



HEALTH QUARTERLY STATEMENT

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

MCare

NAIC Group Code 3414 3414 NAIC Company Code 95449 Employer's ID Number 38-2649504
(Current) (Prior)

Organized under the Laws of _____, 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 [] No []

Incorporated/Organized 01/01/1986 Commenced Business 10/01/1986

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

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

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

Primary Location of Books and Records 2301 Commonwealth Blvd.
(Street and Number)
Ann Arbor , MI 48105 734-747-8700
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.mcare.org

Statutory Statement Contact Susan M Agnew 734-332-2500
(Name) (Area Code) (Telephone Number)
sagnew@umich.edu 734-332-2177
(E-mail Address) (FAX Number)

Policyowner Relations Contact 2301 Commonwealth Blvd.
(Street and Number)
Ann Arbor , MI 48105 734-913-2211
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

OFFICERS

President Zelda Geyer-Sylvia
Secretary/Treasurer Douglas L. Strong Chief Financial Officer Gregory A. Hawkins

OTHER

DIRECTORS OR TRUSTEES

<u>James R. Dietz</u>	<u>Zelda Geyer-Sylvia</u>	<u>Sally Joy</u>
<u>Robert P. Kelch M.D.</u>	<u>Jean M. Malouin M.D.</u>	<u>Sally A. York</u>
<u>Timothy P. Slottow</u>	<u>Douglas L. Strong</u>	<u>Theresa M. Wherrett</u>
<u>James O. Woollicroft M.D.</u>	<u>Darrell A. Campbell M.D.</u>	

State of Michigan SS:
County of Washtenaw

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 filed11/15/2006
3. Number of pages attached.....

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

ASSETS

	Current Statement Date			4 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	1,173,206		1,173,206	1,143,725
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	62,486,798		62,486,798	54,354,184
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 (\$(5,521,677)), cash equivalents (\$17,281,292), and short-term investments (\$55,443,607)	67,203,222		67,203,222	63,551,279
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets	3,168,453		3,168,453	2,036,712
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)	134,031,679	0	134,031,679	121,085,900
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	613,758		613,758	657,744
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	3,927,083	48,751	3,878,332	3,638,535
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	6,466,354	5,451,344	1,015,010	575,568
19. Furniture and equipment, including health care delivery assets (\$)	193,004	193,004	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	3,558,747		3,558,747	341,866
22. Health care (\$) and other amounts receivable	1,595,614	1,595,614	0	0
23. Aggregate write-ins for other than invested assets	3,463,203	3,463,203	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	153,849,442	10,751,916	143,097,526	126,299,613
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	153,849,442	10,751,916	143,097,526	126,299,613
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. Improvements in Progress	0	0	0	0
2302. Leasehold improvements	501,084	501,084	0	0
2303. Prepaid Expenses	2,962,119	2,962,119	0	0
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)	3,463,203	3,463,203	0	0

