



Affix Bar Code Above

HEALTH COMPANIES — ASSOCIATION EDITION

# QUARTERLY STATEMENT

AS OF September 30, 2002

OF THE CONDITION AND AFFAIRS OF THE  
Peoples Health Plan of Ohio, INC.

(Name)

NAIC Group Code 0000 Current Period Prior Period NAIC Company Code 11238 Employer's ID Number 52-2318418

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

Country of Domicile U.S.

Licensed as business type: Life, Accident & Health ☐ Property/Casualty ☐ Health Service Corporation ☐ Hospital, Medical & Dental Service or Indemnity ☐  
Dental Service Corporation ☐ Vision Service Corporation ☐ Health Maintenance Organization ☒

Other ☐

Is HMO Federally Qualified? Yes ☐ No ☒

Date Incorporated or Organized: April 20, 2001 Date Commenced Business: April 1, 2002

Statutory Home Office 4580 Stephen Circle NW Suite 200 Canton, Ohio 44718  
(Street and Number) (City, State and Zip Code)

Main Administrative Office 4580 Stephen Circle NW Suite 200  
(Street and Number)

Canton, Ohio 44718

(City, State and Zip Code)

330-499-5100

(Area Code) (Telephone Number)

Mail Address 4580 Stephen Circle NW Suite 200 Canton, Ohio 44718  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 4580 Stephens Circle NW Suite 200  
(Street and Number)

Canton Ohio 44718

(City, State and Zip Code)

330-499-3100

(Area Code) (Telephone Number)

Internet Website Address \_\_\_\_\_

Statement Contact Diane C. Chiponis 330-499-3100  
(Name) (Area Code) (Telephone Number) (Extension)

dchiponis@phpho.com  
(E-Mail Address)

330-244-4759  
(FAX Number)

Policyowner Relations Contact 4580 Stephen Circle NW Suite 200  
(Street and Number)

Canton Ohio 44718

(City or Town, State and Zip Code)

330 499 3100

(Area Code) (Telephone Number) (Extension)

## OFFICERS

President: Harris H. Brooks Secretary: Pamela J. Tyranski Treasurer: Allen W. McNair

## DIRECTORS OR TRUSTEES

Harris H. Brooks Pamela J. Tyranski Allen W. McNair

State of Ohio  
County of Stark

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the 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.

Harris H. Brooks  
(Signature)

Harris H. Brooks

(Printed Name)  
President

Pamela J. Tyranski  
(Signature)

Pamela J. Tyranski

(Printed Name)  
Secretary

Allen W. McNair  
(Signature)

Allen W. McNair

(Printed Name)  
Treasurer

Subscribed and sworn to before me this 14 day  
of November, 2002

NOTARY PUBLIC (Seal)



DEANNA J. TAVARIS  
Notary Public, State of Ohio  
My Commission Expires 11/20/05

RECEIVED

NOV 15 2002

O.F.R.S.

ASSETS

	Current Period			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds .....				
2. Stocks:				
2.1 Preferred Stocks .....				
2.2 Common Stocks .....				
3. Mortgage loans on real estate:				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances)			(a).....	
4.2 Properties held for the production of income (less \$ ..... encumbrances)				
4.3 Properties held for sale (less \$ ..... encumbrances)				
5. Cash (\$ ..... 1,736,429 ) and short-term investments (\$ ..... 1,607,845 ) .....	3,344,274		3,344,274	
6. Other long-term invested assets .....				
7. Receivable for securities .....				
8. Aggregate write-ins for invested assets .....	400,000		400,000	
9. Subtotal cash and invested assets (Lines 1 to 8) .....	3,744,274		3,744,274	
10. Accident and health premiums due and unpaid .....				
11. Health care receivables .....				
12. Amounts recoverable from reinsurers .....				
13. Net adjustments in assets and liabilities due to foreign exchange rates .....				
14. Investment income due and accrued .....	815		815	
15. Amounts due from parent, subsidiaries and affiliates .....	162,874	162,874		
16. Amounts receivable relating to uninsured accident and health plans .....				
17. Furniture and equipment .....	64,917		64,917	
18. Amounts due from agents .....				
19. Federal and foreign income tax recoverable and interest thereon (including \$ ..... net deferred tax asset) .....				
20. Electronic data processing equipment and software .....	177,318		177,318	
21. Other nonadmitted assets .....	34,426	34,426		
22. Aggregate write-ins for other than invested assets .....				
23. Total assets (Lines 9 plus 10 through 22) .....	4,184,624	197,300	3,987,324	
DETAILS OF WRITE-INS				
0801. Minimum Deposit - State of Ohio .....	400,000		400,000	
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....				
0899. Totals (Lines 0801 through 0803 plus Line 0898) (Line 8 above) .....	400,000		400,000	
2201. ....				
2202. ....				
2203. ....				
2298. Summary of remaining write-ins for Line 22 from overflow page .....				
2299. Totals (Lines 2201 through 2203 plus Line 2298) (Line 22 above) .....				

