



**IMAGING COVER SHEET**

NAIC #:	MEWA12
NAIC Group Code:	000
Company Name:	<u>SOUTH LORAIN MERCHANTS ASSOCIATION HEALTH AND WELFARE TRUST</u>
Company Type:	<input type="checkbox"/> P&C <input type="checkbox"/> Life <input type="checkbox"/> HIC <input type="checkbox"/> Frat <input type="checkbox"/> Title <input checked="" type="checkbox"/> MEWA <input type="checkbox"/> HW <input type="checkbox"/> MPA <input checked="" type="checkbox"/> DOMESTIC <input type="checkbox"/> FOREIGN
Form Type:	<u>STATEMENTS</u>
Sub-form Type:	<u>QUARTERLY</u>
Transaction # (if applicable):	
Effective Date:	<u>09/30/2002</u>
Additional Info:	
Date Scanned:	
Scanned By (initials):	



ASSETS	I Current Period	December 31, 2001
1. Bonds .....	.....	.....
2. Stocks .....	.....	.....
2.1 Preferred Stocks .....	.....	.....
2.2 Common Stocks .....	<u>236,428</u>	<u>100,788</u>
3. Mortgage loans on real estate .....	.....	.....
4. Real estate, less \$.....encumbrances .....	.....	.....
5. Collateral loans .....	.....	.....
6.1 Cash on hand and on deposit .....	<u>127,998</u>	<u>373,089</u>
6.2 Short-term investments .....	<u>2,071,157</u>	<u>1,471,013</u>
7. Aggregate write-ins for invested assets .....	.....	.....
7A. Subtotals, cash and invested assets (Lines 1 to 7) .....	<u>2,435,583</u>	<u>1,944,890</u>
8. Premium due and unpaid .....	<u>109,162</u>	<u>171,199</u>
9. Funds held by or deposited with reinsurance companies .....	.....	.....
10. Reinsurance recoverables on loss and loss adjustment payments .....	.....	<u>33,163</u>
10.1 Reinsurance recoverable on unpaid losses .....	.....	.....
11. Federal income tax recoverable .....	.....	.....
12. Interest and other investment income due and accrued .....	<u>18,093</u>	<u>25,123</u>
13. Receivable from parent, subsidiaries and affiliates .....	.....	.....
14. Electronic data processing equipment .....	.....	.....
15. Aggregate write-ins for other than invested assets .....	<u>30,027</u>	<u>32,811</u>
16. TOTALS (Lines 7A through 15)	<u>2,593,365</u>	<u>2,207,568</u>
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 7 FOR INVESTED ASSETS</b>		
0701 .....	.....	.....
0702 .....	.....	.....
0703 .....	.....	.....
0704 .....	.....	.....
0705 .....	.....	.....
0798 Summary of remaining write-ins for Line 7 from overflow page .....	.....	.....
0799 Totals (Lines 0701 through 0705 plus 0798)(Page 2, Line 7)		
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 15 FOR OTHER THAN INVESTED ASSETS</b>		
1501 PROVIDER VADS / REFUNDS .....	<u>9,523</u>	<u>13,123</u>
1502 CLAIM REIMBURSEMENTS .....	<u>20,504</u>	<u>11,901</u>
1503 LITIGATION SETTLEMENTS .....	—	<u>5,000</u>
1504 BANK CHARGE REIMBURSEMENT .....	—	<u>2,675</u>
1505 .....	.....	.....
1598 Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599 Totals (Lines 1501 through 1505 plus 1598)(Page 2, Line 15)	<u>30,027</u>	<u>32,811</u>

NOTE: The lines on this page to agree with Exhibit 1, Column 4.

