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ANNUAL STATEMENT

For the Year Ending December 31, 2005

of the Condition and Affairs of the

Physicians Health Plan of Mid-Michigan

NAIC Group Code.....3408, (Current Period) (Prior Period) NAIC Company Code..... 95849 Employer's ID Number..... 38-2356288

Organized under the Laws of Michigan State of Domicile or Port of Entry Michigan Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized..... December 18, 1980 Commenced Business..... October 1, 1981

Statutory Home Office	1400 E. Michigan Avenue… Lansing ..... MI ..... 48912 *(Street and Number) (City, State and Zip Code)*	
Main Administrative Office	1400 E. Michigan Avenue… Lansing ..... MI ..... 48912 *(Street and Number) (City, State and Zip Code)*	517-364-8400 *(Area Code) (Telephone Number)*
Mail Address	PO Box 30377… Lansing ..... MI ..... 48909 *(Street and Number or P. O. Box) (City, State and Zip Code)*	
Primary Location of Books and Records	1400 E. Michigan Avenue… Lansing ..... MI ..... 48912 *(Street and Number) (City, State and Zip Code)*	517-364-8400 *(Area Code) (Telephone Number)*
Internet Website Address	www.phpmm.org	
Statutory Statement Contact	Jackie Eddy *(Name)*	517-364-8400 *(Area Code) (Telephone Number) (Extension)*
	jackie.eddy@phpmm.org *(E-Mail Address)*	517-364-8407 *(Fax Number)*
Policyowner Relations Contact	1400 E. Michigan Avenue… Lansing ..... MI ..... 48912 *(Street and Number) (City, State and Zip Code)*	517-364-8400 *(Area Code) (Telephone Number) (Extension)*

OFFICERS

Name	Title	Name	Title
1. Olga Dazzo	President	2. # Gary Reetz	Treasurer
3. Randolph Rifkin	Secretary	4.	

OTHER

Chairperson Marylee Davis

DIRECTORS OR TRUSTEES

Wendell Barron	Larry Rawesthorne M.D.	Dawn Springer M.D.	Martha Bibbs
Dennis Swan	Virginia Hilbert	Randolph Rifkin	Dennis Muchmore #
Richard Bruner	Marylee Davis Ph.D.	Donald Knickerbocker MD	Patrick Gribben Jr
Gary Reetz #	Olga Dazzo	Brian McCardel M.D.	

State of..... Michigan
County of..... Ingham

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)
Olga Dazzo	# Gary Reetz	Randolph Rifkin
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President	Treasurer	Secretary
(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)			0	
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	
2.2 Common stocks	24,141,329		24,141,329	19,989,690
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)	3,015,729		3,015,729	3,415,972
4.2 Properties held for the production of income (less $.....0 encumbrances)			0	
4.3 Properties held for sale (less $.....0 encumbrances)			0	
5. Cash ($.....(4,452,724), Sch. E-Part 1), cash equivalents ($.....0, Sch. E-Part 2) and short-term investments ($.....44,070,210, Sch. DA)	39,617,486		39,617,486	36,022,405
6. Contract loans (including $.....0 premium notes)			0	
7. Other invested assets (Schedule BA)	6,321,502	214,724	6,106,778	6,605,133
8. Receivables for securities	8,249		8,249	24,416
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	73,104,295	214,724	72,889,571	66,057,616
11. Title plants less $.....0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	154,205		154,205	67,680
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	449,039	63,753	385,286	233,535
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	691,820	691,820	0	543,727
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans			0	
16.1 Current federal and foreign income tax recoverable and interest thereon			0	
16.2 Net deferred tax asset			0	
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software	2,676,393	2,382,837	293,556	85,875
19. Furniture and equipment, including health care delivery assets ($.....0)	441,227	330,919	110,308	240,529
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates	568,232		568,232	435,565
22. Health care ($.....2,276,209) and other amounts receivable	3,356,330	170,877	3,185,453	1,639,327
23. Aggregate write-ins for other than invested assets	729,051	729,051	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	82,170,592	4,583,981	77,586,611	69,303,854
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	82,170,592	4,583,981	77,586,611	69,303,854

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. Prepaids	729,051	729,051	0	
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	729,051	729,051	0	0

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less $.....0 reinsurance ceded)	19,259,829	1,449,665	20,709,494	15,707,880
2.	Accrued medical incentive pool and bonus amounts	11,524,362		11,524,362	10,697,347
3.	Unpaid claims adjustment expenses	508,409		508,409	814,313
4.	Aggregate health policy reserves			0	
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserve			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance	2,094,348		2,094,348	2,157,038
9.	General expenses due or accrued	1,455,568		1,455,568	1,434,266
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	100,384		100,384	65,919
13.	Remittances and items not allocated			0	887
14.	Borrowed money (including $.....0 current) and interest thereon $.....0 (including $.....0 current)			0	
15.	Amounts due to parent, subsidiaries and affiliates	6,447,808		6,447,808	5,740,961
16.	Payable for securities	7,751		7,751	3,260
17.	Funds held under reinsurance treaties with ($.....0 authorized reinsurers and $.....0 unauthorized reinsurers)			0	
18.	Reinsurance in unauthorized companies			0	
19.	Net adjustments in assets and liabilities due to foreign exchange rates			0	
20.	Liability for amounts held under uninsured accident and health plans			0	
21.	Aggregate write-ins for other liabilities (including $.....0 current)	0	0	0	0
22.	Total liabilities (Lines 1 to 21)	41,398,459	1,449,665	42,848,124	36,621,871
23.	Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24.	Common capital stock	XXX	XXX		
25.	Preferred capital stock	XXX	XXX		
26.	Gross paid in and contributed surplus	XXX	XXX		
27.	Surplus notes	XXX	XXX		
28.	Aggregate write-ins for other than special surplus funds	XXX	XXX	2,000,000	2,000,000
29.	Unassigned funds (surplus)	XXX	XXX	32,738,487	30,681,983
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	34,738,487	32,681,983
32.	Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	77,586,611	69,303,854