(a) \$ ..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ reinsurance ceded)	433,672		433,672	
2. Accrued medical incentive pool and bonus payments				
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves	1,667,234		1,667,234	
6. Premiums received in advance				
7. General expenses due or accrued		185,475	185,475	
8. Federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses) (including \$ net deferred tax liability)				
9. Amounts withheld or retained for the account of others				
10. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)				
11. Amounts due to parent, subsidiaries and affiliates				
12. Payable for securities				
13. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)				
14. Reinsurance in unauthorized companies				
15. Net adjustments in assets and liabilities due to foreign exchange rates				
16. Liability for amounts held under uninsured accident and health plans				
17. Aggregate write-ins for other liabilities (including \$ current)				
18. Total liabilities (Lines 1 to 17)	2,100,906	185,475	2,286,381	
19. Common capital stock	X X X	X X X	6	
20. Preferred capital stock	X X X	X X X		
21. Gross paid in and contributed surplus	X X X	X X X	2,179,994	
22. Surplus notes	X X X	X X X		
23. Aggregate write-ins for other than special surplus funds	X X X	X X X		
24. Unassigned funds (surplus)	X X X	X X X	(479,057)	
25. Less treasury stock, at cost:				
25.1 shares common (value included in line 19 \$ )	X X X	X X X		
25.2 shares preferred (value included in line 19 \$ )	X X X	X X X		
26. Total capital and surplus (Lines 19 to 25)	X X X	X X X	1,700,943	
27. Total Liabilities, capital and surplus (Line 18 and Line 26)	X X X	X X X	3,987,324	
DETAILS OF WRITE-INS				
1701.				
1702.				
1703.				
1798. Summary of remaining write-ins for Line 17 from overflow page				
1799. Totals (Lines 1701 through 1703 plus Line 1798) (Line 17 above)				
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Lines 2301 through 2303 plus Line 2398) (Line 23 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months .....	X X X	27,892	
2. Net premium income .....	X X X	3,623,811	
3. Change in unearned premium reserves and reserve for rate credits .....	X X X		
4. Fee-for-service (net of \$ ..... medical expenses) .....	X X X		
5. Risk revenue .....	X X X		
6. Aggregate write-ins for other health care related revenues .....	X X X		
7. Total revenues (Lines 2 to 6) .....	X X X	3,623,811	
Medical and Hospital:			
8. Hospital/medical benefits .....		2,240,676	
9. Other professional services .....		260,205	
10. Outside referrals .....			
11. Emergency room and out-of-area .....		93,222	
12. Aggregate write-ins for other medical and hospital .....		280,141	
13. Incentive pool and withhold adjustments .....			
14. Subtotal (Lines 8 to 13) .....		2,874,244	
Less:			
15. Net reinsurance recoveries .....		(124,390)	
16. Total medical and hospital (Line 14 minus Line 15) .....		2,998,634	
17. Claims adjustment expenses .....			
18. General administrative expenses .....		1,055,281	
19. Increase in reserves for accident and health contracts .....			
20. Total underwriting deductions (Lines 16 through 19) .....		4,053,915	
21. Net underwriting gain or (loss) (Lines 7 minus 20) .....	X X X	(430,104)	
22. Net investment income earned .....		14,024	
23. Net realized capital gains or (losses) .....			
24. Net investment gains or (losses) (Line 22 plus Line 23) .....		14,024	
25. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
26. Aggregate write-ins for other income or expenses .....			
27. Net income or (loss) before federal income taxes (Lines 21 plus 24 plus 25 plus 26) .....		(416,080)	
28. Federal and foreign income taxes incurred .....	X X X	(134,323)	
29. Net income (loss) (Line 27 minus Line 28) .....	X X X	(281,757)	
DETAILS OF WRITE-INS			
0601. ....	X X X		
0602. ....	X X X		
0603. ....	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699. Totals (Lines 0601 through 0603 plus Line 0698) (Line 6 above) .....	X X X		
1201. Pharmacy Benefits .....		280,141	
1202. ....			
1203. ....			
1298. Summary of remaining write-ins for Line 12 from overflow page .....			
1299. Totals (Lines 1201 through 1203 plus Line 1298) (Line 12 above) .....		280,141	
2601. ....			
2602. ....			
2603. ....			
2698. Summary of remaining write-ins for Line 26 from overflow page .....			
2699. Totals (Lines 2601 through 2603 plus Line 2698) (Line 26 above) .....			

