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QUARTERLY STATEMENT

AS OF JUNE 30, 2006

OF THE CONDITION AND AFFAIRS OF THE

CAPE HEALTH PLAN, INC.

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

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 (Street and Number), Southfield, MI 48034 (City or Town, State and Zip Code)

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

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

Primary Location of Books and Records 26711 Northwestern Highway, Suite 300 (Street and Number) Southfield, MI 48034 (City or Town, State and Zip Code) 248-386-3000-3003 (Area Code) (Telephone Number)

Internet Website Address www.capehealth.com

Statutory Statement Contact Thomas A. Murar (Name) 248-386-3000-3003 (Area Code) (Telephone Number) (Extension)

tmurar@capehealth.com (E-mail Address) 248-945-9149 (FAX Number)

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

OFFICERS

Name	Title	Name	Title
Roman Kulich #	President & Chief Executive Officer	Terry Bayer #	Chairperson
Mark Andrews #	Secretary	John Molina #	Treasurer

OTHER OFFICERS

Tom Murar	Chief Financial Officer	Nancy Wanchik	Chief Operating Officer
Delores Baker MD	Medical Director	Michele Lundberg	Compliance Officer

DIRECTORS OR TRUSTEES

Terry Bayer #	Mark Andrews #	John Molina #	Janis Coleman
Roman Kulich #	Etrue Bryant	Nancy Wanchik	Thomas Murar
Catherine Brown			

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.

Mark Andrews	Thomas Murar	Roman Kulich
Secretary	Chief Financial Officer	President & Chief Executive Officer

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

Subscribed and sworn to before me this 14 day of August, 2006

Linda Rusie, Notary Public
03/26/2007

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
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)	16,093	16,093	0	5,632
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 ($ 40,948,618), cash equivalents ($ 0) and short-term investments ($ 0)	40,948,618		40,948,618	39,738,937
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)	41,964,711	16,093	41,948,618	40,744,569
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	585,648		585,648	0
16.2 Net deferred tax asset	569,431	569,431	0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	259,380	67,501	191,879	243,282
19. Furniture and equipment, including health care delivery assets ($ .....)	105,655	105,655	0	30,128
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	455,859		455,859	1,289,804
23. Aggregate write-ins for other than invested assets	1,105,796	272,476	833,320	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	45,046,480	1,031,156	44,015,324	42,307,783
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	45,046,480	1,031,156	44,015,324	42,307,783
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Insurance	71,904	71,904	0	0
2302. Prepaid Expense	197,447	197,447	0	0
2303. Security Deposit	3,125	3,125	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	833,320	0	833,320	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	1,105,796	272,476	833,320	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $ ..... reinsurance ceded)	18,926,458		18,926,458	18,184,006
2. Accrued medical incentive pool and bonus amounts	1,083,198		1,083,198	1,616,787
3. Unpaid claims adjustment expenses	283,897		283,897	243,568
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	3,594,224		3,594,224	3,815,886
10.1 Current federal and foreign income tax payable and interest thereon (including $ ..... on realized gains (losses))			0	240,451
10.2 Net deferred tax liability	73,262		73,262	92,341
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 plans			0	0
21. Aggregate write-ins for other liabilities (including $ ..... current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	23,961,040	0	23,961,040	24,193,039
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	1,000,000	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	16,553,284	15,613,744
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	20,054,284	18,114,744
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	44,015,324	42,307,783
DETAILS OF WRITE-INS				
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 OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months	XXX	532,459	500,502
2. Net premium income (including $ ..... non-health premium income)	XXX	91,997,579	87,901,088
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	(5,435,004)	(5,503,274)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	86,562,575	82,397,814
Hospital and Medical:			
9. Hospital/medical benefits		45,761,605	41,380,473
10. Other professional services		15,239,647	15,390,475
11. Outside referrals			0
12. Emergency room and out-of-area		6,189,416	5,275,699
13. Prescription drugs		12,622,973	11,409,161
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		750,000	675,000
16. Subtotal (Lines 9 to 15)	0	80,563,641	74,130,809
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	80,563,641	74,130,809
19. Non-health claims (net)			0
20. Claims adjustment expenses, including $ ..... cost containment expenses		528,378	382,734
21. General administrative expenses		6,407,304	5,678,510
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	87,499,323	80,192,053
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(936,748)	2,205,761
25. Net investment income earned		841,163	470,348
26. Net realized capital gains (losses) less capital gains tax of $			0
27. Net investment gains (losses) (Lines 25 plus 26)	0	841,163	470,348
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	640	1,152
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	(94,945)	2,677,261
31. Federal and foreign income taxes incurred	XXX	(32,638)	910,290
32. Net income (loss) (Lines 30 minus 31)	XXX	(62,307)	1,766,971
DETAILS OF WRITE-INS			
0601. Provider Tax (QAAP)	XXX	(5,435,004)	(5,503,274)
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	(5,435,004)	(5,503,274)
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		640	1,152
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	640	1,152