DETAILS OF WRITE-INS

2101.				0	
2102.				0	
2103.				0	
2198.	Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199.	Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
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.	Statutory Contingency Reserve	XXX	XXX	2,000,000	2,000,000
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	2,000,000	2,000,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	835,340	812,572
2. Net premium income (including $.....0 non-health premium income)	XXX	214,379,719	198,097,201
3. Change in unearned premium reserves and reserve for rate credits	XXX		
4. Fee-for-service (net of $.....0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	214,379,719	198,097,201
Hospital and Medical:			
9. Hospital/medical benefits	9,031,961	129,028,011	116,231,415
10. Other professional services	1,009,547	14,422,106	13,878,983
11. Outside referrals			
12. Emergency room and out-of-area	562,977	8,042,534	7,788,592
13. Prescription drugs	2,064,480	29,492,568	28,814,269
14. Aggregate write-ins for other hospital and medical	0	(220,788)	(1,970,131)
15. Incentive pool, withhold adjustments and bonus amounts		11,158,709	10,251,933
16. Subtotal (Lines 9 to 15)	12,668,965	191,923,140	174,995,061
Less:			
17. Net reinsurance recoveries		473,941	1,013,593
18. Total hospital and medical (Lines 16 minus 17)	12,668,965	191,449,199	173,981,468
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....142,403 cost containment expenses		4,911,305	7,496,153
21. General administrative expenses		14,060,997	13,203,116
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)	12,668,965	210,421,501	194,680,737
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	3,958,218	3,416,464
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,863,355	1,075,310
26. Net realized capital gains or (losses) less capital gains tax of $.....0		163,977	66,005
27. Net investment gains or (losses) (Lines 25 plus 26)	0	2,027,332	1,141,315
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $.....0) (amount charged off $.....0)]			
29. Aggregate write-ins for other income or expenses	0	3,849,824	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	9,835,374	4,557,779
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	9,835,374	4,557,779

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Write-off of Manual Margin			(1,970,131)
1402. Ohter Medical Costs		(220,788)	
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	(220,788)	(1,970,131)
2901. Arbitration Settlement		3,850,000	
2902. Other Settlements		(176)	
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	3,849,824	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	32,681,980	31,226,384
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	9,835,374	4,557,779
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	(1,217,435)	(106,279)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(3,661,432)	(495,904)
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	(2,900,000)	(2,500,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	2,056,507	1,455,596
49. Capital and surplus end of reporting period (Line 33 plus 48)	34,738,487	32,681,980

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	214,165,278	199,283,010
2. Net investment income	2,131,125	1,101,070
3. Miscellaneous income	4,171,784	792,594
4. Total (Lines 1 through 3)	220,468,187	201,176,674
5. Benefit and loss related payments	190,294,052	182,881,498
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	14,039,695	14,629,663
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) $.....0 net of tax on capital gains (losses)		
10. Total (Lines 5 through 9)	204,333,747	197,511,161
11. Net cash from operations (Line 4 minus Line 10)	16,134,440	3,665,513
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks	5,789,461	4,396,529
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		
12.7 Miscellaneous proceeds	1,306,751	(398,855)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	7,096,212	3,997,674
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks	10,346,521	15,568,290
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	340,000	
13.6 Miscellaneous applications	232,699	1,562,041
13.7 Total investments acquired (Lines 13.1 to 13.6)	10,919,220	17,130,331
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(3,823,008)	(13,132,657)
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	2,900,000	2,500,000
16.6 Other cash provided (applied)	(5,816,351)	(8,969,479)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(8,716,351)	(11,469,479)
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)	3,595,081	(20,936,623)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	36,022,405	56,959,028
19.2 End of year (Line 18 plus Line 19.1)	39,617,486	36,022,405

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	214,379,719	214,377,077						2,642					
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $.....0 medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	214,379,719	214,377,077	0	0	0	0	0	2,642	0	0	0	0	0
8. Hospital/medical benefits	129,028,011	128,969,830						58,181					XXX
9. Other professional services	14,422,106	14,422,497						(391)					XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	8,042,534	8,042,548						(14)					XXX
12. Prescription drugs	29,492,568	29,491,113						1,455					XXX
13. Aggregate write-ins for other hospital and medical	(220,788)	(231,400)	0	0	0	0	0	10,612	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	11,158,709	11,158,705						4					XXX
15. Subtotal (Lines 8 to 14)	191,923,140	191,853,293	0	0	0	0	0	69,847	0	0	0	0	XXX
16. Net reinsurance recoveries	473,941	473,941											XXX
17. Total hospital and medical (Lines 15 minus 16)	191,449,199	191,379,352	0	0	0	0	0	69,847	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $.....142,403 cost containment expenses	4,911,305	4,911,305											
20. General administrative expenses	14,060,997	14,060,997											
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)	210,421,501	210,351,654	0	0	0	0	0	69,847	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	3,958,218	4,025,423	0	0	0	0	0	(67,205)	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0												XXX
0502.	0												XXX
0503.	0												XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Other Medical	(220,788)	(231,400)						10,612					XXX
1302.	0												XXX
1303.	0												XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	(220,788)	(231,400)	0	0	0	0	0	10,612	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	215,368,668		991,591	214,377,077
2. Medicare supplement				0
3. Dental only				0
4. Vision only				0
5. Federal employees health benefits plan				0
6. Title XVIII - Medicare				0
7. Title XIX - Medicaid	2,642			2,642
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	215,371,310	0	991,591	214,379,719
13. Life				0
14. Property/casualty				0
15. Totals (Lines 12 to 14)	215,371,310	0	991,591	214,379,719

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	176,858,983	176,789,030						69,953					
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	1,017,668	1,017,668											
1.4 Net	175,841,315	175,771,362	0	0	0	0	0	69,953	0	0	0	0	0
2. Paid medical incentive pools and bonuses	10,331,695	10,331,691						4					
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	20,709,494	20,709,494											
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	20,709,494	20,709,494	0	0	0	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	11,524,362	11,524,295						67					
6. Net healthcare receivables (a)	(1,096,164)	(1,096,258)						94					
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	15,707,882	15,707,678						204					
8.2 Reinsurance assumed	0												
8.3 Reinsurance ceded	0												
8.4 Net	15,707,882	15,707,678	0	0	0	0	0	204	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	10,697,347	10,697,280						67					
11. Amounts recoverable from reinsurers December 31, prior year	543,727	543,727											
12. Incurred benefits:													
12.1 Direct	180,764,431	180,694,588	0	0	0	0	0	69,843	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	473,941	473,941	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	180,290,490	180,220,647	0	0	0	0	0	69,843	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	11,158,710	11,158,706	0	0	0	0	0	4	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	3,303,075	3,303,075											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	3,303,075	3,303,075	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct	17,406,419	17,406,419											
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	17,406,419	17,406,419	0	0	0	0	0	0	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct	20,709,494	20,709,494	0	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	20,709,494	20,709,494	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	12,022,962	164,292,127	180,403	20,529,091	12,203,365	15,707,678
2. Medicare supplement					0	
3. Dental only					0	
4. Vision only					0	
5. Federal employees health benefits plan					0	
6. Title XVIII - Medicare					0	
7. Title XIX - Medicaid	69,952				69,952	204
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	12,092,914	164,292,127	180,403	20,529,091	12,273,317	15,707,882
10. Healthcare receivables (a)	92,174	2,184,035			92,174	1,180,045
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	10,710,349	(378,654)	833,442	10,690,920	11,543,791	10,697,347
13. Totals (Lines 9 - 10 + 11 + 12)	22,711,089	161,729,438	1,013,845	31,220,011	23,724,934	25,225,184

