



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002
of the Condition and Affairs of the

United HealthCare of Ohio, Inc.

NAIC Group Code..... 0707, 0707 (Current Period) (Prior Period) NAIC Company Code..... 95186 Employer's ID Number..... 31-1142815

Organized under the Laws of Ohio State of Domicile or Port of Entry Ohio Country of Domicile US

Licensed as Business Type Health Maintenance Organization

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

Date Incorporated or Organized..... May 14, 1985 Date Commenced Business..... August 6, 1985

Statutory Home Office 9200 Worthington Road Westerville OH 43082-8823
(Street and Number) (City or Town, State and Zip Code)

Address of Main Administrative Office 9200 Worthington Road Westerville OH 43082-8823 614-410-7000
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 9200 Worthington Road Westerville OH 43082-8823
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 5901 Lincoln Drive Edina MN 55436 952-992-4854
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.uhc.com

Statement Contact Joseph Shane Hardy 513-603-6941
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(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

President Elwood "Budd" Fisher Treasurer Allan Jay Weiss Secretary Christina Regina Palme-Krizak

OTHER OFFICERS

David James Lubben Daniel James McAthie William Arnold Munsell Robert John Sheehy

DIRECTORS OR TRUSTEES

Brett Lawrence Baby Elwood "Budd" Fisher Owen Elwood Johnson, M.D. William Arnold Munsell
Robert John Sheehy

State of.....Ohio
County of.....Franklin

State of.....Minnesota
County of.....Hennepin

State of.....Minnesota
County of.....Hennepin

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.

(Signature) Elwood "Budd" Fisher (Printed Name) President	(Signature) Christina Regina Palme-Krizak (Printed Name) Secretary	(Signature) Allan Jay Weiss (Printed Name) Treasurer
--------------------------------------------------------------------	-----------------------------------------------------------------------------	---------------------------------------------------------------

Subscribed and sworn to before me this.....day of, 2003	Subscribed and sworn to before me this.....day of, 2003	Subscribed and sworn to before me this.....day of, 2003
-------------------------------------------------------------------	-------------------------------------------------------------------	-------------------------------------------------------------------

a. Is this an original filing? Yes [X] No []

- b. If no: 1. State the amendment number
2. Date filed.....
3. Number of pages attached.....

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds.....	317,290,740	389,236	316,901,504	305,819,938
2. Stocks:				
2.1 Preferred stocks.....			.0	1,696,846
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate:				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.0 encumbrances).....			(a) .0	
4.2 Properties held for the production of income (less \$.0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.0 encumbrances).....			.0	
5. Cash (\$....(14,785,153), Schedule E, Part 1) and short-term investments (\$....24,624,759, Schedule DA, Part 2).....	9,839,605		9,839,605	25,009,212
6. Other long-term invested assets.....			.0	
7. Receivable for securities.....	9,898		9,898	23,666
8. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
9. Subtotal cash and invested assets (Lines 1 to 8).....	327,140,243	389,236	326,751,007	332,549,662
10. Accident and health premiums due and unpaid.....	8,934,688	995,736	7,938,952	16,266,903
11. Health care receivables.....	4,584,950	4,584,950	.0	1,084,007
12. Amounts recoverable from reinsurers.....			.0	364,674
13. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
14. Investment income due and accrued.....	4,312,728		4,312,728	4,031,228
15. Amounts due from parent, subsidiaries and affiliates.....	2,675,581	2,675,581	.0	
16. Amounts receivable relating to uninsured accident and health plans.....			.0	
17. Furniture and equipment.....	134,246		134,246	185,232
18. Amounts due from agents.....			.0	
19. Federal and foreign income tax recoverable and interest thereon (including \$....6,464,215 net deferred tax asset).....	6,753,503	289,288	6,464,215	7,095,620
20. Electronic data processing equipment and software.....	369,888		369,888	1,447,511
21. Other nonadmitted assets.....	1,715	1,715	.0	
22. Aggregate write-ins for other than invested assets.....	.0	.0	.0	.0
23. Total assets (Lines 9 plus 10 through 22).....	354,907,542	8,936,506	345,971,036	363,024,837

DETAILS OF WRITE-INS

0801. ....			.0	
0802. ....			.0	
0803. ....			.0	
0898. Summary of remaining write-ins for Line 8 from overflow page.....	.0	.0	.0	.0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above).....	.0	.0	.0	.0
2201. ....			.0	
2202. ....			.0	
2203. ....			.0	
2298. Summary of remaining write-ins for Line 22 from overflow page.....	.0	.0	.0	.0
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above).....	.0	.0	.0	.0

(a) \$.0 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	132,196,652	13,780,945	145,977,597	175,386,964
2. Accrued medical incentive pool and bonus payments.....			0	
3. Unpaid claims adjustment expenses.....			0	
4. Aggregate policy reserves.....	204		204	169
5. Aggregate claim reserves.....	2,171,525	227,685	2,399,210	2,259,131
6. Premiums received in advance.....	34,630,570		34,630,570	34,012,946
7. General expenses due or accrued.....	1,688,377		1,688,377	3,533,519
8. Federal and foreign income tax payable and interest thereon (including \$.....0 (on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....	3,334,408		3,334,408	9,460,181
9. Amounts withheld or retained by company for the account of others.....	111,124		111,124	69,773
10. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
11. Amounts due to parent, subsidiaries and affiliates.....	11,380,191		11,380,191	23,585,831
12. Payable for securities.....			0	
13. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
14. Reinsurance in unauthorized companies.....			0	
15. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
16. Liability for amounts held under uninsured accident and health plans.....			0	
17. Aggregate write-ins for other liabilities (including \$.....0 current).....	269,335	0	269,335	939,470
18. Total liabilities (Lines 1 to 17).....	185,782,386	14,008,630	199,791,016	249,247,985
19. Common capital stock.....	XXX	XXX	37,329,784	37,329,784
20. Preferred capital stock.....	XXX	XXX		
21. Gross paid in and contributed surplus.....	XXX	XXX	19,000,000	19,000,000
22. Surplus notes.....	XXX	XXX		
23. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
24. Unassigned funds (surplus).....	XXX	XXX	89,850,235	57,447,068
25. Less treasury stock, at cost:				
25.1 .....0.000 shares common (value included in Line 19 \$.....0).....	XXX	XXX		
25.2 .....0.000 shares preferred (value included in Line 20 \$.....0).....	XXX	XXX		
26. Total capital and surplus (Lines 19 to 24 less Line 25).....	XXX	XXX	146,180,020	113,776,852
27. Total liabilities, capital and surplus (Lines 18 and 26).....	XXX	XXX	345,971,036	363,024,837