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year to Date	2 Prior Year to Date	3 Prior Year
	CAPITAL AND SURPLUS ACCOUNT:			
33.	Capital and surplus prior reporting year	18,114,743	14,685,012	14,685,012
34.	Net income or (loss) from Line 32	(62,307)	1,766,971	2,803,374
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	1,001,848	(15,697)	626,358
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	1,000,000	0	0
	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)	1,939,541	1,751,274	3,429,732
49.	Capital and surplus end of reporting period (Line 33 plus 48)	20,054,284	16,436,286	18,114,743
	DETAILS OF WRITE-INS			
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

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	91,997,579	178,915,436
2. Net investment income	841,163	1,103,436
3. Miscellaneous income	(5,435,004)	(10,840,705)
4. Total (Lines 1 to 3)	87,403,738	169,178,167
5. Benefits and loss related payments	79,520,833	151,699,304
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		0
7. Commissions, expenses paid and aggregate write-ins for deductions	7,116,375	11,613,760
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) $ ..... net of tax on capital gains (losses)	911,362	1,515,594
10. Total (Lines 5 through 9)	87,548,570	164,828,658
11. Net cash from operations (Line 4 minus Line 10)	(144,832)	4,349,509
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	200,000	690,000
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	6,437	12,874
12.8 Total investment proceeds (Lines 12.1 to 12.7)	206,437	702,874
13. Cost of investments acquired (long-term only):		
13.1 Bonds	200,000	690,000
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)	200,000	690,000
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)	6,437	12,874
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	1,000,000	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	348,076	998,357
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	1,348,076	998,357
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17)	1,209,681	5,360,741
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	39,738,937	34,378,196
19.2 End of period (Line 18 plus Line 19.1)	40,948,618	39,738,937

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	88,059	423	0	0	0	0	0	0	87,636	0	0	0	0
2 First Quarter	88,701	448							88,253				
3 Second Quarter	87,906	435							87,471				
4. Third Quarter	0												
5. Current Year	0												
6 Current Year Member Months	532,459	2,679							529,780				
Total Member Ambulatory Encounters for Period:													
7. Physician	188,507	554							187,953				
8. Non-Physician	130,572	383							130,189				
9. Total	319,079	937	0	0	0	0	0	0	318,142	0	0	0	0
10. Hospital Patient Days Incurred	19,709	37							19,672				
11. Number of Inpatient Admissions	4,927	9							4,918				
12. Health Premiums Written	86,562,575	196,725							86,365,849				
13. Life Premiums Direct	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	86,562,575	196,725							86,365,849				
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services	79,071,189	113,257							78,957,932				
18. Amount Incurred for Provision of Health Care Services	80,563,641	115,395							80,448,246				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Unpaid (Reported)						
Institutional	5,541,375	3,000,000	1,500,000			10,041,375
Professional	2,270,084	1,200,000	750,000			4,220,084
Pharmacy	65,000					65,000
0199999 Individually Listed Claims Unpaid	7,876,458	4,200,000	2,250,000	0	0	14,326,458
0299999 Aggregate Accounts Not Individually Listed-Uncovered						0
0399999 Aggregate Accounts Not Individually Listed-Covered						0
0499999 Subtotals	7,876,458	4,200,000	2,250,000	0	0	14,326,458
0599999 Unreported Claims and Other Claim Reserves	XXX	XXX	XXX	XXX	XXX	4,600,000
0699999 Total Amounts Withheld	XXX	XXX	XXX	XXX	XXX	
0799999 Total Claims Unpaid	XXX	XXX	XXX	XXX	XXX	18,926,458
0899999 Accrued Medical Incentive Pool and Bonus Amounts	XXX	XXX	XXX	XXX	XXX	1,083,198

