



**HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2005
OF THE CONDITION AND AFFAIRS OF THE**

Priority Health

NAIC Group Code 3383 3383 NAIC Company Code 95561 Employer's ID Number 38-2715520
(Current Period) (Prior Period)

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

Country of Domicile United States of America

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

Incorporated/Organized 03/07/1986 Commenced Business 10/15/1986

Statutory Home Office 1231 East Beltline NE, Grand Rapids, MI 49525-4501
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1231 East Beltline NE
(Street and Number)
Grand Rapids, MI 49525-4501 616-464-8235
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1231 East Beltline NE, Grand Rapids, MI 49525-4501
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1231 East Beltline NE
(Street and Number)
Grand Rapids, MI 49525-4501 616-464-8144
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.priority-health.com

Statutory Statement Contact Nicholas Gates 616-464-8144
(Name) (Area Code) (Telephone Number) (Extension)
nicholas.gates@priority-health.com 616-942-7916
(E-mail Address) (FAX Number)

Policyowner Relations Contact 1231 East Beltline NE
(Street and Number)
Grand Rapids, MI 49525-4501 800-446-5674
(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
<u>Kimberly K Horn</u>	<u>Chief Executive Officer</u>	<u>Judith W Hooyenga</u>	<u>Secretary</u>
<u>Dennis J Reese</u>	<u>CFO</u>		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

<u>Richard C. Breon</u>	<u>Joseph L Brock</u>	<u>Gaylen J Byker</u>	<u>Craig Bethune</u>
<u>Kenneth J Fawcett</u>	<u>Michael P Freed</u>	<u>Jon M Gans</u>	<u>David E Gast</u>
<u>Jerold R Harwood</u>	<u>Christina MacInnes #</u>	<u>Nicholas P Kokx</u>	<u>Lynn M Kotecki</u>
<u>Peter B Lundeen</u>	<u>Charles E McCallum</u>	<u>Kathleen Ponitz #</u>	<u>Timothy V Smith</u>
<u>Hilary F Snell</u>	<u>Dale M Sowders</u>	<u>Jody D Vanderwel</u>	<u>Thomas J Wesholski</u>
<u>David B Johnson</u>	<u>Dennis Aloia</u>	<u>Daniel H Baldwin</u>	<u>Stephen W Burkhammer</u>
<u>Stephen Reznicek #</u>	<u>Robert Roth</u>	<u>Thomas Schwaderer #</u>	

State ofMichigan.....

ss

County ofKent.....

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.

Kimberly K Horn
Chief Executive Officer

Judith W Hooyenga
Secretary

Dennis J Reese
CFO

Subscribed and sworn to before me this
28th day of February, 2006

- 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 _____

Cheryl Britcher
Executive Administrative Assistant
12/30/2011

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	128,081,299	0	128,081,299	125,215,530
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	46,390,245		46,390,245	10,830,212
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$0 encumbrances).....	312,868	234,651	78,217	222,268
4.2 Properties held for the production of income (less \$0 encumbrances)			0	0
4.3 Properties held for sale (less \$0 encumbrances)			0	0
5. Cash (\$(6,915,745) , Schedule E, Part 1), cash equivalents (\$299,762 , Schedule E, Part 2) and short-term investments (\$156,709,056 , Schedule DA).....	150,093,072		150,093,072	125,989,837
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	15,217,376
8. Receivables for securities	0	0	0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	324,877,484	234,651	324,642,833	277,475,223
11. Title plants less \$charged off (for Title Insurers only)	0	0	0	0
12. Investment income due and accrued	2,771,769	0	2,771,769	2,263,680
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	8,178,410	0	8,178,410	5,125,469
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	0	0	0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$0)	212	212	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	6,728,152	2,583,967	4,144,185	337,653
22. Health care (\$3,874,848) and other amounts receivable.....	7,804,645	3,917,642	3,887,003	3,613,518
23. Aggregate write-ins for other than invested assets	49,429	49,429	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	350,410,101	6,785,901	343,624,200	288,815,543
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
26. Total (Lines 24 and 25)	350,410,101	6,785,901	343,624,200	288,815,543
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Prepaid Expenses.....	49,429	49,429	0	0
2302.				
2303.				
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)	49,429	49,429	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$0 reinsurance ceded)	73,789,408	7,043,085	80,832,493	72,383,587
2. Accrued medical incentive pool and bonus amounts	39,355,348	0	39,355,348	35,588,611
3. Unpaid claims adjustment expenses	1,505,906	143,736	1,649,642	1,477,217
4. Aggregate health policy reserves	713,950	0	713,950	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	9,430,851		9,430,851	16,525,719
9. General expenses due or accrued	2,874,965		2,874,965	2,856,187
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	969,597		969,597	4,959,934
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	128,640,025	7,186,821	135,826,846	133,791,255
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,524	10,524
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	35,819,002	35,819,002
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	1,000,000	1,000,000
29. Unassigned funds (surplus)	XXX	XXX	170,967,828	118,194,762
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	207,797,354	155,024,288
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	343,624,200	288,815,543
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
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	1,000,000	1,000,000

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,444,474	4,283,334
2. Net premium income (including \$0 non-health premium income).....	XXX	1,049,205,532	939,283,101
3. Change in unearned premium reserves and reserve for rate credits	XXX	(713,950)	(2,408,081)
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,048,491,582	936,875,020
Hospital and Medical:			
9. Hospital/medical benefits		643,063,543	548,672,577
10. Other professional services		321,077	336,257
11. Outside referrals		29,533,106	24,864,487
12. Emergency room and out-of-area		19,054,048	17,008,140
13. Prescription drugs		183,485,930	172,639,082
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		31,473,369	36,018,587
16. Subtotal (Lines 9 to 15)	0	906,931,073	799,539,130
Less:			
17. Net reinsurance recoveries		155,544	161,117
18. Total hospital and medical (Lines 16 minus 17)	0	906,775,529	799,378,013
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$1,406,081 cost containment expenses.....		14,060,818	13,387,139
21. General administrative expenses.....		79,677,968	75,860,456
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	1,000,514,315	888,625,608
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	47,977,267	48,249,412
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		9,840,596	4,783,499
26. Net realized capital gains (losses) less capital gains tax of \$		(8,210)	15,982
27. Net investment gains (losses) (Lines 25 plus 26)	0	9,832,386	4,799,481
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	57,809,653	53,048,893
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	57,809,653	53,048,893
DETAILS OF WRITE-INS			
0601.	XXX	0	0
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.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	155,024,288	99,940,491
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34. Net income or (loss) from Line 32	57,809,653	53,048,893
35. Change in valuation basis of aggregate policy and claim reserves	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(1,663,920)	707,088
37. Change in net unrealized foreign exchange capital gain or (loss)	0	0
38. Change in net deferred income tax	0	0
39. Change in nonadmitted assets	(3,372,667)	2,104,780
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles	0	0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)	0	0
44.3 Transferred to surplus	0	0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	0	0
46. Dividends to stockholders	0	0
47. Aggregate write-ins for gains or (losses) in surplus	0	(776,964)
48. Net change in capital & surplus (Lines 34 to 47)	52,773,066	55,083,797
49. Capital and surplus end of reporting period (Line 33 plus 48)	207,797,354	155,024,288
DETAILS OF WRITE-INS		
4701. Gain/(Loss) in Affiliates.....	0	(524,106)
4702. Change in Affiliates Non-Admitted Assets.....	0	(252,858)
4703.	0	0
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	(776,964)