(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	40,648	432			
2. 2001	192,388	25,379	415		
3. 2002	XXX	181,702	19,419	348	
4. 2003	XXX	XXX	121,482	8,886	(19)
5. 2004	XXX	XXX	XXX	156,209	12,112
6. 2005	XXX	XXX	XXX	XXX	164,292

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	1,113,423	1,109,061	1,109,061	1,109,061	1,109,061
2. 2001	232,388	219,782	218,181	218,180	218,180
3. 2002	XXX	206,884	201,776	201,469	201,469
4. 2003	XXX	XXX	136,525	130,784	130,419
5. 2004	XXX	XXX	XXX	169,777	168,431
6. 2005	XXX	XXX	XXX	XXX	184,821

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	266,912	218,180	7,238	3.3	225,418	84.5			225,418	84.5
2. 2002	244,136	201,469	10,982	5.5	212,451	87.0			212,451	87.0
3. 2003	190,456	130,419	7,114	5.5	137,533	72.2			137,533	72.2
4. 2004	199,529	168,251	7,496	4.5	175,747	88.1	1,014		176,761	88.6
5. 2005	214,380	164,292	5,217	3.2	169,509	79.1	31,220	508	201,237	93.9

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	33,901	344			
2. 2001	160,455	20,207	402		
3. 2002	XXX	144,672	18,826	348	
4. 2003	XXX	XXX	117,774	8,885	(19)
5. 2004	XXX	XXX	XXX	156,209	12,042
6. 2005	XXX	XXX	XXX	XXX	164,292

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	910,791	907,207	907,207	907,207	907,207
2. 2001	193,229	182,194	180,980	181,063	181,063
3. 2002	XXX	163,814	164,157	163,846	163,846
4. 2003	XXX	XXX	132,908	127,075	126,640
5. 2004	XXX	XXX	XXX	169,777	168,431
6. 2005	XXX	XXX	XXX	XXX	184,821

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	221,657	181,063	5,861	3.2	186,924	84.3			186,924	84.3
2. 2002	197,889	163,846	8,893	5.4	172,739	87.3			172,739	87.3
3. 2003	190,449	126,640	7,114	5.6	133,754	70.2			133,754	70.2
4. 2004	199,533	168,251	7,496	4.5	175,747	88.1	1,014		176,761	88.6
5. 2005	214,377	164,292	5,217	3.2	169,509	79.1	31,220	508	201,237	93.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

NONE

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				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

NONE

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				
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 - MEDICARE SUPPLEMENT

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment 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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

NONE

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				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

NONE

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				
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 - DENTAL ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment 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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

NONE

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				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

NONE

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				
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 - VISION ONLY

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment 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

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

NONE

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				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

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

NONE

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				
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 - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment 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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

NONE

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				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

NONE

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				
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

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment 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

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	6,747	88			
2. 2001	31,933	5,172	13		
3. 2002	XXX	37,030	593		
4. 2003	XXX	XXX	3,708	1	
5. 2004	XXX	XXX	XXX		70
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	202,632	201,854	201,854	201,854	201,854
2. 2001	39,159	37,588	37,201	37,117	37,117
3. 2002	XXX	43,070	37,619	37,623	37,623
4. 2003	XXX	XXX	3,617	3,709	3,779
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	45,255	37,117	1,377	3.7	38,494	85.1			38,494	85.1
2. 2002	46,247	37,623	2,089	5.6	39,712	85.9			39,712	85.9
3. 2003	7	3,779		0.0	3,779	53,985.7			3,779	53,985.7
4. 2004	(4)			0.0	0	0.0			0	0.0
5. 2005	3			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 - OTHER

NONE

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				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - OTHER

NONE

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				
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 - OTHER

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment 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

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	0											
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	0											
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0	0	0	0
6. Totals (gross)	0	0	0	0	0	0	0	0	0	0	0	0
7. Reinsurance ceded	0											
8. Totals (net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims	0											
10. Reserve for future contingent benefits	0											
11. Aggregate write-ins for other claim reserves	0	0	0			0	0	0	0	0	0	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

NONE

(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)	662	17,784	32,755		51,201
2. Salaries, wages and other benefits	63,434	1,992,653	4,650,822		6,706,909
3. Commissions (less $.....0 ceded plus $.....0 assumed)	3,588	629,903	2,969,604		3,603,095
4. Legal fees and expenses		14,477	75,761		90,238
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services			1,348,021		1,348,021
7. Traveling expenses		5,243	27,435		32,678
8. Marketing and advertising			556,409		556,409
9. Postage, express and telephone	28,311	717,831	1,178,170		1,924,312
10. Printing and office supplies	878	13,384	159,204		173,466
11. Occupancy, depreciation and amortization	2,289	168,932	675,545		846,766
12. Equipment					0
13. Cost or depreciation of EDP equipment and software	431	33,575	136,437		170,443
14. Outsourced services including EDP, claims, and other services	26,410	666,199	1,081,106		1,773,715
15. Boards, bureaus and association fees		12,440	65,101		77,541
16. Insurance, except on real estate		36,484	190,925		227,409
17. Collection and bank service charges					0
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		9,767	51,113		60,880
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes	1,250	29,991	43,142		74,383
23.3 Regulator authority licenses and fees					0
23.4 Payroll taxes		44,548	233,123		277,671
23.5 Other (excluding federal income and real estate taxes)	2	6,102	31,792		37,896
24. Investment expenses not included elsewhere	173	4,156	5,978		10,307
25. Aggregate write-ins for expenses	14,975	365,433	548,554	0	928,962
26. Total expenses incurred (Lines 1 to 25)	142,403	4,768,902	14,060,997	0	(a) 18,972,302
27. Less expenses unpaid December 31, current year		508,409	1,455,568		1,963,977
28. Add expenses unpaid December 31, prior year		814,313	1,434,266		2,248,579
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)	142,403	5,074,806	14,039,695	0	19,256,904

