# HEALTH QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2006
OF THE CONDITION AND AFFAIRS OF THE

# M-CAID

NAIC Group Code 3414 (Current) _____ (Prior) NAIC Company Code 11557 Employer's ID Number 32-0026448

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: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized 09/25/2002 Commenced Business 01/01/2003

Statutory Home Office 2301 Commonwealth Blvd (Street and Number), Ann Arbor , MI 48105 (City or Town, State and Zip Code)

Main Administrative Office 2301 Commonwealth Blvd (Street and Number)
Ann Arbor , MI 48105 (City or Town, State and Zip Code), 734-747-8700 (Area Code) (Telephone Number)

Mail Address 2301 Commonwealth Blvd (Street and Number or P.O. Box), Ann Arbor , MI 48105 (City or Town, State and Zip Code)

Primary Location of Books and Records 2301 Commonwealth Blvd (Street and Number)
Ann Arbor , MI 48105 (City or Town, State and Zip Code), _____ (Area Code) (Telephone Number)

Internet Website Address _____

Statutory Statement Contact Tonya D Moore (Name), 734-332-2351 (Area Code) (Telephone Number)
Tdmoore@Mcare.med.umich.edu (E-mail Address), 734-332-2177 (FAX Number)

Policyowner Relations Contact 2301 Commonwealth Blvd (Street and Number)
Ann Arbor , MI 48105 (City or Town, State and Zip Code), _____ (Area Code) (Telephone Number)

## OFFICERS

President Zelda Geyer-Sylvia
Treasurer Douglas L Strong

## OTHER

## DIRECTORS OR TRUSTEES

Zelda Geyer-Sylvia
Joleen Immerfall
Robert P. Kelch

State of _____
County of _____ SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Zelda Geyer-Sylvia
President

Douglas L. Strong
Treasurer

Subscribed and sworn to before me this
_____ day of _____

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

# ASSETS

| | Current Statement Date 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | 4 Prior Year Net Admitted Assets |
|---|---|---|---|---|
| 1. Bonds | 1,155,065 | | 1,155,065 | 1,108,641 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | | | 0 | 0 |
| 2.2 Common stocks | | | 0 | 0 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less $ ..... encumbrances) | | | 0 | 0 |
| 4.2 Properties held for the production of income (less $ ..... encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less $ ..... encumbrances) | | | 0 | 0 |
| 5. Cash ($ (286,651) ), cash equivalents ($ ..... ), and short-term investments ($ 970,763 ) | 684,112 | | 684,112 | 388,095 |
| 6. Contract loans, (including $ ..... premium notes) | | | 0 | 0 |
| 7. Other invested assets | | | 0 | 0 |
| 8. Receivables for securities | | | 0 | 0 |
| 9. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 1,839,177 | 0 | 1,839,177 | 1,496,736 |
| 11. Title plants less $ ..... charged off (for Title insurers only) | | | 0 | 0 |
| 12. Investment income due and accrued | 23,590 | | 23,590 | 24,841 |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | 0 | 0 |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ..... earned but unbilled premiums) | | | 0 | 0 |
| 13.3 Accrued retrospective premiums | | | 0 | 0 |
| 14. Reinsurance: | | | | |
| 14.1 Amounts recoverable from reinsurers | | | 0 | 0 |
| 14.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 14.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 15. Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | 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 | 0 |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 21. Receivables from parent, subsidiaries and affiliates | | | 0 | 0 |
| 22. Health care ($ ..... ) and other amounts receivable | 3,639,722 | 216,490 | 3,423,232 | 1,845,791 |
| 23. Aggregate write-ins for other than invested assets | 0 | 0 | 0 | 0 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 5,502,489 | 216,490 | 5,285,999 | 3,367,368 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 26. Total (Lines 24 and 25) | 5,502,489 | 216,490 | 5,285,999 | 3,367,368 |
| **DETAILS OF WRITE-INS** | | | | |
| 0901. | | | | |
| 0902. | | | | |
| 0903. | | | | |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 | 0 |
| 0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above) | 0 | 0 | 0 | 0 |
| 2301. | | | 0 | 0 |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) | 0 | 0 | 0 | 0 |

# LIABILITIES, CAPITAL AND SURPLUS

| | | Current Period | | | Prior Year |
|---|---|---|---|---|---|
| | | 1<br>Covered | 2<br>Uncovered | 3<br>Total | 4<br>Total |
| 1. | Claims unpaid (less $ ..... reinsurance ceded) | 1,112,936 | | 1,112,936 | 1,143,008 |
| 2. | Accrued medical incentive pool and bonus amounts | | | 0 | 0 |
| 3. | Unpaid claims adjustment expenses | 34,734 | | 34,734 | 34,734 |
| 4. | Aggregate health policy reserves | | | 0 | 0 |
| 5. | Aggregate life policy reserves | | | 0 | 0 |
| 6. | Property/casualty unearned premium reserve | | | 0 | 0 |
| 7. | Aggregate health claim reserves | | | 0 | 0 |
| 8. | Premiums received in advance | | | 0 | 0 |
| 9. | General expenses due or accrued | 587,084 | | 587,084 | 47,597 |
| 10.1 | Current federal and foreign income tax payable and interest thereon (including $ ..... on realized 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. | Remittances and items not allocated | | | 0 | 0 |
| 14. | Borrowed money (including $ ..... current) and interest thereon $ ..... (including $ ..... current) | | | 0 | 0 |
| 15. | Amounts due to parent, subsidiaries and affiliates | 382,793 | | 382,793 | 105,316 |
| 16. | Payable for securities | | | 0 | 0 |
| 17. | Funds held under reinsurance treaties (with $ ..... authorized reinsurers and $ ..... unauthorized reinsurers) | | | 0 | 0 |
| 18. | Reinsurance in unauthorized companies | | | 0 | 0 |
| 19. | Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 20. | Liability for amounts held under uninsured plans | | | 0 | 0 |
| 21. | Aggregate write-ins for other liabilities (including $ ..... current) | 0 | 0 | 0 | 0 |
| 22. | Total liabilities (Lines 1 to 21) | 2,117,547 | 0 | 2,117,547 | 1,330,655 |
| 23. | Aggregate write-ins for special surplus funds | XXX | XXX | 0 | 0 |
| 24. | Common capital stock | XXX | XXX | | |
| 25. | Preferred capital stock | XXX | XXX | | |
| 26. | Gross paid in and contributed surplus | XXX | XXX | 1,750,000 | 1,750,000 |
| 27. | Surplus notes | XXX | XXX | | |
| 28. | Aggregate write-ins for other than special surplus funds | XXX | XXX | 0 | 0 |
| 29. | Unassigned funds (surplus) | XXX | XXX | 1,418,453 | 286,713 |
| 30. | Less treasury stock, at cost: | | | | |
| | 30.1 ..... shares common (value included in Line 24 $ ..... ) | XXX | XXX | | |
| | 30.2 ..... shares preferred (value included in Line 25 $ ..... ) | XXX | XXX | | |
| 31. | Total capital and surplus (Lines 23 to 29 minus Line 30) | XXX | XXX | 3,168,453 | 2,036,713 |
| 32. | Total liabilities, capital and surplus (Lines 22 and 31) | XXX | XXX | 5,286,000 | 3,367,368 |
| | **DETAILS OF WRITE-INS** | | | | |
| 2101. | ~ | | | 0 | 0 |
| 2102. | | | | | |
| 2103. | | | | | |
| 2198. | Summary of remaining write-ins for Line 21 from overflow page | 0 | 0 | 0 | 0 |
| 2199. | Totals (Lines 2101 through 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 through 2303 plus 2398)(Line 23 above) | XXX | XXX | 0 | 0 |
| 2801. | | XXX | XXX | | |
| 2802. | | XXX | XXX | | |
| 2803. | | XXX | XXX | | |
| 2898. | Summary of remaining write-ins for Line 28 from overflow page | XXX | XXX | 0 | 0 |
| 2899. | Totals (Lines 2801 through 2803 plus 2898)(Line 28 above) | XXX | XXX | 0 | 0 |