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,039,057,723	940,147,685
2. Net investment income	10,302,632	4,808,549
3. Miscellaneous income	0	1,329,043
4. Total (Lines 1 to 3)	1,049,360,355	946,285,277
5. Benefits and loss related payments	895,939,847	796,689,966
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	93,547,583	87,590,498
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	989,487,430	884,280,464
11. Net cash from operations (Line 4 minus Line 10)	59,872,925	62,004,813
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	43,711,060	37,204,983
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(762,463)	(1,187,449)
12.7 Miscellaneous proceeds	849,799	2,114,678
12.8 Total investment proceeds (Lines 12.1 to 12.7)	43,798,396	38,132,212
13. Cost of investments acquired (long-term only):		
13.1 Bonds	47,551,246	104,893,041
13.2 Stocks	22,006,576	10,123,124
13.3 Mortgage loans	0	0
13.4 Real estate	0	1
13.5 Other invested assets	0	10,800,000
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	69,557,822	125,816,166
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(25,759,426)	(87,683,954)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	(10,010,264)	7,740,052
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(10,010,264)	7,740,052
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)	24,103,235	(17,939,089)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	125,989,837	143,928,926
19.2 End of period (Line 18 plus Line 19.1).....	150,093,072	125,989,837

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

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

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	1,049,205,532	1,047,461,732	0	0	0	0	1,743,800	0	0	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	(713,950)	(713,950)											
3. Fee-for-service (net of \$ 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)	1,048,491,582	1,046,747,782	0	0	0	0	1,743,800	0	0	0	0	0	0
8. Hospital/medical/ benefits	643,063,543	641,603,131					1,460,412						XXX
9. Other professional services	321,077	320,837					240						XXX
10. Outside referrals	29,533,106	29,511,058					22,048						XXX
11. Emergency room and out-of-area	19,054,048	19,039,823					14,225						XXX
12. Prescription Drugs	183,485,930	183,395,815					90,115						XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	31,473,369	31,473,369											XXX
15. Subtotal (Lines 8 to 14)	906,931,073	905,344,033	0	0	0	0	1,587,040	0	0	0	0	0	XXX
16. Net reinsurance recoveries	155,544	155,544					0						XXX
17. Total medical and hospital (Lines 15 minus 16)	906,775,529	905,188,489	0	0	0	0	1,587,040	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 1,406,081 cost containment expenses	14,060,818	14,050,321					10,497						
20. General administrative expenses	79,677,968	79,618,485					59,483						
21. Increase in reserves for accident and health contracts	0						0						XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	1,000,514,315	998,857,295	0	0	0	0	1,657,020	0	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	47,977,267	47,890,487	0	0	0	0	86,780	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													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. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
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. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													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. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,048,153,113		691,381	1,047,461,732
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare	1,744,053		253	1,743,800
7. Title XIX - Medicaid.....				.0
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11)	1,049,897,166	.0	691,634	1,049,205,532
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	1,049,897,166	0	691,634	1,049,205,532

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non- Health
1. Payments during the year:													
1.1 Direct	882,935,807	882,178,012					757,795						
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	155,544	155,544											
1.4 Net	882,780,263	882,022,468	0	0	0	0	757,795	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	27,706,634	27,706,634											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	80,832,493	80,003,248	0	0	0	0	829,245	0	0	0	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	80,832,493	80,003,248	0	0	0	0	829,245	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	0	0	0	0	0	0	0	0	0	0	0	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	39,355,348	39,355,348											
6. Net healthcare receivables (a)	(15,927,010)	(15,927,010)											
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	72,383,587	72,383,587	0	0	0	0	0	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	72,383,587	72,383,587	0	0	0	0	0	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	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	35,588,611	35,588,611											
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	875,457,703	873,870,663	0	0	0	0	1,587,040	0	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	155,544	155,544	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	875,302,159	873,715,119	0	0	0	0	1,587,040	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	31,473,371	31,473,371	0	0	0	0	0	0	0	0	0	0	0

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	18,277,481	18,089,976					187,505						
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	18,277,481	18,089,976	0	0	0	0	187,505	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	62,069,042	61,427,302					641,740						
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	62,069,042	61,427,302	0	0	0	0	641,740	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	485,970	485,970											
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	485,970	485,970	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	80,832,493	80,003,248	0	0	0	0	829,245	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	80,832,493	80,003,248	0	0	0	0	829,245	0	0	0	0	0	0

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

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 Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	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		
1. Comprehensive (hospital and medical)	71,546,773	810,475,695	1,258,291	78,744,957	72,805,064	72,383,587
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare		757,795		829,245	0	0
7. Title XIX - Medicaid.....					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	71,546,773	811,233,490	1,258,291	79,574,202	72,805,064	72,383,587
10. Healthcare receivables (a).....	5,036,321	9,512,999	0	6,984,617	5,036,321	5,606,927
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	25,204,094	2,502,540	8,855,968	30,499,380	34,060,062	35,588,612
13. Totals (Lines 9 - 10 + 11 + 12)	91,714,546	804,223,031	10,114,259	103,088,965	101,828,805	102,365,272

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

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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	340,990	341,638	341,638	341,638	341,638
2. 2001	329,115	387,945	388,589	388,589	388,589
3. 2002	XXX	445,593	499,272	499,615	499,636
4. 2003	XXX	XXX	589,387	689,376	689,725
5. 2004	XXX	XXX	XXX	696,492	787,837
6. 2005	XXX	XXX	XXX	XXX	803,465

