even though total capital and surplus were reported correctly, certain amounts on the individual lines, common capital stock and gross paid in and contributed surplus, were not reflected appropriately between the two lines in 2004 and prior years. There was no impact to total capital and surplus for 2005 or any prior year.

Prior period premium revenue allowance

In 2005, BCN made an adjustment to increase capital and surplus by $590,680 to eliminate the effect of a GAAP allowance off-setting premium revenue which was created in a prior period.

3. Business Combinations and Goodwill – NOT APPLICABLE

4. Discontinued Operations – NOT APPLICABLE

5. Investments

A. Mortgage Loans – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

B. Debt Restructuring – NOT APPLICABLE

C. Reverse Mortgages – NOT APPLICABLE

D. Loan-Backed Securities

a. BCN loan-backed securities are stated at amortized cost. Premiums and discounts on loan-backed securities and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the retrospective method.

E. Repurchase Agreements – NOT APPLICABLE

F. Real Estate – NOT APPLICABLE

6. Joint Ventures, Partnerships and Limited Liability Companies – NOT APPLICABLE.

7. Investment Income

BCN had no non-admitted accrued investment income as of December 31, 2005 and 2004, respectively. BCN excludes from surplus any due and accrued income that is over 90 days past due.

8. Derivative Instruments – NOT APPLICABLE

9. Income Taxes - BCN has been recognized by the Internal Revenue Service under Internal Revenue Code Section 501(c)(4) as an organization exempt from tax under Section 501(a). In 2005 and 2004, BCN recorded $51,816 and $145,864, respectively, in federal income tax expense on unrelated business income.

10. Information Concerning Parent, Subsidiaries and Affiliates

BCN is a nonprofit stock corporation and wholly owned subsidiary of BCBSM. BCN operates as a combination staff and network model health maintenance organization. BCN provides health care services to subscribers at its own outpatient health facilities and through contracts it has entered into with various physician groups, hospitals and other health care providers.

BCN conducts business transactions with BCBSM and affiliates on a routine basis. All related party receivable and payable balances are classified as either amounts due to or from parent, subsidiaries and affiliates, except for stop-loss recoveries and claims due.

Claims Processing - Claims Processing - BCBSM processes and pays certain hospital, hearing, and professional claims on behalf of BCN. BCN reimburses BCBSM at agreed upon rates for claims and pays an administrative fee for each claim processed. BCBSM billed BCN $399,901,512 and $346,452,878 in 2005 and 2004, respectively, for such claims. BCBSM charged BCN $401,796 and $511,834 at December 31, 2005 and 2004, respectively, for certain claims processing. BCN owed BCBSM for claims processing $142,166 and $212,724 at December 2005 and 2004, respectively. BCN owed BCBSM $27,981,780 and $26,240,964 for claims billed at December 31, 2005 and 2004, respectively.

Beginning in 2004, BCN began sharing in a combined BCBSM and BCN claims settlement process for certain hospitals. BCN billed BCBSM $7,516,129 and $284,739 in 2005 and 2004, respectively, for claim settlements. Claim settlements owed to BCN from BCBSM were $4,317,831 and $4,526,950 as of December 31, 2005 and 2004, respectively.

Administrative Cost Allocation - BCBSM provides and bills BCN for various administrative support. BCBSM purchased services on behalf of BCN such as computer operations support and telephone services and bills BCN accordingly. BCBSM also makes payments on behalf of BCN for expenses, such as agent fees, and bills BCN for payment. BCBSM billed BCN $72,526,123 and $76,809,189 for 2005 and 2004, respectively. BCN owed BCBSM $14,072,219 and $13,865,920 at December 31, 2005 and 2004, respectively.

Administrative support fees paid to affiliates were allocated to the statutory administrative expense categories of cost containment, claims adjustment and general administrative, based on the affiliates statutory administrative expense categories. These statutory administrative expense categories were further allocated to detailed expense accounts based on the affiliates' expense detail.

Blue Care Network Medical Malpractice Self-Insurance Trust - BCN has an agreement with an affiliated grantor trust to provide malpractice coverage. There were no expenses related to the malpractice trust in 2005 and 2004.

BCN's investment in the Trust is determined using the adjusted audited GAAP equity method and was 97.62% and 97.64% at December 31, 2005 and 2004, respectively. As of December 31, 2005 and 2004, BCN's investment in the trust, reported as an other long-term invested asset, was $47,096,466 and $45,654,218,

NOTES TO FINANCIAL STATEMENTS

respectively.

Starting in 2005, BCN provided and billed the Trust for miscellaneous administrative support. Miscellaneous administrative expenses reimbursed from the Trust totaled $14,400. BCN also makes payments on behalf of the Trust for certain other miscellaneous administrative expenses and bills the Trust for payment. BCN billed the Trust $19,429 and $10,605 for 2005 and 2004, respectively. The Trust owed BCN $0 at December 31, 2005 and 2004.

Blue Care Network Stop-Loss and Casualty Self-Insurance Trust – BCN has an agreement with an affiliated grantor trust to provide stop-loss coverage and reduced deductibles for property, general liability, automobile, and fidelity insurance coverages. The stop-loss trust covers risks incurred in excess of a retention amount. BCN is responsible for inpatient hospital claims up to $150,000 per member each calendar year (the "deductible") and has an agreement with the affiliated trust to cover the claims incurred over the deductible.

At December 31, 2005 and 2004, BCN had receivables for known stop-loss coverage recoveries on paid claims of $0 and $2,832,013, respectively, from the stop-loss trust. In addition, at December 31, 2005 and 2004, BCN recorded as accounts receivable $10,767,789 and $13,733,023, respectively, of estimated recoverable amounts for potential claims exceeding the deductible based on actuarial estimates using historical recovery trends. BCN owed the stop-loss trust $0 at December 31, 2005 and 2004 for premiums.