# STATEMENT OF REVENUE AND EXPENSES

| | | Current Year To Date | | Prior Year To Date |
|---|---|---|---|---|
| | | 1<br>Uncovered | 2<br>Total | 3<br>Total |
| 1. | Member Months | XXX | 160,358 | 156,166 |
| 2. | Net premium income ( including $ non-health premium income) | XXX | 25,348,224 | 25,743,246 |
| 3. | Change in unearned premium reserves and reserve for rate credits | XXX | | |
| 4. | Fee-for-service (net of $ medical expenses) | XXX | | |
| 5. | Risk revenue | XXX | | |
| 6. | Aggregate write-ins for other health care related revenues | XXX | (1,521,107) | (1,604,194) |
| 7. | Aggregate write-ins for other non-health revenues | XXX | 0 | 0 |
| 8. | Total revenues (Lines 2 to 7) | XXX | 23,827,117 | 24,139,052 |
| | **Hospital and Medical:** | | | |
| 9. | Hospital/medical benefits | | 16,364,807 | 16,511,408 |
| 10. | Other professional services | | | |
| 11. | Outside referrals | | | |
| 12. | Emergency room and out-of-area | | | |
| 13. | Prescription drugs | | 3,722,258 | 3,810,951 |
| 14. | Aggregate write-ins for other hospital and medical | 0 | 1,128,657 | 1,162,005 |
| 15. | Incentive pool, withhold adjustments and bonus amounts | | | |
| 16. | Subtotal (Lines 9 to 15) | 0 | 21,215,722 | 21,484,364 |
| | **Less:** | | | |
| 17. | Net reinsurance recoveries | | | |
| 18. | Total hospital and medical (Lines 16 minus 17) | 0 | 21,215,722 | 21,484,364 |
| 19. | Non-health claims (net) | | | |
| 20. | Claims adjustment expenses, including $ cost containment expenses | | 251,405 | 187,926 |
| 21. | General administrative expenses | | 2,273,068 | 1,966,175 |
| 22. | Increase in reserves for life and accident and health contracts (including $ increase in reserves for life only) | | | |
| 23. | Total underwriting deductions (Lines 18 through 22) | 0 | 23,740,195 | 23,638,465 |
| 24. | Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | 86,922 | 500,587 |
| 25. | Net investment income earned | | 128,192 | 53,569 |
| 26. | Net realized capital gains (losses) less capital gains tax of $ | | | |
| 27. | Net investment gains (losses) (Lines 25 plus 26) | 0 | 128,192 | 53,569 |
| 28. | Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ ) (amount charged off $ )] | | | |
| 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 | 215,114 | 554,156 |
| 31. | Federal and foreign income taxes incurred | XXX | | |
| 32. | Net income (loss) (Lines 30 minus 31) | XXX | 215,114 | 554,156 |
| | **DETAILS OF WRITE-INS** | | | |
| 0601. | Quality Assurance Assessment Fee | XXX | (1,521,107) | (1,604,194) |
| 0602. | ~ | XXX | | 0 |
| 0603. | | XXX | | |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 |
| 0699. | Totals (Lines 0601 through 0603 plus 0698)(Line 6 above) | XXX | (1,521,107) | (1,604,194) |
| 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 through 0703 plus 0798)(Line 7 above) | XXX | 0 | 0 |
| 1401. | Misc. Health and Mental Health | | 1,128,657 | 1,162,005 |
| 1402. | Stop-Loss Insurance | | | 0 |
| 1403 | | | | |
| 1498. | Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 |
| 1499. | Totals (Lines 1401 through 1403 plus 1498)(Line 14 above) | 0 | 1,128,657 | 1,162,005 |
| 2901. | | | | |
| 2902. | | | | |
| 2903 | | | | |
| 2998. | Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 |
| 2999. | Totals (Lines 2901 through 2903 plus 2998)(Line 29 above) | 0 | 0 | 0 |

# STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1<br>Current Year to Date | 2<br>Prior Year to Date | 3<br>Prior Year |
|---|---|---|---|---|
| | **CAPITAL AND SURPLUS ACCOUNT** | | | |
| 33. | Capital and surplus prior reporting year | 2,036,712 | 2,058,471 | 2,058,471 |
| 34. | Net income or (loss) from Line 32 | 215,114 | 554,156 | 594,527 |
| 35. | Change in valuation basis of aggregate policy and claim reserves | | | |
| 36. | Change in net unrealized capital gains (losses) less capital gains tax of $ | | | |
| 37. | Change in net unrealized foreign exchange capital gain or (loss) | | | |
| 38. | Change in net deferred income tax | | | |
| 39. | Change in nonadmitted assets | 916,627 | 313,961 | (616,286) |
| 40 | Change in unauthorized reinsurance | 0 | 0 | 0 |
| 41. | Change in treasury stock | 0 | 0 | 0 |
| 42. | Change in surplus notes | 0 | 0 | 0 |
| 43. | Cumulative effect of changes in accounting principles | | | |
| 44. | Capital Changes: | | | |
| | 44.1 Paid in | 0 | 0 | 0 |
| | 44.2 Transferred from surplus (Stock Dividend) | 0 | 0 | 0 |
| | 44.3 Transferred to surplus | | | |
| 45. | Surplus adjustments: | | | |
| | 45.1 Paid in | 0 | 0 | 0 |
| | 45.2 Transferred to capital (Stock Dividend) | | | |
| | 45.3 Transferred from capital | | | |
| 46. | Dividends to stockholders | | | |
| 47. | Aggregate write-ins for gains or (losses) in surplus | 0 | 0 | 0 |
| 48. | Net change in capital & surplus (Lines 34 to 47) | 1,131,741 | 868,117 | (21,759) |
| 49. | Capital and surplus end of reporting period (Line 33 plus 48) | 3,168,453 | 2,926,588 | 2,036,712 |
| | **DETAILS OF WRITE-INS** | | | |
| 4701. | | | | |
| 4702. | | | | |
| 4703. | | | | |
| 4798. | Summary of remaining write-ins for Line 47 from overflow page | 0 | 0 | 0 |
| 4799. | Totals (Lines 4701 through 4703 plus 4798)(Line 47 above) | 0 | 0 | 0 |

# CASH FLOW

| | | 1<br>Current Year<br>To Date | 2<br>Prior Year Ended<br>December 31 |
|---|---|---|---|
| | **Cash from Operations** | | |
| 1. | Premiums collected net of reinsurance | 25,348,224 | 34,721,256 |
| 2. | Net investment income | 122,738 | 114,496 |
| 3. | Miscellaneous income | (1,521,107) | (2,160,958) |
| 4. | Total (Lines 1 to 3) | 23,949,855 | 32,674,794 |
| 5. | Benefit and loss related payments | 21,245,794 | 29,265,876 |
| 6. | Net transfers to Separate, Segregated Accounts and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 1,984,986 | 2,824,336 |
| 8. | Dividends paid to policyholders | | |
| 9. | Federal and foreign income taxes paid (recovered) $ ..... net of tax on capital gains (losses) | 0 | 0 |
| 10. | Total (Lines 5 through 9) | 23,230,780 | 32,090,212 |
| 11. | Net cash from operations (Line 4 minus Line 10) | 719,075 | 584,582 |
| | **Cash from Investments** | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| | 12.1 Bonds | 0 | 1,157,964 |
| | 12.2 Stocks | 0 | 0 |
| | 12.3 Mortgage loans | 0 | 0 |
| | 12.4 Real estate | 0 | 0 |
| | 12.5 Other invested assets | 0 | 0 |
| | 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 0 |
| | 12.7 Miscellaneous proceeds | 0 | 0 |
| | 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 0 | 1,157,964 |
| 13. | Cost of investments acquired (long-term only): | | |
| | 13.1 Bonds | 39,718 | 1,214,950 |
| | 13.2 Stocks | 0 | 0 |
| | 13.3 Mortgage loans | 0 | 0 |
| | 13.4 Real estate | 0 | 0 |
| | 13.5 Other invested assets | 0 | 0 |
| | 13.6 Miscellaneous applications | 0 | 0 |
| | 13.7 Total investments acquired (Lines 13.1 to 13.6) | 39,718 | 1,214,950 |
| 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) | (39,718) | (56,986) |
| | **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) | (383,339) | (869,731) |
| 17. | Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) | (383,339) | (869,731) |
| | **RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS** | | |
| 18. | Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 296,018 | (342,135) |
| 19. | Cash, cash equivalents and short-term investments: | | |
| | 19.1 Beginning of year | 388,094 | 730,229 |
| | 19.2 End of period (Line 18 plus Line 19.1) | 684,112 | 388,094 |

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

| | | |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

# EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | 2 Individual | 3 Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| **Total Members at end of:** | | | | | | | | | | | | | |
| 1. Prior Year | 17,807 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,807 | 0 | 0 | 0 | 0 |
| 2. First Quarter | 17,852 | | | | | | | | 17,852 | | | | |
| 3. Second Quarter | 17,632 | | | | | | | | 17,632 | | | | |
| 4. Third Quarter | 17,665 | | | | | | | | 17,665 | | | | |
| 5. Current Year | 17,665 | | | | | | | | 17,665 | | | | |
| 6. Current Year Member Months | 160,358 | | | | | | | | 160,358 | | | | |
| **Total Member Ambulatory Encounters for Period:** | | | | | | | | | | | | | |
| 7 Physician | 73,159 | | | | | | | | 73,159 | | | | |
| 8. Non-Physician | 52,158 | | | | | | | | 52,158 | | | | |
| 9. Total | 125,317 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 125,317 | 0 | 0 | 0 | 0 |
| 10. Hospital Patient Days Incurred | 4,852 | | | | | | | | 4,852 | | | | |
| 11. Number of Inpatient Admissions | 1,318 | | | | | | | | 1,318 | | | | |
| 12. Health Premiums Written | 25,351,790 | | | | | | | | 25,351,790 | | | | |
| 13. Life Premiums Direct | 0 | | | | | | | | | | | | |
| 14. Property/Casualty Premiums Written | 0 | | | | | | | | | | | | |
| 15. Health Premiums Earned | 25,348,244 | | | | | | | | 25,348,244 | | | | |
| 16. Property/Casualty Premiums Earned | 0 | | | | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | 21,245,793 | | | | | | | | 21,245,793 | | | | |
| 18. Amount Incurred for Provision of Health Care Services | 21,215,721 | | | | | | | | 21,215,721 | | | | |

