



# HEALTH QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2002  
OF THE CONDITION AND AFFAIRS OF THE

## QualMed Plans for Health of Ohio and West Virginia, Inc.

NAIC Group Code	0623 <small>(Current Period)</small>	0623 <small>(Prior Period)</small>	NAIC Company Code	95687	Employer's ID Number	25-1803681
Organized under the Laws of	Ohio			State of Domicile or Port of Entry	Ohio	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [ ]		Property/Casualty [ ]		Dental Service Corporation [ ]	
	Vision Service Corporation [ ]		Other [ ]		Health Maintenance Organization [ X ]	
	Hospital, Medical & Dental Service or Indemnity [ ]		Is HMO, Federally Qualified? Yes [ X ] No [ ]			
Incorporated	09/30/1996		Commenced Business	03/31/1997		
Statutory Home Office	1835 Market Street, 10th Floor <small>(Street and Number)</small>			Philadelphia, PA 19103-2968 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	1835 Market Street, 10th Floor <small>(Street and Number)</small>					
	Philadelphia, PA 19103-2968 <small>(City or Town, State and Zip Code)</small>			267-675-4700 <small>(Area Code) (Telephone Number)</small>		
Mail Address	1835 Market Street, 10th Floor <small>(Street and Number or P.O. Box)</small>			Philadelphia, PA 19103-2968 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	1835 Market Street, 10th Floor <small>(Street and Number)</small>					
	Philadelphia, PA 19103-2968 <small>(City or Town, State and Zip Code)</small>			818-676-6793 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.health.net					
Statement Contact	Carmela Camino <small>(Name)</small>			818-676-6793 <small>(Area Code) (Telephone Number) (Extension)</small>		
	CCamino@health.net <small>(E-mail Address)</small>			818-676-7140 <small>(FAX Number)</small>		
Policyowner Relations Contact	1835 Market Street, 10th Floor <small>(Street and Number)</small>					
	Philadelphia, PA 19103-2968 <small>(City or Town, State and Zip Code)</small>			800-441-5741 <small>(Area Code) (Telephone Number) (Extension)</small>		

### OFFICERS

President	Joseph R Singer MD	Secretary	Eileen O'Donnell Esq. #
Chief Financial Officer	Marc M Stein		

### VICE PRESIDENTS

### DIRECTORS OR TRUSTEES

Kenneth B Allen Esq	John W Hannon Sr.	Joseph R Singer MD
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State of .....Pennsylvania.....  
County of .....Philadelphia.....

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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.

Joseph R. Singer, MD President	Eileen O'Donnell, Esq. Secretary	Marc M. Stein Chief Financial Officer
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Subscribed and sworn to before me this  
4th day of November, 2002

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John D. Toth  
Notary Public  
March 8, 2006

ASSETS

	Current Period			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds .....	69,972		69,972	104,093
2. Stocks:				
2.1 Preferred stocks .....				
2.2 Common stocks .....				100,784
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 (\$ .....1,589,603 ) and short-term investments (\$ ..... ) .....	1,589,603		1,589,603	1,565,597
6. Other long-term invested assets .....				
7. Receivable for securities .....				
8. Aggregate write-ins for invested assets .....	426,713		426,713	320,934
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	2,086,288		2,086,288	2,091,408
10. Accident and health premiums due and unpaid .....				
11. Health care receivables .....				
12. Amounts recoverable from reinsurers .....				
13. Net adjustment in assets and liabilities due to foreign exchange rates .....				
14. Investment income due and accrued .....	545		545	1,213
15. Amounts due from parent, subsidiaries and affiliates .....	7,656	7,656	0	3,810
16. Amounts receivable relating to uninsured accident and health plans .....				
17. Furniture and equipment .....				
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 .....				
21. Other nonadmitted assets .....				
22. Aggregate write-ins for other than invested assets .....				
23. Total assets (Lines 9 plus 10 through 22)	2,094,489	7,656	2,086,833	2,096,431
DETAILS OF WRITE-INS				
0801. Ohio Statutory Deposit-CD.....	101,570		101,570	320,934
0802. West Virginia Statutory Deposit-U.S. T-Note.....	325,143		325,143	0
0803. Unrealized Gain/Loss.....			0	0
0898. Summary of remaining write-ins for Line 8 from overflow page .....				
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	426,713		426,713	320,934
2201. Medicare Cost Receivable.....			0	0
2202. ....				
2203. ....				
2298. Summary of remaining write-ins for Line 22 from overflow page .....				
2299. Totals (Lines 2201 thru 2203 plus 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 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	21,341		21,341	3,735
2. Accrued medical incentive pool and bonus payments .....				
3. Unpaid claims adjustment expenses .....				
4. Aggregate policy reserves .....				
5. Aggregate claim reserves .....				
6. Premiums received in advance .....				
7. General expenses due or accrued .....	27,723		27,723	45,737
8. Federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses) (including \$ ..... net deferred tax liability) .....	96,963		96,963	97,571
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 .....	2,571		2,571	6,959
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).....	148,598		148,598	154,002
19. Common capital stock .....	XXX	XXX	1,000,000	1,000,000
20 Preferred capital stock .....	XXX	XXX		
21. Gross paid in and contributed surplus .....	XXX	XXX	10,885,573	10,885,573
22. Surplus notes .....	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds .....	XXX	XXX		
24. Unassigned funds (surplus) .....	XXX	XXX	(9,947,338)	(9,943,144)
25. Less treasury stock, at cost:				
25.1 .....shares common (value included in Line 19) \$ ..... ) .....	XXX	XXX		
25.2 .....shares preferred (value included in Line 20) \$ ..... ) .....	XXX	XXX		
26. Total capital and surplus (Lines 19 to 25) .....	XXX	XXX	1,938,235	1,942,429
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	2,086,833	2,096,431
DETAILS OF WRITE-INS				
1701. ....				
1702. ....				
1703. ....				
1798. Summary of remaining write-ins for Line 17 from overflow page .....				
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)				
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	XXX	XXX		
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX		