BCN's investment in the Trust is determined using the adjusted audited GAAP equity method and was 99.38% and 99.32% at December 31, 2005 and 2004, respectively. As of December 31, 2005 and 2004, BCN's investment in the trust, reported as an other long-term invested asset, was $8,912,345 and $7,181,767, respectively.

Stop-loss coverage expenses amounted to $3,436,577 and $4,531,794 in 2005 and 2004, respectively. Stop-loss coverage recoveries recorded from the stop-loss trust totaled $2,527,658 and $9,199,426 in 2005 and 2004, respectively.

Starting in 2005, BCN provided and billed the Trust for miscellaneous administrative support. Miscellaneous administrative expenses reimbursed from the Trust totaled $14,400 in 2005 and 2004. BCN also makes payments on behalf of the Trust for certain other miscellaneous administrative expenses and bills the Trust for payment. BCN billed the Trust $19,429 and $10,605 for 2005 and 2004, respectively. The Trust owed BCN $0 at December 31, 2005 and 2004.

Health Insurance - BCN purchases health insurance coverage for certain of its employees from BCBSM. Expenses were $7,066,859 and $7,102,405 in 2005 and 2004, respectively. BCN owed BCBSM $0 and $671,620 at December 31, 2005 and 2004, respectively. Additionally, BCBSM purchases health insurance for certain of its employees from BCN. The amounts billed by BCN for such insurance were $12,048,292 and $10,443,960 in 2005 and 2004, respectively. BCBSM owed BCN $0 at December 31, 2005 and 2004.

The Accident Fund Insurance Company of America ("AFC"), a wholly owned subsidiary of BCBSM, also purchases health insurance for certain of its employees from BCN. The amounts billed by BCN for such insurance were $1,254,292 and $1,387,524 in 2005 and 2004, respectively.

Capitated Health Care Program - BCN participated in the "Personal Plus" program, a capitated health care program sponsored by an affiliated company, Blue Care of Michigan, Inc. ("BCMI"). BCN receives monthly capitation from BCMI for subscribers in the BCN coverage area. BCN is responsible for collecting premiums, on behalf of BCMI, and is at risk for all medical claims. Revenue derived through the Personal Plus program was $3,445,133 and $3,289,294 in 2005 and 2004, respectively. In 2005, this revenue was reported as risk revenue, but in 2004, it was reported as net premium income. Administrative expenses billed by BCN to BCMI in 2005 and 2004 were $457,920 and $491,411, respectively. BCN owed BCMI $62,759 and $2,595 at December 31, 2005 and 2004, respectively. BCMI owed BCN $344 and $304 at December 31, 2005 and 2004, respectively.

Point of Service/Blue Preferred Plus - BCN provides BCBSM with miscellaneous administrative support for certain products offered by BCBSM. BCBSM bears all risk associated with these products. Miscellaneous administrative expense incurred by BCN and subject to reimbursement from BCBSM related to these products totaled $5,025,374 and $6,320,155 in 2005 and 2004, respectively. BCBSM owed BCN $1,471,888 and $3,667,750 at December 31, 2005 and 2004, respectively.

Blue Care of Michigan, Inc. - In 2005, BCN provided and billed BCMI for miscellaneous administrative support. Miscellaneous administrative expenses incurred by BCN and reimbursed from BCMI totaled $80,000 in 2004 and 2005. BCN also provided and billed BCMI for certain administrative support related to the Personal Plus dental program. Amounts billed to BCMI were $2,108 and $0 in 2005 and 2004, respectively. BCN also makes payments on behalf of BCMI for certain other miscellaneous administrative expenses and bills BCMI for payment. BCN billed BCMI $23,748 and $5,000 for 2005 and 2004, respectively. BCMI owed BCN $530 and $0 at December 31, 2005 and 2004.

BCBSM Foundation – Starting in 2005, BCN provided and billed the BCBSM Foundation for miscellaneous

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administrative support. Miscellaneous administrative expenses incurred by BCN and reimbursed from the BCBSM Foundation totaled $12,000. BCN also makes payments on behalf of the Foundation for certain other miscellaneous administrative expenses and bills the Foundation for payment. BCN billed the Foundation $15,111 and $5,496 for 2005 and 2004, respectively. The Foundation owed BCN $11,660 and $5,496 at December 31, 2005 and 2004, respectively.

BCN does not guarantee or undertake for the benefit of an affiliate a material contingent exposure of BCN's or any affiliated insurers' assets or liabilities.

BCN does not have management or service contracts or cost sharing arrangements, other than such arrangements described in these footnotes.

BCN does not own shares of an upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

BCBSM, BCN, BCMI, BCBSM Foundation and the Accident Fund Insurance Company of America have some common officers and board members on their respective governing boards.

11. Debt – NOT APPLICABLE

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

As mentioned in note 2 A, BCN reported a correction in its 1st Quarter 2005 Quarterly Statement related to its pension and postretirement plans. Therefore, to be consistent with 2005, the 2004 amounts in the following pension and postretirement disclosures and tables have been adjusted to properly reflect the balances as of December 31, 2004.

Substantially all employees of BCN, who meet certain requirements of age and length of service, are covered by, defined benefit retirement plans administered by BCBSM. BCN's policy is to fund accrued retirement costs, as determined by BCBSM's consulting actuaries, to the extent permitted by Internal Revenue Service regulations.

The defined benefit retirement plans weighted-average target asset allocation and actual asset allocation at December 31, 2005 and 2004, by asset category are as follows:

Asset Category	Target	2005	2004
Equity securities	70.0 %	74.0 %	72.8 %
Debt securities	25.0 %	24.1 %	25.4 %
Real estate	0.0 %	0.1 %	0.4 %
Other	5.0 %	1.8 %	1.4 %
Total	100.0 %	100.0 %	100.0 %

BCBSM has developed an asset allocation policy based on its objectives, characteristics of pension liabilities, capital market expectations and asset-liability projections. This policy is long-term oriented and consistent with BCBSM's risk posture. BCBSM uses a mix of core and satellite managers to implement its asset allocation policy. BCBSM reviews on a periodic basis its asset mix and reallocates its portfolio at any time there is a material deviation in the asset class as described in the allocation policy. The policy includes a target allocation as included in the table above and a range of plus or minus 3 percent of the target established.