DETAILS OF WRITE-INS

1701. Other Liabilities.....	269,335		269,335	939,470
1702.			0	
1703.			0	
1798. Summary of remaining write-ins for Line 17 from overflow page.....	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above).....	269,335	0	269,335	939,470
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	.XXX	6,641,408	8,504,111
2. Net premium income.....	.XXX	1,501,412,345	1,668,382,552
3. Change in unearned premium reserves and reserve for rate credits.....	.XXX		
4. Fee-for-service (net of \$.....0 medical expenses).....	.XXX		
5. Risk revenue.....	.XXX		
6. Aggregate write-ins for other health care related revenues.....	.XXX	.0	.0
7. Total revenues (Lines 2 to 6).....	.XXX	1,501,412,345	1,668,382,552
Medical and Hospital:			
8. Hospital/medical benefits.....	90,906,739	1,021,307,054	1,168,775,092
9. Other professional services.....		1,004,976	739,573
10. Outside referrals.....			
11. Emergency room and out-of-area.....			
12. Prescription drugs.....	20,862,536	201,400,441	233,902,579
13. Aggregate write-ins for other medical and hospital.....	(568,784)	(2,705,837)	(2,712,825)
14. Incentive pool and withhold adjustments.....		(364,762)	(1,303,429)
15. Subtotal (Lines 8 to 14).....	111,200,491	1,220,641,872	1,399,400,989
Less:			
16. Net reinsurance recoveries.....		3,908,175	2,843,887
17. Total medical and hospital (Lines 15 minus 16).....	111,200,491	1,216,733,697	1,396,557,102
18. Claims adjustment expenses.....		47,686,067	66,641,972
19. General administrative expenses.....		182,683,674	183,086,661
20. Increase in reserves for accident and health contracts.....			
21. Total underwriting deductions (Lines 17 through 20).....	111,200,491	1,447,103,438	1,646,285,735
22. Total underwriting gain or (loss) (Lines 7 minus 21).....	.XXX	54,308,907	22,096,816
23. Net investment income earned.....		17,702,557	17,943,855
24. Net realized capital gains or (losses).....		1,497,336	(114,232)
25. Net investment gains or (losses) (Lines 23 plus 24).....	.0	19,199,893	17,829,623
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
27. Aggregate write-ins for other income or expenses.....	.0	9,921	36,027
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27).....	.0	73,518,721	39,962,466
29. Federal and foreign income taxes incurred.....	.XXX	21,646,538	6,592,000
30. Net income (loss) (Lines 28 minus 29).....	.XXX	51,872,183	33,370,466

DETAILS OF WRITE-INS

0601. ....	.XXX		
0602. ....	.XXX		
0603. ....	.XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.XXX	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.XXX	.0	.0
1301. Other Medical Costs.....	(568,784)	(2,705,837)	(2,712,825)
1302.			
1303.			
1398. Summary of remaining write-ins for Line 13 from overflow page.....	.0	.0	.0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above).....	(568,784)	(2,705,837)	(2,712,825)
2701. Other Revenues.....		9,921	36,027
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page.....	.0	.0	.0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	.0	9,921	36,027

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year.....	113,776,852	45,226,606
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30.....	51,872,183	33,370,466
33. Change in valuation basis of aggregate policy and claim reserves.....		
34. Net unrealized capital gains and losses.....		
35. Change in net unrealized foreign exchange capital gain or (loss).....		
36. Change in net deferred income tax.....	(727,412)	
37. Change in nonadmitted assets.....	(3,741,603)	22,178,692
38. Change in unauthorized reinsurance.....		
39. Change in treasury stock.....		
40. Change in surplus notes.....		
41. Cumulative effect of changes in accounting principles.....		(5,998,912)
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.....		19,000,000
43.2 Transferred to capital (stock dividend).....		
43.3 Transferred from capital.....		
44. Dividends to stockholders.....	(15,000,000)	
45. Aggregate write-ins for gains or (losses) in surplus.....	0	0
46. Net change in capital and surplus (Lines 32 to 45).....	32,403,168	68,550,246
47. Capital and surplus end of reporting year (Line 31 plus 46).....	146,180,020	113,776,852

DETAILS OF WRITE-INS

4501.		
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page.....	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance.....	1,511,154,197	1,667,778,631
2. Claims and claims adjustment expenses.....	1,293,324,379	1,483,156,988
3. General administrative expenses paid.....	184,528,816	183,679,314
4. Other underwriting income (expenses).....	9,921	36,027
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....	33,310,923	978,356
6. Net Investment income.....	18,021,063	17,888,821
7. Other income (expenses).....	(624,085)	(2,567,986)
8. Federal and foreign income taxes (paid) recovered.....	(27,772,311)	(4,227,439)
9. Net cash from operations (Lines 5 to 8).....	22,935,590	12,071,752
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds.....	197,170,976	117,752,197
10.2 Stocks.....	1,751,000	1,264,958
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.....	347,455	114,232
10.8 Total investment proceeds (Lines 10.1 to 10.7).....	199,269,431	119,131,387
11. Cost of investments acquired (long-term only):		
11.1 Bonds.....	207,743,053	173,253,441
11.2 Stocks.....		
11.3 Mortgage loans.....		
11.4 Real estate.....		
11.5 Other invested assets.....		
11.6 Miscellaneous applications.....		373,671
11.7 Total investments acquired (Lines 11.1 to 11.6).....	207,743,053	173,627,112
12. Net cash from investments (Line 10.8 minus Line 11.7).....	(8,473,622)	(54,495,725)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in.....		19,000,000
13.2 Net transfers from affiliates.....		355,369
13.3 Borrowed funds received.....		
13.4 Other cash provided.....		20,613,299
13.5 Total (Lines 13.1 to 13.4).....	0	39,968,668
14. Cash applied:		
14.1 Dividends to stockholders paid.....	15,000,000	
14.2 Net transfers to affiliates.....	12,205,640	
14.3 Borrowed funds repaid.....		
14.4 Other applications.....	2,425,935	
14.5 Total (Lines 14.1 to 14.4).....	29,631,575	0
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5).....	(29,631,575)	39,968,668
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15).....	(15,169,607)	(2,455,305)
17. Cash and short-term investments:		
17.1 Beginning of year.....	25,009,212	27,464,517
17.2 End of year (Line 16 plus Line 17.1).....	9,839,605	25,009,212

ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plans	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Net premium income.....	1,501,412,345	1,223,455,128					38,738,975	239,218,242					
2. Change in unearned premium reserves and reserve for rate credit.....	.0												
3. Fee-for-service (net of \$.0 medical expenses).....	.0												
4. Risk revenue.....	.0												
5. Aggregate write-ins for other health care related revenues.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Total revenues (Lines 1 to 5).....	1,501,412,345	1,223,455,128	.0	.0	.0	.0	38,738,975	239,218,242	.0	.0	.0	.0	.0
7. Medical/hospital benefits.....	1,021,307,054	802,699,181					29,113,442	189,494,431					
8. Other professional services.....	1,004,976	935,165					33,918	35,893					
9. Outside referrals.....	.0												
10. Emergency room and out-of-area.....	.0												
11. Prescription drugs.....	201,400,441	188,400,348					6,833,173	6,166,920					
12. Aggregate write-ins for other medical and hospital.....	(2,705,837)	(2,511,444)	.0	.0	.0	.0	(314,907)	120,515	.0	.0	.0	.0	.0
13. Incentive pool and withhold adjustments.....	(364,762)							(364,762)					
14. Subtotal (Lines 7 to 13).....	1,220,641,872	989,523,250	.0	.0	.0	.0	35,665,626	195,452,996	.0	.0	.0	.0	.0
15. Net reinsurance recoveries.....	3,908,175	1,499,844					54,398	2,353,933					
16. Total medical and hospital (Lines 14 minus 15).....	1,216,733,697	988,023,406	.0	.0	.0	.0	35,611,228	193,099,063	.0	.0	.0	.0	.0
17. Claims adjustment expenses.....	47,686,067	40,529,727					1,070,014	6,086,326					
18. General administrative expenses.....	182,683,674	155,268,010					4,099,184	23,316,480					
19. Increase in reserves for accident and health contracts.....	.0												
20. Total underwriting deductions (Lines 16 to 19).....	1,447,103,438	1,183,821,143	.0	.0	.0	.0	40,780,426	222,501,869	.0	.0	.0	.0	.0
21. Net underwriting gain or (loss) (Line 6 minus Line 20).....	54,308,907	39,633,985	.0	.0	.0	.0	(2,041,451)	16,716,373	.0	.0	.0	.0	.0