STATEMENT OF REVENUE AND EXPENSES (continued)

CAPITAL AND SURPLUS ACCOUNT	1	2
	Year to Date	Prior Year
30. Capital and surplus prior reporting period .....		
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
31. Net income (loss) from Line 29 .....	(281,757)	
32. Change in valuation basis of aggregate policy and claims reserves .....		
33. Net unrealized capital gains and losses .....		
34. Change in net unrealized foreign exchange capital gain or (loss) .....		
35. Change in net deferred income tax .....		
36. Change in nonadmitted assets .....	(197,300)	
37. Change in unauthorized reinsurance .....		
38. Change in treasury stock .....		
39. Change in surplus notes .....		
40. Cumulative effect of changes in accounting principles .....		
41. Capital Changes:		
41.1 Paid in .....	2,180,000	
41.2 Transferred from surplus (Stock Dividend) .....		
41.3 Transferred to surplus .....		
42. Surplus adjustments:		
42.1 Paid in .....		
42.2 Transferred to capital (Stock Dividend) .....		
42.3 Tranferred from capital .....		
43. Dividends to stockholders .....		
44. Aggregate write-ins for gains or (losses) in surplus .....		
45. Net change in capital and surplus (Lines 31 to 44) .....	1,700,943	
46. Capital and surplus end of reporting period (Line 30 plus 45) .....	1,700,943	
DETAILS OF WRITE-INS		
4401. ....		
4402. ....		
4403. ....		
4498. Summary of remaining write-ins for Line 44 from overflow page .....		
4499. Totals (Lines 4401 through 4403 plus 4498) (Line 44 above) .....		

CASH FLOW

	1	2
	Current Year to Date	Prior Year
Cash from Operations		
1. Premiums and revenues collected net of reinsurance	3,623,811	
2. Claims and claims adjustment expenses	897,728	
3. General administrative expenses paid	855,949	
4. Other underwriting income (expenses)		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	1,870,134	
6. Net investment income	13,209	
7. Other income (expenses)		
8. Federal and foreign income taxes (paid) recovered	134,323	
9. Net cash from operations (Lines 5 to 8)	2,017,666	
Cash from Investments		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds		
10.2 Stocks		
10.3 Mortgage Loans		
10.4 Real estate		
10.5 Other invested assets		
10.6 Net gains or (losses) on cash and short-term investments		
10.7 Miscellaneous proceeds		
10.8 Total investment proceeds (Lines 10.1 to 10.7)		
11. Cost of investment acquired (long-term only):		
11.1 Bonds		
11.2 Stocks		
11.3 Mortgage Loans		
11.4 Real estate		
11.5 Other invested assets	669,151	
11.6 Miscellaneous applications		
11.7 Total investments acquired (Lines 11.1 to 11.6)	669,151	
12. Net cash from investments (Line 10.8 minus Line 11.7)	(669,151)	
Cash from Financing and Miscellaneous Sources		
13. Cash Provided:		
13.1 Surplus notes, capital and surplus paid in	2,180,000	
13.2 Net transfers from affiliates		
13.3 Borrowed funds received		
13.4 Other cash provided	1,050	
13.5 Total (Lines 13.1 to 13.4)	2,181,050	
14. Cash applied:		
14.1 Dividends to stockholders paid		
14.2 Net transfers to affiliates	162,874	
14.3 Borrowed funds repaid		
14.4 Other applications	22,417	
14.5 Total (Lines 14.1 to 14.4)	185,291	
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	1,995,759	
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	3,344,274	
17. Cash and short-term investments:		
17.1 Beginning of period		
17.2 End of period (Line 16 plus Line 17.1)	3,344,274	

