



# QUARTERLY STATEMENT

AS OF MARCH 31, 2005  
OF THE CONDITION AND AFFAIRS OF THE

## CAPE HEALTH PLAN, INC.

NAIC Group Code 0000 0000 NAIC Company Code 95759 Employer's ID Number 38-2455176  
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ]  
Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [ X ]  
Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized 04/29/1982 Commenced Business 04/29/1982

Statutory Home Office 26711 Northwestern Highway, Suite 300, Southfield, MI 48034  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 26711 Northwestern Highway, Suite 300 Southfield, MI 48034 248-386-3000  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 26711 Northwestern Highway, Suite 300, Southfield, MI 48034  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 26711 Northwestern Highway, Suite 300 Southfield, MI 48034 248-386-3003  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.capehealth.com

Statutory Statement Contact Thomas A Murar 248-386-3003  
(Name) (Area Code) (Telephone Number) (Extension)  
tmurar@capehealth.com 248-945-9421  
(E-mail Address) (FAX Number)

Policyowner Relations Contact 26711 Northwestern Highway Southfield, MI 48034 248-386-3003  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

### OFFICERS

Name	Title	Name	Title
<u>Nancy Wanchik</u>	<u>President &amp; Chief Operating Officer</u>	<u>William Brodhead</u>	<u>Secretary</u>
<u>Susan Sarin</u>	<u>Chief Executive Officer</u>	<u>Ralph Woronoff</u>	<u>Treasurer</u>

### OTHER OFFICERS

<u>Delores Baker MD</u>	<u>Medical Director</u>	<u>Michele Lundberg</u>	<u>Chief Compliance Officer</u>
<u>Thomas Murar</u>	<u>Chief Financial Officer</u>	<u>Rodger Prong</u>	<u>VP HR &amp; Provider Services</u>

### DIRECTORS OR TRUSTEES

<u>Nancy Wanchik</u>	<u>William Brodhead</u>	<u>Ralph Woronoff</u>	<u>Janis Coleman</u>
<u>Sharon Cooper-Jones</u>	<u>Susan Sarin</u>	<u>Etrud Bryant</u>	<u>Shirley Lightsey</u>
<u>Thomas Murar</u>	<u>Delores Baker</u>		

State of Michigan  
County of Macomb SS

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.

Nancy Wanchik  
President & Chief Operating Officer

Thomas Murar  
Chief Financial Officer

Susan Sarin  
Chief Operating Officer

Subscribed and sworn to before me this  
12 day of May, 2005

a. Is this an original filing? Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number \_\_\_\_\_  
2. Date filed 05/12/2005  
3. Number of pages attached \_\_\_\_\_

Linda Rusie, Notary Public  
03/26/2007

STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	1,000,000		1,000,000	1,000,000
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....	32,185	24,139	8,046	19,472
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....36,891,463 ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....0 ) .....	36,891,463		36,891,463	34,378,196
6. Contract loans, (including \$ .....premium notes)			0	0
7. Other invested assets .....	0	0	0	0
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	37,923,649	24,139	37,899,510	35,397,668
11. Title plants less \$ ..... charged off (for Title insurers only)			0	0
12. Investment income due and accrued .....			0	0
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....			0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			0	0
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....	36,257		36,257	0
16.2 Net deferred tax asset .....	315,120	315,120	0	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software .....	440,875	117,549	323,326	351,252
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	137,461	103,096	34,365	81,036
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....			0	0
22. Health care (\$ ..... ) and other amounts receivable .....	425,448		425,448	1,613,273
23. Aggregate write-ins for other than invested assets .....	2,218,883	2,218,883	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	41,497,693	2,778,787	38,718,905	37,443,229
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
26. Total (Lines 24 and 25)	41,497,693	2,778,787	38,718,905	37,443,229
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
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 INSURANCE .....	109,141	109,141	0	0
2302. PREPAID EXPENSES .....	231,622	231,622	0	0
2303. SECURITY DEPOSIT .....	3,125	3,125	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	1,874,995	1,874,995	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2,218,883	2,218,883	0	0

STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	16,753,044		16,753,044	16,393,000
2. Accrued medical incentive pool and bonus amounts	2,017,680		2,017,680	2,178,397
3. Unpaid claims adjustment expenses	518,135		518,135	507,000
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	3,803,118		3,803,118	3,491,246
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses))			0	81,210
10.2 Net deferred tax liability	107,365		107,365	107,365
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates			0	0
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	23,199,342	0	23,199,342	22,758,217
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	2,501,000	2,501,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX		0
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	13,018,563	12,184,012
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24) \$ ..... )	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25) \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	15,519,563	14,685,012
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	38,718,905	37,443,229
<b>DETAILS OF WRITE-INS</b>				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
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 AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	247,471	197,267
2. Net premium income (including ..... non-health premium income).....	XXX	43,682,968	34,620,520
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	(2,605,079)	(1,895,216)
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	41,077,889	32,725,304
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		21,124,864	17,075,527
10. Other professional services .....		6,679,444	5,096,683
11. Outside referrals .....			0
12. Emergency room and out-of-area .....		2,763,578	2,171,502
13. Prescription drugs .....		5,498,538	4,413,707
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		600,000	280,000
16. Subtotal (Lines 9 to 15) .....	0	36,666,424	29,037,419
<b>Less:</b>			
17. Net reinsurance recoveries .....			0
18. Total hospital and medical (Lines 16 minus 17) .....	0	36,666,424	29,037,419
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ 55,574 ..... cost containment expenses.....		190,050	168,500
21. General administrative expenses.....		2,991,683	2,200,596
22. Increase in reserves for life and accident and health contracts including \$ ..... increase in reserves for life only).....			0
23. Total underwriting deductions (Lines 18 through 22) .....	0	39,848,156	31,406,514
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	1,229,733	1,318,790
25. Net investment income earned .....		214,132	54,303
26. Net realized capital gains (losses) less capital gains tax of \$ .....			0
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	214,132	54,303
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
29. Aggregate write-ins for other income or expenses .....	0	1,572	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	1,445,437	1,373,093
31. Federal and foreign income taxes incurred .....	XXX	491,460	438,850
32. Net income (loss) (Lines 30 minus 31) .....	XXX	953,977	934,243
<b>DETAILS OF WRITE-INS</b>			
0601. Provider Tax (QAAP).....	XXX	(2,605,079)	(1,895,216)
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	XXX	(2,605,079)	(1,895,216)
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. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....	0	0	0
2901. Miscellaneous Income.....		1,572	0
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	1,572	0

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>			
33. Capital and surplus prior reporting year.....	14,685,012	10,547,597	10,547,597
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>			
34. Net income or (loss) from Line 32 .....	953,977	934,243	3,751,756
35. Change in valuation basis of aggregate policy and claim reserves .....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0	0
38. Change in net deferred income tax .....		0	0
39. Change in nonadmitted assets .....	(119,425)	68,147	(2,114,342)
40. Change in unauthorized reinsurance .....	0	0	0
41. Change in treasury stock .....		0	0
42. Change in surplus notes .....	0	0	0
43. Cumulative effect of changes in accounting principles .....		0	0
44. Capital Changes:			
44.1 Paid in .....		0	2,500,000
44.2 Transferred from surplus (Stock Dividend) .....		0	0
44.3 Transferred to surplus .....		0	0
45. Surplus adjustments:			
45.1 Paid in .....		0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0	0
45.3 Transferred from capital .....		0	0
46. Dividends to stockholders .....		0	0
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0	0
48. Net change in capital & surplus (Lines 34 to 47) .....	834,552	1,002,391	4,137,415
49. Capital and surplus end of reporting period (Line 33 plus 48)	15,519,563	11,549,987	14,685,012
<b>DETAILS OF WRITE-INS</b>			
4701. ....			
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