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE M CAID

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

**Aging Analysis of Unpaid Claims**

| 1<br>Account | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>91 - 120 Days | 6<br>Over 120 Days | 7<br>Total |
|---|---|---|---|---|---|---|
| **Claims Unpaid (Reported)** | | | | | | |
| 0299999 Aggregate accounts not individually listed-uncovered | | | | | | 0 |
| 0399999 Aggregate accounts not individually listed-covered | | 1,112,936 | | | | 1,112,936 |
| 0499999 Subtotals | 0 | 1,112,936 | 0 | 0 | 0 | 1,112,936 |
| 0599999 Unreported claims and other claim reserves | | | | | | |
| 0699999 Total amounts withheld | | | | | | |
| 0799999 Total claims unpaid | | | | | | 1,112,936 |
| 0899999 Accrued medical incentive pool and bonus amounts | | | | | | |

# UNDERWRITING AND INVESTMENT EXHIBIT

## ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business | Claims Paid Year to Date | | Liability End of Current Quarter | | 5 | 6 |
|---|---|---|---|---|---|---|
| | 1<br>On Claims Incurred Prior to January 1 of Current Year | 2<br>On Claims Incurred During the Year | 3<br>On Claims Unpaid Dec. 31 of Prior Year | 4<br>On Claims Incurred During the Year | Claims Incurred in Prior Years (Columns 1 + 3) | Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
| 1. Comprehensive (hospital and medical) | | | | | 0 | 0 |
| 2. Medicare Supplement | | | | | 0 | 0 |
| 3. Dental Only | | | | | 0 | 0 |
| 4. Vision Only | | | | | 0 | 0 |
| 5. Federal Employees Health Benefits Plan | | | | | 0 | 0 |
| 6. Title XVIII - Medicare | | | | | 0 | 0 |
| 7 Title XIX - Medicaid | 993,182 | 20,252,611 | 23,027 | 1,089,909 | 1,016,209 | 1,143,008 |
| 8. Other health | | | | | 0 | 0 |
| 9. Health subtotal (Lines 1 to 8) | 993,182 | 20,252,611 | 23,027 | 1,089,909 | 1,016,209 | 1,143,008 |
| 10. Healthcare receivables (a) | | | | | 0 | 0 |
| 11. Other non-health | | | | | 0 | 0 |
| 12. Medical incentive pools and bonus amounts | | | | | 0 | 0 |
| 13. Totals | 993,182 | 20,252,611 | 23,027 | 1,089,909 | 1,016,209 | 1,143,008 |

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

# NOTES TO FINANCIAL STATEMENTS

M-CAID

**Notes to Statutory Filing**
September 30, 2006

## Note 1—Operations and Summary of Significant Accounting Policies

Organization and Basis of Presentation: M-CAID is a not-for-profit corporation ("the Corporation") established by The Regents of The University of Michigan as a subsidiary of M-CARE for the purpose of contracting directly with the State of Michigan to administer a Medicaid health maintenance organization. The Corporation is a tax-exempt entity under the provisions of section 501 (c)(4) of the Internal Revenue Code. The Corporation is regulated and licensed by the State of Michigan Office of Financial and Insurance Services ("OFIS") and must submit periodic filings under rules promulgated by the State of Michigan.

The Regents of The University of Michigan, as the sole member of the Corporation, have the ultimate responsibility for the Corporation, and as part of the University, the financial position and results of operations of the Corporation are included in the combined financial statements.

Summary of Significant Accounting Policies: The financial statements have been prepared in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual except to the extent that the laws of the State of Michigan differ. The State of Michigan adopted codification guidance effective January 1, 2003 with order number 05-056-M, which allows entities to transition into codification if there is a significant financial impact. The Corporation was not impacted significantly by adopting codification and adopted it in full in January 1, 2003. Therefore, there are no significant differences between NAIC statutory accounting practices and the laws of the State of Michigan in the Corporation's financial statements.

Use of Estimates: The preparation of financial statements in conformity with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

*Cash and Short-Term Investments*: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. The carrying amounts reported in the accompanying balance sheet is at amortized cost.

*Investments*: Bonds are stated at amortized cost using the effective yield method.

Realized gains and losses are recognized in operations at the date of sale. A realized gain or loss represents the difference between the net sale proceeds received on the sale of a security and the security's historical cost. If the investment security is a bond, historical cost is the amount paid at acquisition adjusted by accumulated bond amortization or accretion.

*Health Care and Other Amounts Receivable*: The Corporation contracts with the University of Michigan Hospitals and Health Centers ("UMHHC") and Faculty Group Practice ("FGP"), which are also subsidiaries of The University of Michigan, for all services received by the Corporation's

subscribers. As such, all the Corporation's health expense was paid to the UMHHC and FGP. Services provided that are outside of the UMHHC and FGP provider system are ultimately their responsibility. Therefore, the Corporation has recorded a receivable from the UMHHC and FGP for the amount of unpaid claims at the end of the year. Additionally, to the extent that capitation paid to the UMHHC and FGP is different from the contractually agreed upon amounts, the Corporation records a receivable or payable. As a result of these two types of transactions, the Corporation has recorded a $2,500,000 and $1,700,000 receivable at December 31, 2005, and 2004, respectively.

*Trust Accounts*: As a condition of licensure with the State of Michigan, the Corporation has a statutory trust to maintain restricted funds for the sole benefit of the Corporation's members in the case of insolvency. These funds, which can be used only at the direction of the Insurance Commissioner in accordance with statutory provisions, are invested with JPMorgan Institutional Trust Services. Interest earned on these funds accrue to, and can be utilized by, the Corporation. As of December 31, 2005 and 2004, the Corporation had reached the required maximum balance of $1,000,000.

*Health Liability*: Claims unpaid and unpaid claims adjustment expense represent management's best estimate of ultimate costs of all reported and unreported claims incurred through December 31. The liability for claims unpaid and unpaid adjustment expenses are estimated using individual case-basis valuations, statistical analyses and prior experience adjusted for current trends. Those estimates are subject to the effects of trends in cost and utilization of health care services. Although considerable variability is inherent in such estimates, management believes that the liability for claims unpaid and unpaid adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

*Premiums*: Premium revenues are recognized as revenue in the period in which the member is entitled to service.

*Quality Assurance Assessment Fee*: During 2003, the State of Michigan Department of Community Health began assessing the quality assurance assessment fee on each health maintenance organization that has a Medicaid managed care contract. The fee is based on a percentage of non-medicare premiums collected by the Corporation.