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	341,717	341,638	341,638	341,638	341,638
2. 2001	396,532	388,589	388,589	388,589	388,589
3. 2002	XXX	517,206	499,615	499,615	499,636
4. 2003	XXX	XXX	694,450	689,654	698,581
5. 2004	XXX	XXX	XXX	803,826	789,095
6. 2005	XXX	XXX	XXX	XXX	912,710

Section C – Incurred Year Health Claims and Claims 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 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	431,607	388,589	8,186	2.1	396,775	91.9			396,775	91.9
2. 2002.....	575,743	499,636	11,075	2.2	510,711	88.7			510,711	88.7
3. 2003.....	773,666	689,725	11,649	1.7	701,374	90.7	8,856		710,230	91.8
4. 2004.....	936,875	787,837	13,452	1.7	801,289	85.5	1,258	2	802,549	85.7
5. 2005	1,046,749	803,465	8,177	1.0	811,642	77.5	109,245	1,631	922,517	88.1

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Medicare

	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
Year in Which Losses Were Incurred					
1. Prior	0	0	0	0	0
2. 2001	0	0	0	0	0
3. 2002	XXX	0	0	0	0
4. 2003	XXX	XXX	0	0	0
5. 2004	XXX	XXX	XXX	0	0
6. 2005	XXX	XXX	XXX	XXX	758

Section B - Incurred Health Claims - Medicare

	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
Year in Which Losses Were Incurred					
1. Prior					
2. 2001					
3. 2002	XXX				
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	1,587

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Medicare

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claim Payments	Claim Adjustment Expense Payments	Col. (3/2) Percent	Claim and Claim Adjustment Payments (Col 2+3)	Col. (5/1) Percent	Claims Unpaid	Unpaid Claim Adjustment Expenses	Total Claims and Adjustment Expense Incurred (Col. 5+7+8)	Col. (9/1) Percent
1. 2001	0	0	0	0.0	0	0.0			0	0.0
2. 2002	0	0	0	0.0	0	0.0			0	0.0
3. 2003	0	0	0	0.0	0	0.0			0	0.0
4. 2004	0	0	0	0.0	0	0.0			0	0.0
5. 2005	1,744	758	14	1.8	772	44.2	829	17	1,618	92.8

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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	45,777	45,906	45,906	45,906	45,906
2. 2001	32,416	36,544	36,645	36,645	36,645
3. 2002	XXX	27,943	28,254	28,277	28,277
4. 2003	XXX	XXX	0	0	0
5. 2004	XXX	XXX	XXX	0	0
6. 2005	XXX	XXX	XXX	XXX	0

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	45,777	45,906	45,906	45,906	45,906
2. 2001	32,416	36,544	36,645	36,645	36,645
3. 2002	XXX	27,943	28,254	28,277	28,277
4. 2003	XXX	XXX			
5. 2004	XXX	XXX	XXX		
6. 2005	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims 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 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001.....	42,129	36,645	1,064	2.9	37,709	89.5			37,709	89.5
2. 2002.....	31,116	28,277	1,045	3.7	29,322	94.2			29,322	94.2
3. 2003.....	0	0		0.0	0	0.0			0	0.0
4. 2004.....	0	0		0.0	0	0.0			0	0.0
5. 2005.....		0		0.0	0	0.0			0	0.0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH 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	386,767	387,544	387,544	387,544	387,544
2. 2001	361,531	424,489	425,234	425,234	425,234
3. 2002	XXX	473,536	527,526	527,892	527,913
4. 2003	XXX	XXX	589,387	689,376	689,725
5. 2004	XXX	XXX	XXX	696,492	787,837
6. 2005	XXX	XXX	XXX	XXX	804,223

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	387,494	387,544	387,544	387,544	387,544
2. 2001	428,948	425,133	425,234	425,234	425,234
3. 2002	XXX	545,149	527,869	527,892	527,913
4. 2003	XXX	XXX	694,450	689,654	698,581
5. 2004	XXX	XXX	XXX	803,826	789,095
6. 2005	XXX	XXX	XXX	XXX	914,297

Section C - Incurred Year Health Claims and Claims 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 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001	473,736	425,234	9,250	2.2	434,484	91.7	.0	.0	434,484	91.7
2. 2002	606,859	527,913	12,120	2.3	540,033	89.0	.0	.0	540,033	89.0
3. 2003	773,666	689,725	11,649	1.7	701,374	90.7	8,856	.0	710,230	91.8
4. 2004	936,875	787,837	13,452	1.7	801,289	85.5	1,258	.2	802,549	85.7
5. 2005	1,048,493	804,223	8,191	1.0	812,414	77.5	110,074	1,647	924,135	88.1

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	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)	713,950	713,950										
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	713,950	713,950	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded .....	.0											
8. Totals (Net) (Page 3, Line 4)	713,950	713,950	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	.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.												
0502.												
0503.												
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.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$0 for occupancy of own building).....	19,257	173,314	3,302,097		3,494,668
2. Salaries, wages and other benefits.....	1,240,656	11,165,907	29,529,629		41,936,192
3. Commissions (less \$ceded plus \$ Assumed.....)			20,598,949		20,598,949
4. Legal fees and expenses.....	91	823	595,234		596,148
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	6,016	54,148	2,585,302		2,645,466
7. Traveling expenses.....	444	3,992	655,818		660,254
8. Marketing and advertising.....	683	6,152	1,291,237		1,298,072
9. Postage, express and telephone.....	5,252	47,265	1,977,324		2,029,841
10. Printing and office supplies.....	11,884	106,954	2,912,801		3,031,639
11. Occupancy, depreciation and amortization.....	56,713	429,395	5,174,300		5,660,408
12. Equipment.....	101	908	178,316		179,325
13. Cost or depreciation of EDP equipment and software.....	0	81,024	728,360		809,384
14. Outsourced services including EDP, claims, and other services.....	54,168	487,510	4,720,089		5,261,767
15. Boards, bureaus and association fees.....	35	315	137,063		137,413
16. Insurance, except on real estate.....	40	361	339,362		339,763
17. Collection and bank service charges.....	68	609	247,983		248,660
18. Group service and administration fees.....	372	3,350	1,135,184		1,138,906
19. Reimbursements by uninsured accident and health plans.....	0	0	0		0
20. Reimbursements from fiscal intermediaries.....	0	0	0		0
21. Real estate expenses.....	0	0	0		0
22. Real estate taxes.....	746	6,715	129,527		136,988
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	0	0	0		0
23.2 State premium taxes.....	0	0	0		0
23.3 Regulatory authority licenses and fees.....	0	0	0		0
23.4 Payroll taxes.....	8,413	75,718	2,519,068		2,603,199
23.5 Other (excluding federal income and real estate taxes).....	1,142	10,277	920,325		931,744
24. Investment expenses not included elsewhere.....	0	0	0		0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	1,406,081	12,654,737	79,677,968	0	(a).....93,738,786
27. Less expenses unpaid December 31, current year.....	164,964	1,484,678	2,874,965		4,524,607
28. Add expenses unpaid December 31, prior year.....	147,722	1,329,495	2,856,187	0	4,333,404
29. Amounts receivable relating to uninsured accident and health plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured accident and health plans, current year.....	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,388,839	12,499,554	79,659,190	0	93,547,583
DETAIL OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0	0	0