DETAILS OF WRITE-INS

2501. Other Miscellaneous	14,975	365,433	548,554		928,962
2502.					0
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)	14,975	365,433	548,554	0	928,962

(a) Includes management fees of $.....1,584,515 to affiliates and $.....17,387,787 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a)	
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a)	
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	786,039	784,223
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) 1,090,938	1,179,279
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	1,876,977	1,963,502
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		100,147
16.	Total deductions (Lines 11 through 15)		100,147
17.	Net investment income (Line 10 minus Line 16)		1,863,355

DETAILS OF WRITE-INS

0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0
1501.	Investment Fees - Mellon		54,685
1502.	Bank Fees		45,462
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)		100,147

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

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1.	U.S. government bonds				0
1.1	Bonds exempt from U.S. tax				0
1.2	Other bonds (unaffiliated)				0
1.3	Bonds of affiliates				0
2.1	Preferred stocks (unaffiliated)				0
2.11	Preferred stocks of affiliates				0
2.2	Common stocks (unaffiliated)	572,635		(977,732)	(405,097)
2.21	Common stocks of affiliates			(324)	(324)
3.	Mortgage loans				0
4.	Real estate				0
5.	Contract loans				0
6.	Cash, cash equivalents and short-term investments				0
7.	Derivative instruments				0
8.	Other invested assets				0
9.	Aggregate write-ins for capital gains (losses)	(408,658)	0	(239,377)	(648,035)
10.	Total capital gains (losses)	163,977	0	(1,217,433)	(1,053,456)

DETAILS OF WRITE-INS

0901.	Investment in Physicians Health Plan Mid-Michigan - Family Care	(408,658)			(408,658)
0902.	Physicians Health Plan - SSO			(239,377)	(239,377)
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)	(408,658)	0	(239,377)	(648,035)

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)	214,724	24,406	(190,318)
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)	214,724	24,406	(190,318)
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	63,753	257,853	194,100
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	691,820	392,801	(299,019)
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	2,382,837		(2,382,837)
19. Furniture and equipment, including health care delivery assets	330,919	196,796	(134,123)
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable	170,877		(170,877)
23. Aggregate write-ins for other than invested assets	729,051	50,690	(678,361)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	4,583,981	922,546	(3,661,435)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	4,583,981	922,546	(3,661,435)

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. Prepaids	729,051	50,690	(678,361)
2302.			0
2303.			0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	729,051	50,690	(678,361)

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	67,286	68,018	67,762	70,934	72,755	835,340
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	67,286	68,018	67,762	70,934	72,755	835,340

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Organization— Physicians Health Plan of Mid-Michigan ("PHPMM") is a nonprofit health maintenance organization ("HMO") under the laws of the State of Michigan and is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Under the articles of incorporation, Sparrow Health System ("Sparrow") is the sole corporate member (sponsor) of PHPMM.

Basis of Presentation— The statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Office of Financial and Insurance Services of the State of Michigan ("OFIS"). These practices differ in some respects from accounting principles generally accepted in the United States of America ("GAAP"). Certain assets are considered non-admitted for statutory purposes and are excluded from the balance sheet.

The statutory financial statements are prepared in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual— Version effective January 1, 2001 (the "Manual") as modified by OFIS (statutory accounting principles). Accordingly, the admitted assets, liabilities and surplus of PHPMM as of December 31, 2005 and 2004, and the results of its operations and its cash flow for the years then ended have been determined in accordance with the statutory accounting principles.

The State of Michigan has provided for transitional implementation of certain Statements of Statutory Accounting Principles ("SSAPs") that will have the greatest impact on admitted assets.

The difference in PHPMM's net income and capital and surplus between NAIC statutory accounting practices and practices prescribed by the State of Michigan are not included in the financial statements.

Accounting practices and procedures as prescribed or permitted by OFIS comprise a comprehensive basis of accounting other than GAAP. The more significant statutory accounting practices, which differ from GAAP, are as follows:

- The effects of reinsurance are netted against the corresponding assets, liabilities, income, or expenses.
- Certain assets, such as premiums over 90 days past due, goodwill, certain property and equipment and prepaid expenses are "non-admitted" and are charged against capital and surplus.
- Computer software applications are treated as a non-admitted asset and charged against capital and surplus.
- Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in capital and surplus.
- Classification of items in the statement of cash flows differs from GAAP.
- PHPMM's subsidiaries are included in the statement of admitted assets, liabilities and surplus— statutory basis using the equity method of accounting. The related income or loss is reported as a direct charge to capital and surplus.

Cash and Short-Term Investments— Included in cash and short-term investments are cash and cash equivalents with original maturities of less than three months and other investments with original maturities of less than one year.

Restricted Investments— In accordance with Michigan regulatory requirements, PHPMM maintains restricted investments under an agreement with OFIS. The restricted investment reserves are stated at fair value and classified as a non-current asset as they are not available for working capital purposes.

Common Stocks— Stocks consist of common stocks and are carried at fair value.

Real Estate, Furniture and Equipment, Electronic Data Processing Equipment, and Software— Real estate, furniture and equipment, electronic data processing equipment, and software are recorded at cost, less accumulated depreciation. A portion of fixed assets are non-admitted assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, primarily 7 years for equipment and building improvements and 35 years for property.

Claims Unpaid— Accrued medical claims and related expenses (hospitalization and other outside medical services) include amounts billed and not paid and an estimate of costs incurred for unbilled services provided at the balance sheet date including claims payable of PHN as required by the order from OFIS. Such estimates are based on historical payment patterns using actuarial techniques and are regularly reviewed and updated.

Premiums— Premiums are recognized as revenue in the period in which the members are entitled to health care services. Premiums billed and collected in advance are recorded as unearned premiums. One employer group accounted for approximately 27% and 26% of the premiums for 2005 and 2004, respectively.

Minimum Net Worth Requirements— Under the laws of the State of Michigan, PHPMM is required to maintain a minimum net worth and statutory capital. PHPMM was in compliance with the state statutory net worth and statutory

NOTES TO FINANCIAL STATEMENTS

capital requirements at December 31, 2005.

The State of Michigan further requires HMOs to maintain positive working capital defined as current assets (net of statutory deposits and escrow) less current liabilities. PHPMM has positive working capital when measured using the statutory basis of accounting.