BCN provides certain postretirement health care benefits to substantially all employees that meet certain age and length of service requirements under a plan administered by BCBSM. This plan is "pay-as-you-go" and as such, has no asset allocations. Benefits are funded as incurred. These benefits are subject to revision at the discretion of the Board of Directors for nonrepresented employees and subject to collective bargaining agreements for represented employees.

Revisions to the nonrepresented and represented employees' postretirement health care benefits took effect January 1, 2004 and January 1, 2006, respectively. Nonrepresented and represented employees retiring after December 31, 2003 and December 31, 2005, respectively, may share in the cost of their health care premiums and have higher deductibles and co-payments depending on their eligibility status. Additionally, nonrepresented and represented employees hired on or after January 1, 2004 and January 1, 2006, respectively, are required to have 15 years of service after age 45 to be eligible for retiree health care benefits and selected other benefits.

The plan is noncontributory for represented employees and contributions of $6,891 and $0 have been made by

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nonrepresented employees for 2005 and 2004, respectively.

Non-Qualified Plans - Retirement benefits are provided for a group of key employees under non-qualified defined benefit pension plans. The general purpose of the plans is to provide additional retirement benefits to participants who are subject to the contribution and benefit limitations contained in the Internal Revenue Code. Benefits under the plans are unfunded and paid out of general assets of BCN

A summary of assets, obligations and assumptions of the pension and other postretirement benefit plans at the plans' measurement date September 30, 2005, and as allocated to BCN from BCBSM, are as follows at December 31, 2005 and 2004:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Change in benefit obligation:				
Benefits obligation— beginning of year	$ 82,954,008	$ 78,480,000	$ 45,637,360	$ 30,888,821
Service cost	5,665,951	6,996,750	2,523,505	3,913,507
Interest cost	5,261,472	4,310,053	3,124,162	2,597,643
Actuarial gain (loss)	10,813,340	(2,411,817)	7,017,169	10,804,354
Benefits paid	(3,427,915)	(4,420,978)	(2,508,803)	(2,566,965)
Benefits obligation— end of year	$ 101,266,856	$ 82,954,008	$ 55,793,393	$ 45,637,360

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Change in plan assets:				
Fair value of plan assets— beginning of year	$ 85,734,485	$ 79,309,587	$	$
Actual return on plan assets	14,739,820	10,732,126		
Employer contribution	305,000			
Benefits paid	(3,314,102)	(4,307,228)		
Fair value of plan assets— end of year	$ 97,465,203	$ 85,734,485	$	$

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Funded Status:				
Funded status - (underfunded) funded	$ (3,801,653)	$ 2,780,477	$ (55,793,393)	$(45,637,360)
Unamortized prior service cost			(2,032,620)	(2,300,634)
Unrecognized net (loss) gain	(1,921,606)	(5,737,421)	18,226,453	12,142,925
Additional liability	(147,377)			
Contribution between measurement date and fiscal year end	28,453	28,444		
Accrued liabilities	$ (5,842,183)	$ (2,928,500)	$ (39,599,560)	$(35,795,069)

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Benefit obligation for non vested employees	$ 3,402,614	$ 3,758,756	$ 23,677,031	$ 19,108,666

The accumulated benefit obligation for all defined benefit pension plans was $91,486,415 and $74,681,984 at September 30, 2005 and 2004, respectively.

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	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Components of net periodic benefit cost:				
Service cost	$ 5,665,951	$ 6,996,750	$ 2,523,505	$ 3,913,507
Interest cost	5,261,472	4,310,053	3,124,162	2,597,643
Expected return on plan assets	(7,720,118)	(7,622,617)		
Amortization of unrecognized (gain) loss	(22,177)	(461,065)	933,640	494,056
Amount of prior service cost recognized			(268,014)	(268,014)
Total net periodic benefit cost	$ 3,185,128	$ 3,223,121	$ 6,313,293	$ 6,737,192

The weighted-average assumptions as of December 31, 2005 are as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.60 %	5.85 %	5.75 %	5.85 %
Rate of compensation increase	4.75 %	4.75 %	N/A	N/A
Expected long-term rate of return on plan assets	9.00 %	9.00 %	N/A	N/A

For 2006, the expected long-term rate of return on assets will be 9%.

For 2005 measurement purposes, the health care trend rate on covered postretirement benefits is assumed to be 8.93% for 2006, ratably decreasing to 5% by 2011 and all years thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Increase	Decrease
Effect on total of service and interest cost components	$ 1,542,909	$ 1,219,452
Effect on postretirement benefit obligation	$ 13,196,139	$ 10,582,163

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("Act") was signed into law. The Act provides a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least equivalent to the Medicare Part D benefit. In 2004, BCN adopted FSP 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*. BCN determined that the prescription drug benefits provided by postretirement health care plans administered by BCBSM are actuarially equivalent to the Medicare Part D and accordingly, entitles BCN to the federal subsidy described in the Act.

At the September 30, 2005 measurement date, the reduction in the accumulated postretirement benefit obligation ("APBO") due to the anticipated subsidies related to benefits attributable to past service amounted to $5,824,000. The reduction in the APBO related to the subsidies will be accounted for under the plan as an actuarial experience gain, which will reduce net periodic postretirement costs in future periods.