(a) Includes management fees of \$72,528,703 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 4,892,190	4,704,368
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)	506,576	506,576
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 0	0
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 4,242,939	4,603,753
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	25,899
10. Total gross investment income	9,641,705	9,840,596
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)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		0
17. Net Investment Income - (Line 10 minus Line 16)		9,840,596
DETAILS OF WRITE-INS		
0901. Priority Health Managed Benefits - LOC		25,899
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	25,899
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ accrual of discount less \$970,125 amortization of premium and less \$360,309 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
 (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ accrual of discount less \$758,152 amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ depreciation on real estate and \$ 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	(4,292)			(4,292)
1.1 Bonds exempt from U.S. tax				0
1.2 Other bonds (unaffiliated)				0
1.3 Bonds of affiliates	0	0	0	0
2.1 Preferred stocks (unaffiliated)				0
2.11 Preferred stocks of affiliates	0	0	0	0
2.2 Common stocks (unaffiliated)			875,475	875,475
2.21 Common stocks of affiliates	0	0	(2,539,395)	(2,539,395)
3. Mortgage loans				0
4. Real estate				0
5. Contract loans				0
6. Cash, cash equivalents and short-term investments	(3,918)			(3,918)
7. Derivative instruments				0
8. Other invested assets				0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0
10. Total capital gains (losses)	(8,210)	0	(1,663,920)	(1,672,130)
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	234,651	181,856	(52,795)
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule E, Part 1), cash equivalents (Schedule E, Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	234,651	181,856	(52,795)
11. Title plants (for Title insurers only).....	0		0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	212	129,042	128,830
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	2,583,967	0	(2,583,967)
22. Health care and other amounts receivable.....	3,917,642	2,811,166	(1,106,476)
23. Aggregate write-ins for other than invested assets	49,429	291,170	241,741
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	6,785,901	3,413,234	(3,372,667)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	6,785,901	3,413,234	(3,372,667)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
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. LT Investment in Michigan Affiliated Health Plan.....	0	15,000	15,000
2302. Goodwill.....	0	0	0
2303. Prepaid Expenses.....	49,429	276,170	226,741
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)	49,429	291,170	241,741

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	293,245	297,507	298,761	300,542	298,131	3,574,242
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	70,318	70,627	71,729	73,744	73,007	866,914
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	494	969	3,318
7. Total	363,563	368,134	370,490	374,780	372,107	4,444,474
DETAILS OF WRITE-INS						
0601. Medicare.....	.0	.0	.0	494	969	3,318
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	494	969	3,318

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Plan) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 76% shareholder), as well as Holland Community Hospital, Munson Healthcare and Healthshare, Inc. The Plan provides coverage for medical, hospital and other health care services to its members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial and Medicare subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the 100% owner of Priority Health Government Programs, Inc, (PHGP) an HMO established effective October 1, 2002. Priority Health reflects the operations of this company in its own financial statements in accordance with prescribed accounting practices and procedures. PHGP has over 46,800 Medicaid and MICHild members as of December 31, 2005.

Priority Health is the 100% owner of Priority Health Insurance Company, (PHIC) established effective September 1, 2004. Priority Health reflects the operations of this company in its own financial statements in accordance with prescribed accounting practices and procedures. PHIC provides contracts of health insurance, including endorsements, for medical, hospital and other health care services. PHIC has over 1,400 members as of December 31, 2005.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of defined measures meets, or exceeds, documented thresholds, the providers may share in the surplus, and be eligible for the return of previously withheld fees, as defined in their respective contracts. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Services (OFIS). The NAIC has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification. The revised manual became effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2005.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIS. OFIS provided a transition period (a prescribed practice) for certain statements of statutory accounting principles (SSAPs) found in the NAIC Accounting Practices and Procedures Manual. The following outlines the transition of the specific SSAPs impacting the Plan. There is a full adoption and application of any applicable SSAP not listed below.

SSAP 19 - Furniture and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements

NOTES TO FINANCIAL STATEMENTS

This SSAP will be adopted using the following transition scenario, whereby the reporting entity will be permitted to report as an admitted asset the following percentage of its book value of furniture and equipment and leasehold improvements:

Effective January 1, 2003 85%

Effective January 1, 2004 55%

Effective January 1, 2005 25%

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

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.
3. Investments in Common Stocks are reported at fair market value based upon quoted market prices.
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.
7. The Plan uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Government Programs, Inc. and Priority Health Insurance Company, as described in SSAP 46.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.
12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

NOTES TO FINANCIAL STATEMENTS

A. Material Changes in Accounting Principles

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO) with the exceptions noted previously. HMOs within the State of Michigan, including Priority Health, have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Not Applicable

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

A. Mortgage Loans – Not Applicable

B. Debt Restructuring -- Not Applicable

C. Reverse Mortgages -- Not Applicable

D. Loan-backed securities –

1. The company does not have securities purchased prior to January 1, 1994.

2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.

3. The Plan has applied retrospective adjustment methodology to these investments.

E. Repurchase Agreements -- Not Applicable

F. Real Estate – Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

8. Derivative Instruments

This note is Not Applicable to the Plan.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$72,529,000 in 2005 and \$67,265,000 in 2004, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., as part of the management contract.

The Plan entered into a loan agreement on October 3, 2005 with PHMB in an amount not to exceed \$8,500,000. The principal outstanding at December 31, 2005 was \$2,395,000 and proceeds were used by PHMB in the purchase of real estate occupied by the Plan. The interest rate is equal to LIBOR plus 0.40% calculated on a 360 day basis and adjusted quarterly. Interest income from the PHMB loan in 2005 was \$25,900.

Premium revenues recognized from related organizations were approximately \$92,084,000 during 2005 and \$82,074,000 during 2004. Health care costs approximating \$155,841,000 during 2005 and \$160,800,000 in 2004 were provided to plan members by related organizations.