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	35,510,790		35,510,790	35,008,751
2. Accrued medical incentive pool and bonus amounts	10,548,324		10,548,324	10,843,572
3. Unpaid claims adjustment expenses	908,833		908,833	908,833
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	8,165,474		8,165,474	8,342,929
9. General expenses due or accrued	4,289,334		4,289,334	4,060,811
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			0	0
16. Payable for securities			0	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	59,422,755	0	59,422,755	59,164,896
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		0
27. Surplus notes	XXX	XXX		2,831,446
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	83,674,771	64,303,271
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	83,674,771	67,134,717
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	143,097,526	126,299,613
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 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 Uncovered	2 Total	3 Total
1. Member Months	XXX	1,509,576	1,630,916
2. Net premium income (including \$ non-health premium income)	XXX	345,643,411	345,422,984
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	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	345,643,411	345,422,984
Hospital and Medical:			
9. Hospital/medical benefits		245,598,396	247,660,977
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area		624,333	2,210,837
13. Prescription drugs		36,930,480	44,911,674
14. Aggregate write-ins for other hospital and medical	0	19,595,453	19,297,118
15. Incentive pool, withhold adjustments and bonus amounts		5,188,366	248,296
16. Subtotal (Lines 9 to 15)	0	307,937,028	314,328,902
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	307,937,028	314,328,902
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ cost containment expenses		2,570,980	2,252,355
21. General administrative expenses		23,051,938	23,493,359
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	333,559,946	340,074,616
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	12,083,465	5,348,368
25. Net investment income earned		3,852,426	2,834,524
26. Net realized capital gains (losses) less capital gains tax of \$		(5,533)	(345,071)
27. Net investment gains (losses) (Lines 25 plus 26)	0	3,846,893	2,489,453
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	(347,649)	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	15,582,709	7,837,821
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	15,582,709	7,837,821
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 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 through 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Durable Medical Equipment		12,440,855	11,764,701
1402. Mental Health		7,154,598	7,532,417
1403. Stop Loss Insurance			0
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	19,595,453	19,297,118
2901. Interest Pmt Note Payable		(347,649)	0
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	(347,649)	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year.....	67,134,717	62,491,476	62,491,476
34. Net income or (loss) from Line 32.....	15,582,709	7,837,821	14,973,159
35. Change in valuation basis of aggregate policy and claim reserves.....			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....	4,058,737	3,209,509	(4,014,953)
37. Change in net unrealized foreign exchange capital gain or (loss).....			
38. Change in net deferred income tax.....			
39. Change in nonadmitted assets.....	(269,946)	(4,543,960)	(5,314,965)
40. Change in unauthorized reinsurance.....	0	0	0
41. Change in treasury stock.....	0	0	0
42. Change in surplus notes.....	(2,831,446)	(1,000,000)	(1,000,000)
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.....		0	
45. Surplus adjustments:			
45.1 Paid in.....	0	0	0
45.2 Transferred to capital (Stock Dividend).....			
45.3 Transferred from capital.....		(7,000,000)	0
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).....	16,540,054	(1,496,630)	4,643,241
49. Capital and surplus end of reporting period (Line 33 plus 48)	83,674,771	60,994,846	67,134,717
DETAILS OF WRITE-INS			
4701. 0.....			0
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

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	345,236,434	461,147,068
2. Net investment income	3,829,588	3,920,628
3. Miscellaneous income	0	0
4. Total (Lines 1 to 3)	349,066,022	465,067,696
5. Benefit and loss related payments	307,730,237	428,758,108
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	25,622,918	34,456,452
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)	333,353,155	463,214,560
11. Net cash from operations (Line 4 minus Line 10)	15,712,867	1,853,136
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,857	153,798
12.2 Stocks	0	9,847,905
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	581,810
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,857	10,583,513
13. Cost of investments acquired (long-term only):		
13.1 Bonds	28,964	328,868
13.2 Stocks	5,205,618	19,898,951
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	67,821
13.7 Total investments acquired (Lines 13.1 to 13.6)	5,234,582	20,295,640
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)	(5,228,725)	(9,712,127)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(2,831,446)	(1,000,000)
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)	(4,000,753)	(3,477,760)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(6,832,199)	(4,477,760)
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)	3,651,943	(12,336,751)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	63,551,279	75,888,030
19.2 End of period (Line 18 plus Line 19.1)	67,203,222	63,551,279

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

.....		
.....		
.....		
.....		

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	180,882	333	172,745	0	0	0	7,804	0	0	0	0	0	0
2. First Quarter	169,682	319	161,730				7,633						
3. Second Quarter	164,922	436	156,870				7,616						
4. Third Quarter	164,810	456	156,756				7,598						
5. Current Year	0												
6. Current Year Member Months	1,509,576	1,368	1,439,238				68,970						
Total Member Ambulatory Encounters for Period:													
7. Physician	582,713		582,713										
8. Non-Physician	472,299		472,299										
9. Total	1,055,012	0	1,055,012	0	0	0	0	0	0	0	0	0	0
10. Hospital Patient Days Incurred	26,951		26,951										
11. Number of Inpatient Admissions	7,339		7,339										
12. Health Premiums Written	345,993,614		339,813,274				6,180,340						
13. Life Premiums Direct	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	345,643,411		339,463,071				6,180,340						
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services.....	307,730,237		300,453,563				7,276,674						
18. Amount Incurred for Provision of Health Care Services	307,937,028		300,607,961				7,329,067						