DETAILS OF WRITE-INS

0501. ....	.0												
0502. ....	.0												
0503. ....	.0												
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1201. Other Medical Costs.....	(2,705,837)	(2,511,444)					(314,907)	120,515					
1202. ....	.0												
1203. ....	.0												
1298. Summary of remaining write-ins for Line 12 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1299. Total (Lines 1201 thru 1203 plus 1298) (Line 12 above).....	(2,705,837)	(2,511,444)	.0	.0	.0	.0	(314,907)	120,515	.0	.0	.0	.0	.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (medical and hospital).....	1,229,115,742		745,319	1,228,370,423
2. Medicare supplement.....				0
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan premiums.....	38,738,975			38,738,975
6. Title XVIII - Medicare.....	237,768,074		2,847,470	234,920,604
7. Title XIX - Medicaid.....				0
8. Other.....				0
9. Totals.....	1,505,622,791	0	3,592,788	1,502,030,002

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct.....	1,249,331,283	1,040,674,226					208,657,057		
1.2 Reinsurance assumed.....	0								
1.3 Reinsurance ceded.....	3,908,175	1,554,242					2,353,933		
1.4 Net.....	1,245,423,108	1,039,119,984	0	0	0	0	206,303,124	0	0
2. Paid medical incentive pools and bonuses.....	(868,805)						(868,805)		
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct.....	145,977,598	114,919,676					31,057,922		
3.2 Reinsurance assumed.....	0								
3.3 Reinsurance ceded.....	0								
3.4 Net.....	145,977,598	114,919,676	0	0	0	0	31,057,922	0	0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct.....	2,399,211	1,314,823					1,084,388		
4.2 Reinsurance assumed.....	0								
4.3 Reinsurance ceded.....	0								
4.4 Net.....	2,399,211	1,314,823	0	0	0	0	1,084,388	0	0
5. Accrued medical incentive pools and bonuses, current year.....	0								
6. Amounts recoverable from reinsurers December 31, current year.....	0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct.....	174,442,324	131,317,283					43,125,041		
7.2 Reinsurance assumed.....	0								
7.3 Reinsurance ceded.....	0								
7.4 Net.....	174,442,324	131,317,283	0	0	0	0	43,125,041	0	0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct.....	2,259,131	906,607					1,352,524		
8.2 Reinsurance assumed.....	0								
8.3 Reinsurance ceded.....	0								
8.4 Net.....	2,259,131	906,607	0	0	0	0	1,352,524	0	0
9. Accrued medical incentive pools and bonuses, prior year.....	(504,043)						(504,043)		
10. Amounts recoverable from reinsurers December 31, prior year.....	0								
11. Incurred benefits:									
11.1 Direct.....	1,221,006,637	1,024,684,835	0	0	0	0	196,321,802	0	0
11.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded.....	3,908,175	1,554,242	0	0	0	0	2,353,933	0	0
11.4 Net.....	1,217,098,462	1,023,130,593	0	0	0	0	193,967,869	0	0
12. Incurred medical incentive pools and bonuses.....	(364,762)	0	0	0	0	0	(364,762)	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in process of adjustment:									
1.1 Direct.....	54,382,320	45,167,528					9,214,792		
1.2 Reinsurance assumed.....	0								
1.3 Reinsurance ceded.....	0								
1.4 Net.....	54,382,320	45,167,528	0	0	0	0	9,214,792	0	0
2. Incurred but unreported:									
2.1 Direct.....	91,595,276	69,752,146					21,843,130		
2.2 Reinsurance assumed.....	0								
2.3 Reinsurance ceded.....	0								
2.4 Net.....	91,595,276	69,752,146	0	0	0	0	21,843,130	0	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct.....	0								
3.2 Reinsurance assumed.....	0								
3.3 Reinsurance ceded.....	0								
3.4 Net.....	0	0	0	0	0	0	0	0	0
4. Totals:									
4.1 Direct.....	145,977,596	114,919,674	0	0	0	0	31,057,922	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0
4.4 Net.....	145,977,596	114,919,674	0	0	0	0	31,057,922	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	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	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (medical and hospital).....	99,092,009	940,027,975	6,301,573	109,932,923	105,393,582	132,223,890
2. Medicare supplement.....					.0	
3. Dental only.....					.0	
4. Vision only.....					.0	
5. Federal employees health benefits plan premiums.....					.0	
6. Title XVIII - Medicare.....	37,953,137	168,349,987	570,111	31,572,199	38,523,248	44,477,565
7. Title XIX - Medicaid.....					.0	
8. Other.....					.0	
9. Subtotal.....	137,045,146	1,108,377,962	6,871,684	141,505,122	143,916,830	176,701,455
10. Medical incentive pools, accruals and disbursements.....	(868,805)				(868,805)	(504,043)
11. Totals.....	136,176,341	1,108,377,962	6,871,684	141,505,122	143,048,025	176,197,412

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UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS
 (000 Omitted)

SECTION A - PAID CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	91,897				
2. 1998.....	608,511	103,174	1,308		
3. 1999.....	XXX	709,170	112,375	857	
4. 2000.....	XXX	XXX	877,724	129,794	2,409
5. 2001.....	XXX	XXX	XXX	1,006,827	92,521
6. 2002.....	XXX	XXX	XXX	XXX	908,579

SECTION B - INCURRED CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	640,604	640,696	640,696	640,696	640,696
2. 1998.....	712,149	714,902	712,993	712,993	712,993
3. 1999.....	XXX	806,894	823,814	822,402	822,402
4. 2000.....	XXX	XXX	1,020,331	1,010,308	1,009,927
5. 2001.....	XXX	XXX	XXX	1,134,207	1,105,555
6. 2002.....	XXX	XXX	XXX	XXX	1,014,623

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998.....	XXX	91,897		XXX	91,897	XXX			91,897	XXX
2. 1998.....	889,891	712,993		0.0	712,993	80.1			712,993	80.1
3. 1999.....	1,023,566	822,402		0.0	822,402	80.3			822,402	80.3
4. 2000.....	1,240,264	1,009,927		0.0	1,009,927	81.4			1,009,927	81.4
5. 2001.....	1,327,851	1,099,348	55,180	5.0	1,154,528	86.9	6,207		1,160,735	87.4
6. 2002.....	1,224,097	908,579	40,530	4.5	949,109	77.5	104,729		1,053,838	86.1
7. Total (Lines 1 through 6).....	XXX	4,645,146	95,710	XXX	4,740,856	XXX	110,936	.0	4,851,792	XXX
8. Total (Lines 2 through 6).....	5,705,669	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

12.HM

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	NONE				
2. 1998.....					
3. 1999.....	.XXX				
4. 2000.....	.XXX	.XXX			
5. 2001.....	.XXX	.XXX	.XXX		
6. 2002.....	.XXX	.XXX	.XXX	.XXX	

SECTION B - INCURRED CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	NONE				
2. 1998.....					
3. 1999.....	.XXX				
4. 2000.....	.XXX	.XXX			
5. 2001.....	.XXX	.XXX	.XXX		
6. 2002.....	.XXX	.XXX	.XXX	.XXX	

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998.....	.XXX			.XXX	.0	.XXX			.0	.XXX
2. 1998.....				.0	.0	.0			.0	.0
3. 1999.....				.0	.0	.0			.0	.0
4. 2000.....				.0	.0	.0			.0	.0
5. 2001.....				.0	.0	.0			.0	.0
6. 2002.....				.0	.0	.0			.0	.0
7. Total (Lines 1 through 6).....	.XXX	.0	.0	.XXX	.0	.XXX	.0	.0	.0	.XXX
8. Total (Lines 2 through 6).....	.0	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX	.XXX