*Health Expense*: The Corporation contracts with the University of Michigan Hospitals and Health Centers ("UMHHC") and Faculty Group Practice ("FGP") under a full capitation arrangement.

*Reclassifications*: Certain prior year amounts have been reclassified to conform with current year presentations.

**Note 2 – Accounting Changes and Corrections of Errors**

No Change since 12/31/05 annual filing

**Note 3 – Business Combinations and Goodwill**

No Change since 12/31/05 annual filing

**Note 4 – Discontinued Operations**

The Regents of the University of Michigan entered into two separate agreements, both dated September 27, 2006, to sell M-CARE and its subsidiaries Michigan Health Insurance Company (MHIC) and M-CAID to Blue Cross and Blue Shield of Michigan (BCBSM) and Blue Care Network (BCN). Pursuant to the terms of those agreements, BCBSM will purchase MHIC from M-CARE and the Regents for $35 million in cash. BCN will purchase M-CARE and M-CAID for $205 million in cash. Both amounts are subject to various closing adjustments.

The sale has been approved by the United States Department of Justice and is pending regulatory approval from the Michigan Office of Insurance and Financial Services (OFIS). Approval from OFIS is anticipated in December of 2006 with the sale close expected to occur no later than December 31, 2006.

**Note 5 – Investments**

No Change since 12/31/05 annual filing

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

No Change since 12/31/05 annual filing

**Note 7 – Investment Income**

No Change since 12/31/05 annual filing

**Note 8 – Derivative Instruments**

No Change since 12/31/05 annual filing

**Note 9 – Income Taxes**

No Change since 12/31/05 annual filing

**Note 10 – Information Concerning Parent, Subsidiaries and Affiliates**

No Change since 12/31/05 annual filing

**Note 11 – Debt: Surplus Not Payable**

No Change since 12/31/05 annual filing

**Note 12 – Retirement Plan, Postemployment Benefits**

No Change since 12/31/05 annual filing

**Note 13 – Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

The Corporation is wholly owned by the University. There are no shares of stock authorized or

issued.

There were no restrictions placed on the Corporation's unassigned funds (surplus).

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

| | |
|---|---|
| Unrealized gains and losses: | $0 |
| Nonadmitted assets: | $216,490 |
| Separate account business: | $0 |
| Asset valuation reserves: | $0 |
| Reinsurance in unauthorized companies: | $0 |

The Corporation has not been involved in a quasi-reorganization during 2005 or 2004.

**Note 14 – Contingencies**

No Change since 12/31/05 annual filing

**Note 15 – Leases**

No Change since 12/31/05 annual filing

**Note 16 – Financial Instruments with Off - Balance Sheet Risk**

No Change since 12/31/05 annual filing

**Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

No Change since 12/31/05 annual filing

**Note 18 – Gain or Loss from Uninsured Plans**

No Change since 12/31/05 annual filing

**Note 19 – Direct Premium Written / Produced by Managing General Agents / Third Party Administrators**

No Change since 12/31/05 annual filing

**Note 20 – September 11 Events**

No Change since 12/31/05 annual filing

**Note 21 – Other Items**

No Change since 12/31/05 annual filing

**Note 22 – Events Subsequent**

No Change since 12/31/05 annual filing

**Note 23 – Reinsurance**

No Change since 12/31/05 annual filing

**Note 24 – Retrospectively Rated Contracts**

No Change since 12/31/05 annual filing
.

**Note 25 – Change in Incurred Claims and Claim Adjustment Expenses**

No Change since 12/31/05 annual filing

**Note 26 – Intercompany Pooling Arrangements**

No Change since 12/31/05 annual filing

**Note 27 – Structured Settlements**

No Change since 12/31/05 annual filing

**Note 28 – Health Care Receivables**

All pharmaceutical rebates are received by the Corporation more than 180 days after billing. Schedule is reported in thousands.

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Billed or Otherwise Confirmed | Actual Rebates Received Within 90 Days of Billing | Actual Rebates Received Within 91 to 180 Days of Billing | Actual Rebates Received More Than 180 Days After Billing |
|---|---|---|---|---|---|
| 09/30/2006 | $93 | | | | $31 |
| 06/30/2006 | $67 | $0 | $0 | $0 | $72 |
| 03/30/2006 | 0 | 0 | 0 | 0 | 61 |
| | | | | | |
| 12/31/2005 | $0 | $0 | $0 | $0 | $49 |
| 09/30/2005 | 0 | 0 | 0 | 0 | 33 |
| 06/30/2005 | 0 | 0 | 0 | 0 | 57 |
| 03/30/2005 | 0 | 0 | 0 | 0 | 56 |
| | | | | | |
| 12/31/2004 | $0 | $0 | $0 | $0 | 64 |
| 09/30/2004 | 0 | 0 | 0 | 0 | 107 |
| 06/30/2004 | 0 | 0 | 0 | 0 | 0 |
| 03/30/2004 | 0 | 0 | 0 | 0 | 738 |
| | | | | | |
| 12/31/2003 | $0 | $0 | $0 | $0 | $125 |

| | | | | | |
|---|---|---|---|---|---|
| 09/30/2003 | 0 | 0 | 0 | 0 | 30 |
| 06/30/2003 | 0 | 0 | 0 | 0 | 20 |
| 03/31/2003 | 0 | 0 | 0 | 0 | 26 |

**Note 29 – Participating Policies**

No Change since 12/31/05 annual filing

**Note 30 – Premium Deficiency Reserves**

No Change since 12/31/05 annual filing

**Note 31 – Anticipated Salvage and Subrogation**

No Change since 12/31/05 annual filing
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# GENERAL INTERROGATORIES

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

## PART 1 - COMMON INTERROGATORIES
## GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [ X ]

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

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

2.2 If yes, date of change: .....

3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [ X ]
If yes, complete the Schedule Y - Part 1 - organizational chart.