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	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 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 Dec. 31 of Prior Year
1. Comprehensive (hospital & medical)	22,309	90,948	7,691	24,447	30,000	30,000
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	15,552,953	63,404,979	2,601,053	16,293,267	18,154,006	18,154,006
8. Other Health					0	0
9. Health Subtotal (Lines 1 to 8)	15,575,262	63,495,927	2,608,744	16,317,714	18,184,006	18,184,006
10. Healthcare receivables (a)					0	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	1,283,589		333,198	750,000	1,616,787	1,616,787
13. Totals	16,858,851	63,495,927	2,941,942	17,067,714	19,800,793	19,800,793

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

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 Acturial 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 Pratices 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 Janaury 1, 2003. OFIS will extend these transitions another year. For pharmaceuticals and risk sharing receivables, the transitions will expire on invoices prior to Janaury 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 experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [X] No [ ]

1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [X] No [ ]

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. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [X] No [ ]

If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]

4.2 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

5. 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 [X] NA [ ]

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2002

6.2 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

6.3 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

6.4 By what department or departments?

OFFICE OF FINANCIAL AND INSURANCE SERVICES, STATE OF MICHIGAN.....

7.1 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?..... Yes [ ] No [X]

7.2 If yes, give full information:

.....

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 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

9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $

INVESTMENT

10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [ ] No [X]

10.2 If yes, explain:

11.1 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]

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

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $

13. Amount of real estate and mortgages held in short-term investments: $

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21	Bonds	$	$
14.22	Preferred Stock	$	$
14.23	Common Stock	$	$
14.24	Short-Term Investments	$	$
14.25	Mortgage Loans on Real Estate	$	$
14.26	All Other	$	$
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 0
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]

If no, attach a description with this statement.

16. 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]

16.1 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

16.2 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)

16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

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

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

16.5 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

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

17.2 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	22,530	35,404
2. Increase (decrease) by adjustment	(6,437)	(12,874)
3. Cost of acquired		0
4. Cost of additions to and permanent improvements		0
5. Total profit (loss) on sales		0
6. Increase (decrease) by foreign exchange adjustment		0
7. Amount received on sales		0
8. Book/adjusted carrying value at end of current period	16,093	22,530
9. Total valuation allowance		0
10. Subtotal (Lines 8 plus 9)	16,093	22,530
11. Total nonadmitted amounts	16,093	16,897
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	5,632

SCHEDULE B – VERIFICATION

Mortgage Loans

NONE

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

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets at December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		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	200,000	690,000
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Increase (decrease) by foreign exchange adjustment		0
6. Total profit (loss) on disposal		0
7. Consideration for bonds and stocks disposed of	200,000	690,000
8. Amortization of premium		0
9. Book/adjusted carrying value, current period	1,000,000	1,000,000
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	1,000,000	1,000,000
12. Total nonadmitted amounts		0
13. Statement value	1,000,000	1,000,000

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
BONDS								
1. Class 1	0	200,000	200,000		0	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	0	200,000	200,000	0	0	0	0	1,000,000
PREFERRED STOCK								
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	0	200,000	200,000	0	0	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 S—CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		Ceded Life Reinsurance – Affiliates		
		Ceded Life Reinsurance – Non-affiliates		
		Ceded A&H Reinsurance – Affiliates		
		Ceded A&H Reinsurance – Non-affiliates		
67105	41-0451140	Reliastar Life Insurance Company	Minneapolis, MN	Yes
		Ceded P&C Reinsurance – Affiliates		
		Ceded P&C Reinsurance – Non-affiliates		