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1  Total	Comprehensive (Hospital and 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  Other
		2  Individual	3  Group							
Total Members at end of:										
1. Prior Year							X X X			
2. First Quarter	4,233						X X X		4,233	
3. Second Quarter	8,175						X X X		8,175	
4. Third Quarter							X X X			
5. Current Year							X X X			
6. Current Year Member Months	27,892						X X X		27,892	
Total Member Ambulatory Encounters for Period:										
7. Physician	1,407						X X X		1,407	
8. Non-Physician	777						X X X		777	
9. Total	2,184						X X X		2,184	
10. Hospital Patient Days Incurred	648						X X X		648	
11. Number of Inpatient Admissions	143						X X X		143	
12. Premiums Collected	3,623,811								3,623,811	
13. Premiums Earned	3,623,811								3,623,811	
14. Amount Paid for Provision of Health Care Services	797,519								797,519	
15. Amount Incurred for Provision of Health Care Services	2,998,635								2,998,635	

CLAIMS PAYABLE (Reported and Unreported)

Aging Analysis of Unpaid Claims

	<sup>1</sup> Account	<sup>2</sup> 1 - 30 Days	<sup>3</sup> 31 - 60 Days	<sup>4</sup> 61 - 90 Days	<sup>5</sup> 91 - 120 Days	<sup>6</sup> Over 120 Days	<sup>7</sup> Total
0399999	Aggregate accounts not individually listed-covered	433,672					433,672
0499999	Subtotals	433,672					433,672
0599999	Unreported Claims and other claim reserves						1,667,234
0799999	Total claims payable						2,100,906



UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Quarter 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 December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (Hospital and Medical) .....						
2. Medicare Supplement .....						
3. Dental only .....						
4. Vision only .....						
5. Federal Employees Health Benefits Plan Premiums .....						
6. Title XVIII - Medicare .....		238,753				
7. Title XIX - Medicaid .....				2,100,906		
8. Other .....						
9. Total .....		238,753		2,100,906		

## NOTES TO FINANCIAL STATEMENTS

---

### 1. Organization and Operation

Peoples Health Plan of Ohio, Inc. ("Peoples Health") was formed on April 20, 2001 under the laws of the State of Ohio. Its principal place of business is Canton, Ohio. Peoples Health is a subsidiary of Peoples Health Associates, Inc. (PHA), a privately held Delaware corporation.

On February 12, 2002 a Certificate of Authority was granted to Peoples Health, authorizing the company to transact the business of basic and supplemental health care services as a health insuring corporation in the State of Ohio.

Peoples Health offers its managed care services to Medical Assistance members under a contract with the State of Ohio Department of Jobs and Family Services, Bureau of Managed Care (ODJFS). Operations under the ODJFS contract commenced April 1, 2002 in Cuyahoga County.

Prior to April 1, 2002, all Peoples Health start-up and pre-operational costs and expenses, as well as costs incurred in the pursuit of licensure, were assumed by PHA.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

Peoples Health, domiciled in the State of Ohio, prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the State of Ohio. Prescribed statutory accounting practices include state regulations, laws and general administrative rules, as well as various pronouncements of the National Association of Insurance Commissioners. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

Statutory practices vary from generally accepted accounting practices in that certain assets designated as "non-admitted assets" are charged directly to net worth; under generally accepted accounting principles, such assets are carried on the balance sheet with the appropriate valuation allowances.

#### *Cash and Cash Equivalents*

Peoples Health considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### *Certificate of Deposit*

In January 2002, Peoples Health purchased a certificate of deposit in the amount of \$259,646. The investment collateralized obligations under capital leases for furniture and equipment. In April 2002, the certificate was released and a portion of its proceeds was utilized to pay the leases in full.