STATEMENT OF REVENUE AND EXPENSES

	Current Year to Date		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX		174
2. Net premium income .....	XXX		66,819
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		
7. Total revenues (Lines 2 to 6) .....	XXX		66,819
Medical and Hospital:			
8. Hospital/medical benefits .....		19,696	23,594
9. Other professional services .....			
10. Outside referrals .....			
11. Emergency room and out-of-area .....			
12. Prescription drugs .....			
13. Aggregate write-ins for other medical and hospital .....			
14. Incentive pool and withhold adjustments .....			
15. Subtotal (Lines 8 to 14) .....		19,696	23,594
Less:			
16. Net reinsurance recoveries .....			
17. Total medical and hospital (Lines 15 minus 16) .....		19,696	23,594
18. Claims adjustment expenses .....			
19. General administrative expenses.....		2,123	34,890
20. Increase in reserves for accident and health contracts .....			
21. Total underwriting deductions (Lines 17 through 20) .....		21,819	58,484
22. Net underwriting gain or (loss) (Lines 7 minus 21) .....	XXX	(21,819)	8,335
23. Net investment income earned .....		20,146	143,810
24. Net realized capital gains or (losses) .....			
25. Net investment gains or (losses) (Lines 23 plus 24) .....		20,146	143,810
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
27. Aggregate write-ins for other income or expenses .....			
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....		(1,673)	152,145
29. Federal and foreign income taxes incurred .....	XXX	(683)	63,889
30. Net income (loss) (Lines 28 minus 29) .....	XXX	(990)	88,256
DETAILS OF WRITE-INS			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX		
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	XXX		
1301. ....			
1302. ....			
1303. ....			
1398. Summary of remaining write-ins for Line 13 from overflow page .....			
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....			
2701. ....			
2702. ....			
2703. ....			
2798. Summary of remaining write-ins for Line 27 from overflow page .....			
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above) .....			

CAPITAL AND SURPLUS ACCOUNT

	1 Current Year to Date	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
31. Capital and surplus prior reporting period .....	1,942,429	3,611,825
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
32. Net income or (loss) from Line 30 .....	(990)	88,256
33. Change in valuation basis of aggregate policy and claim reserves .....		
34. Net unrealized capital gains and losses .....	(882)	9
35. Change in net unrealized foreign exchange capital gain or (loss) .....		
36. Change in net deferred income tax .....		
37. Change in nonadmitted assets .....	(2,322)	90,339
38. Change in unauthorized reinsurance .....		
39. Change in treasury stock .....		
40. Change in surplus notes .....		
41. Cumulative effect of changes in accounting principles .....		
42. Capital Changes:		
42.1 Paid in .....		
42.2 Transferred from surplus (Stock Dividend) .....		
42.3 Transferred to surplus .....		
43. Surplus adjustments:		
43.1 Paid in .....		(1,848,000)
43.2 Transferred to capital (Stock Dividend) .....		
43.3 Transferred from capital .....		
44. Dividends to stockholders .....		
45. Aggregate write-ins for gains or (losses) in surplus .....		
46. Net change in capital & surplus (Lines 32 to 45) .....	(4,194)	(1,669,396)
47. Capital and surplus end of reporting period (Line 31 plus 46)	1,938,235	1,942,429
DETAILS OF WRITE-INS		
4501. ....		
4502. ....		
4503. ....		
4598. Summary of remaining write-ins for Line 45 from overflow page .....		
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)		