Amounts due from affiliates were \$6,729,000 at December 31, 2005, and \$338,000 at December 31, 2004. Included in the 2005 due from affiliate balance was a non-admitted asset in the amount of \$2,584,000 related to prepaid management fees. Also included in the balance is \$2,395,000 related to the loan agreement with PHMB. Amounts due to affiliates of \$970,000 at December 31, 2005, and \$4,960,000 at December 31, 2004, represent amounts payable to subsidiaries at year end.

Of the Plan's 10,524 outstanding shares of stock, 8,000 shares are owned by Spectrum Health Corporation, the controlling party of a multi-facility hospital organization located in Grand Rapids, Michigan.

H--None

I---Investment in SCA does not meet criteria

J -- None

11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note is Not Applicable.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

NOTES TO FINANCIAL STATEMENTS

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

- (1) The Plan has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 10,524 are issued and outstanding (10,000--Class A, 524--Class B).
- (2) The Plan has no preferred stock outstanding.
- (3) and (4) All stock is non-dividend bearing
- (5) There were no restrictions placed on the Plan's surplus.
- (6) The total amount of advances to surplus not repaid – Not Applicable
- (7) This is Not Applicable to the Plan.
- (8) This is Not Applicable to the Plan
- (9) The portion of unassigned funds (surplus) represented or reduced by each of the following items:
 - a. unrealized gains and losses: \$(1,664,000)
 - b. nonadmitted asset values: \$(3,373,000)
 - c. separate account balances: \$ None
 - d. asset valuation reserves: \$ None
 - e. provision for reinsurance: \$ None
- (10) This is Not Applicable to the Plan
- (11) This is Not Applicable to the Plan
- (12) This is Not Applicable to the Plan

14. Contingencies

- A. The Plan has committed to its wholly owned subsidiary Priority Health Government Programs, Inc., additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
- B. Assessments are Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. All Other Contingencies are Not Applicable.

15. Leases

A. Lessee Operating Lease

1. In the course of business, the Plan does not enter into leases directly. The Plan's management

NOTES TO FINANCIAL STATEMENTS

company does lease office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2005 and 2004 was approximately \$4,326,000 and \$10,079,000, respectively. The Plan pays the management company for the fully allocated cost for these leases as described in the Management Agreement.

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

Year Ending December 31 Operating Leases

1. 2006	\$ 3,796,839
2. 2007	\$ 3,796,839
3. 2008	\$ 4,133,904
4. 2009	\$ 4,329,314
5. 2010	\$ 4,492,329
6. Thereafter	\$10,284,779

3. The Plan is not involved in any sales--leaseback transactions.

B. Lessor Leases

This note is Not Applicable to the Plan.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

This note is Not Applicable to the Plan.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

20. September 11 Events

No direct impact to the Plan's operations has been recognized as a result of the September 11 events.

NOTES TO FINANCIAL STATEMENTS

21. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

Not Applicable

23. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

1. The Plan estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder. The experience is calculated based on the financial experience of the policyholder with a charge for administrative expenses.
2. The amount of net premiums written by the Plan at December 31, 2005, that is subject to retrospective rating features was \$18,285,000, that representing 1.7% of the total net premiums written for group health. No other net premiums written by the Plan are subject to retrospective rating features.

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were unfavorable by approximately \$421,000 in 2005, increasing the prior year-end claim reserve estimates of \$73.86 million to \$74.28 million.

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

27. Structured Settlements

This note is Not Applicable to the Plan.

28. Health Care Receivables

As the State of Michigan has now formally adopted Codification and SSAP 84, the required disclosures of

NOTES TO FINANCIAL STATEMENTS

SSAP No. 84 are provided below.

A. Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2005, 2004 and 2003 are as follows:

	Estimated on FS	Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2005	\$ 3,974,848	\$ 4,018,383	\$ -	\$ -	\$ -
9/30/2005	\$ 3,435,000	\$ 4,175,326	\$ 1,856,126	\$ -	\$ -
6/30/2005	\$ 3,435,000	\$ 4,264,684	\$ 3,402,148	\$ 219,237	\$ -
3/31/2005	\$ 3,385,000	\$ 4,024,931	\$ 3,690,516	\$ 344,364	\$ 609
12/31/2004	\$ 3,611,249	\$ 3,611,249	\$ 3,567,800	\$ 40,649	\$ (134,622)
9/30/2004	\$ 3,626,802	\$ 2,890,351	\$ 2,938,238	\$ 592,035	\$ (82,519)
6/30/2004	\$ 3,626,802	\$ 3,471,946	\$ 2,752,903	\$ 284,354	\$ 80,256
3/31/2004	\$ 3,690,908	\$ 2,889,596	\$ 2,716,927	\$ 688,940	\$ (27,578)
12/31/2003	\$ 3,718,878	\$ 3,718,878	\$ 1,517,829	\$ 1,832,155	\$ 12,628
9/30/2003	\$ 5,784,138	\$ 4,294,835	\$ 3,090,536	\$ 872,834	\$ 564,294
6/30/2003	\$ 6,557,380	\$ 4,317,657	\$ 3,551,605	\$ -	\$ 371,124
3/31/2003	\$ 6,718,321	Unavailable	\$ 1,337,159	\$ 3,854,534	\$ (416,173)

B. This note is Not Applicable to the Plan.

29. Participating Policies

This note is Not Applicable to the Plan.

30. Premium Deficiency Reserves

The Plan has not recorded premium deficiency reserves in its 2005 and 2004 financial statements.

31. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	13,608,831	4.192	13,608,831	4.192
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	16,897,375	5.205	16,897,375	5.205
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	174,682	0.054	174,682	0.054
1.43 Revenue and assessment obligations	1,501,479	0.463	1,501,479	0.463
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	1,826,409	0.563	1,826,409	0.563
1.512 Issued or guaranteed by FNMA and FHLMC	35,869,159	11.049	35,869,159	11.049
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	1,255,865	0.387	1,255,865	0.387
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		0.000		0.000
1.523 All other	12,746,898	3.926	12,746,898	3.926
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	44,200,601	13.615	44,200,601	13.615
2.2 Unaffiliated foreign securities	0	0.000	0	0.000
2.3 Affiliated securities	12,677,982	3.905	12,677,982	3.905
3. Equity interests:				
3.1 Investments in mutual funds	33,712,263	10.384	33,712,263	10.384
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans	0	0.000	0	0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company	78,217	0.024	78,217	0.024
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	150,093,072	46.233	150,093,072	46.233
9. Other invested assets		0.000		0.000
10. Total invested assets	324,642,833	100.000	324,642,833	100.000