#### *Property and Equipment*

Property and equipment generally consists of computer hardware, software and other equipment utilized in operations. Property and equipment is stated at cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets: five years for furniture and equipment. As of September 30, 2002, Peoples Health had no property, equipment or assets recorded under capital lease obligations. For year to date September 30, 2002, Peoples Health incurred depreciation expense of \$26,916.

#### *Claims Payable and Health Care Services Expenses*

Claims payable and health care services expense are based upon a cost estimate for unpaid claims reported prior to the close of the accounting period, together with a provision for the current estimate of the probable cost of claims that have been incurred but not yet been reported (IBNR). For the period ended September 30, 2002, the estimates are based on actual statistical information and reported health care services, as well as ODJFS actuarial data and industry trends. Although

## NOTES TO FINANCIAL STATEMENTS

---

considerable variability is inherent in such estimates, management believes that the liabilities are adequate. Any required revisions to these estimates will be reflected in operations of the period in which such revisions are determined.

Peoples Health has capitation contracts with medical service providers for the provision of vision, dental and behavioral health services to enrollees; a fixed amount per member is paid to the capitated providers on a monthly basis. The capitated providers are at risk for the cost of the health care services provided to the enrollees in the relevant geographic areas. However, Peoples Health is ultimately responsible for the provision of services to its enrollees should the capitated providers be unable to provide the contracted services. For year to date September 30, 2002, health care services expenses relating to these capitated providers (included in health care service costs) amounted to \$253,321.

### *Premium Revenue*

Premiums are recognized as revenue during the period in which Peoples Health is obligated to provide services to members. Premiums received for future months' services are recorded as deferred premium revenue.

### *Regulatory Compliance Requirements*

Peoples Health is required to maintain a deposit of \$400,000 under the regulations of the State of Ohio Department of Insurance. To satisfy the requirement, Peoples Health deposited \$400,000 in a certificate of deposit with the Superintendent of Insurance in February 2002. According to Agreement No. ODIBA 575, the investment shall be under the control of the Superintendent and Peoples Health shall not transfer, pledge, hypothecate, assign or deliver to any person, the investment without prior written approval of the Superintendent.

Peoples Health is also required by statute to maintain a net worth amount of not less than \$1,700,000.

On May 3, 2002, Peoples Health received capital contributions from investors totaling \$600,000 that brought the Plan into compliance with the minimum net worth requirement.

At September 30, 2002, Peoples Health remains in compliance with both the minimum deposit requirement and the statutory net worth requirement.

Should additional capital contributions be required by Peoples Health in order to comply with regulatory requirements, its parent, PHA, has represented that PHA and/or its investors will provide the necessary funding.

### *Use of Estimates*

The preparation of the internal and statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of operating revenues and expenses during the reporting period. Significant financial statement estimates include the liability for claims incurred but not reported. Actual results could differ from those estimates.

## **3. Reinsurance Agreements**

Under the terms of the current reinsurance agreement, Peoples Health is generally reimbursed for 90% of approved inpatient, outpatient and out-of-area hospital services after satisfying a \$75,000 deductible prescribed by ODJFS. The coverage is subject to limitations on average per diem rates and aggregate liability.

The reinsurance agreement requires a non-refundable minimum and deposit premium of \$100,000 for the first year of operation. The amount has been prorated monthly based on the number of covered members reported by Peoples Health until the minimum premium was exhausted in

## NOTES TO FINANCIAL STATEMENTS

---

September 2002.

### 4. Income Taxes

The results of Peoples Health's operations will be included in PHA's consolidated federal and state income tax returns. The tax allocation is based upon separate return calculations with current credit for the tax benefit of net losses.

### 5. Related Party Transactions

Peoples Health has cost-sharing agreements with both PHA and Peoples Health Care Services, Inc. (PHS), also a subsidiary of PHA, to provide certain administrative and support services to augment operations. The net amount due from affiliates at September 30, 2002 is \$162,874, which includes an invoice from PHA to Peoples Health under the Cost Sharing Agreement in the amount of \$87,507.

For year to date September 30, 2002, Peoples Health received capital infusions from PHA totaling \$2,180,000.