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

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Unpaid (Reported)	12,714,902	2,335,472	980,226	448,469	389,390	16,868,459
0199999. Individually listed claims unpaid	12,714,902	2,335,472	980,226	448,469	389,390	16,868,459
0299999 Aggregate accounts not individually listed-uncovered	0	0	0	0	0	0
0399999 Aggregate accounts not individually listed-covered						
0499999 Subtotals	12,714,902	2,335,472	980,226	448,469	389,390	16,868,459
0599999 Unreported claims and other claim reserves						18,642,331
0699999 Total amounts withheld						
0799999 Total claims unpaid						35,510,790
0899999 Accrued medical incentive pool and bonus amounts						10,548,324

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability 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 Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	31,528,137	265,037,426	226,910	33,992,502	31,755,047	33,779,282
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan	935,712	6,340,962	9,516	1,281,862	945,228	1,229,469
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	32,463,849	271,378,388	236,426	35,274,364	32,700,275	35,008,751
10. Healthcare receivables (a)		1,595,614			0	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	5,483,614		5,230,409	5,317,915	10,714,023	10,843,572
13. Totals	37,947,463	269,782,774	5,466,835	40,592,279	43,414,298	45,852,323

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

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE
NOTES TO FINANCIAL STATEMENTS

THE UNIVERSITY OF MICHIGAN
M-CARE

Notes to Statutory Filing
December 31, 2005 and 2004

Note 1—Operations and Summary of Significant Accounting Policies

Organization and Basis of Presentation: The Regents of The University of Michigan (the “University”) have the ultimate responsibility for M-CARE (the “Corporation”) and its wholly-owned subsidiaries, M-CAID and Michigan Health Insurance Company (“MHIC”). The Corporation uses the equity method and reports subsidiaries at their respective statutory equity amount. As part of the University, the financial statements of the Corporation are included in the University’s combined financial statements.

M-CARE and M-CAID are tax-exempt under the provisions of section 501(c)(4) of the Internal Revenue Code. M-CARE was formed as a nonprofit health maintenance organization (“HMO”) in 1986 by the University to offer managed healthcare services to the employees of the University and other employers in Southeast Michigan. M-CAID was formed in 2003 to separate Medicaid HMO operations and financing from M-CARE. MHIC was formed on February 20, 2004 for the purpose of expanding the Corporation’s product lines to include insured and self funded preferred provider organization (“PPO”) products. As a commercial health insurance carrier, MHIC does not qualify for tax exemption and is subject to income taxes. Sales of the PPO product began in April 2004. The Corporation is regulated and licensed by the National Association of Insurance Commissioners and the State of Michigan Office of Financial and Insurance Services (“OFIS”), and must submit periodic filings to both entities under rules promulgated by the State of Michigan. MHIC and M-CAID are reported on the equity method.

The Corporation arranges for healthcare services to be provided through the University of Michigan Health System (the “UMHS”) and a comprehensive network of community hospitals, physicians, and other healthcare providers. The Corporation is a wholly-owned subsidiary of the University and is one of four University units that together comprise the UMHS. Along with the Corporation, the UMHS includes the University of Michigan Hospitals and Health Centers, the University of Michigan Medical School, and Michigan Health Corporation.

Summary of Significant Accounting Practices: 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

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

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.

Accounting Policy: Premium revenues are recognized as revenue in the period in which the member is entitled to service. Premiums collected prior to the effective date of coverage are classified as unearned subscription income. The Corporation contracts with various health care providers for the provision of medical care services to its subscribers. The Corporation compensates providers under capitation and fee-for-service arrangements. Expenses for health care services are accrued as they are rendered, including an estimate of claims unpaid.