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 [] 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 [] No [] NA []
- 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 []
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2003
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2003
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).04/04/2005
- 3.4 By what department or departments? 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 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 []
4.12 renewals? Yes [] No []
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [] No []
4.22 renewals? Yes [] No []
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No []
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No []
- 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 []
- 7.2 If yes,
7.21 State the percentage of foreign control;
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 171 Monroe Ave, Grand Rapids, MI 49503
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?.....
Milliman USA, 1550 Liberty Ridge Dr Suite 200, Wayne, PA 19087
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No []
- Priority Health Managed Benefits.....
- 11.11 Name of real estate holding company 1
- 11.12 Number of parcels involved..... 1
- 11.13 Total book/adjusted carrying value..... \$ 28,714,802
- 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 [] NA []

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 likely to conflict with the official duties of such person?..... Yes [X] No []

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.11 To directors or other officers .. \$0
- 16.12 To stockholders not officers ... \$0
- 16.13 Trustees, supreme or grand (Fraternal only) \$0
- 16.2 Total amount of loans outstanding at 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 of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this 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 the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 19.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount:..... \$1,465,213

GENERAL INTERROGATORIES

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [] No []

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 the 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 []

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

	21.21	Loaned to others	\$	0
	21.22	Subject to repurchase agreements	\$	0
	21.23	Subject to reverse repurchase agreements	\$	0
	21.24	Subject to dollar repurchase agreements	\$	0
	21.25	Subject to reverse dollar repurchase agreements	\$	0
	21.26	Pledged as collateral	\$	0
	21.27	Placed under option agreements	\$	0
	21.28	Letter stock or other securities restricted as to sale ...	\$	0
	21.29	Other	\$	0

21.3 For category (21.28) provide the following:

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

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

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

23.2 If yes, state the amount thereof at December 31 of the current year. \$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

GENERAL INTERROGATORIES

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 [] 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
Fifth Third Bank.....	Grand Rapids, MI.....
Huntington National Bank.....	Grand Rapids, MI.....
Mellon Trust.....	Pittsburgh, PA.....

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)	2 Complete Explanation(s)
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No []

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	2 Address
N/A.....	Prime Investments.....	Bloomfield, CT.....

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 []

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
25.2001. 921909-70-1.....	Vanguard Developed Index Fund.....	8,620,744
25.2002. 922040-10-0.....	Vanguard Inst Index Fund.....	16,706,739
25.2003. 922908-87-6.....	Vanguard Small Cap Index.....	8,384,780
25.2999 TOTAL		33,712,263

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard Developed Index Fund.....	BP PLC.....	189,159	12/31/2005.....
Vanguard Inst Index Fund.....	General Electric Co.....	577,541	12/31/2005.....
Vanguard Small Cap Index.....	Joy Global Inc.....	22,213	12/31/2005.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

GENERAL INTERROGATORIES

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.....	285,090,116	282,408,389	(2,681,727)
26.2 Preferred stocks.....	0	0	0
26.3 Totals	285,090,116	282,408,389	(2,681,727)

26.4 Describe the sources or methods utilized in determining fair values:

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

27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$71,000

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.....	71,000

29.1 Amount of payments for legal expenses, if any?.....\$364,286

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
Barnes & Thornburg.....	245,639

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$27,079

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
Public Affairs Associates, Inc.....	27,079

GENERAL INTERROGATORIES

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. \$0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$0
- 1.62 Total incurred claims \$0
- 1.63 Number of covered lives \$0
- All years prior to most current three years:
- 1.64 Total premium earned \$0
- 1.65 Total incurred claims \$0
- 1.66 Number of covered lives \$0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives \$0
- All years prior to most current three years:
- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives \$0

2. Health Test:

	1 Current Year		2 Prior Year	
2.1 Premium Numerator	\$	1,049,205,532	\$	939,283,101
2.2 Premium Denominator	\$	1,049,205,532	\$	939,283,101
2.3 Premium Ratio (2.1/2.2)		1.000		1.000
2.4 Reserve Numerator	\$	120,901,791	\$	107,972,199
2.5 Reserve Denominator	\$	120,901,791	\$	107,972,199
2.6 Reserve Ratio (2.4/2.5)		1.000		1.000

- 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 dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No []
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$1,400,000
- 5.32 Medical Only \$1,400,000
- 5.33 Medicare Supplement \$
- 5.34 Dental \$
- 5.35 Other Limited Benefit Plan \$
- 5.36 Other \$
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:
HMO holds harmless provisions of provider contracts, trust indentures.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No []
- 7.2 If no, give details:
8. Provide the following Information regarding participating providers:
- 8.1 Number of providers at start of reporting year 2,870
- 8.2 Number of providers at end of reporting year 3,254
- 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 rate guarantees between 15-36 months
- 9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? Yes No
- 10.2 If yes:
- | | | | |
|--|---|----------|------------|
| | 10.21 Maximum amount payable bonuses | \$ | 13,029,298 |
| | 10.22 Amount actually paid for year bonuses | \$ | 9,738,859 |
| | 10.23 Maximum amount payable withholds | \$ | 18,127,221 |
| | 10.24 Amount actually paid for year withholds | \$ | 15,618,099 |
- 11.1 Is the reporting entity organized as:
- | | | | |
|--|---|--|---|
| | 11.12 A Medical Group/Staff Model, | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| | 11.13 An Individual Practice Association (IPA), or, | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| | 11.14 A Mixed Model (combination of above) ? | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth. Michigan
- 11.4 If yes, show the amount required. \$
- 11.5 Is this amount included as part of a contingency reserve in stockholders equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
200% ACL
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Allegan.....
Antrim.....
Barry (partial).....
Bay (partial).....
Benzie.....
Berrien (partial).....
Charlevoix.....
Cheboygan.....
Clinton (partial).....
Crawford.....
Eaton (partial).....
Emmet.....
Genesee (partial).....
Grand Traverse.....
Gratiot (partial).....
Ionia (partial).....
Kalkaska.....
Kent.....
Lake.....
Leelanau.....
Mackinac (partial).....
Manistee
Mason.....
Mecosta.....
Missaukee (partial).....
Montcalm.....
Montmorency (partial).....
Muskegon.....
Newaygo.....
Oceana.....
Osceola.....
Otsego.....
Ottawa.....
Presque Isle (partial).....
Roscommon (partial).....
Saginaw (partial).....
Tuscola (partial).....
Van Buren (partial).....
Wexford.....