12.D0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves.....	.204	.204							
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$.0 for investment income).....	.0								
5. Aggregate write-ins for other policy reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross).....	.204	.204	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded.....	.0								
8. Totals (net) (Page 3, Line 4).....	.204	.204	.0	.0	.0	.0	.0	.0	.0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims.....	.0								
10. Reserve for future contingent benefits.....	2,399,211	1,314,823					1,084,388		
11. Aggregate write-ins for other claim reserves.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross).....	2,399,211	1,314,823	.0	.0	.0	.0	1,084,388	.0	.0
13. Reinsurance ceded.....	.0								
14. Totals (net) (Page 3, Line 5).....	2,399,211	1,314,823	.0	.0	.0	.0	1,084,388	.0	.0
DETAILS OF WRITE-INS									
0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0595) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 11911) (Line 11 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0

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(a) Includes \$.0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$.....0 for occupancy of own building).....	2,249,604	5,603,178		7,852,782
2. Salaries, wages and other benefits.....	28,117,473	80,806,886		108,924,359
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....		35,814,191		35,814,191
4. Legal fees and expenses.....		141,717		141,717
5. Certifications and accreditation fees.....				0
6. Auditing, actuarial and other consulting services.....	937,544	3,999,862		4,937,406
7. Traveling expenses.....	61,107	2,134,975		2,196,082
8. Marketing and advertising.....	1,018,326	14,438,014		15,456,340
9. Postage, express and telephone.....	6,311,595	11,107,931		17,419,526
10. Printing and office supplies.....	658,169	2,336,650		2,994,819
11. Occupancy, depreciation and amortization.....	2,973	499,571		502,544
12. Equipment.....	7,270	659,973		667,243
13. Cost or depreciation of EDP equipment and software.....	3,996,787	4,878,424		8,875,211
14. Outsourced services including EDP, claims, and other services.....	3,603,091	4,822,243		8,425,334
15. Boards, bureaus and association fees.....	15,440	301,362		316,802
16. Insurance, except on real estate.....		1,486,693		1,486,693
17. Collection and bank service charges.....		202,674		202,674
18. Group service and administration fees.....				0
19. Reimbursements by uninsured accident and health plans.....				0
20. Reimbursements from fiscal intermediaries.....				0
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....		77,398		77,398
23.2 State premium taxes.....		10,467,036		10,467,036
23.3 Regulatory authority licenses and fees.....		468,397		468,397
23.4 Payroll taxes.....	706,688	2,334,294		3,040,982
23.5 Other (excluding federal income and real estate taxes).....		195,781		195,781
24. Investment expenses not included elsewhere.....			237,658	237,658
25. Aggregate write-ins for expenses.....	0	(93,576)	0	(93,576)
26. Total expenses incurred (Lines 1 to 25).....	47,686,067	182,683,674	237,658	(a).....230,607,399
27. Add expenses unpaid December 31, prior year.....		3,533,519		3,533,519
28. Less expenses unpaid December 31, current year.....		1,688,377		1,688,377
29. Amounts receivable relating to uninsured accident and health plans, prior year.....				0
30. Amounts receivable relating to uninsured accident and health plans, current year.....				0
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30).....	47,686,067	184,528,816	237,658	232,452,541

DETAILS OF WRITE-INS

2501. Other Miscellaneous.....		(93,576)		(93,576)
2502.				0
2503.				0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	(93,576)	0	(93,576)

(a) Includes management fees of \$.....180,600,616 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....1,259,471	.....977,077
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....15,446,235	.....16,014,719
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....26,171	.....21,581
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....	.....
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash/short-term investments.....	(e).....926,834	.....926,834
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....17,658,711	.....17,940,211
11. Investment expenses.....	.....	(g).....237,658
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....237,658
17. Net investment income (Line 10 minus Line 16).....	.....	.....17,702,553

DETAILS OF WRITE-INS

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page.....		0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		0

- (a) Includes \$.....805,150 accrual of discount less \$.....1,405,508 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....352 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment		
1. U.S. government bonds.....	824,550				824,550
1.1 Bonds exempt from U.S. tax.....					0
1.2 Other bonds (unaffiliated).....	618,753				618,753
1.3 Bonds of affiliates.....					0
2.1 Preferred stocks (unaffiliated).....	53,802				53,802
2.11 Preferred stocks of affiliates.....					0
2.2 Common stocks (unaffiliated).....					0
2.21 Common stocks of affiliates.....					0
3. Mortgage loans.....					0
4. Real estate.....					0
5. Contract loans.....					0
6. Cash/short-term investments.....	231				231
7. Derivative instruments.....					0
8. Other invested assets.....					0
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0	0
10. Total capital gains (losses).....	1,497,336	0	0	0	1,497,336

DETAILS OF WRITE-INS

0901.					0
0902.					0
0903.					0
0998. Summary of remaining write-ins for Line 9 from overflow page..	0	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0	0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 10 to 16 and 19 to 20, Column 2.....	8,545,555	5,074,692	(3,470,863)
2. Other nonadmitted assets:			
2.1 Bills receivable.....			.0
2.2 Leasehold improvements.....	1,715	18,612	16,897
2.3 Cash advanced to or in hands of officers and agents.....			.0
2.4 Loans on personal security, endorsed or not.....			.0
2.5 Commuted commissions.....			.0
3. Total (Lines 2.1 to 2.5).....	1,715	18,612	16,897
4. Aggregate write-ins for other than invested assets.....	389,236	101,599	(287,637)
5. Total (Line 1 plus Lines 3 and 4).....	8,936,506	5,194,903	(3,741,603)

DETAILS OF WRITE-INS

0401. Other Current Assets.....		46,050	46,050
0402. Bonds.....	389,236	55,549	(333,687)
0403. ....			.0
0498. Summary of remaining write-ins for Line 4 from overflow page.....	.0	.0	.0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....	389,236	101,599	(287,637)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	665,322	590,934	565,494	529,581	522,713	6,641,408
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total.....	665,322	590,934	565,494	529,581	522,713	6,641,408

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.0	.0	.0	.0	.0	.0

NOTES TO FINANCIAL STATEMENTS

United HealthCare of Ohio, Inc.

Notes to statutory financial statements

For the years ended December 31, 2002 and 2001

1 Significant accounting policies**Basis of presentation**

United HealthCare of Ohio, Inc. (the Company) prepares its financial statements on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance and the Commonwealth of Kentucky Department of Insurance and the National Association of Insurance Commissioners. These practices differ from accounting principles generally accepted in the United States of America as certain assets, including certain deferred income taxes, certain aged premium and health care receivables, prepaid expenses, and certain fixed assets are considered non-admitted assets for statutory purposes and are excluded from the statutory statements of admitted assets, liabilities and net worth. The changes in non-admitted assets have been reflected in accumulated surplus in the accompanying statutory financial statements. Under accounting principles generally accepted in the United States of America, these assets would be included in the statements of admitted assets, liabilities and net worth. In addition, certain investments which would be shown at market value under accounting principles generally accepted in the United States of America are presented in the accompanying statutory statements of admitted assets, liabilities, and net worth at amortized cost and certain items that would be shown as cash equivalents under accounting principles generally accepted in the United States of America are included in short-term investments in the accompanying statutory statements of admitted assets, liabilities and net worth. Also, allowances for certain admitted aged receivables are not recorded for statutory reporting purposes in 2000.

Had the accompanying statutory financial statements been prepared in accordance with accounting principles generally accepted in the United States of America, the following would have been reported:

	<u>2002</u>	<u>2001</u>
Total current assets	\$ 69,425,243	\$ 107,789,849
Total assets	401,345,029	399,615,871
Total net worth	168,195,384	124,425,078
Total revenues	1,524,213,362	1,691,175,885
Total operating expenses	228,953,656	248,895,212
Net income	50,795,663	33,370,466

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of a health maintenance organization, for determining its solvency under Ohio Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted with modifications as a component of prescribed or permitted practices by the State of Ohio.