At December 31, 2005, the gross benefit payments expected to be paid and subsidies anticipated to be received by BCN are as follows:

NOTES TO FINANCIAL STATEMENTS

	Pension Benefits	Postretirement Benefits	
	Future Benefit Payments	Future Benefit Payments	Anticipated Future Subsidies
2006	3,850,000	3,050,000	100,000
2007	4,270,000	3,300,000	110,000
2008	5,120,000	3,500,000	150,000
2009	5,490,000	3,720,000	170,000
2010	5,900,000	3,990,000	190,000
2010 through 2014	39,690,000	24,920,000	1,510,000
Total	$ 64,320,000	$ 42,480,000	$ 2,230,000

Deferred Compensation Plan - BCN has a deferred compensation benefit plan for a group of key employees and members of BCN's Board of Directors. Under the plan, eligible participants may elect to defer to a future period a portion of salary or director fees that are earned and normally payable as services are rendered. Elections to defer compensation must be made prior to the beginning of the year in which the deferral is effective. Deferred amounts are unfunded and paid out of the general assets of BCN.

B. **Defined Contribution Plans** — Substantially all employees who have attained the age of 21 years and have completed three months of continuous service may elect to participate in one of two employee savings plans administered by BCBSM, which are qualified under Section 401(k) of the Internal Revenue Code. Participating employees may elect to contribute to the Plan and BCN matches a portion of the employees' contributions. BCN's contributions were $2,165,231 and $2,227,176 in 2005 and 2004, respectively.

Multi-employer Plans –NOT APPLICABLE.

Consolidated/Holding Company Plans –NOT APPLICABLE

Post employment Benefits and Compensated Absences –NOT APPLICABLE

13. Capital and Surplus, ShareholdersDividend Restrictions and Quasi-Reorganizations.

(1) BCN has 500 shares authorized, 100 shares issued and 100 shares outstanding. All shares are Class A shares and have a par value of $100 per share.

(2) BCN has no preferred stock outstanding.

(3) The Company's Articles of Incorporation do not allow dividends.

(4) The Company's Articles of Incorporation state that no dividends shall be directly paid on any shares nor shall the shareholders be entitled to any portion of the earnings derived through increment of value upon its property or otherwise incidentally made.

(5) There were no restrictions placed on the BCN's surplus, including for whom the surplus is being held.

(6) The total amount of advances to surplus not repaid –NOT APPLICABLE

(7) The amount of stock held by BCN for special purposes –NOT APPLICABLE

(8) Special surplus funds changes –NOT APPLICABLE

(9) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses for each item below is as follows:

a. unrealized gains and losses: $ 3,126,114

b. nonadmitted asset values: $ 2,669,155

c. separate account business: $ None

d. asset valuation reserves: $ None

e. provision for reinsurance: $ None

(10) Surplus debentures of similar obligations –NOT APPLICABLE

(11) Impact of any restatement due to quasi-reorganization –NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

(12) Effective dates of all quasi-reorganizations in the prior 10 years is/are – NOT APPLICABLE

14. Contingencies

A. Contingent Commitments – NOT APPLICABLE

B. Assessments – NOT APPLICABLE

C. Gain Contingencies – NOT APPLICABLE

D. All Other Contingencies

BCN and its affiliated physicians are parties to lawsuits incidental to the operations of the BCN. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15. Leases

A. Lessee Operating Lease

(1) Lessees leasing arrangements

BCN has entered into certain cancelable land and building leases with BCBSM. Rent expense paid to BCBSM in 2005 and 2004 was $2,172,586 and $2,864,848, respectively.

BCN also leases office buildings under operating leases with different unrelated parties. Rent expense under these leases was $2,862,234 and $4,588,489 in 2005 and 2004, respectively.

BCN had the option to purchase its headquarters building in 2005. BCN did not exercise the 2005 option to purchase. The purchase price increases by 3% per year thereafter through the first 5 years of the lease. If the decision to purchase the building occurs after the first 5 years, BCN shall attempt to negotiate a reasonable price. BCN also has the option at the expiration of the lease at June 30, 2015, to extend the lease for 3 terms of 5 years each with prior written notice.

(2) Noncancelable leases

At December 31, 2005, the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases
2006	3,229,095
2007	3,492,696
2008	3,497,696
2009	3,436,449
2010	3,515,675
Total	$ 17,171,611

(3) Non-cancelable subleases – NOT APPLICABLE

(4) Sales-leaseback transactions – NOT APPLICABLE

B. Lessor Leases – NOT APPLICABLE

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

BCN, in the normal course of business, enters into security lending agreements with various other counterparties. Under these agreements, BCN lends U.S. government and corporate securities in exchange for collateral consisting primarily of cash, approximating 102% of the value of the securities loaned. The collateral pledged from counterparties is not available for BCN's general use and therefore is restricted. These agreements are primarily overnight in nature and settled the next business day. At December 31, 2005, and 2004, BCN had securities loaned of $46,524,758 and $39,867,303, respectively, and corresponding collateral of $48,012,923 and $35,351,923, respectively.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans – NOT APPLICABLE

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

20. September 11 Events – NOT APPLICABLE

As of December 31, 2004 and December 31, 2005 BCN did not have any events as a result of September 11, 2001.

21. Other Items

A. Extraordinary Items – NOT APPLICABLE

B. Troubled Debt Restructuring – NOT APPLICABLE

C. Other Disclosures

Minimum Deposit - As a condition of licensure with the State of Michigan, BCN is required to maintain a minimum deposit of $1,000,000 in a segregated account. These funds can only be used by BCN at the direction of the Insurance Commissioner of the State of Michigan. The funds are invested in a Class One Money Market Mutual Fund. Interest on these funds accrues to BCN.

Industry Concentration - BCN primarily conducts business within the State of Michigan, and a significant portion of BCN's customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from these customers approximate $11,143,074 and $0 at December 31, 2005 and 2004, respectively. In addition, BCN holds investments in these customers' commercial paper, medium term notes, and other asset backed securities totaling $0 and $5,122,158 at December 31, 2005 and 2004, respectively.