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

4.2 If yes, provide the name of 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<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [ X ] N/A [ ]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ..... 12/31/2003

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ..... 12/31/2003

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ..... 06/30/2005

6.4 By what department or departments?
Michigan Office of Financial Services and Insurance

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [ X ]

7.2 If yes, give full information:

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

# GENERAL INTERROGATORIES

## FINANCIAL

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

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

## INVESTMENT

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

10.2 If yes, explain:

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [ X ]

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

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

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

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

14.2 If yes, please complete the following:

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

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

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]
If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity' s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

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

| 1<br>Name of Custodian(s) | 2<br>Custodian Address |
|---|---|
| Mellon Bank | 135 Santilli Hwy.;Everett, MA 02149 |

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|---|---|---|
| | | |
| | | |

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [ X ]
16.4 If yes, give full information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|---|---|---|---|
| | | | |
| | | | |

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository | 2<br>Name(s) | 3<br>Address |
|---|---|---|
| | | |
| | | |

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

# SCHEDULE A - VERIFICATION

Real Estate

NONE

| | | 1<br>Year to Date | 2<br>Prior Year Ended December 31 |
|---|---|---|---|
| 1. | Book/adjusted carrying value, December 31 of prior year | | |
| 2. | Increase (decrease) by adjustment | | |
| 3. | Cost of acquired | | |
| 4. | Cost of additions to and permanent improvements | | |
| 5. | Total profit (loss) on sales | | |
| 6. | Increase (decrease) by foreign exchange adjustment | | |
| 7. | Amount received on sales | | |
| 8. | Book/adjusted carrying value at end of current period | | |
| 9. | Total valuation allowance | | |
| 10. | Subtotal (Lines 8 plus 9) | | |
| 11. | Total nonadmitted amounts | | |
| 12. | Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) | | |

# SCHEDULE B - VERIFICATION

Mortgage Loans

NONE

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

# SCHEDULE BA - VERIFICATION

Other Invested Assets

NONE

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

# SCHEDULE D - VERIFICATION

Bonds and Stocks

| | | 1<br>Year to Date | 2<br>Prior Year Ended December 31 |
|---|---|---|---|
| 1. | Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 1,108,641 | 1,078,089 |
| 2. | Cost of bonds and stocks acquired | 39,718 | 1,214,950 |
| 3. | Accrual of discount | 1,399 | 906 |
| 4. | Increase (decrease) by adjustment | | 0 |
| 5. | Increase (decrease) by foreign exchange adjustment | | 0 |
| 6. | Total profit (loss) on disposal | | 0 |
| 7. | Consideration for bonds and stocks disposed of | | 1,157,964 |
| 8. | Amortization of premium | (5,306) | 27,340 |
| 9. | Book value/adjusted carrying value, current period | 1,155,064 | 1,108,641 |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | 1,155,064 | 1,108,641 |
| 12. | Total nonadmitted amounts | | 0 |
| 13. | Statement value | 1,155,064 | 1,108,641 |

# SCHEDULE D - PART 1B

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

| | 1<br>Book/Adjusted Carrying Value Beginning of Current Quarter | 2<br>Acquisitions During Current Quarter | 3<br>Dispositions During Current Quarter | 4<br>Non-Trading Activity During Current Quarter | 5<br>Book/Adjusted Carrying Value End of First Quarter | 6<br>Book/Adjusted Carrying Value End of Second Quarter | 7<br>Book/Adjusted Carrying Value End of Third Quarter | 8<br>Book/Adjusted Carrying Value December 31 Prior Year |
|---|---|---|---|---|---|---|---|---|
| BONDS | | | | | | | | |
| 1. Class 1 | 3,761,037 | 8,227,127 | 9,869,036 | 6,701 | 1,671,243 | 3,761,037 | 2,125,829 | 1,699,098 |
| 2. Class 2 | 0 | | | | 0 | 0 | 0 | 0 |
| 3. Class 3 | 0 | | | | 0 | 0 | 0 | 0 |
| 4. Class 4 | 0 | | | | 0 | 0 | 0 | 0 |
| 5. Class 5 | 0 | | | | 0 | 0 | 0 | 0 |
| 6. Class 6 | 0 | | | | 0 | 0 | 0 | 0 |
| 7. Total Bonds | 3,761,037 | 8,227,127 | 9,869,036 | 6,701 | 1,671,243 | 3,761,037 | 2,125,829 | 1,699,098 |
| PREFERRED STOCK | | | | | | | | |
| 8. Class 1 | 0 | | | | 0 | 0 | 0 | 0 |
| 9. Class 2 | 0 | | | | 0 | 0 | 0 | 0 |
| 10. Class 3 | 0 | | | | 0 | 0 | 0 | 0 |
| 11. Class 4 | 0 | | | | 0 | 0 | 0 | 0 |
| 12. Class 5 | 0 | | | | 0 | 0 | 0 | 0 |
| 13. Class 6 | 0 | | | | 0 | 0 | 0 | 0 |
| 14. Total Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. Total Bonds and Preferred Stock | 3,761,037 | 8,227,127 | 9,869,036 | 6,701 | 1,671,243 | 3,761,037 | 2,125,829 | 1,699,098 |

# SCHEDULE DA - PART 1

**Short-Term Investments Owned End of Current Quarter**

| | 1<br>Book/Adjusted Carrying Value | 2<br>Par Value | 3<br>Actual Cost | 4<br>Interest Collected Year-to-Date | 5<br>Paid for Accrued Interest Year-to-Date |
|---|---|---|---|---|---|
| 8299999 Totals | 970,763 | XXX | 970,763 | 42,377 | |

# SCHEDULE DA - PART 2 - Verification

**Short-Term Investments Owned**

| | | 1<br>Year to Date | 2<br>Prior Year Ended December 31 |
|---|---|---|---|
| 1. | Book/adjusted carrying value, December 31 of prior year | 590,455 | 927,020 |
| 2. | Cost of short-term investments acquired | 25,659,515 | 34,055,955 |
| 3. | Increase (decrease) by adjustment | | 0 |
| 4. | Increase (decrease) by foreign exchange adjustment | | 0 |
| 5. | Total profit (loss) on disposal of short-term investments | | 0 |
| 6. | Consideration received on disposal of short-term investments | 25,279,207 | 34,392,520 |
| 7. | Book/adjusted carrying value, current period | 970,763 | 590,455 |
| 8. | Total valuation allowance | | 0 |
| 9. | Subtotal (Lines 7 plus 8) | 970,763 | 590,455 |
| 10. | Total nonadmitted amounts | | 0 |
| 11. | Statement value (Lines 9 minus 10) | 970,763 | 590,455 |
| 12. | Income collected during period | 83,394 | 58,510 |
| 13. | Income earned during period | 77,422 | 62,704 |