In addition, the State of Michigan requires PHPMM to provide a statutory deposit. PHPMM maintains its statutory deposit of $2,000,000 within investments. Currently, PHPMM is in compliance with the statutory deposit requirements.

Use of Estimates— The statutory basis financial statements have been prepared in accordance with the accounting practices prescribed or permitted by OFIS. This basis requires the use of certain estimates, the most significant of which are related to incurred but unreported claims for medical services. Actual results could differ from these estimates.

Hospital/Medical Benefits— Hospital/Medical benefits expenses include claims paid, claims in process and pending, and estimated unreported claims and charges by physicians, hospitals, and other health care providers for services rendered to PHPMM enrollees during the year and are actuarially determined. Adjustments to prior period estimates are reflected in the current period, and changes in these estimates could be significant.

Accrued Medical Incentive Pool and Bonus Amounts—Participating physicians and hospitals are reimbursed for health care services provided at less than 100% of their allowable fees. In addition, a percentage of each participating providers' reimbursement is withheld as a Physician or Hospital Incentive Allowance ("PIA"). The purpose of the PIA is to offset operating deficits, to provide working capital, to fund regulatory requirements, and to provide an incentive for participating physicians and hospitals to control medical costs. At the discretion of the Board of Directors and subject to certain HMO restrictions, all, a portion, or none of the PIA accumulated during the year may be returned to participating providers. It is expected that the Board of Directors will elect to return all of the PIA withheld for 2005 in the amount of $11,324,361, as all criteria to return the PIA have been met. The decision will be finalized based upon receipt of the audited financial statements. The Board of Directors elected to return all of the PIA withheld for 2004 in the amount of $9,676,382. These amounts are included in medical services expenses and physician and hospital incentive allowance in the accompanying financial statements.

General Administrative Expenses— PHPMM has an administrative services agreement ("ASA") with United Healthcare Services, Inc. ("UHS"), which covers administrative services that are system dependent (i.e., billing, enrollment, claims processing, and accounting). The agreement expires December 31, 2006. UHS provides these services to PHPMM for a fee based on a per member per month basis plus additional "pass-through" costs. PHPMM withholds a portion of the service fee, which may be paid contingent upon UHS's performance under the terms of the agreement.

PHPMM contracts with United Healthcare Insurance Company ("UHIC"), a wholly owned subsidiary of United Healthcare ("UHC"), to offer out-of-network and out-of-area coverage for its enrollees. Up through August 15, 2005, a percent of premium costs were funded to UHIC related to this agreement and are included in the accompanying financial statements as reductions in premiums. PHPMM received a percent of premium related to this coverage for administrative services. After August 15, 2005, PHPMM reimburses UHIC for out-of network and out-of-area coverage for the enrollees who reside outside the PHPMM service area based upon a monthly access fee. This access fee permits our enrollees to receive health care services from the United Options PPO Network.

Restructuring— The four hospital sponsors, their respective HDNs, and the HMO signed a memorandum of understanding to restructure the HMO in 1996. Under this restructuring plan Hackley, Foote and Bronson filed applications for separate health maintenance organization licenses for their respective service areas surrounding Muskegon, Jackson and Kalamazoo. In early 2000, OFIS approved the Jackson and Kalamazoo applications. During May and June 2000, the HMO transferred the subscriber contracts in Jackson and Kalamazoo to the newly formed health maintenance organizations (organized as tax-exempt entities). During December 2002, the HMO subscriber contracts and the accompanying renewal obligations associated with the subscriber contracts in Muskegon were assumed by other health plans. Accordingly, included in the 2003 statement of operations is the operation of the Muskegon division through the date the subscriber contracts were actually assumed by the other health plans, primarily Priority Health. This includes any claims payment activity subsequent to December 31, 2002, but related to dates of service prior to January 1, 2003, as well as any related medical service claim reserve adjustments and premium adjustments, if any.

The Jackson and Kalamazoo HMOs are known as Physicians Health Plan of South Michigan ("PHPSM") and Physicians Health Plan of Southwest Michigan, Inc. ("PHPSWM"), respectively.

Currently, PHPMM, PHPSM and PHPSWM jointly own a "shared services" organization, Physicians Health Plans Shared Services L.L.C. ("PHP Shared Services"), which was formed in 1998 as a Michigan limited liability company. The purpose of PHP Shared Services is to facilitate statewide contracting and to achieve economies of scale to obtain HMO management and other required purchased services for owners of PHP Shared Services. PHPMM's investment in PHP Shared Services is being accounted for under the equity method.

NOTES TO FINANCIAL STATEMENTS

Reclassifications— Certain reclassifications have been made to the 2004 financial statements to conform to the classifications used in 2005. These reclassifications had no effect on changes in net assets or net assets as previously reported.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

Not applicable.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

At December 31, 2005, the amortized cost, fair value and net holding gains and losses of investments, including restricted investments of $1,043,967, are as follows:

	2005		
	Amortized Cost	Net Unrealized Gain	Fair Value
Cash and short-term investments	$ 39,617,486	$ -	$ 39,617,486
Common stock	24,141,329	977,733	25,119,062
Total	$ 63,758,815	$ 977,733	$ 64,736,548

Investment income:	
Interest income	$ 1,863,355
Net realized and unrealized losses	163,977
Total Investment Income	$ 2,027,332

At December 31, 2004, the amortized cost, fair value and net holding gains and losses of investments, including restricted investments of $1,019,610, are as follows:

NOTES TO FINANCIAL STATEMENTS

	2004		
	Amortized Cost	Net Unrealized Gain	Fair Value
Cash and short-term investments	$ 36,022,405	$ -	$ 36,022,405
Common stock	19,879,274	110,416	19,989,690
Total	$ 55,901,679	$ 110,416	$ 56,012,095

Investment income:	
Interest income	$ 1,075,310
Net realized and unrealized losses	66,005
Total Investment Loss	$ 1,141,315

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

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

7. INVESTMENT INCOME

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

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPMM is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

PHPMM is a controlled entity of Sparrow Health System ("SHS"). Certain administrative expenses such as payroll are processed under a centralized Sparrow system. The financial statements have been prepared from separate records maintained by Sparrow, with certain expense items representing allocations from Sparrow. Please see (a), (b), and (c) in the table below.

In addition, Sparrow Hospital, a wholly-owned subsidiary of SHS, paid premiums for health benefits to PHPMM. Please see (d) in the table below.

PHPMM has a contract with PHN. PHPMM members obtain medical services from PHN.