In addition, the Corporation uses the following accounting policies:

Cash and Short-Term Investments: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. Short term investments are stated at amortized cost.

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

Investments in marketable securities are carried at fair value, the amount for which a marketable security may be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is reflected in the quoted market prices provided by organized securities exchanges and markets.

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.

The Corporation uses the equity method to report investments in affiliates and reports subsidiaries at their respective statutory equity amount.

Equipment and Improvements: Equipment and improvements are stated at cost. Depreciation of furniture and equipment and amortization of improvements are calculated on the straight-line basis over the estimated useful lives of the assets.

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, accrued medical incentive pool, and unpaid claims adjustment expenses 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.

Note 2 – Accounting Changes and Corrections of Errors

No changes since the 12/31/2005 filing.

Note 3 – Business Combinations and Goodwill

No changes since the 12/31/2005 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 changes since the 12/31/2005 filing.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

No changes since the 12/31/2005 filing.

Note 7 – Investment Income

No changes since the 12/31/2005 filing.

Note 8 – Derivative Instruments

No changes since the 12/31/2005 filing.

Note 9 – Income Taxes

No changes since the 12/31/2005 filing.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

No changes since the 12/31/2005 filing.

Note 11 – Debt: Surplus Note Payable

The surplus note payable to the University was issued on May 22, 1986 at \$5,000,000, with a balance at December 31, 2005 of \$2,831,000. Principal and interest payments are subject to approval by the Corporation's Board of Directors and the OFIS and are subordinate to the payment of administrative and health care costs. Interest is computed annually based on the lesser of 7.0 percent or the interest yield on long-term Treasury Notes at December 31, each year. Interest rates ranged from 4.0 percent to 4.5 percent for 2005 and 3.8 percent to 4.7 percent for 2004. Accumulated interest payable to the University on the note payable totaled \$268,000 and \$133,000 at December 31, 2005 and 2004, respectively, and is not reported for statutory purposes. Principal payments of \$1,831,446 (Sept), \$500,000 (July) and \$500,000 (May) were made on the subordinated note in 2006, \$1,000,000 and \$500,000 were made on the subordinated note in 2005 and 2004, respectively. Interest payments totaling \$347,649 and \$411,000 were paid in 2006 and 2004.

The Corporation does not have any reverse repurchase agreements.

Note 12 – Retirement Plan, Postemployment Benefits

No changes since the 12/31/2005 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. The Corporation owns 10,000 shares of common stock of MHIC a wholly owned subsidiary.

There were no restrictions placed on the Corporation's unassigned funds (surplus). The Corporation has a surplus note payable, which is discussed in Note 11 on the annual filing.

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

Unrealized gains and losses:	\$4,058,737
Nonadmitted assets:	(\$270,000)
Separate account business:	\$0
Asset valuation reserves:	\$0
Reinsurance in unauthorized companies:	\$0

The Corporation has not been involved in a quasi-reorganization during 2006 or 2005.

Note 14 – Contingencies

No changes since the 12/31/2005 filing.

Note 15 – Leases

No changes since the 12/31/2005 filing.

Note 16 – Financial Instruments with Off - Balance Sheet Risk

No changes since the 12/31/2005 filing.

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

No changes since the 12/31/2005 filing.

Note 18 – Gain or Loss from Uninsured Plans

No changes since the 12/31/2005 filing.

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

No changes since the 12/31/2005 filing.

Note 20 – September 11 Events

No changes since the 12/31/2005 filing.

Note 21 – Other Items

No changes since the 12/31/2005 filing.

Note 22 – Events Subsequent

No changes since the 12/31/2005 filing.

Note 23 – Reinsurance

No changes since the 12/31/2005 filing.

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

No changes since the 12/31/2005 filing.

Note 25 – Change in Incurred Claims and Claim Adjustment Expenses

No changes since the 12/31/2005 filing.

Note 26 – Intercompany Pooling Arrangements

No changes since the 12/31/2005 filing.