The state had adopted certain prescribed accounting practices that differ from those found in NAIC SAP, specifically certain fixed assets as furniture and fixtures and EDP equipment and software. The monetary effect on accumulated surplus of the differences between the state prescribed practices and those found in NAIC SAP are an increase in reported statutory surplus of \$504,000 in 2002 and \$1,633,000 in 2001.

Use of estimates

The preparation of financial statements include some amounts that are based upon the Company's estimates and judgments. The most significant estimates relate to medical services expenses and medical services payable. The Company adjusts these estimates as more current information becomes available, and any adjustment could have a significant impact on the Company's operating results. The impact of any changes in estimates is included in the determination of income in the period in which the change in estimate is identified.

Cash and cash equivalents

Cash and cash equivalents represent cash held by the Company in disbursement accounts and money market instruments with a maturity of three months or less at the time of purchase. Claims and other payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments. Cash and cash equivalents are reported at cost which approximates market value.

Investments

Short-term investments primarily represent the Company's share of an investment pool sponsored and administered by United HealthCare Services, Inc. (UHS) for the benefit of the UHS owned plans. The investment pool consists principally of investments with original maturities of less than one year with the average life of the individual investments being less than 60 days. The Company's share of the pool represents an undivided ownership interest in the pool and is immediately convertible to cash at no cost or penalty. The pool is primarily invested in government obligations, commercial paper, certificates of deposit and short-term

NOTES TO FINANCIAL STATEMENTS

agency notes and is recorded at cost, which approximates market value. Interest income from the pool accrues daily to participating members based upon ownership percentage.

Other investments which mature within one year from date of purchase are classified as short-term and are stated at amortized cost.

Investments which mature later than one year from the date of acquisition are classified as long-term. Investments consist principally of corporate bonds, governments obligations and municipal securities and are stated at amortized cost if they meet NAIC designation one or two and stated at the lower of amortized cost or an NAIC determined market value if they meet an NAIC designation of three or higher. Investments are valued and reported in accordance with the NAIC *Valuations of Securities* manual prepared by the NAIC Securities Valuation Office (Valuations of Securities manual).

The Company continually monitors the difference between the cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company believes is other than temporary, the Company records a realized loss in investment and other income in the statutory statement of operations.

Medical services expenses and payables

Medical services expenses include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, and estimates for the costs of health care services enrollees have received, but for which claims have not yet been submitted.

The estimates for incurred but not yet reported claims are developed using actuarial methods based upon historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates and other relevant factors. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during the years ended December 31, 2002 and 2001. Management believes the amount of medical services payable is adequate to cover the Company's liability for unpaid claims as of December 31, 2002, however actual claim payments may differ from those established estimates. Adjustments to medical services payable estimates are reflected in operating results in the period in which the change in estimate is identified.

Reinsurance ceded

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers under excess coverage and coinsurance contracts. Reinsurance premiums paid are deducted from premium revenues in the accompanying statutory financial statements.

Medical risk sharing

The Company has agreements with certain independent physicians that provide for the establishment of a fund into which the Company places monthly premiums payable for members assigned to the physician. The Company manages the disbursement of funds from this account as well as reviews the utilization of non-primary care medical services of members assigned to the physicians. Any surpluses or deficits in the fund are shared by the Company and the physician based upon predetermined risk-sharing percentages. Approximately \$504,000 at December 31, 2001 is included in health care receivables and offset against medical services expenses in the accompanying statutory financial statements related to these arrangements (see Note 20). These arrangements ended during 2001. The Company has no risk sharing receivable or payable as of December 31, 2002.

Premiums

Member premium and government program revenues are recognized in the period in which enrollees are entitled to receive health care services. Premiums received prior to the period of service are recorded as unearned premiums in the accompanying statutory statements of admitted assets, liabilities and net worth.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets, primarily three to ten years. Depreciation expense was \$1,218,000 in 2002 and \$1,800,000 in 2001.

Components of property and equipment at December 31 are as follows:

	<u>2002</u>	<u>2001</u>
Furniture, fixtures and equipment	\$ 802,000	\$ 1,136,000
Computer software and equipment	3,996,000	8,243,000
Less: accumulated depreciation	<u>(4,294,000)</u>	<u>(7,746,000)</u>
Net fixed assets	\$ 504,000	\$ 1,633,000

NOTES TO FINANCIAL STATEMENTS

Premium deficiency reserve

Premium deficiency reserves and the related expense are recognized when it is probable that expected future health care expenses, claim adjustment expenses and administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected in operating results in the period in which the change in estimate is identified. No such reserve was determined necessary to be recorded as of December 31, 2002 and 2001.

Vulnerability due to certain concentrations

The Company is subject to substantial federal and state government regulation, including licensing and other requirements relating to the offering of the Company's existing products in new markets and offerings of new products, both of which may restrict the Company's ability to expand its business.

Reclassifications

Certain 2001 amounts in the accompanying statutory financial statements have been reclassified to conform with the 2002 presentation. These reclassifications had no effect on statutory net income or net worth as previously reported.

2 Changes in accounting principles

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Ohio. Effective January 1, 2001, the State of Ohio required that insurance companies domiciled in the State of Ohio prepare their statutory basis financial statements in accordance with the NAIC SAP, 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 SAP are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to accumulated surplus in the period of the change. 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 a result of these changes, the Company reported changes in accounting principles, as an adjustment that decreased accumulated surplus, of approximately \$5,999,000 as of January 1, 2001.

Significant components of the total adjustment for changes in accounting principles are a reduction in accumulated surplus of approximately \$5,098,000 related to premiums receivable, a reduction in accumulated surplus of approximately \$5,448,000 related to pharmacy rebates and an increase in accumulated surplus of approximately \$4,547,000 related to deferred tax assets.

3 Business combinations and goodwill

The Company was not party to a business combination during the years ended December 31, 2002 and 2001 and does not carry goodwill on its statement of admitted assets, liabilities and net worth.

4 Discontinued operations

The Company did not discontinue any operations during the years ended December 31, 2002 and 2001.

5 Investments

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of investments totaled \$2,716,918 and \$1,219,582 for the year ended December 31, 2002 and \$2,303,655 and \$2,417,887 for the year ended December 31, 2001. The net realized gain or loss is included in investment and other revenue in the accompanying statutory statements of operations.

The Company has no mortgage loans, restructured debt, reverse mortgages, loan-backed securities or repurchase agreements.

As of December 31, 2002 and 2001, the amortized cost, fair value and gross unrealized holding gains and losses of the Company's short and long-term investments, excluding cash overdrafts of approximately \$14,785,000 and \$25,611,000 are as follows (in thousands):

NOTES TO FINANCIAL STATEMENTS

	Amortized cost	2002		Fair value
		Gross unrealized holding gains	Gross unrealized holding losses	
Commercial Paper	\$ 24,625	\$ -	\$ -	\$ 24,625
U.S. Government & Agency	59,547	5,043	-	64,590
State & State Agency	126,180	6,839	(42)	132,977
Municipalities & Local Agency	53,342	3,575	(6)	56,911
Corporate Bonds	<u>77,832</u>	<u>5,673</u>	<u>(396)</u>	<u>83,109</u>
Total	<u>\$341,526</u>	<u>\$ 21,130</u>	<u>\$ (444)</u>	<u>\$362,212</u>

	Amortized cost	2002		Fair value
		Gross unrealized holding gains	Gross unrealized holding losses	
Years to Maturity:	\$ -	\$ -	\$ -	\$ -
Less than one year	31,430	135	-	31,565
One to five years	80,873	5,416	(10)	86,279
Five to ten years	136,730	9,469	(434)	145,765
Over ten years	<u>92,493</u>	<u>6,110</u>	<u>-</u>	<u>98,603</u>
Total	<u>\$341,526</u>	<u>\$ 21,130</u>	<u>\$ (444)</u>	<u>\$362,212</u>

	Amortized cost	2001		Fair value
		Gross unrealized holding gains	Gross unrealized holding losses	
Commercial Paper	\$ 50,620	\$ -	\$ -	\$ 50,620
U.S. Government & Agency	106,144	2,419	(297)	108,266
State & State Agency	77,037	1,922	(117)	78,842
Municipalities & Local Agency	46,412	1,350	(129)	47,633
Corporate Bonds	<u>77,924</u>	<u>3,539</u>	<u>(277)</u>	<u>81,186</u>
Total	<u>\$358,137</u>	<u>\$ 9,230</u>	<u>\$ (820)</u>	<u>\$366,547</u>

The fair values of investments in the tables above are based upon market values provided by an external investment value provider. Included in the tables above are mortgage-backed securities which do not have a single maturity date. These securities have been presented in the maturity group based on the securities' final maturity date and a fair value of \$31,478,737. Prepayment assumptions for mortgage-backed securities were based on a three month constant prepayment history.