LIABILITIES, SURPLUS AND SPECIAL FUNDS		1 Current Period	2 December 31, 2001
1. Claims unpaid (Part 2A, Col. 4, Line 5) .....	* SEE DNEFLow PAGE	1,524,983	1,549,983
2. Unpaid claims adjustment expenses (Part 3, Line 22b, Col. 2) .....		28,000	28,000
3. Unearned premiums (Part 1, Line 5, Col. 8) .....		167,514	97,746
4. Unearned investment income (Part 4, Line 9, Col. 4) .....			
5. (a) Taxes, licenses and fees due or accrued (excluding Federal income taxes) .....			
(b) Federal income taxes (excluding deferred taxes) .....			
(c) Stop loss, excess, or reinsurance premium due and unpaid .....		10,641	26,694
(d) Other expenses due or accrued .....			
6. Premium deposits made by applicants rejected or not as yet accepted as members or subscribers .....			
7. Borrowed money \$..... and interest thereon \$ .....			
8. Amounts withheld or retained for account of others .....			
9. Stop loss, excess, or reinsurance received but not yet due .....			
10. Provision for unauthorized reinsurance .....			
11. Aggregate write-ins for other liabilities .....		79,244	99,818
12. Total liabilities (Lines 1 to 11) .....		1,810,382	1,802,241
SURPLUS AND SPECIAL FUNDS			
13. Surplus .....		782,983	405,327
14. Aggregate write-ins for surplus and special funds .....			
15. Total (Line 13 plus Line 14; Page 4, Line 21) .....		782,983	405,327
16. TOTALS (Lines 12 plus 15)		2,593,365	2,207,568
DETAILS OF WRITE-INS AGGREGATED AT LINE 11 FOR OTHER LIABILITIES			
1101. .....			
1102. ACCRUED LEGAL / PROFESSIONAL		27,165B	11,362
1103. AMOUNTS WITHHELD		26,015	49,532
1104. ACCRUED ADMIN FEES		25,571	38,924
1105. .....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....			
1199. Totals (Lines 1101 through 1105 plus 1198)(Page 3, Line 11)		79,244	99,818
DETAILS OF WRITE-INS AGGREGATED AT LINE 14 FOR SURPLUS AND SPECIAL FUNDS			
1401. .....			
1402. N/A			
1403. .....			
1404. .....			
1405. .....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....			
1499. Totals (Lines 1401 through 1405 plus 1498)(Page 3, Line 14)			

UNDERWRITING AND INVESTMENT EXHIBIT	1 Current Year To Date	2 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 5, Col. 9) ..... * SEE OVERFLOW PAGE	5,500,054	5,883,073
2. Claims incurred (Part 2, Line 5, Col. 5) .....	3,530,063	3,919,454
3. Expenses incurred (Part 3, Line 21, Col. 2, 3, 4):		
(a) Claim adjustment.....		
(b) Administrative..... * SEE OVERFLOW PAGE	1,060,595	1,097,078
(c) Soliciting .....		
4. Individual stop loss, excess, or reinsurance expense (Net of incurred Recoveries) .....	609,715	431,498
5. Aggregate stop loss, excess, or reinsurance expense (Net of incurred Recoveries) .....		
SA Aggregate write-ins for underwriting deductions .....		
6. Total underwriting deductions (Lines 2 through 5).....	5,208,373	5,448,230
7. Net underwriting gain or (loss)(Line 1 minus Line 6) .....	319,881	434,843
<b>INVESTMENT INCOME</b>		
8. Net investment income earned (Part 4, Line 14, Col. 8).....	57,775	72,797
9. Net realized capital gains or (losses) (Part 4A, Line 10, Col. 6).....		156
10. Net investment gain or (loss) (Line 8 plus Line 9) .....	57,775	72,953
<b>OTHER INCOME</b>		
11. Aggregate write-ins for other income .....		
12. Net gain or (loss) before federal income taxes (Lines 7 + 10 + 11).....	377,656	507,796
13. Federal income taxes incurred.....		
14. Net gain or (loss) (to Line 16) (Line 12 minus Line 13).....	377,656	507,796
<b>SURPLUS AND SPECIAL FUNDS</b>		
15. Surplus and special funds December 31, previous year (Page 4, Line 21, Col. 2).....	405,327	<102,469>
<b>GAINS AND (LOSSES)</b>		
16. Net gain or (loss) (from Line 14).....	377,656	507,796
17. Net unrealized capital gains or (losses) (Part 4A, Line 11, Col. 6).....		
18. Change in non-admitted assets (Exhibit 2, Line 9, Col. 3).....		
19. Aggregate write-ins for changes to surplus and special funds .....		
20. Change in surplus and special funds for the year (Lines 16 through 19).....	377,656	507,796
21. Surplus and special funds December 31, current year (Line 15 plus Line 20)	782,983	405,327
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 11 FOR OTHER INCOME</b>		
1101 Amounts (Line 11, Col. 2).....	400,321	877,411
1102 .....		
1103 Amounts (Line 11, Col. 2).....	<400,321>	<877,411>
1104 .....		
1198 Summary of remaining write-ins for Line 11 from overflow page .....		
1199 Totals (Lines 1101 through 1105 plus 1198) (Page 4, Line 11)	-0-	-0-
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 19 FOR CHANGES TO RESERVES AND SPECIAL FUNDS</b>		
1901 .....		
1902 .....		
1903 .....		
1904 .....		
1998 Summary of remaining write-ins for Line 19 from overflow page .....		
1999 Totals (Line 1901 through 1905 plus 1998) (Page 4, Line 19)		