Physicians Health Plan of Mid-Michigan— Family Care ("PHPMM-FC") is a not-for-profit HMO organized under the laws of the State of Michigan and is a wholly-owned subsidiary of PHPMM. Approximately 20% of certain administrative expenses are charged to PHPMM-FC for services which apply to the PHPMM-FC participants. Please see (e) and (f) in the table below.

PHPMM is a member of PHP Shared Services. The purpose of PHP Shared Services is to facilitate statewide contracting and to achieve economies of scale to obtain health maintenance organization management and other required purchased services for owners of PHP Shared Services. Please see (g) in the table below.

NOTES TO FINANCIAL STATEMENTS

	2005	2004
(a) Total of various expenses paid by PHPMM to SHS	$ 7,546,053	$ 6,369,658
(b) Amount payable at December 31 by PHPMM to SHS for processed and allocated expenses	$ 482,615	$ 691,889
(c) Dividends paid by PHPMM to SHS	$ 2,900,000	$ 2,500,000
(d) Premiums for health benefits paid by Sparrow Hospital to PHPMM	$ 173,496	$ 168,000
(e) Total paid by PHPMM-FC to PHPMM for fees for services	$ 2,226,069	$ 1,961,537
(f) Net equity of PHPMM-FC in PHPMM's statutory financial statements	$ 5,729,397	$ 6,247,605
(g) Total paid by PHPMM to PHP Shared Services for its share of allocated expenses	$ 2,100,721	$ 776,061

11. DEBT

Not applicable.

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

Substantially all PHPMM employees are covered by a noncontributory pension plan sponsored by SHS (the "Plan"). Pension benefits under the Plan are based on years of service and the employees' compensation during the last five years of employment. The policy of the Plan is to contribute an amount equal to or at least the actuarially determined minimum funding requirement. Contributions are intended to provide for benefits attributed to service to date and for those expected to be earned in the future. Plan assets are invested primarily in equities and fixed income securities. PHPMM paid $304,619 and $298,140 to SHS in 2005 and 2004, respectively, for their pension costs.

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

Not applicable.

14. CONTINGENCIES

PHPMM is required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices. PHPMM must comply with the minimum regulatory net worth requirement specified in the Michigan Insurance Code. The regulatory net worth of PHPMM exceeded the aggregate minimum requirements in 2005 and 2004. At December 31, 2005, PHPMM equity was at 410% of RBC.

As discussed in footnote 1, UHS's ASA expires December 31, 2006. PHPMM anticipates expending approximately $5 million in funds to replace UHS as the administrative service provider during the next two years. Also, as noted in footnote 1, disputes with UHS have arisen in the normal course of business. Management anticipates that these disputes, which are currently in various stages of arbitration and litigation, will be resolved without negative significant impact on the December 31, 2005 financial statements.

15. LEASES

PHPMM entered into two agreements to lease office space during 2005. Rental expense for 2005 was $1,655. PHPMM had no lease obligations during 2004.

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

Not applicable.

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

Not applicable.

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

PHPMM had a risk-sharing arrangement with UHIC, whereby PHPMM earned 70% of the net profit or loss (as defined) of the HMO's out-of-area product and out-of-network portion of a point-of-service product. This arrangement terminated June 9, 2005. Effective June 10, 2005, PHPMM earns 100% of the net profit or loss of the HMO's out-of-area product and out-of-network portion of a point-of-service product.

NOTES TO FINANCIAL STATEMENTS

19. DIRECT PREMIUM WRITTEN PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

    Not applicable.

20. SEPTEMBER 11 EVENTS

    Not applicable.

21. OTHER ITEMS

    Dividends paid by a Michigan HMO are subject to limitations imposed by the Michigan Insurance Code (the Code). Under the Code, dividends may be paid only from statutory earnings and net worth. In addition, OFIS must approve all dividends and may not approve extraordinary dividends. During 2005 and 2004, dividend payments totaled $2,900,000 and $2,500,000, respectively.

    PHPMM elected to use rounding in reporting amounts in the statement.

22. SUBSEQUENT EVENTS

    There are no subsequent events to December 31, 2004 that require disclosure.

23. REINSURANCE

    PHPMM has a reinsurance contract whereby it cedes exposure of potential losses arising from medical claims, which are in excess of $175,000. Amounts to be received under reinsurance agreements are recorded as a reduction in healthcare costs when the claim is identified and can be reasonably estimated. Reinsurance ceded contracts does not relieve PHPMM from its obligations to providers. PHPMM initially pays all claims and assumes responsibility for the portion reinsured, to the extent that the reinsured does not meet its obligations assumed under the reinsurance agreement. Reinsurance premiums, net of risk share, in 2005 and 2004 are $991,591 and $1,435,039, respectively, and net of reinsurance recoveries, in 2005 and 2004 are $299,772 and $498,511 respectively.

24. RETROSPECTIVELY RATED CONTRACTS

    Not applicable.

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

    Reserves for incurred claims, including accrued medical incentives, attributable to insured events prior to December 31, 2004 have decreased by $24,211,200 from $25,225,000 in 2004 to $1,013,800 in 2005. Claims payments accounted for $22,711,000 of this change while $1,500,250 is due to changes in estimates, which are included in hospital/medical services expense in the accompanying statutory statements of operations.

26. INTERCOMPANY POOLING ARRANGEMENTS

    Not applicable.

27. STRUCTURED SETTLEMENTS

    Not applicable.

NOTES TO FINANCIAL STATEMENTS

28. HEALTH CARE RECEIVABLES (In 000's)

A. Pharmacy Rebates

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2005	1055				
9/30/2005	1049	1068	1068		
6/30/2005	997	1120	1120		
3/30/2005	963	1058	1058		
12/31/2004	893	1013	989		18
9/30/2004	893	943	889		54
6/30/2004	823	880	873		7
3/30/2004	802	872	771		101
12/31/2003	565	485	433		37
9/30/2003	432	385	371		14
6/30/2003	514	369	338		31
3/30/2003	371	398	364		31

NOTES TO FINANCIAL STATEMENTS

B. Risk Share Receivable

Calendar Year	Evaluation Period Year Ending	Risk Sharing Rec as Est in Prior Yr	Risk Share Rec as Est in Cur Yr	Risk Share Receivable Billed	Risk Share Rec Not Yet Billed	Actual Risk Share Amts Recd in Yr Billed	Actual Risk Share Amts Recd First Yr Subsequent	Actual Risk Share Amts Recd Second Yr Subsequent	Actual Risk Share Amts Recd All Other
2005	2005	102					26		
	2006								
2004	2004	286	102	26			207		
	2005								
2003	2003	880	286	207			814		
	2004								

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

Not applicable.