6 Joint ventures, partnerships and limited liability companies

The Company has no investments in joint ventures, partnerships or limited liability companies.

7 Investment income

The Company has admitted all investment income due and accrued in the statement of admitted assets, liabilities and net worth.

8 Derivative instruments

The Company has no derivative instruments.

9 Income taxes

The Company's operations are included in the consolidated federal income tax return of UnitedHealth Group Incorporated. Federal income taxes are paid to or refunded by UnitedHealth Group Incorporated pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis. Income taxes incurred in the current and prior years will be available for recoupment by the Company only in the event of future net losses of consolidated UnitedHealth Group Incorporated. The Company receives a benefit at the federal rate in the current year for net losses incurred in that year. Federal income taxes payable of \$3,334,000 in 2002 and \$9,460,000 in 2001 are included in the accompanying statutory statements of admitted assets, liabilities, and net worth. The financial statements, prepared in accordance with NAIC instructions, require that the benefit for state income taxes be included in operating expenses on the statutory statements of operations. Federal and state income tax payments, net of refunds, were \$27,772,000 during 2002 and federal and state income tax refunds, net of payments, were \$7,638,000 during 2001.

NOTES TO FINANCIAL STATEMENTS

Components of the net deferred tax asset/(liability) at December 31 are as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Deferred tax assets (admitted and non-admitted)	\$ 6,836	\$ 7,669
Deferred tax liabilities	83	188
Deferred tax assets non-admitted	<u>289</u>	<u>385</u>
Net deferred tax assets admitted	<u>\$ 6,464</u>	<u>\$ 7,096</u>
Decrease in deferred tax assets non-admitted	<u>\$ (96)</u>	<u>\$ (10,405)</u>

The components of the provision (benefit) for income taxes are as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Current income tax provision	\$ 21,646	\$ 5,098
Federal examination notice	-	(1,679)
Benefit of operating loss carryforwards	<u>-</u>	<u>(136)</u>
Total current federal income tax provision	<u>\$ 21,646</u>	<u>\$ 3,283</u>
Change in deferred tax assets	833	3,219
Change in deferred tax liabilities	<u>(106)</u>	<u>90</u>
Total change in net deferred income tax	<u>\$ 727</u>	<u>\$ 3,309</u>

In 2002 the total change in net deferred income tax is recorded on the statutory statement of change in net worth according to SSAP No. 10, *Income Taxes* and further interpretations provided by Q&A 10 - *A Guide to Implementation of SSAP No. 10 on Accounting for Income Taxes: Questions and Answers*. In 2001 the total change in net deferred tax was included along with total current federal income tax provision as income tax provision on the statutory statement of operations.

The Company has no deferred tax liabilities that are not recognized.

The main components of the 2002 and 2001 deferred tax assets are as follows (in thousands):

	<u>2002</u>	<u>2001</u>	<u>Change</u>
Medical reserves	\$ 3,216	\$ 3,442	\$ (226)
Unearned premiums	2,424	2,381	43
Bad debt allowance	547	575	(28)
Depreciation	373	394	(21)
Accrued expenses and other	<u>276</u>	<u>877</u>	<u>(601)</u>
Total deferred tax assets	<u>\$ 6,836</u>	<u>\$ 7,669</u>	<u>\$ (833)</u>
Deferred tax assets non-admitted	<u>\$ 289</u>	<u>\$ 385</u>	<u>\$ (96)</u>

The main components of the 2002 and 2001 deferred tax liabilities are as follows (in thousands):

	<u>2002</u>	<u>2001</u>	<u>Change</u>
Book over tax capital gains	\$ 82	-	\$ 82
Bond discount	<u>-</u>	<u>188</u>	<u>(182)</u>
Total deferred tax liabilities	<u>\$ 82</u>	<u>\$ 188</u>	<u>\$ (106)</u>

The Company's income tax expense differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes for the following reasons (in thousands):

	<u>2002</u>	<u>2001</u>
Tax provision at the federal statutory rate	\$ 25,731	\$ 13,565
Tax-exempt investment income	(1,999)	(1,713)
Other amounts	<u>(1,359)</u>	<u>(5,260)</u>
Total statutory income taxes	<u>\$ 22,373</u>	<u>\$ 6,592</u>
Provision (benefit) for income taxes	\$ 21,646	\$ 3,283
Change in net deferred income tax	<u>727</u>	<u>3,309</u>
Total statutory income taxes	<u>\$ 22,373</u>	<u>\$ 6,592</u>

Included in the 2001 provision amounts is a \$6,866,000 change in estimate which decreased the current income tax provision, which is included in other and state income taxes, net of federal benefit above.

At December 31, 2002 and 2001, the Company had no net operating loss carryforwards.

NOTES TO FINANCIAL STATEMENTS

10 Information concerning parent, subsidiaries and affiliates

The Company is a wholly owned subsidiary of United HealthCare Services, Inc. (UHS), an HMO management corporation which provides services to the Company under the terms of a management agreement. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated.

Pursuant to the terms of a management agreement, UHS will provide management services to the Company, until terminated upon the written agreement of both parties, for a fee based on a percentage of member premiums and government program revenues. Management fees under this arrangement totaled approximately \$180,601,000 in 2002 and \$200,797,000 in 2001 are included in total operating expenses in the accompanying statutory statements of operations. In addition, UHS pays, on the Company's behalf, certain selling, general and administrative expenses not covered within the scope of the management agreement. UHS is reimbursed for these expenses by the Company, which totaled approximately \$47,315,000 in 2002 and \$45,895,000 in 2001 and are included in operating expenses in the accompanying statutory statements of operations.

The Company has an agreement with UHS to provide administrative services related to pharmacy management and claims processing for its enrollees. Fees related to these agreements, which are calculated on a per claim basis, of approximately \$1,415,000 in 2002 and \$2,037,000 in 2001 are included in operating expenses in the accompanying statutory statements of operations. Additionally, UHS collects rebates on certain pharmaceutical products based on member utilization. Rebates received by the Company related to these agreements of approximately \$26,259,000 in 2002 and \$7,136,000 in 2001 are included as a reduction to medical services expenses in the accompanying statutory statements of operations.

The Company has a contract with United Behavioral Health, a wholly owned subsidiary of UHS, to provide mental health and substance abuse services for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, of approximately \$39,033,000 in 2002 and \$44,241,000 in 2001 are included in medical services expenses in the accompanying statutory statements of operations.