D. Other Disclosures, Uncollectible Assets on Uninsured plans – NOT APPLICABLE

E. Business Interruption Insurance Recoveries – NOT APPLICABLE

F. Additional Disclosures for Retirement Plans, Deferred Compensation, Postretirement Benefits and Other Postretirement Benefit Plans -

See Note 12 for required additional Note 21 disclosures. For the benefit of the reader, all Pension and Postretirement related disclosures are combined in Note 12.

22. Events Subsequent – NOT APPLICABLE

23. Reinsurance

For 2005, at the request of OFIS, BCN started accounting for its transactions with the Stop-Loss Trust as if it were ceded reinsurance in compliance with the NAIC annual statement instructions and SSAP No. 61. Life, Deposit-Type and Accident and Health Reinsurance. For 2005 there was no effect on capital and surplus or net income as the result of this request.

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No (X)

If yes, give full details.

2. Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes( ) No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

1. Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

a.) If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where

necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. NOT APPLICABLE

b.) What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? NOT APPLICABLE

2. Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

1. What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. $0

BCN participates in a plan of self-insurance.

2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( ) No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? NOT APPLICABLE

B) Uncollectible Reinsurance

None

C) Commutation of Ceded Reinsurance

None

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. BCN estimates accrued redetermination premium adjustments and return premium adjustments for its group health insurance contracts subject to re-determination based on an examination of contract requirements in relation to the rates charged for similar sized subscriber groups and the status of past applicable audits.

The amount of net premiums written by BCN that are subject to re-determination provisions was $51,381,805 and $48,299,565 for 2005 and 2004, respectively, representing approximately 3.6% and 3.4% of the total net premiums written for commercial health for 2005 and 2004. No other premiums written by BCN are subject to re-determination provisions.

25. Change in Incurred Losses and Loss Adjustment Expenses - Activity in the liabilities for claims and claims adjustment expenses payable is summarized as follows:

NOTES TO FINANCIAL STATEMENTS

	Annual Statement 2005	2004
BALANCE— January 1	$ 213,499,113	$ 212,373,339
Incurred related to:		
Current year	1,230,726,002	1,178,080,904
Prior year	(32,298,168)	(20,095,366)
Total incurred	1,198,427,834	1,157,985,538
Paid related to:		
Current year	1,035,364,656	969,014,703
Prior year	171,858,665	185,013,048
Total paid	1,207,223,321	1,154,027,751
BALANCE— December 31	$ 204,703,626	$ 216,331,126
Balance at December 31:		
Liability for claims unpaid	$ 199,792,535	$ 210,956,028
Liability for unpaid claims adjustment expenses	4,911,091	5,375,098
Total	$ 204,703,626	$ 216,331,126

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior year" in the schedule above reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

26. Inter-company Pooling Arrangements – NOT APPLICABLE

27. Structured Settlements – NOT APPLICABLE

28. Health Care Receivables—

Healthcare receivables include pharmacy rebates BCN receives from a third party vendor. These rebates are calculated using estimates based on historical rebate trends and membership. Activity for the previous three years is summarized as follows (in thousands):

Quarter	(1) Estimated Pharmacy Rebates as Reported on Financial Statements	(2) Pharmacy Rebates as Billed or Otherwise Confirmed	(3) Actual Rebates Received Within 90 days of Billing	(4) Actual Rebates Received Within 91 to 180 Days of Billing	(5) Actual Rebates Received More Than 180 Days After Billing
12/31/2005	$ 3,731,756	$ -	$ -	$ -	$ -
9/30/2005	3,448,830	3,939,571	-	-	-
6/30/2005	2,743,649	3,625,214	3,097,529	-	-
3/31/2005	2,733,535	3,573,321	1,471,256	1,882,274	-
12/31/2004	$ 2,605,722	$ 3,735,358	$ 1,891,844	$ 1,970,892	$ 1,270,859
9/30/2004	1,626,993	3,590,253	842,161	1,765,840	945,035
6/30/2004	2,734,577	3,500,175	934,193	3,442,319	-
3/31/2004	1,731,072	3,432,077	1,821,979	1,591,059	90,760
12/31/2003	$ 1,454,749	$ 3,274,078	$ 1,420,499	$ 1,532,645	$ 422,631
9/30/2003	1,475,241	3,421,973	1,458,114	1,346,523	779,077
6/30/2003	1,450,929	3,493,822	632,148	2,543,752	140,665
3/31/2003	-	3,123,321	2,106,337	1,153,908	441,435

29. Participating Policies – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

30. Premium Deficiency Reserves –

BCN was not required to record a premium deficiency reserve in 2005 or 2004. If the need to record such a reserve arises, BCN would use anticipated investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.

31. Anticipated Salvage and Subrogation – NOT APPLICABLE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.0		0.0
1.2 U.S. government agency 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	60,516,395	9.3	60,516,395	9.3
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC	94,348,976	14.4	94,348,976	14.4
1.513 All other	5,860,360	0.9	5,860,360	0.9
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.0		0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.0		0.0
1.523 All other		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	1,775,858	0.3	1,775,858	0.3
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		0.0		0.0
5.2 Property held for production of income (including $.....0 of property acquired in satisfaction of debt)		0.0		0.0
5.3 Property held for sale (including $.....0 property acquired in satisfaction of debt)		0.0		0.0
6. Contract loans		0.0		0.0
7. Receivables for securities		0.0		0.0
8. Cash, cash equivalents and short-term investments	434,866,053	66.6	434,866,053	66.6
9. Other invested assets	56,008,811	8.6	56,008,811	8.6
10. Total invested assets	653,376,453	100.0	653,376,453	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. 12/31/2003

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. 12/31/2003

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). 06/30/2005

3.4 By what department or departments? 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 [X] No [ ]
4.22 renewals? Yes [X] No [ ]

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 Co. 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

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?
Deloitte & Touche LLP
600 Renaissance Center Detroit, MI 48243-1895

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
David R. Nelson, FSA MAAA Chief Actuarial Officer, Blue Care Network of Michigan
20500 Civic Center Drive MC C465 Southfield, MI 48076

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
11.11 Name of real estate holding company:
11.12 Number of parcels involved .....
11.13 Total book/adjusted carrying value .....