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written with this license, the PHPMM has no salvage. As of December 31, 2005 and 2004, PHPMM had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

32. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2005	2004
Land	$ 470,895	$ 470,895
Buildings	4,208,294	4,208,294
Furniture and equipment	2,219,601	1,982,130
	6,898,790	6,661,319
Accumulated depreciation	(3,479,198)	(2,918,943)
Balance--net	3,419,592	3,742,376

Depreciation expense for property and equipment was $618,590 and $679,603 for the years ended December 31, 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

33. RECONCILIATION OF DIFFERENCES BETWEEN NAIC CODIFICATION STATUTORY REQUIREMENTS AND MICHIGAN STATUTORY RULES

	2005	2004
Surplus as reported	$ 34,738,487	$ 32,681,983
Furniture & fixtures not admitted under NAIC codification	(110,307)	(240,529)
Surplus under NAIC codification	$ 34,628,180	$ 32,441,454

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.0		0.0
1.2 U.S. government agency 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		0.0		0.0
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		0.0		0.0
1.513 All other		0.0		0.0
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	24,061,329	32.9	24,061,265	33.0
3.4 Other equity securities:				
3.41 Affiliated	80,000	0.1	80,000	0.1
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	3,015,729	4.1	3,015,729	4.1
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	8,249	0.0	8,249	0.0
8. Cash, cash equivalents and short-term investments	39,617,486	54.2	39,617,550	54.4
9. Other invested assets	6,321,502	8.6	6,106,778	8.4
10. Total invested assets	73,104,295	100.0	72,889,571	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2001

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2001

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/09/2003

3.4 By what department or departments? Michigan Office of Financial & Insurance Services (OFIS)

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

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

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC 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, 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?
Reden-Anders, 222 South Ninth Street, Minneapolis MN 55400

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 [ ]

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 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 [ ]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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. $.....0

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 [X] No [ ]
20.2 If no, give full and complete information relating thereto.

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 [ ] No [X]
21.2 If yes, state the amount thereof at December 31 of the current year:
21.21 Loaned to others .....
21.22 Subject to repurchase agreements .....
21.23 Subject to reverse repurchase agreements .....
21.24 Subject to dollar repurchase agreements .....
21.25 Subject to reverse dollar repurchase agreements .....
21.26 Pledged as collateral .....
21.27 Placed under option agreements .....
21.28 Letter stock or securities restricted as to sale .....
21.29 Other .....
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 [X]
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
Mellon Bank	One Mellon Center, Pittsburgh PA 15258-0001

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)
N/A		

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
N/A	Longwood Investment Advisors	Three Radnor Corporate Center, Pittsburgh PA 190
104474	Sanford C Bernstein & Co., Inc.	One Northe Lexington Ave White Plains, NY 10601
25587	Pimco Advisors Distributors LLC	2187 Atlantic St. 7th Floor Stamford, CT 06902
28832	Janus Distributors LLC	PO Box 173401 Denver CO 80217
N/A	Western Asset Management Co	117 E. Colorado Blvd Passedena, CA 91105
N/A	Trust Company of the West	865 South Figueroa St. Los Angelas, CA 90017

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:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
25.2999. TOTAL		0

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

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	44,070,274	44,070,274	0
26.2 Preferred stocks			0
26.3 Totals	44,070,274	44,070,274	0

26.4 Describe the sources or methods utilized in determining the fair values:
National Association of Insurance Commissioners

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? $.....55,529
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
Michigan Association of Health Plans	40,267

29.1 Amount of payments for legal expenses, if any? $.....142,388
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
Foster, Swift, Collins, & Smith	118,737

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	214,379,719	198,097,201
2.2 Premium Denominator	214,379,719	198,097,201
2.3 Premium Ratio (2.1/2.2)	100.0	100.0
2.4 Reserve Numerator	32,233,857	24,681,456
2.5 Reserve Denominator	32,233,856	26,405,227
2.6 Reserve Ratio (2.4/2.5)	100.0	93.5

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 [X] No [ ]

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

5.2 If no, explain:

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $.....232,500

5.32 Medical only $.....0

5.33 Medicare supplement $.....0

5.34 Dental $.....0

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

5.36 Other $.....0

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

PHPMM adheres to the Statutory deposit requirements established by the NAIC. PHPMM also has established margin at 8% on the balance sheet. In case of insolvency, PHPMM does not need to pay the management contract fee, which includes runout for future claims.

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 1,302

8.2 Number of providers at end of reporting year 1,328

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 $.....250,000

10.22 Amount actually paid for year bonuses $.....137,170

10.23 Maximum amount payable withholds $.....11,324,362

10.24 Amount actually paid for year withholds $.....10,034,202

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 [X] No [ ]

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

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

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

11.4 If yes, show the amount required. $.....16,951,363

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:

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

1 Name of Service Area
Clinton County
Eaton County
Gratiot County
Ingham County
Ionia County
Isabella County
Montcalm County
Saginaw County
Shiawasee County