The parent company, PHA, has a credit facility for \$1,200,000 from a related shareholder. The shareholder is to infuse the funds in exchange for a defined percentage of ownership of PHA. As of September 30, 2002, the shareholder had advanced approximately \$700,000 to PHA. Two hundred eighty-five thousand (\$285,000) of the proceeds of the investment, included in the capital infusion total above, were made available to Peoples Health for working capital needs, including payroll and accounts payable. Approximately \$500,000 of this credit facility is to be retained by PHA to pay down certain Notes Payable. Peoples Health has no obligation to repay the funds infused.

### 6. Subsequent Events

Subsequent to September 2002, Peoples Health will confirm receipt of a capital infusion from a PHA shareholder. The amount of the capital infusion will at least be the minimum sufficient to meet Risk-Based Capital requirements as appropriately calculated for the period ending September 30, 2002.

GENERAL INTERROGATORIES

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

PART 1 — COMMON INTERROGATORIES  
GENERAL

- 1.1

Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes ☐ No ☒
- 1.2

If yes, explain: .....
- 2.1

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 ☒
- 2.2

If yes, has the report been filed with the domiciliary state?

Yes ☐ No ☐
- 3.1

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 ☒
- 3.2

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

Yes ☐ No ☒
4.

Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, attach an organizational chart.

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

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

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

6.

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?  
If yes, attach an explanation.

Yes ☐ No ☒ N/A ☐
- 7.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

N/A
- 7.2

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.

N/A
- 7.3

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).

N/A
- 7.4

By what department or departments? .....
- 8.1

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? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒
- 8.2

If yes, give full information .....

**GENERAL INTERROGATORIES  
(Continued)**(Responses to these interrogatories should be based on changes that  
have occurred since prior year end unless otherwise noted)**INVESTMENT**

- 9.1 Has there been any change in the reporting entity's own preferred or common stock? Yes ☐ No ☒
- 9.2 If yes, explain .....
- 10.1 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 ☐
- 10.2 If yes, give full and complete information thereto: Amount of \$ 257,444 purchased to collateralize Capital Lease, as leased in April 02, in the form of 2 Certificates of Deposit in the
11. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ N/A
12. Amount of real estate and mortgages held in short-term investments: \$ N/A
- 13.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ☐ No ☒
- 13.2 If yes, please complete the following:
- |   | <sup>1</sup><br>Prior Year-End Statement Value | <sup>2</sup><br>Current Quarter Statement Value |
|---|--|---|
| 13.21 Bonds .....   | \$ .....                                       | \$ .....  |
| 13.22 Preferred Stock .....   | \$ .....                                       | \$ .....  |
| 13.23 Common Stock .....  | \$ .....                                       | \$ .....  |
| 13.24 Short-Term Investments .....  | \$ .....                                       | \$ .....  |
| 13.25 Mortgages, Loans or Real Estate .....   | \$ .....                                       | \$ .....  |
| 13.26 All Other .....   | \$ .....                                       | \$ .....  |
| 13.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 13.21 to 13.26) ..... | \$ .....                                       | \$ .....  |
| 13.28 Total Investment in Parent included in Lines 13.21 to 13.26 above ...                         | \$ .....                                       | \$ .....  |
| 13.29 Receivable from Parent not included in Lines 13.21 to 13.26 above ..                          | \$ .....                                       | \$ .....  |
- 14.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes ☐ No ☒
- 14.2 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.
15. 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 ☐
- 15.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<sup>1</sup> Name of Custodian(s)	<sup>2</sup> Custodian Address
<u>Key Bank</u>	<u>Canton Ohio 44718</u>

- 15.2 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:

<sup>1</sup> Name(s)	<sup>2</sup> Location(s)	<sup>3</sup> Complete Explanation(s)

- 15.3 Have there been any changes, including name changes, in the custodian(s) identified in 15.1 during the current year? Yes ☐ No ☒
- 15.4 If yes, give full and complete information relating thereto:

<sup>1</sup> Old Custodian	<sup>2</sup> New Custodian	<sup>3</sup> Date of Change	<sup>4</sup> Reason

- 15.5 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:

<sup>1</sup> Central Registration Depository	<sup>2</sup> Name(s)	<sup>3</sup> Address
<u>N/A</u>		