The Company has a reinsurance agreement with United HealthCare Insurance Company (UHIC), a wholly owned subsidiary of Unimerica, Inc., which is a wholly owned subsidiary of UHS, to provide for insolvency protection, member out-of-area conversion privileges, to cover hospital inpatient claims in excess of certain limits and small groups out-of-network coverage. Reinsurance premiums, which are calculated on a per member per month basis, of approximately \$3,593,000 in 2002 and \$4,928,000 in 2001 are deducted from premium revenues in the accompanying statutory statements of operations. Reinsurance recoveries of approximately \$3,908,000 in 2002 and \$2,844,000 in 2001 are deducted from medical services expenses in the accompanying statutory statements of operations. Reinsurance receivables of approximately \$365,000 in 2001 are included in the accompanying statutory statements of admitted assets, liabilities and net worth. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

The Company has an agreement with OPTUM, a division of UHS, to provide a 24-hour call-in service, called Care24, and an immediate access employee assistance program to its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, of approximately \$5,739,000 in 2002 and \$6,914,000 in 2001 are included in medical services expenses in the accompanying statutory statements of operations.

The Company contracts with United Resource Network, a division of UHS, to provide access to a network of transplant providers for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, of approximately \$875,000 in 2002 and \$642,000 in 2001 are included in medical services expenses in the accompanying statutory statements of operations.

The Company has a contract with Coordinated Vision Care, a division of UHS, to provide administrative services related to vision benefit management and claims processing for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, of approximately \$592,000 in 2002 and \$671,000 in 2001 are included in medical services expenses in the accompanying statutory statements of operations.

Beginning September 1, 2002, the Company has a contract with ACN Group, Inc., a wholly owned subsidiary of UHS, to provide chiropractic and physical therapy services for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, of approximately \$64,000 are included in medical services expenses in the accompanying statements of operations.

On September 13, 2002, the Company paid a cash dividend of \$150,000 per share of common stock of the Company, \$15,000,000 in the aggregate, to UHS out of accumulated surplus as calculated based on the State of Ohio's minimum net worth requirements.

11 Debt

The Company had no outstanding debt during 2002 and 2001.

12 Retirement plans, deferred compensation and other postretirement benefit plans

The Company has no retirement plan, deferred compensation and other benefit plans, since all personnel are employees of UHS, which provides services to the Company under the terms of a management agreement (see Note 10).

NOTES TO FINANCIAL STATEMENTS

13 Capital and surplus, shareholders' dividend restrictions and quasi-reorganizations

The Company has 750 shares authorized and 100 shares issued and outstanding of no-par value common stock. The Company has no preferred stock outstanding.

Payments of dividends may be restricted by the Ohio Department of Insurance and the Commonwealth of Kentucky Department of Insurance, which generally require that dividends be paid out of accumulated surplus.

The portion of accumulated surplus represented or reduced by each item below is as follows:

	<u>2002</u>	<u>2001</u>
Non-admitted asset values:	\$8,937,000	\$5,195,000

The Company does not have any outstanding surplus notes.

14 Contingencies

The Company is involved in legal actions which arise in the ordinary course of its business. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material effect upon the financial position or results of operations of the Company.

15 Leases

According to the management agreement (see Note 10) between the Company and UHS, operating leases for the rental of office facilities and equipment are the responsibility of UHS.

16 Financial instruments with off-balance sheet risk or concentrations of credit risk

The Company does not hold any financial instruments with off-balance sheet risk or concentrations of credit risk.

17 Sale, transfer and servicing of financial assets and extinguishments of liabilities

The Company did not participate in any transfer of receivables, financial assets or wash sales.

18 Gain or loss to the HMO from uninsured accident & health plans and the uninsured portion of partially insured plans

The Company had no gain or loss from uninsured or partially insured accident and health plans.

19 Direct premium written/produced by managing general agents/third party administrators

The Company did not have any direct premium written or produced by managing general agents or third party administrators.

20 Other items

The Company elected to use rounding in reporting amounts in the statement.

The events of September 11, 2001 and their aftermath did not have a material financial impact on the Company's operations. The Company will continue to monitor the potential impact of these events on its business.

Risk share receivables

The Company estimates its risk share receivables by evaluating the premiums, paid claims and medical reserves, less any benefit carveouts, for the members covered by the risk share arrangement.

The following table discloses risk sharing receivables and collections for the years ended December 31, 2002 and 2001 (in thousands). As of December 31, 2002, the Company had no risk-sharing receivables (see Note 1).

<u>Fiscal year</u>	<u>Contract period year ending</u>	Risk sharing receivable as estimated and reported in the prior year	Risksharing receivable as estimated and reported in the current year	Risk sharing receivable invoiced	Risk sharing receivable not invoiced	Actual risk sharing amounts collected in current year/ subsequent year invoiced
2002	2000	\$ 177	-	\$ 177	-	\$ (68)
	2001	\$ 387	-	\$ 387	-	(800)
2001	2000	-	\$ 117	-	\$ 117	-
	2001	-	\$ 387	-	\$ 387	-

NOTES TO FINANCIAL STATEMENTS

21 Subsequent events

There are no events subsequent to December 31, 2002 that require disclosure.

22 Reinsurance**Unsecured reinsurance recoverables**

The Company does not have an unsecured aggregate reinsurance recovery receivable with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

Reinsurance recoverable in dispute

The Company does not have a reinsurance recovery receivable balance that is being disputed by any individual reinsurer.

Reinsurance assumed and ceded

The Company does not have a provision in their reinsurance contract to return commission to the reinsurer in the event that the Company cancels their reinsurance policy.

Uncollectible reinsurance

During 2002 and 2001, there were no uncollectible reinsurance receivables.

Commutation of reinsurance

The Company has a reinsurance agreement with UHIC. This contract provides for insolvency protection, member out-of-area conversion privileges and protection from catastrophic hospital claims. During 2002 and 2001, there was no commutation of reinsurance.

Retroactive reinsurance

The Company did not have a retroactive reinsurance agreement in 2002 or 2001.

23 Retrospectively rated contracts

The Company did not have any retrospectively rated contracts in 2002 or 2001.

24 Salvage and subrogation

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2002 and 2001 the Company had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

25 Change in incurred claims

Changes in estimates related to prior years' incurred claims are included in medical services expenses in the current year in the accompanying statutory statements of operations. The following tables disclose paid claims, incurred claims and the balance in the unpaid claims reserve for the year's ended December 31, 2002 and 2001 (in thousands):

<u>2002</u>	<u>Current year incurred claims</u>	<u>Prior years' incurred claims</u>	<u>Total</u>
Beginning of year claims reserve	\$ -	\$ (176,197)	\$ (176,197)
Paid claims	1,108,378	136,176	1,244,554
End of year claim reserve	<u>141,505</u>	<u>6,872</u>	<u>148,377</u>
Incurred claims	<u>\$ 1,249,883</u>	<u>\$ (33,149)</u>	<u>\$ 1,216,734</u>
<u>2001</u>	<u>Current year incurred claims</u>	<u>Prior years' incurred claims</u>	<u>Total</u>
Beginning of year claims reserve	\$ -	\$ (197,239)	\$ (197,239)
Paid claims	1,257,701	178,424	1,436,125
End of year claim reserve	<u>173,783</u>	<u>3,863</u>	<u>177,646</u>
Incurred claims	<u>\$ 1,431,484</u>	<u>\$ (14,952)</u>	<u>\$ 1,416,532</u>

NOTES TO FINANCIAL STATEMENTS

The Company received clarification from the NAIC during 2002 as to the components and presentation of the claim reserve rollforward in the tables above. Based upon this clarification, the beginning and end of year claim reserves in 2002 are shown net of health care receivables. In 2001 incurred claims are shown net of the effect of health care and reinsurance receivables.

The Company incurred claims adjustment expenses of approximately \$47,686,000 in 2002 and \$66,642,000 in 2001. These costs are included in the management service fees paid by the Company to UHS as a part of its management agreement. It is the responsibility of UHS to pay claims adjustment expenses in the event that the Company ceases operations.