CASH FLOW

	1 Current Year to Date	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums and revenues collected net of reinsurance .....		178,929
2. Claims and claims adjustment expenses .....	2,090	703,606
3. General administrative expenses paid .....	20,137	33,540
4. Other underwriting income (expenses) .....		
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	(22,227)	(558,217)
6. Net investment income .....	20,814	166,558
7. Other income (expenses) .....		
8. Federal and foreign income taxes (paid) recovered .....	75	(63,882)
9. Net cash from operations (Lines 5 to 8) .....	(1,338)	(455,541)
<b>Cash from Investments</b>		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds .....	34,908	731,342
10.2 Stocks .....	202,893	
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) .....	237,801	731,342
11. Cost of investments acquired (long-term only):		
11.1 Bonds .....		
11.2 Stocks .....	203,680	100,784
11.3 Mortgage loans .....		
11.4 Real estate .....		
11.5 Other invested assets .....		
11.6 Miscellaneous applications .....		
11.7 Total investments acquired (Lines 11.1 to 11.6) .....	203,680	100,784
12. Net Cash from investments (Line 10.8 minus Line 11.7) .....	34,121	630,558
<b>Cash from Financing and Miscellaneous Sources</b>		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in .....		(1,848,000)
13.2 Net transfers from affiliates .....		
13.3 Borrowed funds received .....	0	
13.4 Other cash provided .....		411,405
13.5 Total (Lines 13.1 to 13.4) .....	0	(1,436,595)
14. Cash applied:		
14.1 Dividends to stockholders paid .....		
14.2 Net transfers to affiliates .....	578	45,440
14.3 Borrowed funds repaid .....	8,199	
14.4 Other applications .....		8,844
14.5 Total (Lines 14.1 to 14.4) .....	8,777	54,284
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	(8,777)	(1,490,879)
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) .....	24,006	(1,315,862)
17. Cash and short-term investments:		
17.1 Beginning of period .....	1,565,597	2,881,459
17.2 End of period (Line 16 plus Line 17.1) .....	1,589,603	1,565,597

STATEMENT AS OF SEPTEMBER 30, 2002 OF THE QualMed Plans for Health of Ohio and West Virginia, Inc.

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  Other
		2  Individual	3  Group							
<b>Total Members at end of:</b>										
1. Prior Year .....	174		174							
2 First Quarter .....										
3 Second Quarter .....										
4. Third Quarter .....										
5. Current Year										
6 Current Year Member Months										
<b>Total Member Ambulatory Encounters for Period:</b>										
7. Physician .....										
8. Non-Physician .....										
9. Total										
10. Hospital Patient Days Incurred										
11. Number of Inpatient Admissions										
12. Premiums Collected .....										
13. Premiums Earned										
14. Amount Paid for Provision of Health Care Services .....										
15. Amount Incurred for Provision of Health Care Services										





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 Dec. 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 & Medical) .....			21,341		21,341	3,735
2. Medicare Supplement .....						
3. Dental Only.....						
4. Vision Only.....						
5. Federal Employees Health Benefits Plan Premiums .....						
6. Title XVIII - Medicare .....						
7. Title XIX - Medicaid.....						
8. Other .....						
9. Subtotal .....			21,341		21,341	3,735
10. Medical incentive pools, accruals and disbursements .....						
11. Totals			21,341		21,341	3,735

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Accounting Practices

QualMed Plans for Health of Ohio and West Virginia, Inc. (The Company) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Ohio Department of Insurance (the Department). Effective January 1, 2001, the Department required that insurance companies domiciled in the State of Ohio prepare their statutory basis financial statements in accordance with the *NAIC Accounting Practices and Procedures Manual* – Version effective January 1, 2001 (subsequently updated effective March 2002) subject to any deviations prescribed or permitted by the State of Ohio Insurance Commissioner.

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles (SAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policies

**Revenue Recognition** - Premium revenue includes HMO and POS premiums from employer groups and individuals, which premiums are based on a predetermined prepaid fee. Premiums collected in advance are recorded as Received in Advance.