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2 A-CLAIMS UNPAID

1 Line of Business	2 Reported Claims in Process of Adjustment	3 Estimated Incurred But Unreported	4 Total Claims Unpaid
1. Hospital .....	.....	.....	.....
2. Medical.....	125,000	1,399,983	1,524,983
3. Dental.....	.....	.....	.....
4. Other.....	.....	.....	.....
5. Totals.....	125,000	1,399,983	1,524,983

## PART 2B-ANALYSIS OF CLAIMS UNPAID-PREVIOUS YEAR

1 Line of Business	Claims Paid Year to Date		Claims Unpaid as of Current Period		6 Total Claims Incurred to date on Claims Incurred in Prior Years (Columns 2 + 4)	7 Reported Liability on Unpaid Claims as of December 31 Previous Year
	2 On Claims Incurred Prior to January 1 of Current Year	3 On Claims Incurred During the Year	4 On Claims Unpaid Dec. 31 of Previous Year	5 On Claims Incurred During the Year		
1. Hospital .....	.....	.....	.....	.....	.....	.....
2. Medical.....	1,343,846	2,213,217	55,945	1,469,138	1,399,691	1,524,983
3. Dental.....	.....	.....	.....	.....	.....	.....
4. Other.....	.....	.....	.....	.....	.....	.....
5. Totals.....	1,343,846	2,213,217	55,945	1,469,138	1,399,691	1,524,983

\* Part 2B, Column 4 and column 5 must equal Part 2A Total of column 4

STATEMENT AS OF 9-30-02 OF THE

S.L.M.A. H. &amp; W. Trust

## EXHIBIT 1-ANALYSIS OF ASSETS

	1 Ledger Assets	2 Non-Ledger Including Excess of Market (or Amortized) Over Book Values	3 Assets Not Admitted Including Excess of Book Over Market (or Amortized Values)	4 Net Admitted Assets (Cols 1 + 2 - 3)
1. Bonds (Schedule D).....				
2. Stocks (Schedule D):				
2.1 Preferred stocks.....				
2.2 Common stocks.....	236,420			236,420
3. Mortgage loans on real estate (Schedule B):				
(a) First liens.....				
(b) Other than first liens.....				
4. Real estate, less encumbrances (Schedule A).....				
5. Collateral loans (Schedule C).....				
6.1 Cash on hand and on deposit:				
(a) Cash in company's office.....		127,998		127,998
(b) Cash on deposit (Schedule E).....		2,071,157		2,071,157
6.2 Short-term investments (Schedule DA).....				
7. Aggregate write-ins for invested assets.....		24,35,583		24,35,583
7A. Subtotal, cash and invested assets.....		29,0,326		109,662
8. Premium due and unpaid.....				
9. Funds held by or deposited with reinsurance companies.....				
10. Reinsurance recoverables on loss and loss adjustment payments (Schedule S, Col. 1).....				
10A. Reinsurance recoverable on unpaid losses.....				
11. Federal income tax recoverable.....				
12. Interest and other investment income due and accrued.....		18,093		18,093
13. Receivables from parent subsidiaries and affiliates.....				
14. Electronic data processing equipment.....				XXX
15. Equipment, furniture and supplies.....				XXX
16. Third party reimbursements receivable.....				XXX
17. Assessments and penalties due and unpaid.....				XXX
18. Prepaid expenses.....				XXX
19. Loans on personal security, endorsed or not.....				
20. Aggregate write-ins for other than invested assets.....		30,027		30,027
21. Totals (Lines 1 through 20).....	2,74,029	180,1664		2,593,365
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 7 FOR INVESTED ASSETS</b>				
0701.....				
0702.....				
0703.....				
0704.....				
0705.....				
0798. Summary of remaining write-ins for Line 7 from overflow page.....				
0799. Totals (Lines 0701 through 0705 plus 0798)(Exhibit 1, Line 7).....				
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 20 FOR OTHER THAN INVESTED ASSETS</b>				
2001.....				
2002. PROVIDER VOIDS + REFUNDS.....		9,523		9,523
2003.....				
2004. CLAIM REIMBURSEMENTS.....		20,504		20,504
2005.....				
2098. Summary of remaining write-ins for Line 20 from overflow page.....				
2099. Totals (Lines 2001 through 2005 plus 2098)(Exhibit 1, Line 20).....	30,027			30,027