11.2 If yes, provide explanation.

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

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

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

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

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

BOARD OF DIRECTORS

13. 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 [ ]

14. 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 [ ]

15. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
16.11 To directors or other officers $.....0
16.12 To stockholders not officers $.....0
16.13 Trustees, supreme or grand (Fraternal only) $.....0
16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
16.21 To directors or other officers $.....0
16.22 To stockholders not officers $.....0
16.23 Trustees, supreme or grand (Fraternal only) $.....0
17.1 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]
17.2 If yes, state the amount thereof at December 31 of the current year:
17.21 Rented from others $.....0
17.22 Borrowed from others $.....0
17.23 Leased from others $.....0
17.24 Other $.....0
18.1 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]
18.2 If answer is yes:
18.21 Amount paid as losses or risk adjustment $.....0
18.22 Amount paid as expenses $.....0
18.23 Other amounts paid $.....0
19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. $.....8,745,718

INVESTMENT

20.1 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 [ ] No [X]
20.2 If no, give full and complete information relating thereto.
All securities are held under safe-keeping agreements with State Street Bank and Fidelity Investments Institutional Operations Company

21.1 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 17.1) Yes [X] No [ ]
21.2 If yes, state the amount thereof at December 31 of the current year:
21.21 Loaned to others $.....46,524,758
21.22 Subject to repurchase agreements $.....0
21.23 Subject to reverse repurchase agreements $.....0
21.24 Subject to dollar repurchase agreements $.....0
21.25 Subject to reverse dollar repurchase agreements $.....0
21.26 Pledged as collateral $.....0
21.27 Placed under option agreements $.....0
21.28 Letter stock or securities restricted as to sale $.....0
21.29 Other $.....0
21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [ ]
If no, attach a description with this statement.
23.1 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]
23.2 If yes, state the amount thereof at December 31 of the current year: .....
24. 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 [ ]
24.01 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
State Street Bank	801 Pennsylvania, Kansas City, MO 64105

24.02 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)
Fidelity Investments Institutional Operations	100 Magellan Way KW2B Covington, KY 41015	New agreement is being negotiated with Fidelity.

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [ ] No [X]
24.04 If yes, give full and complete information relating thereto:

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

24.05 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
	Blue Cross Blue Shield of Michigan	600 E. Lafyette Blvd. Detroit, MI 48226

25.1 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]
25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
880199 10 4	Templeton Growth	448,672
25.2999. TOTAL		448,672

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

25.3 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
Templeton Growth	News Corporation Inc.	8,525	12/31/2005
Templeton Growth	Siemens AG	8,525	12/31/2005
Templeton Growth	Tyco International Ltd.	8,525	12/31/2005
Templeton Growth	Royal Bank of Scotland Group PLC	8,076	12/31/2005
Templeton Growth	GlaxoSmithKline PLC	7,627	12/31/2005

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	585,063,535	585,095,536	32,001
26.2 Preferred stocks			0
26.3 Totals	585,063,535	585,095,536	32,001

26.4 Describe the sources or methods utilized in determining the fair values:
State Street Bank is the source for determining all fair values.

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $.....589,310

28.2 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
Blue Cross Blue Shield Association	285,166
America's Health Insurance Plan	206,250

29.1 Amount of payments for legal expenses, if any? $.....24,709

29.2 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
Kienbaum, Opperwall, Hardy, Pelton PLC	22,098

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

30.2 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 .....

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....

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. .....

1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....

1.6 Individual policies:

Most current three years:

1.61 Total premium earned .....

1.62 Total incurred claims .....

1.63 Number of covered lives .....

All years prior to most current three years:

1.64 Total premium earned .....

1.65 Total incurred claims .....

1.66 Number of covered lives .....

1.7 Group policies:

Most current three years:

1.71 Total premium earned .....

1.72 Total incurred claims .....

1.73 Number of covered lives .....

All years prior to most current three years:

1.74 Total premium earned .....

1.75 Total incurred claims .....

1.76 Number of covered lives .....

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	1,438,390,510	1,403,542,521
2.2 Premium Denominator	1,438,390,510	1,403,542,521
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	252,662,980	263,500,063
2.5 Reserve Denominator	252,662,980	263,500,063
2.6 Reserve Ratio (2.4/2.5)	100.0	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 [X]

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

5.2 If no, explain:

Blue Care Network of Michigan participates in the BCN Stop-Loss & Casualty Self-Insurance Trust. Expiration date of 12/31/05.
Unlimited coverage with a deductible of $150,000. At the request of OFIS, BCN accounts for the activity with the Trust as if it were re-insurance.

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....150,000

5.32 Medical only $.....0

5.33 Medicare supplement $.....150,000

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:

Hold Harmless provisions are included in contracts with providers.
In addition, a State mandated cash reserve is maintained along with Stop-Loss Self-Insurance coverage which includes an insolvency clause.

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

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 10,973

8.2 Number of providers at end of reporting year 12,896

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 .....