**Health Care Services** - The cost of health care services is recognized in the period in which services are provided and includes an estimate of the cost of services which have been incurred but not yet reported. Such costs include payments to primary care physicians, specialists, hospitals, outpatient care facilities and the costs associated with managing the extent of such care. The Company estimates the amount of the provision for service costs incurred but not reported using standard actuarial methodologies based upon historical data including the period between the date services are rendered and the date claims are received and paid, denied claim activity, expected medical cost inflation, seasonality patterns and changes in membership. The estimates for service costs incurred but not reported are made on an accrual basis and adjusted in future periods as required. Any adjustments to the prior period estimates are included in the current period. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of claims and losses paid are dependent on future developments, management is of the opinion that the recorded reserves are adequate to cover such costs.

The Company assesses the profitability of contracts for providing health care services when operating results or forecasts indicate probable future losses. Contracts are grouped in a manner consistent with the method of determining premium rates. Losses are determined by comparing anticipated premiums to the total of health care related costs less reinsurance recoveries, if any, and the cost of maintaining the contracts. Losses, if any, are recognized in the period the loss is determined. No premium deficiency reserves were reported as of September 30, 2002 or December 31, 2001.

**Accrued Medical Claims and Related Expenses** - Health care costs are accrued in the period services are provided to the enrolled members, including an estimate for costs incurred but not reported. Health care costs include payments to primary care physicians, specialists, hospitals, pharmacies and other health care providers under fee-for-service and capitation arrangements, net of reinsurance recoveries. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined. The Company is required by the Department to obtain certification of medical claims payable and other reserves annually. Such certification is obtained from an independent actuary and is filed with the Annual Statement.

**Additional Accounting Policies** – The Company uses the following additional accounting policies:

1. Bonds are stated at amortized cost. Premiums and discounts are amortized or accreted to investment income using the effective yield method over the contractual lives of the bonds or, in the case of loan-backed bonds, over the estimated life of the bond based upon anticipated prepayments at the date of purchase. Significant changes in prepayment assumptions are accounted for using the prospective adjustment method, based upon prepayment assumptions obtained from Bloomberg Financial Markets,

## NOTES TO FINANCIAL STATEMENTS

which are consistent with the current interest rate and economic environment. Realized gains and losses on the sale of bonds are determined using the specific identification method.

2. The Company has no investment in preferred stocks.
3. Common stocks, which are entirely comprised of an investment in a money market mutual fund not listed in the Purposes and Procedures of the Securities Valuation Office of the National Association of Insurance Commissioners (the SVO manual), are stated at market value.
4. The company has no investment in mortgage loans on real estate.
5. Short-term investment include bonds and commercial paper with maturities of one year or less at the date of acquisition and investments classified as Class One Money Market Mutual Funds in the SVO manual. Short-term investments are stated at amortized cost, which approximates market value. Premiums and discounts on short-term investments are amortized or accreted to net investment income using the effective yield method over the contractual lives of the short-term investments.
6. The Company has no investment in subsidiaries, controlled or affiliated companies.
7. The Company has no ownership interest in joint ventures.
8. The Company has no investments in derivative financial instruments.

## 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

### A. Correction of Errors

None

### B. Cumulative Effect of Changes in Accounting Principles

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Department. Effective January 1, 2001, the Department required that insurance companies domiciled in the State of Ohio prepare their statutory basis financial statements in accordance with the *NAIC Accounting Practices and Procedures Manual* – Version effective January 1, 2001 (subsequently updated effective March 2002) subject to any deviations prescribed or permitted by the State of Ohio Insurance Commissioner.

Accounting changes adopted to conform to the provisions of the *NAIC Accounting Practices and Procedures Manual* – Version effective January 1, 2001 (subsequently updated effective March 2002) are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As of January 1, 2002 and 2001, the Company had no change of accounting principle to report.

## 4. DISCONTINUED OPERATIONS

The Company's management notified the West Virginia Department of Insurance that it would exit the West Virginia marketplace effective December 31, 2000. The Company's management notified the Ohio Department of Insurance that it would exit the Eastern Ohio marketplace effective February 4, 2001.

## 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

As of September 30, 2002, all outstanding shares of the Company are owned by Health Net, Inc. (HNI), a corporation incorporated in the State of Delaware.