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)	77,586,611	69,303,854	78,496,764	75,770,520	93,339,103
2. Total liabilities (Page 3, Line 22)	42,848,124	36,621,871	47,270,380	47,772,369	68,184,018
3. Statutory surplus	16,951,363	15,629,592	12,545,414	2,000,000	2,000,000
4. Total capital and surplus (Page 3, Line 31)	34,738,487	32,681,983	31,226,384	27,998,151	25,155,085
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	214,379,719	198,097,201	188,471,658	242,272,588	261,794,866
6. Total medical and hospital expenses (Line 18)	191,449,199	173,981,465	142,389,058	211,704,474	225,384,989
7. Claims adjustment expenses (Line 20)	4,911,305	7,496,152	7,114,435	9,446,606	
8. Total administrative expenses (Line 21)	14,060,997	13,203,113	12,779,827	17,929,352	24,501,683
9. Net underwriting gain (loss) (Line 24)	3,958,218	3,416,471	26,188,338	3,192,156	7,598,336
10. Net investment gain (loss) (Line 27)	2,027,332	1,141,315	(77,682)	(197,735)	1,985,796
11. Total other income (Lines 28 plus 29)	3,849,824		(23,092,789)	2,100,951	(9,580,277)
12. Net income or (loss) (Line 32)	9,835,374	4,557,786	3,017,867	5,095,372	3,855
Risk-Based Capital Analysis					
13. Total adjusted capital	34,738,487	32,681,983	31,226,384	27,998,151	25,155,085
14. Authorized control level risk-based capital	8,475,682	7,814,796	6,272,707	8,735,172	10,514,879
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	72,755	67,286	69,426	100,126	126,218
16 Total member months (Column 6, Line 7)	835,340	812,572	840,862	1,273,770	1,531,330
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)	89.3	87.8	75.3	87.4	86.1
19. Cost containment expenses	0.1	0.1	XXX	XXX	XXX
20. Other claims adjustment expenses	2.2	3.8	3.8	3.9	2.8
21. Total underwriting deductions (Line 23)	98.2	98.3	85.8	98.9	97.1
22. Total underwriting gain (loss) (Line 24)	1.8	1.7	13.8	0.0	
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5)	23,724,934	19,955,097	32,632,284	40,347,319	46,154,326
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	25,225,184	25,266,712	35,283,137	45,244,273	52,784,341
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)	80,000	80,324	97,647	91,408	
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	6,106,778	6,605,133	4,896,216	4,802,680	
31. Total of above Lines 25 to 30	6,186,778	6,685,457	4,993,863	4,894,088	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	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				
Obligations and all Non-guaranteed Obligations	14. Canada				
of Agencies and Authorities of Governments	15. Other Countries				
and their Political Subdivisions	16. Totals	0	0	0	0
	17. United States				
Public Utilities	18. Canada				
(Unaffiliated)	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and	21. United States				
Credit Tenant Loans	22. Canada				
(Unaffiliated)	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals				
	26. **Total Bonds**	0	0	0	0
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	42,297	42,297	40,163	
Public Utilities	42. Canada				
(Unaffiliated)	43. Other Countries				
	44. Totals	42,297	42,297	40,163	
	45. United States	315,500	315,500	256,366	
Banks, Trust and Insurance Companies	46. Canada				
(Unaffiliated)	47. Other Countries	38,923	38,923	38,799	
	48. Totals	354,423	354,423	295,165	
	49. United States	23,549,296	23,549,296	23,842,751	
Industrial and Miscellaneous	50. Canada	22,819	22,819	23,249	
(Unaffiliated)	51. Other Countries	92,494	92,494	74,996	
	52. Totals	23,664,609	23,664,609	23,940,996	
Parent, Subsidiaries and Affiliates	53. Totals	80,000	80,000	23,380	
	54. **Total Common Stocks**	24,141,329	24,141,329	24,299,704	
	55. **Total Stocks**	24,141,329	24,141,329	24,299,704	
	56. **Total Bonds and Stocks**	24,141,329	24,141,329	24,299,704	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year		19,989,690
2. Cost of bonds and stocks acquired, Column 7, Part 3		10,346,521
3. Accrual of discount		
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	(291,200)	
4.4 Columns 11 - 13, Part 4	(686,856)	(978,056)
5. Total gain (loss), Column 19, Part 4		572,635
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4		5,789,461
7. Amortization of premium		
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		24,141,329
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		24,141,329
12. Total nonadmitted amounts		
13. Statement value of bonds and stocks, current year		24,141,329

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	215,368,668		2,642			
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	215,368,668	0	2,642	0	0	0
59. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
60. Total (Direct Business)	XXX	(a) 1	215,368,668	0	2,642	0	0	0

DETAILS OF WRITE-INS

5701.							
5702.							
5703.							
5798. Summary of remaining write-ins for line 57 from overflow page	0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above)	0	0	0	0	0	0

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

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

SCHEDULE T - PART 2

INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

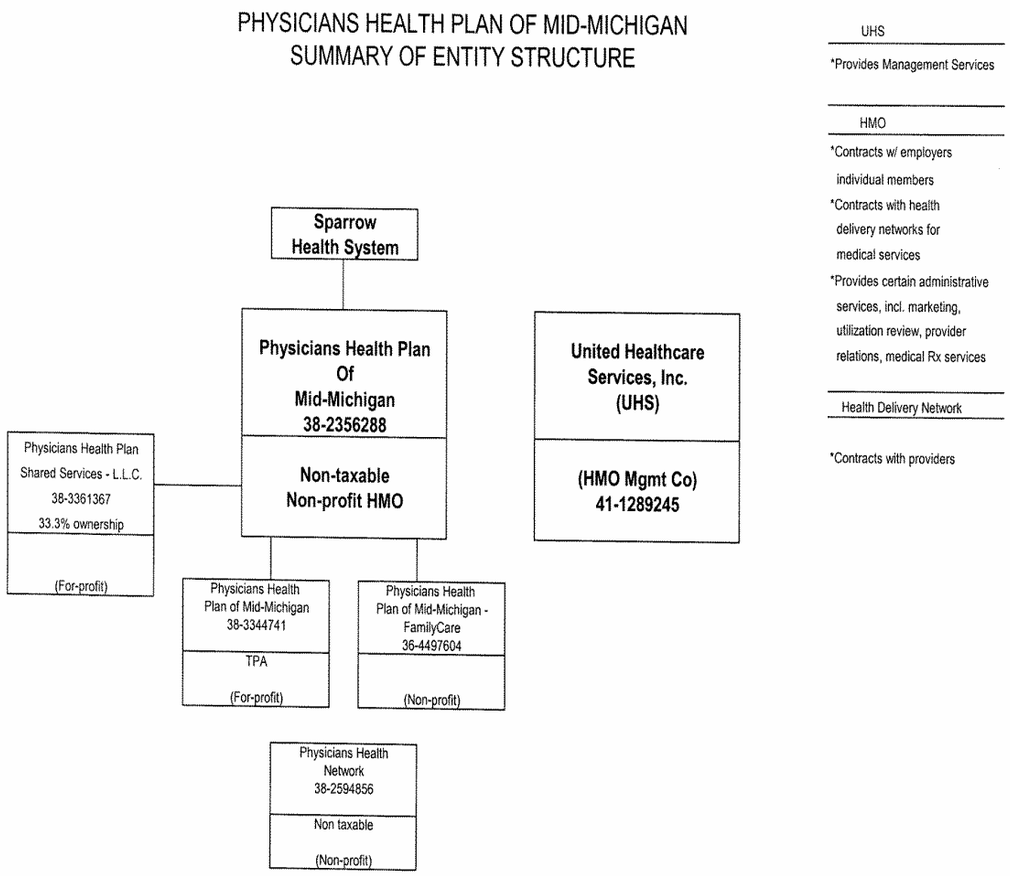
Allocated by States and Territories

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



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

PART 1 - ORGANIZATIONAL CHART