Note 27 – Structured Settlements

No changes since the 12/31/2005 filing.

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

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	\$1,596				\$522
06/30/2006	\$730	\$0	\$0	\$0	\$722
03/30/2006	0	0	0	0	753
12/31/2005	\$0	\$0	\$0	\$0	\$710
09/30/2005	0	0	0	0	397
06/30/2005	0	0	0	0	707
03/30/2005	0	0	0	0	926
12/31/2004	\$0	\$0	\$0	\$0	\$746
09/30/2004	0	0	0	0	1,242
06/30/2004	0	0	0	0	0
03/30/2004	0	0	0	0	738
12/31/2003	\$0	\$0	\$0	\$0	\$998
09/30/2003	0	0	0	0	704
06/30/2003	0	0	0	0	459
03/31/2003	0	0	0	0	621

Note 29 – Participating Policies

No changes since the 12/31/2005 filing.

Note 30 – Premium Deficiency Reserves

No changes since the 12/31/2005 filing.

Note 31 – Anticipated Salvage and Subrogation

No changes since the 12/31/2005 filing.

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

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] 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?
OFIS
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 7.2 If yes, give full information:
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

GENERAL INTERROGATORIES

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 3,558,747

INVESTMENT

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

- 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
- 14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$ 12,580,801	\$ 11,017,470
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$ 2,036,712	\$ 3,168,453
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	\$ 14,617,513	\$ 14,185,923
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
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No
If no, attach a description with this statement.
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes No

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

1 Name of Custodian(s)	2 Custodian Address
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 Name(s)	2 Location(s)	3 Complete Explanation(s)

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address

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

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
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)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
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)		

NONE

SCHEDULE BA - VERIFICATION

Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	2,036,712	2,058,471
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	1,131,741	(21,759)
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		0
9. Book/adjusted carrying value of long-term invested assets at end of current period	3,168,453	2,036,712
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	3,168,453	2,036,712
12. Total nonadmitted amounts		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	3,168,453	2,036,712

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	55,497,910	49,520,883
2. Cost of bonds and stocks acquired	5,234,581	20,227,819
3. Accrual of discount	(372)	329
4. Increase (decrease) by adjustment	2,926,996	(3,925,373)
5. Increase (decrease) by foreign exchange adjustment		0
6. Total profit (loss) on disposal		(321,236)
7. Consideration for bonds and stocks disposed of	5,857	10,001,703
8. Amortization of premium	(6,747)	2,809
9. Book value/adjusted carrying value, current period	63,660,005	55,497,910
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	63,660,005	55,497,910
12. Total nonadmitted amounts		0
13. Statement value	63,660,005	55,497,910

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	62,931,178	176,738,508	166,716,300	(3,058,854)	69,024,813	62,931,178	69,894,532	61,812,919
2. Class 2	3,703,650	496,675	600,000	403,252	3,306,202	3,703,650	4,003,577	6,309,917
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	66,634,828	177,235,183	167,316,300	(2,655,602)	72,331,015	66,634,828	73,898,109	68,122,836
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	66,634,828	177,235,183	167,316,300	(2,655,602)	72,331,015	66,634,828	73,898,109	68,122,836

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

SCHEDULE DA - PART 1**Short-Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year-to-Date	Paid for Accrued Interest Year-to-Date
8299999 Totals	55,443,607	XXX	55,442,933	866,270	(137,920)

SCHEDULE DA - PART 2 - Verification**Short-Term Investments Owned**

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	55,552,511	47,975,637
2. Cost of short-term investments acquired	312,468,713	439,075,137
3. Increase (decrease) by adjustment	(6,531,339)	(31,943,001)
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	306,046,276	399,555,262
7. Book/adjusted carrying value, current period	55,443,609	55,552,511
8. Total valuation allowance		0
9. Subtotal (Lines 7 plus 8)	55,443,609	55,552,511
10. Total nonadmitted amounts		0
11. Statement value (Lines 9 minus 10)	55,443,609	55,552,511
12. Income collected during period	2,129,268	2,414,188
13. Income earned during period	1,522,720	2,425,603