### A-D, F. Transactions with Affiliates

The Company paid an extraordinary dividend/distribution to the parent company, HNI, on November 20, 2001, totaling \$1,848,000. This was done with permission granted by the Ohio Department of Insurance on November 14, 2001.

NOTES TO FINANCIAL STATEMENTS

E. Guarantees

The Company has not made any guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that would result in a material contingent exposure of the Company’s or any related party’s assets or liabilities.

G-J. Investment in Parent, Subsidiaries or Affiliates

The Company does not hold any direct or indirect investment in its Parent, subsidiaries, controlled or affiliated companies and did not recognize any impairment write down for any investments in subsidiaries, controlled or related or liabilities.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

None

27. MINIMUM NET WORTH

Under the laws of the State of Ohio, the Company is required to maintain minimum net worth equal to at least one hundred ten per cent of the liabilities of the corporation. However, at no time shall the corporation's net worth be less than one million seven hundred thousand dollars.

Net worth reported at September 30, 2002 on the accompanying financial statements is \$1,938,235. Required net worth at September 30, 2002 is \$1,700,000.

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 implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? ..... Yes [ ] No [X]

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 [X]

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 [X]

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

4. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]  
If yes, attach an organizational chart.

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

5.2 If yes, provide the 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? ..... Yes [ ] No [X] NA [ ]  
If yes, attach an explanation.

7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/1997

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. .... 12/31/1997

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). .... 06/01/2002

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 [X]

8.2 If yes, give full information: .....  
.....

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the 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 [X]

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 [X]

10.2 If yes, give full and complete information relating thereto:  
.....

11. Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....0

12. Amount of real estate and mortgages held in short-term investments: .....\$ .....0

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

13.2 If yes, please complete the following:

	1 Prior Year-End Statement Value	2 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 [X]

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 [X] No [ ]

15.1 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
BANK ONE.....	WHEELING, WV.....

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:

1 Name(s)	2 Location(s)	3 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 [X]

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

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

1 Central Registration Depository	2 Name(s)	3 Address

SCHEDULE A - VERIFICATION

	1 First Quarter Current Year	2 Second Quarter Current Year	3 Third Quarter Current Year	4 Prior Year Ended December 31
1. Book/adjusted carrying value, beginning of period .....	NONE			
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, current period)				

SCHEDULE B - VERIFICATION

	1 First Quarter Current Year	2 Second Quarter Current Year	3 Third Quarter Current Year	4 Prior Year Ended December 31
1. Book/recorded investment excluding accrued interest on mortgages owned, beginning of period .....	NONE			
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				

SCHEDULE BA - VERIFICATION

Other Invested Assets Included in Schedule BA				
	1 First Quarter Current Year	2 Second Quarter Current Year	3 Third Quarter Current Year	4 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, beginning of period .....	NONE			
2. Cost of acquisitions during period:				
2.1. Actual cost at time of acquisitions .....				
2.2. Additional investment made after acquisitions .....				
3. Accrual of discount .....				
4. Increase (decrease) by adjustment .....				
5. Total profit (loss) on sale .....				
6. Amounts paid on account or in full during the period .....				
7. Amortization of premium .....				
8. Increase (decrease) by foreign exchange adjustment .....				
9. Book/adjusted carrying value of long-term invested assets at end of current period .....				
10. Total valuation allowance .....				
11. Subtotal (Lines 9 plus 10) .....				
12. Total nonadmitted amounts .....				
13. Statement value of long-term invested assets at end of current period				

STATEMENT AS OF SEPTEMBER 30, 2002 OF THE QualMed Plans for Health of Ohio and West Virginia, Inc.

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 Statement Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Statement Value End of First Quarter	6 Statement Value End of Second Quarter	7 Statement Value End of Third Quarter	8 Statement Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	74,508	0	4,493	(37)	81,893	74,508	69,978	104,093
2. Class 2 .....		0	0	0				
3. Class 3 .....		0	0	0				
4. Class 4 .....		0	0	0				
5. Class 5 .....		0	0	0				
6. Class 6 .....		0	0	0				
7. Total Bonds	74,508		4,493	(37)	81,893	74,508	69,978	104,093
<b>PREFERRED STOCK</b>								
8. Class 1 .....		0	0	0				
9. Class 2 .....		0	0	0				
10. Class 3 .....		0	0	0				
11. Class 4 .....		0	0	0				
12. Class 5 .....		0	0	0				
13. Class 6 .....		0	0	0				
14. Total Preferred Stock								
15. Total Bonds and Preferred Stock	74,508		4,493	(37)	81,893	74,508	69,978	104,093