**CASH FLOW**

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	43,682,968	156,777,957
2. Net investment income.....	214,132	339,313
3. Miscellaneous income.....	(2,605,079)	(8,793,294)
4. Total (Lines 1 to 3).....	41,292,021	148,323,975
5. Benefits and loss related payments.....	35,279,271	130,451,021
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	2,857,152	11,962,341
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) \$ ..... net of tax on capital gains (losses)	665,594	2,617,536
10. Total (Lines 5 through 9).....	38,802,017	145,030,898
11. Net cash from operations (Line 4 minus Line 10).....	2,490,004	3,293,077
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	98,000	0
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0
12.7 Miscellaneous proceeds.....	3,219	15,999
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	101,219	15,999
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	98,000	0
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	98,000	0
14. Net increase (or decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	3,219	15,999
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	2,500,000
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	0	0
16.6 Other cash provided (applied).....	20,045	(1,735,894)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	20,045	764,106
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17).....	2,513,267	4,073,182
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	34,378,196	30,305,014
19.2 End of period (Line 18 plus Line 19.1).....	36,891,463	34,378,196

STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
<b>Total Members at end of:</b>													
1. Prior Year .....	81,358	0	0	0	0	0	0	0	81,358	0	0	0	0
2. First Quarter .....	83,290								83,290				
3. Second Quarter .....	0												
4. Third Quarter .....	0												
5. Current Year	0												
6. Current Year Member Months	247,471								247,471				
<b>Total Member Ambulatory Encounters for Period:</b>													
7. Physician .....	68,473								68,473				
8. Non-Physician .....	57,197								57,197				
9. Total	125,670	0	0	0	0	0	0	0	125,670	0	0	0	0
10. Hospital Patient Days Incurred	10,765								10,765				
11. Number of Inpatient Admissions	2,392								2,392				
12. Health Premiums Written .....	41,077,889								41,077,889				
13. Life Premiums Direct .....	0												
14. Property/Casualty Premiums Written .....	0												
15. Health Premiums Earned .....	41,077,889								41,077,889				
16. Property/Casualty Premiums Earned .....	0												
17. Amount Paid for Provision of Health Care Services .....	36,455,962								36,455,962				
18. Amount Incurred for Provision of Health Care Services	36,666,424								36,666,424				

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STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec. 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only .....					.0	.0
4. Vision Only .....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare .....					.0	.0
7. Title XIX - Medicaid .....	12,291,626	23,403,619	4,608,374	12,662,805	16,900,000	16,900,000
8. Other Health .....					.0	.0
9. Health Subtotal (Lines 1 to 8).....	12,291,626	23,403,619	4,608,374	12,662,805	16,900,000	16,900,000
10. Healthcare receivables (a) .....					.0	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....	760,717		1,417,680	600,000	2,178,397	2,178,397
13. Totals	13,052,343	23,403,619	6,026,054	13,262,805	19,078,397	19,078,397

(a) Excludes \$ ..... loans and advances to providers not yet expensed.

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## NOTES TO FINANCIAL STATEMENTS

**These statements have not been completed in accordance with the NAIC Accounting Practices and Procedures Manual. The Commissioner of the State of Michigan Office of Financial and Insurance Services issued the following notification regarding reporting:**

By Order 00-086-M dated November 15, 2000, the Commissioner adopted the NAIC Accounting Practices and Procedures Manual effective January 1, 2001, including appendices A - F and excluding Actuarial Guideline XXXV in Appendix C. This order applied to fire and casualty insurers, life, accident, and health insurers, non-U.S. insurers, title insurers and fraternal benefit societies. For health maintenance organizations and alternative financing and delivery systems and dental service corporations, the Commissioner had delayed adoption of the NAIC Accounting Practices and Procedures Manual with an effective date of January 1, 2002. Effective January 1, 2003, these procedures were adopted to be applied to HMOs in a phased manner. Following are the salient features, per letter dated December 4, 2002, of the transitional application of these procedures:

- 1) **SSAP 16: Electronic Data Processing Equipment and Software:**  
The aggregate amount of admitted EDP equipment and operating system software (net of depreciation) shall be limited to the following percentage of the reporting entity's capital and surplus:
- |                           |     |
|---------------------------|-----|
| Effective January 1, 2003 | 25% |
| Effective January 1, 2004 | 15% |
| Effective January 1, 2005 | 5%  |

Effective January 1, 2006, the requirements of SSAP 16 will be fully adopted.