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	343,624,200	288,815,543	222,386,639	150,427,434	125,890,152
2. Total liabilities (Page 3, Line 22)	135,826,846	133,791,255	122,446,148	88,523,865	82,418,873
3. Statutory surplus	74,375,706	59,280,000	57,270,056	38,810,842	28,770,882
4. Total capital and surplus (Page 3, Line 31)	207,797,354	155,024,288	99,940,491	61,903,569	43,471,279
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	1,048,491,582	936,875,020	773,665,841	606,858,726	473,735,918
6. Total medical and hospital expenses (Line 18)	906,775,529	799,378,013	675,108,947	538,740,832	420,166,305
7. Claims adjustment expenses (Line 20)	14,060,818	13,387,139	10,677,443	0	0
8. Total administrative expenses (Line 21)	79,677,968	75,860,456	59,413,810	42,956,275	37,469,528
9. Net underwriting gain (loss) (Line 24)	47,977,267	48,249,412	28,465,641	12,051,448	9,659,647
10. Net investment gain (loss) (Line 27)	9,832,386	4,799,481	2,862,690	3,392,800	4,097,521
11. Total other income (Lines 28 plus 29)	0	0	0	304,130	112,151
12. Net income (loss) (Line 32)	57,809,653	53,048,893	31,328,331	15,748,378	13,869,319
RISK - BASED CAPITAL ANALYSIS					
13. Total adjusted capital	207,797,354	155,024,288	99,940,491	61,903,569	43,471,279
14. Authorized control level risk-based capital	37,187,853	29,640,000	28,635,028	19,405,421	14,385,441
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	372,107	363,563	335,480	288,535	268,585
16. Total member months (Column 6, Line 7)	4,444,474	4,283,334	3,866,469	3,467,361	3,081,011
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
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 (Lines 18 plus 19)	86.5	85.3	87.3	88.8	88.7
19. Cost containment expenses	0.1	0.0	XXX	XXX	XXX
20. Other claims adjustment expenses	1.2	0.0	0.0	0.0	0.0
21. Total underwriting deductions (Line 23)	95.4	94.8	96.3	98.0	98.0
22. Total underwriting gain (loss) (Line 24)	4.6	5.2	3.7	2.0	2.0
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	101,828,805	100,974,982	73,544,022	64,483,345	50,304,536
24. Estimated liability of unpaid claims – [prior year (Line 12, Col. 6)]	102,365,272	105,423,025	73,792,854	73,424,215	64,312,351
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	12,677,982	0	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate	0	0	0	0	0
30. All other affiliated	0	0	0	0	0
31. Total of above Lines 25 to 30	12,677,982	0	0	0	0

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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				
Governments (Including all obligations guaranteed by governments)	1. United States 32,332,615 2. Canada 0 3. Other Countries 0 4. Totals 32,332,615	31,688,351 0 0 31,688,351	32,673,911 0 0 32,673,911	30,476,386 0 0 30,476,386
States, Territories and Possessions (Direct and guaranteed)	5. United States 0 6. Canada 0 7. Other Countries 0 8. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States 174,682 10. Canada 0 11. Other Countries 0 12. Totals 174,682	170,441 0 0 170,441	174,557 0 0 174,557	175,000 0 0 175,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States 38,626,502 14. Canada 0 15. Other Countries 0 16. Totals 38,626,502	37,907,755 0 0 37,907,755	38,688,281 0 0 38,688,281	38,459,954 0 0 38,459,954
Public Utilities (unaffiliated)	17. United States 306,333 18. Canada 0 19. Other Countries 0 20. Totals 306,333	301,116 0 0 301,116	312,570 0 0 312,570	300,000 0 0 300,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 56,641,167 22. Canada 0 23. Other Countries 0 24. Totals 56,641,167	55,423,078 0 0 55,423,078	57,465,245 0 0 57,465,245	54,367,993 0 0 54,367,993
Parent, Subsidiaries and Affiliates	25. Totals 0 26. Total Bonds 128,081,299	0 125,490,741	0 129,314,564	0 123,779,332
PREFERRED STOCKS				
Public Utilities (unaffiliated)	27. United States 0 28. Canada 0 29. Other Countries 0 30. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 0 32. Canada 0 33. Other Countries 0 34. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	35. United States 0 36. Canada 0 37. Other Countries 0 38. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Parent, Subsidiaries and Affiliates	39. Totals 0 40. Total Preferred Stocks 0	0 0	0 0	0 0
COMMON STOCKS				
Public Utilities (unaffiliated)	41. United States 0 42. Canada 0 43. Other Countries 0 44. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 0 46. Canada 0 47. Other Countries 0 48. Totals 0	0 0 0 0	0 0 0 0	0 0 0 0
Industrial and Miscellaneous (unaffiliated)	49. United States 33,712,263 50. Canada 0 51. Other Countries 0 52. Totals 33,712,263	33,712,263 0 0 33,712,263	32,129,700 0 0 32,129,700	0 0 0 0
Parent, Subsidiaries and Affiliates	53. Totals 12,677,982 54. Total Common Stocks 46,390,245	12,677,982 46,390,245	16,810,000 48,939,700	0 0
	55. Total Stocks 46,390,245 56. Total Bonds and Stocks 174,471,544	46,390,245 171,880,986	48,939,700 178,254,264	0 0

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year..... 136,045,740	7. Amortization of premium.....
2. Cost of bonds and stocks acquired, Column 7, Part 3 69,557,822	8. Foreign Exchange Adjustment:
3. Accrual of discount.....	8.1 Column 15, Part 1 0
4. Increase (decrease) by adjustment:.....	8.2 Column 19, Part 2, Sec. 1..... 0
4.1 Columns 12 - 14, Part 1..... 14,247,253	8.3 Column 16, Part 2, Sec. 2 0
4.2 Columns 15 - 17, Part 2, Sec. 1..... 0	8.4 Column 15, Part 4 0
4.3 Column 15, Part 2, Sec. 2..... (1,663,920)	9. Book/adjusted carrying value at end of current period 174,471,544
4.4 Columns 11 - 13, Part 4 0	10. Total valuation allowance
5. Total gain (loss), Col. 19, Part 4 (4,291)	11. Subtotal (Lines 9 plus 10) 174,471,544
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 43,711,060	12. Total nonadmitted amounts
	13. Statement value of bonds and stocks, current period 174,471,544