Schedule DA - Part 1  
**NONE**

Schedule DA - Part 2  
**NONE**

Schedule DB - Part F - Section 1  
**NONE**

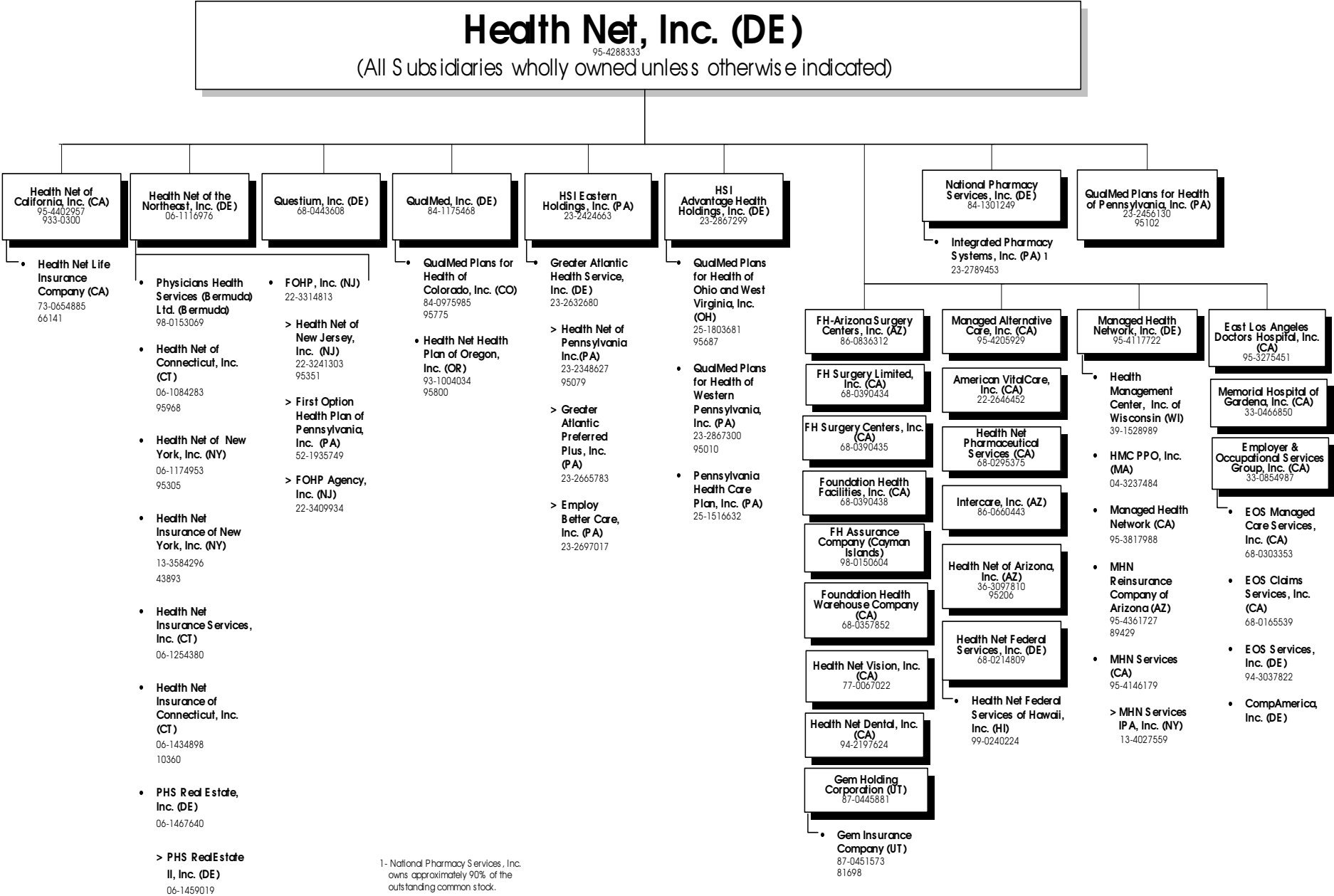
Schedule DB - Part F - Section 2  
**NONE**

Schedule S  
**NONE**

Schedule T  
**NONE**

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

As of 6/30/02



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

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory question.

RESPONSE

1. Will the SVO Compliance Certification be filed with this statement?

.....Yes.....

Explanation:

Bar Code:

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

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

## E04

## E04

E04

E04

E04

## SCHEDULE D - PART 4

[illegible]

E05



Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