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

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

10.2 If yes:

10.21 Maximum amount payable bonuses $.....46,139,277

10.22 Amount actually paid for year bonuses $.....29,414,466

10.23 Maximum amount payable withholds $.....10,269,778

10.24 Amount actually paid for year withholds $.....11,747,899

11.1 Is the reporting entity organized as:

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

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

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

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

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. $.....57,673,083

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:
4% times written premium
.04 X $1,441,827,087 = 57,673,083

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

1 Name of Service Area
ALCONA
ALLEGAN
ALPENA
ANTRIM
ARENAC
BARRY
BAY
BENZIE
BERRIEN
CALHOUN
CASS
CHARLEVOIX
CHEBOYGAN
CLARE
CLINTON
CRAWFORD
EATON
EMMET
GENESEE
GLADWIN
GRAND TRAVERSE
GRATIOT
HILLSDALE
HURON
INGHAM
IONIA
IOSCO
ISABELLA
JACKSON
KALAMAZOO
KALKASKA
KENT
LAPEER
LEELANAU
LIVINGSTON
MACKINAC
MACOMB
MANISTEE
MIDLAND
MONROE
MONTCALM
MONTMORENCY
MUSKEGON
NEWAYGO
OAKLAND
OCEANA
OGEMAW
OSCODA
OTSEGO
OTTAWA
PRESQUE ISLE
ROSCOMMON
SAGINAW
SHIAWASSEE
ST. CLAIR
ST. JOSEPH
TUSCOLA
VAN BUREN
WASHTENAW
WAYNE
WEXFORD

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	697,705,479	618,295,943	554,851,331	428,285,894	450,985,865
2. Total liabilities (Page 3, Line 22)	384,682,565	399,817,739	413,344,160	341,599,712	376,511,592
3. Statutory surplus	57,673,083	56,141,701	54,380,471	51,666,796	54,350,516
4. Total capital and surplus (Page 3, Line 31)	313,022,914	218,478,204	141,507,171	86,686,182	74,474,273
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	1,439,429,414	1,395,437,885	1,352,667,185	1,285,757,719	1,356,921,878
6. Total medical and hospital expenses (Line 18)	1,154,101,893	1,115,660,742	1,098,493,074	1,150,225,740	1,252,771,027
7. Claims adjustment expenses (Line 20)	70,738,036	78,409,518	67,811,676	12,618,879	
8. Total administrative expenses (Line 21)	152,537,245	128,764,350	138,698,989	118,951,315	111,543,513
9. Net underwriting gain (loss) (Line 24)	62,052,240	72,603,275	47,663,446	3,961,786	(23,000,449)
10. Net investment gain (loss) (Line 27)	16,488,247	8,541,784	5,743,105	6,547,649	17,259,617
11. Total other income (Lines 28 plus 29)	(92,237)				
12. Net income or (loss) (Line 32)	78,396,434	80,999,195	53,130,301	10,509,435	(5,740,832)
Risk-Based Capital Analysis					
13. Total adjusted capital	313,022,914	218,478,204	141,507,171	86,686,182	74,474,273
14. Authorized control level risk-based capital	41,176,565	39,394,003	36,585,360	36,251,968	39,642,887
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	452,163	460,516	478,043	518,946	572,422
16 Total member months (Column 6, Line 7)	5,398,464	5,509,462	5,898,716	6,280,413	7,020,584
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100**					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)	80.1	79.7	80.8	89.1	92.2
19. Cost containment expenses	3.6	4.0	XXX	XXX	XXX
20. Other claims adjustment expenses	1.3	5.6			
21. Total underwriting deductions (Line 23)	95.6	94.6	96.0	99.3	101.6
22. Total underwriting gain (loss) (Line 24)	4.3	5.2	3.5	0.3	(1.7)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5)	206,932,230	217,419,418	195,026,594	250,776,910	243,154,180
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	250,114,424	246,898,321	223,296,904	256,989,508	232,764,022
Investments in Parent, Subsidiaries and Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
27. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated	56,008,811	52,835,985	50,601,683	47,813,064	45,144,745
31. Total of above Lines 25 to 30	56,008,811	52,835,985	50,601,683	47,813,064	45,144,745

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	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States				
Governments	2. Canada				
(Including all obligations guaranteed	3. Other Countries				
by governments)	4. Totals	0	0	0	0
	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	94,348,976	94,467,799	94,340,825	95,000,563
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	94,348,976	94,467,799	94,340,825	95,000,563
	17. United States	10,156,283	9,892,656	10,149,138	10,190,000
Public Utilities	18. Canada				
(Unaffiliated)	19. Other Countries				
	20. Totals	10,156,283	9,892,656	10,149,138	10,190,000
Industrial and Miscellaneous and	21. United States	56,220,472	56,792,290	56,229,966	56,667,693
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	56,220,472	56,792,290	56,229,966	56,667,693
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	160,725,731	161,152,745	160,719,929	161,858,256
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	1,775,858	1,775,858	1,728,859	
Industrial and Miscellaneous	50. Canada				
(Unaffiliated)	51. Other Countries				
	52. Totals	1,775,858	1,775,858	1,728,859	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. **Total Common Stocks**	1,775,858	1,775,858	1,728,859	
	55. **Total Stocks**	1,775,858	1,775,858	1,728,859	
	56. **Total Bonds and Stocks**	162,501,589	162,928,603	162,448,788	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year		98,149,810
2. Cost of bonds and stocks acquired, Column 7, Part 3		362,242,702
3. Accrual of discount		64,693
4. Increase (decrease) by adjustment:		
4.1 Columns 12 - 14, Part 1		
4.2 Columns 15 - 17, Part 2, Section 1		
4.3 Column 15, Part 2, Section 2	(40,609)	
4.4 Columns 11 - 13, Part 4	(6,098)	(46,707)
5. Total gain (loss), Column 19, Part 4		(3,329,606)
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4		294,185,158
7. Amortization of premium		394,145
8. Foreign exchange adjustment:		
8.1 Column 15, Part 1		
8.2 Column 19, Part 2, Section 1		
8.3 Column 16, Part 2, Section 2		
8.4 Column 15, Part 4		0
9. Book/adjusted carrying value at end of current period		162,501,589
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		162,501,589
12. Total nonadmitted amounts		
13. Statement value of bonds and stocks, current year		162,501,589