**Page 12**

Schedule A. Verification Between Years  
**NONE**

Schedule B. Verification Between Years  
**NONE**

Schedule BA. Verification Between Years  
**NONE**

**Page 13**

Schedule D, Part 1B  
**NONE**

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	Amount of Interest Received Current Quarter	Paid for Accrued Interest
8099999 Totals .....	1,607,845	X X X	1,600,000	6,307	

SCHEDULE DA - PART 2 - VERIFICATION

Short-Term Investments Owned

	1	2	3	4
	First Quarter Current Year	Second Quarter Current Year	Third Quarter Current Year	Prior Year Ended December 31
1. Book / adjusted carrying value, beginning of period .....			1,401,538	
2. Cost of short-term investments acquired .....		1,400,000	200,000	
3. Increase (decrease) by adjustment .....		1,538	6,307	
4. Increase (decrease) by foreign exchange adjustment .....				
5. Total profit (loss) on disposal of short-term investments .....				
6. Consideration received on disposal of short-term investments .....				
7. Book / adjusted carrying value, current period .....		1,401,538	1,607,845	
8. Total valuation allowance .....				
9. Subtotal (Line 7 plus Line 8) .....		1,401,538	1,607,845	
10. Total nonadmitted amounts .....				
11. Statement value (Line 9 minus Line 10) .....		1,401,538	1,607,845	
12. Income collected during period .....		1,538	6,307	
13. Income earned during period .....		1,538	6,307	



**Page 15**

Sch. DB, Pt. F, Sn. 1, Summary Replicated (Syn.) Assets

**NONE**

**Page 16**

Sch. DB, Pt. F, Sn. 2, Reconciliation Replicated (Syn.) Assets

**NONE**

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			
			3  Premiums	4  Medicare Title XVIII	5  Medicaid Title XIX	6  Federal Employees Health Benefits Program Premiums
1. Alabama	AL No	No				
2. Alaska	AK No	No				
3. Arizona	AZ No	No				
4. Arkansas	AR No	No				
5. California	CA No	No				
6. Colorado	CO No	No				
7. Connecticut	CT No	No				
8. Delaware	DE No	No				
9. District of Columbia	DC No	No				
10. Florida	FL No	No				
11. Georgia	GA No	No				
12. Hawaii	HI No	No				
13. Idaho	ID No	No				
14. Illinois	IL No	No				
15. Indiana	IN No	No				
16. Iowa	IA No	No				
17. Kansas	KS No	No				
18. Kentucky	KY No	No				
19. Louisiana	LA No	No				
20. Maine	ME No	No				
21. Maryland	MD No	No				
22. Massachusetts	MA No	No				
23. Michigan	MI No	No				
24. Minnesota	MN No	No				
25. Mississippi	MS No	No				
26. Missouri	MO No	No				
27. Montana	MT No	No				
28. Nebraska	NE No	No				
29. Nevada	NV No	No				
30. New Hampshire	NH No	No				
31. New Jersey	NJ No	No				
32. New Mexico	NM No	No				
33. New York	NY No	No				
34. North Carolina	NC No	No				
35. North Dakota	ND No	No				
36. Ohio	OH No	No			3,623,811	
37. Oklahoma	OK No	No				
38. Oregon	OR No	No				
39. Pennsylvania	PA No	No				
40. Rhode Island	RI No	No				
41. South Carolina	SC No	No				
42. South Dakota	SD No	No				
43. Tennessee	TN No	No				
44. Texas	TX No	No				
45. Utah	UT No	No				
46. Vermont	VT No	No				
47. Virginia	VA No	No				
48. Washington	WA No	No				
49. West Virginia	WV No	No				
50. Wisconsin	WI No	No				
51. Wyoming	WY No	No				
52. American Samoa	AS No	No				
53. Guam	GU No	No				
54. Puerto Rico	PR No	No				
55. U.S. Virgin Islands	VI No	No				
56. Canada	CN No	No				
57. Aggregate Other Alien	OT X X X	X X X				
58. Total (Direct Business)	X X X	(a)			3,623,811	
DETAILS OF WRITE-INS						
5701.						
5702.						
5703.						
5798. Summary of remaining write-ins for Line 57 from overflow page						
5799. Total (Lines 5701 through 5703 plus Line 5798) (Line 57 above)						