- 2) **SSAP 19: Furniture and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements**  
The reporting entity will be permitted to report as an admitted asset the following percentage of its book value of furniture and equipment and leasehold improvements:
- |                           |     |
|---------------------------|-----|
| Effective January 1, 2003 | 85% |
| Effective January 1, 2004 | 55% |
| Effective January 1, 2005 | 25% |

Effective January 1, 2006, the requirements of SSAP 19 will be fully adopted.

- 3) **SSAP 84: Certain Health Care Receivables and Receivables Under Government Insured Plans**

Loans or advances to large hospitals or other providers are not permitted.

SSAP 84 assumes states would adopt codification effective 2001 and therefore, NAIC transitions no longer apply effective January 1, 2003. OFIS will extend these transitions another year. For pharmaceuticals and risk sharing receivables, the transitions will expire on invoices prior to January 1, 2004. Entities are expected to renegotiate their contracts with pharmacy benefit managers and providers to comply with the requirements of SSAP 84 for future reporting periods.

**GENERAL INTERROGATORIES**

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

**PART 1 - COMMON INTERROGATORIES  
GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes that would require disclosure in the Notes to the Financial Statements? ..... Yes [ ] No [X]
- 1.2 If yes, explain:  
.....
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]
- 2.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 3.1 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]
- 3.2 If yes, date of change: .....  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 4. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 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 entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [ ] NA [X]  
If yes, attach an explanation.
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2002
- 7.2 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. .... 12/31/2002
- 7.3 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). .... 06/07/2004
- 7.4 By what department or departments?  
OFFICE OF FINANCIAL AND INSURANCE SERVICES, STATE OF MICHIGAN.....
- 8.1 Has this 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]
- 8.2 If yes, give full information:  
.....
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes [ ] No [X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.  
.....
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [ ] No [X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal 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

GENERAL INTERROGATORIES

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]  
 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....\$ .....

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock? ..... Yes [ ] No [X]  
 11.2 If yes, explain:  
 .....

- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [ ] No [X]  
 12.2 If yes, give full and complete information relating thereto:  
 .....

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....  
 14. Amount of real estate and mortgages held in short-term investments: .....\$ .....

- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [ ] No [X]  
 15.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
15.21 Bonds .....	\$ .....	\$ .....
15.22 Preferred Stock .....	\$ .....	\$ .....
15.23 Common Stock .....	\$ .....	\$ .....
15.24 Short-Term Investments .....	\$ .....	\$ .....
15.25 Mortgage Loans on Real Estate .....	\$ .....	\$ .....
15.26 All Other .....	\$ .....	\$ .....
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26).....	\$ .....0	\$ .....0
15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above .....	\$ .....	\$ .....

- 16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes [ ] No [X]  
 16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [X]  
 If no, attach a description with this statement.

17. 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 [ ] No [X]

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

1 Name of Custodian(s)	2 Custodian Address

- 17.2 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)

- 17.3 Have there been any changes, including name changes in the custodian(s) identified in 17.1 during the current quarter? ..... Yes [ ] No [X]  
 17.4 If yes, give full and complete information relating thereto:

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

- 17.5 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	2 Name(s)	3 Address

- 18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes [X] No [ ]  
 18.2 If no, list exceptions:  
 .....

## SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	35,404	48,278
2. Increase (decrease) by adjustment	(3,219)	(12,874)
3. Cost of acquired	0	0
4. Cost of additions to and permanent improvements	0	0
5. Total profit (loss) on sales	0	0
6. Increase (decrease) by foreign exchange adjustment	0	0
7. Amount received on sales	0	0
8. Book/adjusted carrying value at end of current period	32,185	35,404
9. Total valuation allowance	0	0
10. Subtotal (Lines 8 plus 9)	32,185	35,404
11. Total nonadmitted amounts	24,139	15,932
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	8,046	19,472

## SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount and mortgage interest points and commitment fees	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

## SCHEDULE BA – VERIFICATION

Other Invested Assets Included in Schedule BA

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

## SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,000,000	1,000,000
2. Cost of bonds and stocks acquired	98,000	0
3. Accrual of discount	0	0
4. Increase (decrease) by adjustment	0	0
5. Increase (decrease) by foreign exchange adjustment	0	0
6. Total profit (loss) on disposal	0	0
7. Consideration for bonds and stocks disposed of	98,000	0
8. Amortization of premium	0	0
9. Book/adjusted carrying value, current period	1,000,000	1,000,000
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	1,000,000	1,000,000
12. Total nonadmitted amounts	0	0
13. Statement value	1,000,000	1,000,000

STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	1,000,000	98,000	98,000		1,000,000	0	0	1,000,000
2. Class 2 .....	0				0	0	0	0
3. Class 3 .....	0				0	0	0	0
4. Class 4 .....	0				0	0	0	0
5. Class 5 .....	0				0	0	0	0
6. Class 6 .....	0				0	0	0	0
7. Total Bonds	1,000,000	98,000	98,000	0	1,000,000	0	0	1,000,000
<b>PREFERRED STOCK</b>								
8. Class 1 .....	0				0	0	0	0
9. Class 2 .....	0				0	0	0	0
10. Class 3 .....	0				0	0	0	0
11. Class 4 .....	0				0	0	0	0
12. Class 5 .....	0				0	0	0	0
13. Class 6 .....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	1,000,000	98,000	98,000	0	1,000,000	0	0	1,000,000

Schedule DA - Part 1

**NONE**

Schedule DA - Part 2

**NONE**

Schedule DB - Part F - Section 1

**NONE**

Schedule DB - Part F - Section 2

**NONE**



**SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS**

Current Year to Date - Allocated by States and Territories

States, Etc.	1	2	Direct Business Only Year-to-Date					
			3	4	5	6	7	8
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums
1. Alabama	AL	No						
2. Alaska	AK	No						
3. Arizona	AZ	No						
4. Arkansas	AR	No						
5. California	CA	No						
6. Colorado	CO	No						
7. Connecticut	CT	No						
8. Delaware	DE	No						
9. District of Columbia	DC	No						
10. Florida	FL	No						
11. Georgia	GA	No						
12. Hawaii	HI	No						
13. Idaho	ID	No						
14. Illinois	IL	No						
15. Indiana	IN	No						
16. Iowa	IA	No						
17. Kansas	KS	No						
18. Kentucky	KY	No						
19. Louisiana	LA	No						
20. Maine	ME	No						
21. Maryland	MD	No						
22. Massachusetts	MA	No						
23. Michigan	MI	No	Yes		41,077,889			
24. Minnesota	MN	No						
25. Mississippi	MS	No						
26. Missouri	MO	No						
27. Montana	MT	No						
28. Nebraska	NE	No						
29. Nevada	NV	No						
30. New Hampshire	NH	No						
31. New Jersey	NJ	No						
32. New Mexico	NM	No						
33. New York	NY	No						
34. North Carolina	NC	No						
35. North Dakota	ND	No						
36. Ohio	OH	No						
37. Oklahoma	OK	No						
38. Oregon	OR	No						
39. Pennsylvania	PA	No						
40. Rhode Island	RI	No						
41. South Carolina	SC	No						
42. South Dakota	SD	No						
43. Tennessee	TN	No						
44. Texas	TX	No						
45. Utah	UT	No						
46. Vermont	VT	No						
47. Virginia	VA	No						
48. Washington	WA	No						
49. West Virginia	WV	No						
50. Wisconsin	WI	No						
51. Wyoming	WY	No						
52. American Samoa	AS	No						
53. Guam	GU	No						
54. Puerto Rico	PR	No						
55. U.S. Virgin Islands	VI	No						
56. Canada	CN	No						
57. Aggregate Other Alien	OT	XXX	XXX	0	0	0	0	0
58. Subtotal	XXX	XXX	0	0	41,077,889	0	0	0
59. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
60. Total (Direct Business)	XXX	(a) 1	0	0	41,077,889	0	0	0
<b>DETAILS OF WRITE-INS</b>								
5701.								
5702.								
5703.								
5798. Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)			0	0	0	0	0	0