Schedule DB - Part F - Section 1

N O N E

Schedule DB - Part F - Section 2

N O N E

# SCHEDULE S - CEDED REINSURANCE

Showing all new reinsurers - Current Year to Date

| 1<br>NAIC<br>Company Code | 2<br>Federal<br>ID Number | 3<br>Name of Reinsurer | 4<br>Location | 5<br>Is Insurer<br>Authorized?<br>(Yes or No) |
|---|---|---|---|---|
| 90611 | 41-1366075 | ALLIANZ LIFE INS CO OF NORTH AMERICA | 1750 HENNEPIN AVENUE, MINNEAPOLIS MINNESOTA 55403-2195 | YES |

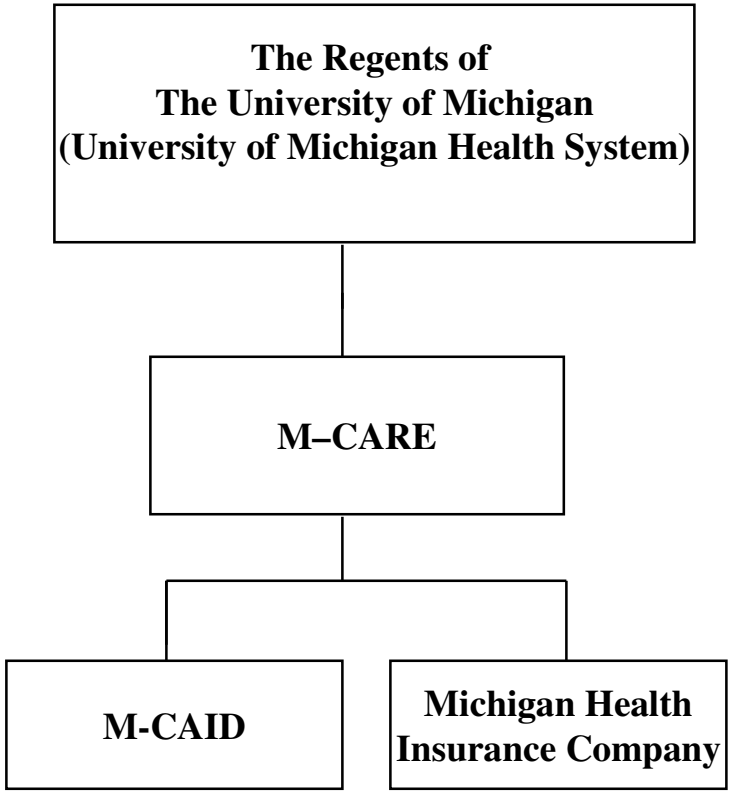
# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

| | | 1 | 2 | Direct Business Only Year To Date | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 3 | 4 | 5 | 6 | 7 | 8 |
| | States, etc. | Guaranty Fund (Yes or No) | Is Insurer Licensed? (Yes or No) | Accident and Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Program Premiums | Life and Annuity Premiums and Deposit-Type Contract Funds | Property/ Casualty Premiums |
| 1. | Alabama AL | | NO | | | | | | |
| 2. | Alaska AK | | NO | | | | | | |
| 3. | Arizona AZ | | NO | | | | | | |
| 4. | Arkansas AR | | NO | | | | | | |
| 5. | California CA | | NO | | | | | | |
| 6. | Colorado CO | | NO | | | | | | |
| 7. | Connecticut CT | | NO | | | | | | |
| 8. | Delaware DE | | NO | | | | | | |
| 9. | District of Columbia DC | | NO | | | | | | |
| 10. | Florida FL | | NO | | | | | | |
| 11. | Georgia GA | | NO | | | | | | |
| 12. | Hawaii HI | | NO | | | | | | |
| 13. | Idaho ID | | NO | | | | | | |
| 14. | Illinois IL | | NO | | | | | | |
| 15. | Indiana IN | | NO | | | | | | |
| 16. | Iowa IA | | NO | | | | | | |
| 17. | Kansas KS | | NO | | | | | | |
| 18. | Kentucky KY | | NO | | | | | | |
| 19. | Louisiana LA | | NO | | | | | | |
| 20. | Maine ME | | NO | | | | | | |
| 21. | Maryland MD | | NO | | | | | | |
| 22. | Massachusetts MA | | NO | | | | | | |
| 23. | Michigan MI | | YES | | | 25,351,790 | | | |
| 24. | Minnesota MN | | NO | | | | | | |
| 25. | Mississippi MS | | NO | | | | | | |
| 26. | Missouri MO | | NO | | | | | | |
| 27. | Montana MT | | NO | | | | | | |
| 28. | Nebraska NE | | NO | | | | | | |
| 29. | Nevada NV | | NO | | | | | | |
| 30. | New Hampshire NH | | NO | | | | | | |
| 31. | New Jersey NJ | | NO | | | | | | |
| 32. | New Mexico NM | | NO | | | | | | |
| 33. | New York NY | | NO | | | | | | |
| 34. | North Carolina NC | | NO | | | | | | |
| 35. | North Dakota ND | | NO | | | | | | |
| 36. | Ohio OH | | NO | | | | | | |
| 37. | Oklahoma OK | | NO | | | | | | |
| 38. | Oregon OR | | NO | | | | | | |
| 39. | Pennsylvania PA | | NO | | | | | | |
| 40. | Rhode Island RI | | NO | | | | | | |
| 41. | South Carolina SC | | NO | | | | | | |
| 42. | South Dakota SD | | NO | | | | | | |
| 43. | Tennessee TN | | NO | | | | | | |
| 44. | Texas TX | | NO | | | | | | |
| 45. | Utah UT | | NO | | | | | | |
| 46. | Vermont VT | | NO | | | | | | |
| 47. | Virginia VA | | NO | | | | | | |
| 48. | Washington WA | | NO | | | | | | |
| 49. | West Virginia WV | | NO | | | | | | |
| 50. | Wisconsin WI | | NO | | | | | | |
| 51. | Wyoming WY | | NO | | | | | | |
| 52. | American Samoa AS | | NO | | | | | | |
| 53. | Guam GU | | NO | | | | | | |
| 54. | Puerto Rico PR | | NO | | | | | | |
| 55. | U.S. Virgin Islands VI | | NO | | | | | | |
| 56. | Nothern Mariana Islands MP | | NO | | | | | | |
| 57. | Canada CN | | NO | | | | | | |
| 58. | Aggregate Other Aliens OT | XXX | XXX | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. | Subtotal | XXX | XXX | 0 | 0 | 25,351,790 | 0 | 0 | 0 |
| 60. | Reporting Entity Contributions for Employee Benefit Plans | XXX | XXX | | | | | | |
| 61. | Totals (Direct Business) | XXX | (a) 1 | 0 | 0 | 25,351,790 | 0 | 0 | 0 |
| | DETAILS OF WRITE-INS | | | | | | | | |
| 5801. | | | | | | | | | |
| 5802. | | | | | | | | | |
| 5803. | | | | | | | | | |
| 5898. | Summary of remaining write-ins for Line 58 from overflow page | | | 0 | 0 | 0 | 0 | 0 | 0 |
| 5899. | Totals (Lines 5801 through 5803 plus 5898)(Line 58 above) | | | 0 | 0 | 0 | 0 | 0 | 0 |