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only					
			3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama AL	No	No						
2. Alaska AK	No	No						
3. Arizona AZ	No	No						
4. Arkansas AR	No	No						
5. California CA	No	No						
6. Colorado CO	No	No						
7. Connecticut CT	No	No						
8. Delaware DE	No	No						
9. District of Columbia DC	No	No						
10. Florida FL	No	No						
11. Georgia GA	No	No						
12. Hawaii HI	No	No						
13. Idaho ID	No	No						
14. Illinois IL	No	No						
15. Indiana IN	No	No						
16. Iowa IA	No	No						
17. Kansas KS	No	No						
18. Kentucky KY	No	No						
19. Louisiana LA	No	No						
20. Maine ME	No	No						
21. Maryland MD	No	No						
22. Massachusetts MA	No	No						
23. Michigan MI	No	Yes	1,048,153,113	1,744,053				
24. Minnesota MN	No	No						
25. Mississippi MS	No	No						
26. Missouri MO	No	No						
27. Montana MT	No	No						
28. Nebraska NE	No	No						
29. Nevada NV	No	No						
30. New Hampshire NH	No	No						
31. New Jersey NJ	No	No						
32. New Mexico NM	No	No						
33. New York NY	No	No						
34. North Carolina NC	No	No						
35. North Dakota ND	No	No						
36. Ohio OH	No	No						
37. Oklahoma OK	No	No						
38. Oregon OR	No	No						
39. Pennsylvania PA	No	No						
40. Rhode Island RI	No	No						
41. South Carolina SC	No	No						
42. South Dakota SD	No	No						
43. Tennessee TN	No	No						
44. Texas TX	No	No						
45. Utah UT	No	No						
46. Vermont VT	No	No						
47. Virginia VA	No	No						
48. Washington WA	No	No						
49. West Virginia WV	No	No						
50. Wisconsin WI	No	No						
51. Wyoming WY	No	No						
52. American Samoa AS	No	No						
53. Guam GU	No	No						
54. Puerto Rico PR	No	No						
55. U.S. Virgin Islands VI	No	No						
56. Canada CN	No	No						
57. Aggregate other alien OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal	XXX	XXX	1,048,153,113	1,744,053	0	0	0	0
59. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
60. Total (Direct Business)	XXX	(a) 1	1,048,153,113	1,744,053	0	0	0	0
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)	XXX	XXX	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.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE Priority Health

SCHEDULE T – PART 2
INTERSTATE COMPACT PRODUCTS – EXHIBIT OF PREMIUMS WRITTEN

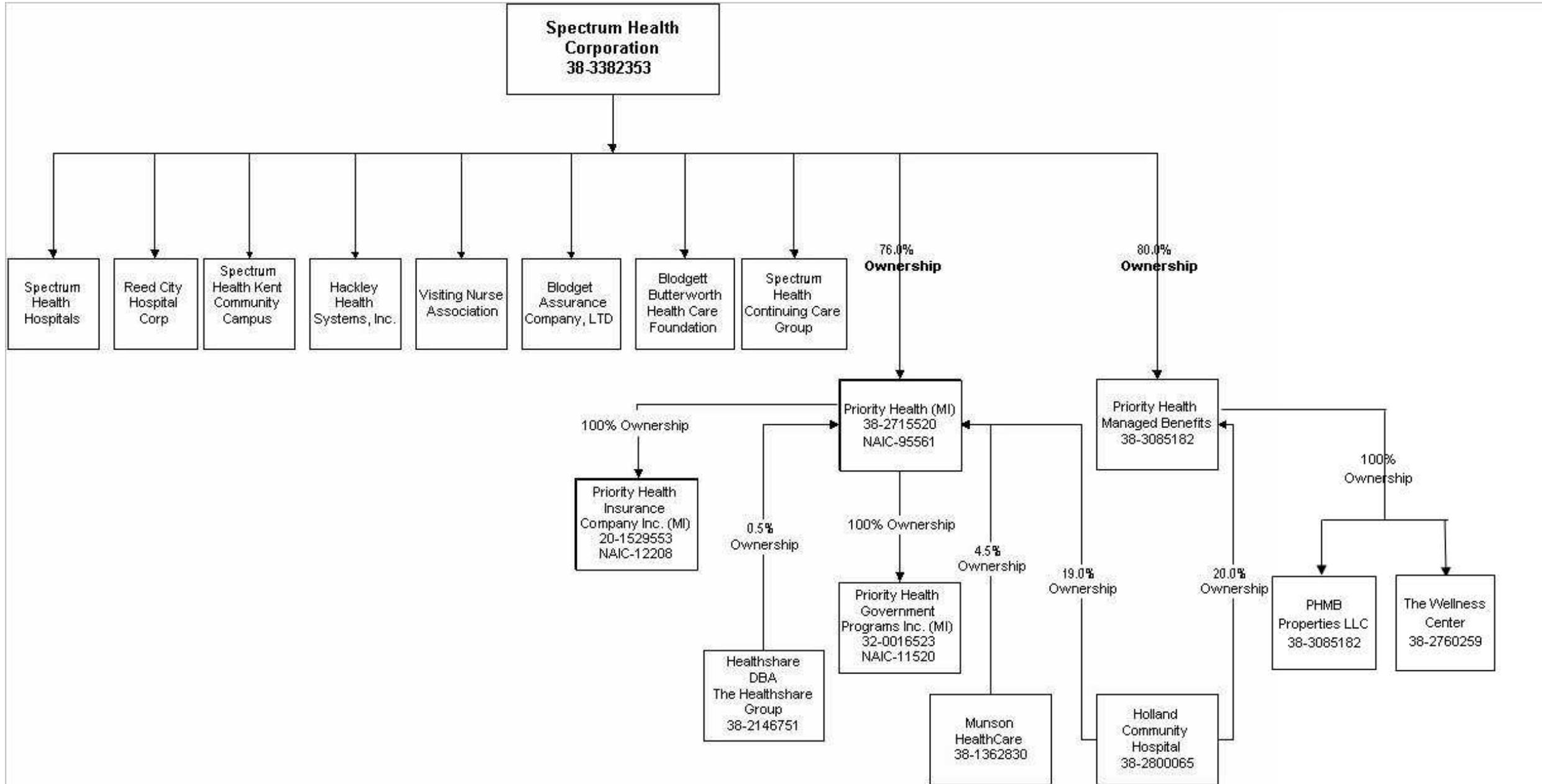
Allocated by States and Territories

States, Etc.	Direct Business Only					Totals
	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	
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. U.S. Virgin Islands	VI					0
56. Canada	CN					0
57. Other Alien	OT					0
58. Totals		0	0	0	0	0

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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