EXHIBIT 2-ANALYSIS OF NON-ADMITTED ASSETS  
Excluding Excess of Book Over Market (or Amortized) Values and Exhibit 1, Line 12, Column 3

	1 End of Previous Year	2 End of Current Period	3 Change for Year (Increase) or Decrease (Column 1 minus Column 2)
1. Uncollected premiums.....			
2. Deposits in suspended depositories, less estimated amount recoverable.....			
3. Equipment, furniture and supplies.....			
4. Loans on personal security, endorsed or not.....			
5. Third Party reimbursements receivable.....			
6. Assessments and penalties due and unpaid.....			
7. Prepaid expenses.....			
8. Aggregate write-ins for assets not admitted.....			
9. Total change (Column 3)(Carry to Page 4, Line 18).....	XXX	XXX	
<b>DETAILS OF WRITE-INS AGGREGATED AT LINE 8 FOR ASSETS NOT ADMITTED</b>			
0801.....			
0802.....			
0803.....			
0804.....			
0805.....			
0898. Summary of remaining write-ins for Line 8 from overflow page.....			
0899. Totals (Lines 0801 through 0805 plus 0898)(Exhibit 2, Line 8).....			

**GENERAL INTERROGATORIES**

1. (a) Where any of the stocks, bonds or other assets of the MEWA loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)  Yes  No
- (b) If "yes", please give full and complete information relating thereto.  
.....  
.....
2. (a) Have any changes been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the MEWA?  Yes  No
- (b) If "Yes", date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
3. Have there been any substantial changes in the organizational chart, managers, officers or Trustees since year end? If "yes", attach an explanation.  Yes  No
4. (a) If the MEWA 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 since the last filed statement?  
      (b) If "yes", attach an explanation.  Yes  No
5. (a) Have any of the MEWA's primary reinsurance contracts been canceled since the last filed statement?  
      (b) If "yes", give full and complete information thereto.  
.....  
.....
6. (a) What is the number of employer groups as of the current period?  
      (b) What is the number of enrollees as of the current period?  
.....  
.....

\* INCLUDES PARTIALLY SELF-FUNDED & HMO LIVES

185  
5,856

OVERFLOW PAGE FOR WRITE-INSPAGE 3 OVERFLOW WRITE-INS**Line 1 CLAIMS UNPAID:**

Actuarial Estimated IBNR	\$ 1,177,808
Additional Shared-risk Coverage Liability	\$ 125,000
Additional Liability "Cushion" approved by BoT (conservative approach taken, equal to 01Y/E amt.)	\$ 222,175
	<u>\$ 1,524,983</u>