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

**Page 18**  
Schedule S - Ceded Reinsurance  
**NONE**

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

All insurer members of a Holding Company Group that has acquired and/or disposed of any domestic insurer(s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

**PART 1 - ORGANIZATIONAL CHART**

Peoples Health Associates, Inc.  
EIN 54-2022872

Peoples Healthcare Services, Inc.  
EIN 52-2318419

Peoples Health Plan of Ohio, Inc.  
EIN 52-2318418

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

1.1 The SVO Compliance Certification is a required filing for all companies. Will the SVO Compliance Certification be filed with this Department with this statement? Yes ( ) No (X)

1.2 If no, please explain:  
Peoples Health Plan of Ohio, Inc. did not invest in securities for which compliance certification is required.

If response is no and the form is "None", affix bar code (Document Identifier 470) here:



**Page E01**

Sch. A, Pt. 2, Real Estate Acquired  
**NONE**

Sch. A, Pt. 3, Real Estate Sold  
**NONE**

**Page E02**

Schedule B, Part 1, Mortgage Loans Acquired  
**NONE**

Schedule B, Part 2, Mortgage Loans Sold  
**NONE**

**Page E03**

Sch. BA, Pt. 1, Other Long-Term Invested Assets Acquired  
**NONE**

Sch. BA, Pt. 2, Other Long-Term Invested Assets Sold  
**NONE**

**Page E04**

Schedule D, Part 3, Long Term Bonds and Stocks Acquired  
**NONE**

**Page E05**

Schedule D, Part 4, Long Term Bonds and Stocks Disposed Of  
**NONE**

**Page E06**

Schedule DB, Part A, Section 1  
**NONE**

Schedule DB, Part B, Section 1  
**NONE**

**Page E07**

Schedule DB, Part C, Section 1  
**NONE**

Schedule DB, Part D, Section 1  
**NONE**

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1		2	3	4	Book Balance at End of Each Month During Current Quarter			8
Depository					5	6	7	
Name	Location and Supplemental Information							
					First Month	Second Month	Third Month	*
Open Depositories								
National City Bank	Canton, Ohio - Checking				954	470	1,111	
Key Bank	Canton, Ohio - Checking				470	470	878	
Key Bank	Canton, Ohio - Checking				1,216,663	1,886,961	1,424,452	
Key Bank	Canton, Ohio - Checking				10,000	10,000	10,000	
Key Bank	Canton, Ohio - Depository				499,988	299,988	299,988	
0199999	TOTAL - Open Depositories				1,728,075	2,197,889	1,736,429	
0399999	TOTAL Cash on Deposit				1,728,075	2,197,889	1,736,429	
0599999	TOTALS				1,728,075	2,197,889	1,736,429	





STATEMENT AS OF September 30, 2002 OF Peoples Health Plan of Ohio, Inc.

SCHEDULE L --- PART 1 --- SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payments to providers that rendered health care services grouped by provider type and payment method

1	2	3	4	5
Payment Method	Direct Medical Expense Payment	Column 2 as a % Of Total	Total Members Covered (1)	Column 4 as a % Of Total
Capitation Payments:				
1. Medical Group				
2. Intermediary				
3. All Other Providers	253,321	51%	27,907	100%
4. Total Capitation Payments	253,321	51%	27,907	100%
Other Payments:				
5. Fee for service (non managed care)			XXX	XXX
6. Payments Under Provider Stop-loss Arrangements			XXX	XXX
7. Contractual Fee Payments	238,753	49%	XXX	XXX
8. Bonus/Withhold Arrangements - Fee for service			XXX	XXX
9. Bonus/Withhold Arrangements - Contractual fee payments			XXX	XXX
10. Non-contingent Salaries			XXX	XXX
11. Aggregate Cost Arrangements			XXX	XXX
12. Total Other Payments	238,753	49%	XXX	XXX
13. Total (Line 4 plus Line 12)	492,074	100%	27,907	100%

Note:  
(1) Member Months

SCHEDULE L --- PART 2 --- SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

NONE