Schedule DB - Part F - Section 1

N O N E

Schedule DB - Part F - Section 2

N O N E

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 Year To Date					8 Property/ Casualty Premiums
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	
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	339,813,274			6,180,340		
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. Northern 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	339,813,274	0	0	6,180,340	0	0
60. Reporting Entity Contributions for Employee Benefit Plans	XXX	XXX						
61. Totals (Direct Business)	XXX	(a) 1	339,813,274	0	0	6,180,340	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**

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE
OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets Acquired During the Current Quarter

1 CUSIP Identification	2 Name or Description	3 Location		5 Name of Vendor or General Partner	6 NAIC Designation	7 Date Originally Acquired	8 Type and Strategy	9 Actual Cost	10 Amount of Encum- brances	11 Book/ Adjusted Carrying Value Less Encum- brances	12 Fair Value	13 Increase (Decrease) by Adjustment	14 Increase (Decrease) by Foreign Exchange Adjustment	15 Commit- ment for Additional Investment	16 Perce- ntage of Own- ership
		City	State												
	Investment in M-CAID Trust	Detroit	MI	JP Morgan		10/01/2002		1,750,000		3,168,453		1,131,741			
2999999. Any Other Class of Assets - Unaffiliated								1,750,000	0	3,168,453	0	1,131,741	0	0	XXX
3199999. Total - Unaffiliated								1,750,000	0	3,168,453	0	1,131,741	0	0	XXX
3299999. Total - Affiliated								0	0	0	0	0	0	0	XXX
3399999 - Totals								1,750,000	0	3,168,453	0	1,131,741	0	0	XXX

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1 CUSIP Identification	2 Name or Description	3 Location		5 Name of Purchaser or Nature of Disposal	6 Date Originally Acquired	7 Book/Adjusted Carrying Value Less Encumbrances, Prior Year	8 Increase (Decrease) by Adjustment	9 Increase (Decrease) by Foreign Exchange Adjustment	10 Book/Adjusted Carrying Value Less Encumbrances on Disposal	11 Consideration Received	12 Foreign Exchange Gain (Loss) on Disposal	13 Realized Gain (Loss) on Disposal	14 Total Gain (Loss) on Disposal	15 Investment Income
		City	State											
NONE														
3399999 - Totals														

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE MCARE

SCHEDULE D - PART 3

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

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Desig- nation or Market Indicator (a)
4812A0-37-5	JPM US Treasury Security Money Market		.07/03/2006	JP Morgan Trust Company		.78	.78		
4812A0-37-5	JPM US Treasury Security Money Market		.07/17/2006	JP Morgan Trust Company		7,703	7,703		
4812A0-37-5	JPM US Treasury Security Money Market		.07/18/2006	JP Morgan Trust Company		1,926	1,926		
4812A0-37-5	JPM US Treasury Security Money Market		.08/01/2006	JP Morgan Trust Company		102	102		
4812A0-37-5	JPM US Treasury Security Money Market		.09/01/2006	JP Morgan Trust Company		125	125		
0399999. Bonds - U.S. Governments						9,934	9,934	0	XXX
6099997. Total - Bonds - Part 3						9,934	9,934	0	XXX
6099998. Total - Bonds - Part 5						XXX	XXX	XXX	XXX
6099999. Total - Bonds						9,934	9,934	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
140193-10-3	American Funds CIB		.09/22/2006	Mellon Bank	7,301,110	424,267			
7099999. Mutual Funds						424,267	XXX	0	XXX
7299997. Total - Common Stocks - Part 3						424,267	XXX	0	XXX
7299998. Total - Common Stocks - Part 5						XXX	XXX	XXX	XXX
7299999. Total - Common Stocks						424,267	XXX	0	XXX
7399999. Total - Preferred and Common Stocks						424,267	XXX	0	XXX
7499999 - Totals						434,201	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