\*\*\* Simplified RFP's mailed to various actuaries on Oct. 17, 2002 \*\*\*

PAGE 4 OVERFLOW WRITE-INS

<b>Line 1</b>	<b>PREMIUMS EARNED:</b>		<b>% of Revenue</b>
	Fully-funded Coverage	\$ 3,244,196	58.68%
	Shared-risk Coverage	\$ 2,284,058	41.32%
	Total Premiums Earned	<u>\$ 5,528,254</u>	<u>100.00%</u>
<b>Line 3b</b>	<b>ADMININSTRATIVE FEES:</b>		<b>% of Revenue</b>
	Accounting/Audit Fees	\$ 39,017	0.71%
	Actuarial Fees	\$ 5,991	0.11%
	Banking Fees	\$ 293	0.01%
	Collection Fees	\$ 9,887	0.18%
	Legal Fees	\$ 88,222	1.60%
	Insurance	\$ 4,625	0.08%
	Licensing	\$ 1,000	0.02%
	Association Dues	\$ 22,908	0.41%
	Printing	\$ 2,964	0.05%
	CBG Admin Fees:		
	Fully-funded Coverage	\$ 441,368	7.98%
	Shared-risk Coverage	\$ 345,889	6.26%
	"Pass-through" Products	\$ 104,431	1.89%
	Total CBG Admin Fees	\$ 891,688	<u>16.13%</u>
	Total Administrative Fees	<u>\$ 1,066,595</u>	19.29%

**SOUTH LORAIN MERCHANTS ASSOCIATION HEALTH &  
WELFARE TRUST**

**INCOME STATEMENT ANALYSIS**

**BUDGET -VS- ACTUAL**

**SEPTEMBER 2002 YTD**

**Revenue:**

Reported Variance: \$ -304,451 (-5.2%)

Revenue YTD remained lower than initially anticipated. A slow down in new group participation for the first eight months of the year contributed significantly to the variance in revenue. New group participation is anticipated to increase as the year progresses.

**Underwriting Expenses:**

Reported Variance: \$ -531,581 (-8.9%)

Net underwriting expenses YTD continue to be lower than initially anticipated. The decrease in new participation enrollments and better than anticipated claims history is resulting in higher underwriting margins.

**Administrative Expenses:**

Reported Variance: \$ -28,400 (-2.6%)

Administrative expenses incurred remained slightly lower than projected. Lower than anticipated administrative expenses earlier in the year were caused in part by a decrease in legal fees. TPA administrative fees were also lower than anticipated due to the lower than expected revenues. Accounting and audit fees remain higher than initially anticipated. The initial projection for administrative fees is still believed to be an accurate overall estimate for the year.

**Stop Loss Premiums (net of recoveries):**

Reported Variance: \$ -24,337 (-3.8%)

Stop loss premiums paid, net of recoveries, remain lower than initially anticipated. The variance for stop loss premiums paid is expected to reverse as the year progresses due to the modification to the Plan's stop loss contract earlier in the year.

**Investment Income/Expense:**

Reported Variance: \$ -431 (.7%)

Investment income earned by the Plan is slightly lower than initially projected but deemed immaterial due to the amount relative to the overall projection.

**Overall Results:**

Reported Variance: \$ 279,437

The YTD income remains higher than initially anticipated.

Increasing underwriting margins, "caps" on prescription coverage and better utilization of networks contributed to net income over initially projected amounts. Hospital audit savings, which is something that was implemented in 2002, has directly saved the Plan nearly \$100,000 YTD.

Underwriting margins on "shared-risk" coverage is significantly higher than anticipated and is contributing to better than anticipated operating results.

SLMA Claim Liability 9/30/02

1 Pending, repriced	311,951
2 Paid 10/102 to 10/7/02	96,178
3 Unreported , formula	60,001
4 Additional IBNR	476,093
5 Total Fully Funded	944,222
5 Excess groups	140,000
6 Excess TU	37,500
7 Margin	5.00%
8 Total Reserve	1,177,808

mg=0902

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## Claim Reserve Test as of 9/30/02

SLMA	12/31/01	3/31/02	6/30/02
1 Paid after Valuation date, Incurred prior	1,184,666	591,848	673,759
2 Pending , repriced	53,986	83,938	141,202
3 Due & Unpaid	1,859	27,791	43,807
4 Additional Lag IBNR, formula	3,098	13,428	60,001
5 Additional IBNR	0	0	70,000
6 Excess groups Pending 9/30	0	46,667	93,333
7 Excess groups , payments	20,000	254,987	65,127
8 Current Estimate	1,263,608	1,018,658	1,147,229
9 Original Reserve	1,368,648	1,234,781	1,165,462
10 Surplus , (deficiency)	105,040	216,123	18,233

rng=rtest