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

	1	2	Direct Business Only Year-to-Date					
			3	4	5	6	7	8
States, Etc.	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	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			86,562,575			
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 Northern Mariana Islands MP								
57 Canada CN	No	No						
58. Aggregate Other Alien OT	XXX	XXX	0	0	0	0	0	0
59. Subtotal	XXX	XXX	0	0	86,562,575	0	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
61. Total (Direct Business)	XXX	(a) 1	0	0	86,562,575	0	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Summary of remaining write-ins for Line 58 from overflow page			0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 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

Molina Healthcare, Inc.
Tax ID: 13-4204626

Subsidiary
Molina Healthcare of Michigan, Inc.
Tax ID: 38-3341599

Subsidiary
HCLB, Inc.
Tax ID: 38-3535959

Subsidiary
CAPE health Plan, Inc.
Licensed HMO - State of Michigan
Tax ID: 38-2455176

OVERFLOW PAGE FOR WRITE-INS

MQ002 Additional Aggregate Lines for Page 02 Line 23.
*ASSETS

	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Prior Year Net Admitted Assets
2304. Goodwill	833,320	0	833,320	0
2397. Summary of remaining write-ins for Line 23 from Page 02	833,320	0	833,320	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

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]
95989P-VV-8	Certificate of Deposit		05/19/2006	Webster Bank, NA, Waterbury, CT		4,000	4,000		1
52519H-7G-6	Certificate of Deposit		05/17/2006	Lehman Brothers Bank, Wilmington, DE		98,000	98,000		1
05965G-FN-1	Certificate of Deposit		05/24/2006	Banco Popular, New York, NY		98,000	98,000		1
0399999 - Total - Bonds - U.S. Government						200,000	200,000		XXX
6099997 - Total - Bonds - Part 3						200,000	200,000		XXX
6099999 - Total - Bonds						200,000	200,000	0	XXX
6599999 - Total - Preferred Stocks						0	XXX	0	XXX
7299999 - Total - Common Stocks						0	XXX	0	XXX
7399999 - Total - Preferred and Common Stocks						0	XXX	0	XXX
7499999 - Totals						200,000	XXX	0	XXX

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

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	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	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 Desig-nation or Market Indicator (a)
74955V-DM-0	Certificate of Deposit		05/22/2006	R. G. Premier Bank, PR		98,000	98,000	98,000	98,000				0		98,000			0	1,051	05/22/2006	1
943486-EF-3	Certificate of Deposit		05/22/2006	Wawwatosa Savings Bank, Wawwatosa, WI		98,000	98,000	98,000	98,000				0		98,000			0	1,026	05/22/2006	1
633365-AZ-4	Certificate of Deposit		05/23/2006	National Bank of Commerce, Birmingham,		4,000	4,000	4,000	4,000				0		4,000			0	44	05/23/2006	1
0399999 - Bonds - U.S. Governments						200,000	200,000	200,000	200,000						200,000				2,120	XXX	XXX
6099997 - Bonds - Part 4						200,000	200,000	200,000	200,000						200,000				2,120	XXX	XXX
6099999 - Total - Bonds						200,000	200,000	200,000	200,000	0	0	0	0	0	200,000	0	0	0	2,120	XXX	XXX
6599999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7299999 - Total - Common Stocks						0	XXX	0	0	0	0	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	0	0	0	0	XXX	XXX
7499999 Totals						200,000	XXX	200,000	200,000	0	0	0	0	0	200,000	0	0	0	2,120	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

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
Fifth Third Bank, Southfield, Michigan		2.548	142,698	48,265	18,578,795	19,289,619	16,708,820	XXX
Merrill Lynch, Bloomfield Hills, Michigan		4.370	866	226	61,547	261,992	62,218	XXX
Fifth Third Bank - Money Market, Southfield, Michigan		4.897	286,232	96,918	23,982,649	24,080,663	24,177,581	XXX
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Totals - Open Depositories	XXX	XXX	429,796	145,409	42,622,991	43,632,273	40,948,618	XXX
0399999 Total Cash on Deposit	XXX	XXX	429,796	145,409	42,622,991	43,632,273	40,948,618	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total Cash	XXX	XXX	429,796	145,409	42,622,991	43,632,273	40,948,618	XXX

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
0199999 Total Cash Equivalents								

NONE