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

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


The Regents of
The University of Michigan
(University of Michigan Health System)
M–CARE
M-CAID
Michigan Health
Insurance Company

# OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

N O N E

Schedule A - Part 3

N O N E

Schedule B - Part 1

N O N E

Schedule B - Part 2

N O N E

Schedule BA - Part 1

N O N E

Schedule BA - Part 2

N O N E

# SCHEDULE D - PART 3

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

| 1<br>CUSIP Identification | 2<br>Description | 3<br>Foreign | 4<br>Date Acquired | 5<br>Name of Vendor | 6<br>Number of Shares of Stock | 7<br>Actual Cost | 8<br>Par Value | 9<br>Paid for Accrued Interest and Dividends | 10<br>NAIC Designation or Market Indicator (a) |
|---|---|---|---|---|---|---|---|---|---|
| 4812A0-37-5 | JPM US TREASURY SECURITY MONEY MARKET | | 07/03/2006 | JP MORGAN TRUST COMPANY | | 78 | 78 | | 1 |
| 4812A0-37-5 | JPM US TREASURY SECURITY MONEY MARKET | | 07/17/2006 | JP MORGAN TRUST COMPANY | | 7,088 | 7,088 | | 1 |
| 4812A0-37-5 | JPM US TREASURY SECURITY MONEY MARKET | | 07/18/2006 | JP MORGAN TRUST COMPANY | | 1,947 | 1,947 | | 1 |
| 4812A0-37-5 | JPM US TREASURY SECURITY MONEY MARKET | | 08/01/2006 | JP MORGAN TRUST COMPANY | | 139 | 139 | | 1 |
| 4812A0-37-5 | JPM US TREASURY SECURITY MONEY MARKET | | 09/01/2006 | JP MORGAN TRUST COMPANY | | 162 | 162 | | 1 |
| 4599999. Bonds - Industrial and Miscellaneous | | | | | | 9,414 | 9,414 | 0 | XXX |
| 6099997. Total - Bonds - Part 3 | | | | | | 9,414 | 9,414 | 0 | XXX |
| 6099998. Total - Bonds - Part 5 | | | | | | XXX | XXX | XXX | XXX |
| 6099999. Total - Bonds | | | | | | 9,414 | 9,414 | 0 | XXX |
| 6599997. Total - Preferred Stocks - Part 3 | | | | | | 0 | XXX | 0 | XXX |
| 6599998. Total - Preferred Stocks - Part 5 | | | | | | XXX | XXX | XXX | XXX |
| 6599999. Total - Preferred Stocks | | | | | | 0 | XXX | 0 | XXX |
| 7299997. Total - Common Stocks - Part 3 | | | | | | 0 | XXX | 0 | XXX |
| 7299998. Total - Common Stocks - Part 5 | | | | | | XXX | XXX | XXX | XXX |
| 7299999. Total - Common Stocks | | | | | | 0 | XXX | 0 | XXX |
| 7399999. Total - Preferred and Common Stocks | | | | | | 0 | XXX | 0 | XXX |
| 7499999 - Totals | | | | | | 9,414 | XXX | 0 | XXX |

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

Schedule D - Part 4

N O N E

Schedule DB - Part A - Section 1

N O N E

Schedule DB - Part B - Section 1

N O N E

Schedule DB - Part C - Section 1

N O N E

Schedule DB - Part D - Section 1

N O N E

# SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1 | 2 | 3 | 4 | 5 | Book Balance at End of Each Month During Current Quarter | | | 9 |
|---|---|---|---|---|---|---|---|---|
| | | | | | 6 | 7 | 8 | |
| Depository | Code | Rate of Interest | Amount of Interest Received During Current Quarter | Amount of Interest Accrued at Current Statement Date | First Month | Second Month | Third Month | * |
| Bank One, Dearborn MI | | | | | (235,364) | (150,189) | (311,651) | |
| Mellon Trust,Demand Deposit Account | | | | | 25,000 | 25,000 | 25,000 | |
| 0199998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Open Depositories | XXX | XXX | | | | | | XXX |
| 0199999. Totals - Open Depositories | XXX | XXX | 0 | 0 | (210,364) | (125,189) | (286,651) | XXX |
| 0299998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Suspended Depositories | XXX | XXX | | | | | | XXX |
| 0299999. Totals - Suspended Depositories | XXX | XXX | 0 | 0 | 0 | 0 | 0 | XXX |
| 0399999. Total Cash on Deposit | XXX | XXX | 0 | 0 | (210,364) | (125,189) | (286,651) | XXX |
| 0499999. Cash in Company's Office | XXX | XXX | XXX | XXX | | | | XXX |
| 0599999. Total - Cash | XXX | XXX | 0 | 0 | (210,364) | (125,189) | (286,651) | XXX |

# SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

| 1<br>CUSIP Identification | 2<br>Description | 3<br>Code | 4<br>Date Acquired | 5<br>Rate of Interest | 6<br>Maturity Date | 7<br>Book/Adjusted Carrying Value | 8<br>Amount of Interest Due and Accrued | 9<br>Gross Investment Income |
|---|---|---|---|---|---|---|---|---|
| 0199999 - Total Cash Equivalents | | | | | | | | |

NONE