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	1,381,910,721			51,381,805		
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. Subtotal	XXX	XXX	1,381,910,721	0	0	51,381,805	0	0
59. Reporting entity contributions for Employee Benefit Plans	XXX	XXX	8,534,561					
60. Total (Direct Business)	XXX	(a) 1	1,390,445,282	0	0	51,381,805	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 T - PART 2
INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	Direct Business Only					
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
1. Alabama AL						0
2. Alaska AK						0
3. Arizona AZ						0
4. Arkansas AR						0
5. California CA						0
6. Colorado CO						0
7. Connecticut CT						0
8. Delaware DE						0
9. District of Columbia DC						0
10. Florida FL						0
11. Georgia GA						0
12. Hawaii HI						0
13. Idaho ID						0
14. Illinois IL						0
15. Indiana IN						0
16. Iowa IA						0
17. Kansas KS						0
18. Kentucky KY						0
19. Louisiana LA						0
20. Maine ME						0
21. Maryland MD						0
22. Massachusetts MA						0
23. Michigan MI						0
24. Minnesota MN						0
25. Mississippi MS						0
26. Missouri MO						0
27. Montana MT						0
28. Nebraska NE						0
29. Nevada NV						0
30. New Hampshire NH						0
31. New Jersey NJ						0
32. New Mexico NM						0
33. New York NY						0
34. North Carolina NC						0
35. North Dakota ND						0
36. Ohio OH						0
37. Oklahoma OK						0
38. Oregon OR						0
39. Pennsylvania PA						0
40. Rhode Island RI						0
41. South Carolina SC						0
42. South Dakota SD						0
43. Tennessee TN						0
44. Texas TX						0
45. Utah UT						0
46. Vermont VT						0
47. Virginia VA						0
48. Washington WA						0
49. West Virginia WV						0
50. Wisconsin WI						0
51. Wyoming WY						0
52. American Samoa AS						0
53. Guam GU						0
54. Puerto Rico PR						0
55. US Virgin Islands VI						0
56. Canada CN						0
57. Aggregate Other Alien OT						0
58. Totals	0	0	0	0	0	0

NONE

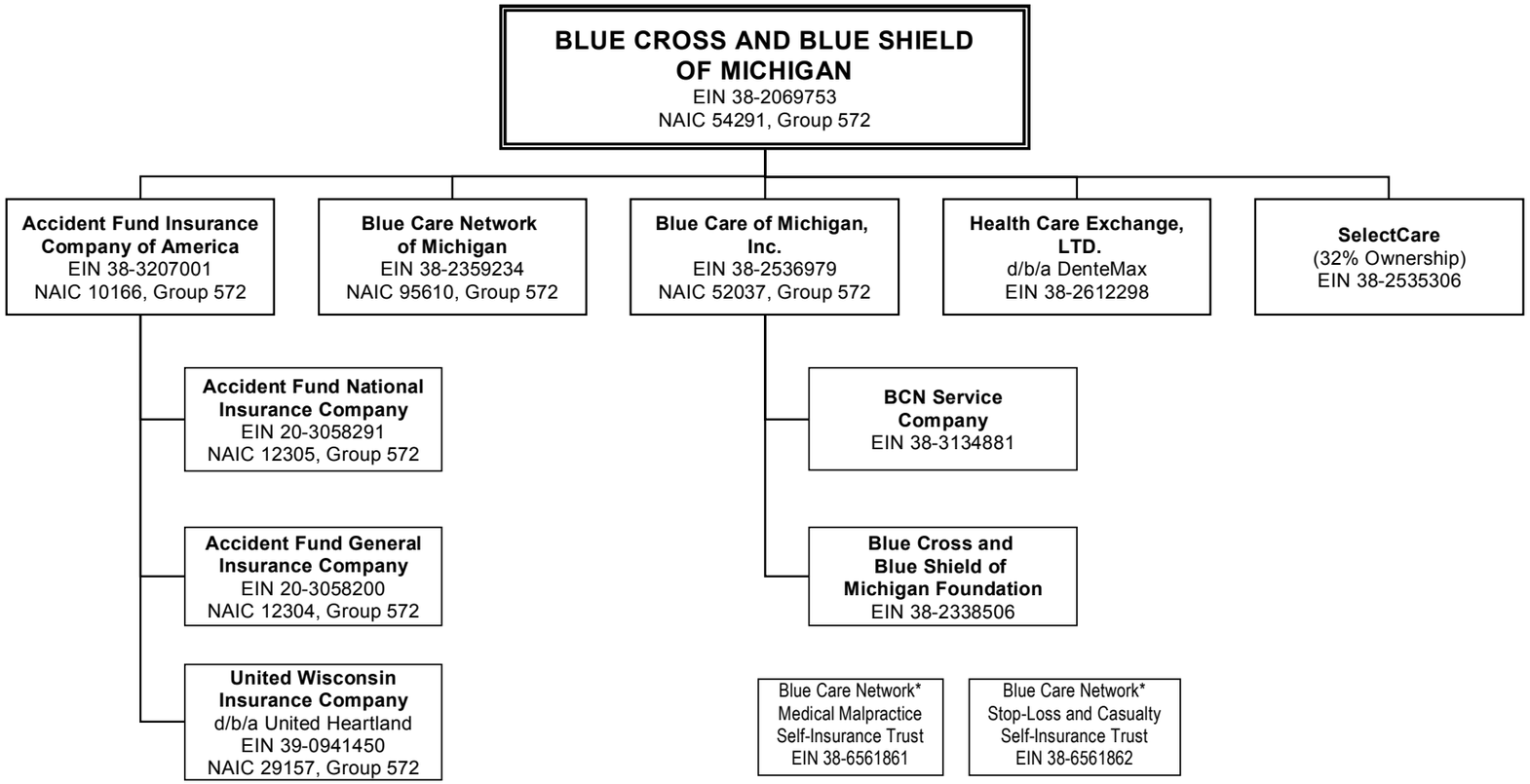
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Blue Cross Blue Shield of Michigan

A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



* Blue Care Network of Michigan participates in these Trusts for self-insurance purposes.

Subchart Schedule Y as of 2/21/06