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

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

Susan Sarin  
Ultimate Controlling Party (UCP)

HCLB, Inc.  
Holding Company  
Tax ID: 38-3535959

Subsidiaries:

CAPE health Plan, Inc.  
Licensed HMO - State of Michigan  
Tax Id - 38-2455176

Springwater Management, Inc.  
Tax ID: 38-3300867

Cape Management, Inc.  
Tax ID: 38-3511552

Springwater Farm, L.L.C.  
Tax ID: 38-3394654

**OVERFLOW PAGE FOR WRITE-INS**

MQ002 Additional Aggregate Lines for Page 02 Line 23.

\*ASSETS

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Prior Year Net Admitted Assets
2304. GOODWILL .....	1,874,995	1,874,995	0	0
2305. ....			0	0
2397. Summary of remaining write-ins for Line 23 from Page 02	1,874,995	1,874,995	0	0

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 1

**NONE**

Schedule B - Part 2

**NONE**

Schedule BA - Part 1

**NONE**

Schedule BA - Part 2

**NONE**

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**SCHEDULE D - PART 3**

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
84603M-LP-9	Certificate of Deposit		01/19/2005	Soverign Bank - Wyoming, PA		98,000	98,000		XXX
039999 - Total - Bonds - U.S. Government						98,000	98,000		XXX
609999 - Total - Bonds - Part 3						98,000	98,000		XXX
609999 - Total - Bonds						0	0		XXX
659999 - Total - Preferred Stocks						0	XXX	0	XXX
729999 - Total - Common Stocks						0	XXX	0	XXX
739999 - Total - Preferred and Common Stocks						0	XXX	0	XXX
749999 - Totals						98,000	XXX	0	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B/A, C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B/A, C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)		
193296-JE-1	Certificate of Deposit - U.S. Governments	01/31/2005	Cole Taylor Bank of Chicago, IL		98,000	98,000	98,000	98,000				0		98,000			0	0	150	01/31/2005	XXX	
6099999 - Total	Bonds - U.S. Governments				98,000	98,000	98,000	98,000				0		98,000			0	0	150	XXX	XXX	
6099999 - Total	Bonds - Part 4				98,000	98,000	98,000	98,000				0		98,000			0	0	150	XXX	XXX	
6599999 - Total	Preferred Stocks				0	XXX	0	0				0		0			0	0	0	0	XXX	XXX
7399999 - Total	Common Stocks				0	XXX	0	0				0		0			0	0	0	0	XXX	XXX
7399999 - Total	Preferred and Common Stocks				0	XXX	0	0				0		0			0	0	0	0	XXX	XXX
7499999 Totals					98,000	XXX	98,000	98,000	0	0	0	0	0	0	98,000	0	0	0	150	XXX	XXX	

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues

Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**



STATEMENT AS OF MARCH 31, 2005 OF THE CAPE HEALTH PLAN, INC.

**SCHEDULE E - PART 2 CASH EQUIVALENTS**

Showing Investments Owned End of Current Quarter

1 CUSIP Identification	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/Adjusted Carrying Value	8 Amount of Interest Due and Accrued	9 Gross Investment Income
<b>NONE</b>								
0199999 Total Cash Equivalents								