26 Organization and operation

The Company, a for-profit health maintenance organization (HMO) whose operations are located throughout the State of Ohio and northern Kentucky, offers its enrollees a variety of managed care programs and products through contractual arrangements with health care providers. The Company has entered into contracts with physicians, hospitals, and other health care providers pursuant to which such providers deliver medical care to its enrollees primarily on a modified fee-for-service or capitated basis. The Company was incorporated on May 14, 1985 and in August 1985 received its certificate of authority to operate as an HMO in the state of Ohio. The Company is licensed to operate in various Ohio and Kentucky counties.

The Company is a wholly owned subsidiary of UHS, and HMO management corporation which provides services to the Company under the terms of a management agreement (see Note 10). UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated.

Effective January 1, 2002 the Company exited two counties in which it offered its Medicare product. The revenues associated with these counties for the year ended December 31, 2001 were approximately \$12,370,000.

27 Minimum net worth

Risk-based capital (RBC) is a regulatory method of measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The Company is required by the Ohio Department of Insurance to have a minimum of \$80,406,000 in capital by December 31, 2002 in accordance with NAIC Model Act formula for calculating RBC requirements. The Company has approximately \$146,180,000 of RBC, which is in compliance with the required amount as of December 31, 2002.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	6,786,704	2.1	6,786,704	2.1
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....	13,969,153	4.3	13,969,153	4.3
1.22 Issued by U.S. government sponsored agencies.....		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....	1,493,480	0.5	1,493,480	0.5
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....	46,889,778	14.3	46,889,778	14.4
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....	24,518,912	7.5	24,518,912	7.5
1.43 Revenue and assessment obligations.....	108,112,934	33.0	108,112,934	33.1
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA.....		0.0		0.0
1.512 Issued by FNMA and FHLMC.....	29,476,657	9.0	29,476,657	9.0
1.513 Privately issued.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC.....	9,314,565	2.8	9,314,565	2.9
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....		0.0		0.0
1.523 All other privately issued.....	16,454,913	5.0	16,454,913	5.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....	60,273,644	18.4	59,884,408	18.3
2.2 Unaffiliated foreign securities.....		0.0		0.0
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated.....		0.0		0.0
3.42 Unaffiliated.....		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....		0.0		0.0
5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....		0.0		0.0
6. Policy loans.....		0.0		0.0
7. Receivables for securities.....	9,898	0.0	9,898	0.0
8. Cash and short-term investments.....	9,839,606	3.0	9,839,606	3.0
9. Other invested assets.....		0.0		0.0
10. Total invested assets.....	327,140,244	100.0	326,751,008	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []

1.3 State regulating? Ohio

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

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

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1999

3.2 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. 12/31/1999

3.3 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). 10/04/2001

3.4 By what department or departments? Ohio Department of Insurance

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [] No [X]

4.22 renewals? Yes [] No [X]

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 the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

6.1 Has the 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]

6.2 If yes, give full information: _____

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes,
7.21 State the percentage of foreign control.0.000 %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Deloitte & Touche, LLP Minneapolis, MN
-
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 Thomas Burton, Senior Vice President and Chief Actuary of United HealthCare Insurance Company, an affiliate of United HealthCare of Ohio, Inc. Hartford, CT
-
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
-
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []
13. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.11 To directors or other officers \$.....0
- 14.12 To stockholders not officers \$.....0
- 14.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.21 To directors or other officers \$.....0
- 14.22 To stockholders not officers \$.....0
- 14.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- 15.21 Rented from others \$.....0
- 15.22 Borrowed from others \$.....0
- 15.23 Leased from others \$.....0
- 15.24 Other \$.....0
- Disclose in the Notes to Financial the nature of each obligation.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 16.2 If answer is yes:
- 16.21 Amount paid as losses or risk adjustment \$.....0
- 16.22 Amount paid as expenses \$.....0
- 16.23 Other amounts paid \$.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred.....	.....	.....	.....	.....	Yes [].....No [].....	Yes [].....No [].....
Common.....	.....750,000	.....100,000	.....	.....XXX.....	.....XXX.....XXX.....	.....XXX.....XXX.....

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 2-Special Deposits? Yes [X] No []

18.2 If no, give full and complete information relating thereto.

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Loaned to others	\$.....0
19.22 Subject to repurchase agreements	\$.....0
19.23 Subject to reverse repurchase agreements	\$.....0
19.24 Subject to dollar repurchase agreements	\$.....0
19.25 Subject to reverse dollar repurchase agreements	\$.....0
19.26 Pledged as collateral	\$.....0
19.27 Placed under option agreements	\$.....0
19.28 Letter stock or securities restricted as to sale	\$.....0
19.29 Other	\$.....0

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31	_____
19.32	_____
19.33	_____
19.34	_____
19.35	_____
19.36	_____
19.37	_____
19.38	_____
19.39	_____

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

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

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

22. 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 []

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

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank	801 Pennsylvania Ave, 4th Floor, Kansas City, MO 64105

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 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)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [] No []

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

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

22.05 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 Number(s)	2 Name	3 Address
43373	Travelers Asset Management	One Tower Square Hartford, CT 06183-2030

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....0

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid

24.1 Amount of payments for legal expenses, if any? \$.....23,920

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
McDermott Will & Emery	16,497

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]											
1.2 If yes, indicate premium earned on U.S. business only	\$.....	0											
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....	0											
1.31 Reason for excluding													
<hr/>													
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$.....	0											
1.5 Indicate total incurred claims on all Medicare Supplement insurance.	\$.....	0											
1.6 Individual policies:													
Most current three years:													
1.61 Total premium earned	\$.....	0											
1.62 Total incurred claims	\$.....	0											
1.63 Number of covered lives	0											
All years prior to most current three years:													
1.64 Total premium earned	\$.....	0											
1.65 Total incurred claims	\$.....	0											
1.66 Number of covered lives	0											
1.7 Group policies:													
Most current three years:													
1.71 Total premium earned	\$.....	0											
1.72 Total incurred claims	\$.....	0											
1.73 Number of covered lives	0											
All years prior to most current three years:													
1.74 Total premium earned	\$.....	0											
1.75 Total incurred claims	\$.....	0											
1.76 Number of covered lives	0											
2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]											
2.2 If yes, give particulars:													
<hr/>													
3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]											
3.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]											
4.1 Does the reporting entity have stop-loss reinsurance?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]											
4.2 If no, explain:													
<hr/>													
4.3 Maximum retained risk (see instructions):													
4.31 Comprehensive medical	\$.....	390,000											
4.32 Medical only	\$.....	0											
4.33 Medicare supplement	\$.....	0											
4.34 Dental	\$.....	0											
4.35 Other limited benefit plan	\$.....	0											
4.36 Other	\$.....	0											
5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: <u>Hold harmless clauses in provider agreements and continuation of coverage endorsements in reinsurance agreement.</u>													
<hr/>													
6.1 Does the reporting entity set up its claim liability for provider services on a service data base?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]											
6.2 If no, give details:													
<hr/>													
7. Provide the following information regarding participating providers:													
7.1 Number of providers at start of reporting year	19,049											
7.2 Number of providers at end of reporting year	16,879											
8.1 Does the reporting entity have business subject to premium rate guarantees?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]											
8.2 If yes, direct premium earned:													
8.21 Business with the rate guarantees between 15-36 months	\$.....	0											
8.22 Business with rate guarantees over 36 months	\$.....	0											
9.1 Does the reporting entity have Bonus/withhold arrangements in its provider contracts?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]											
9.2 If yes:													
9.21 Maximum amount payable bonuses	\$.....	0											
9.22 Amount actually paid for year bonuses	\$.....	0											
9.23 Maximum amount payable withholds	\$.....	0											
9.24 Amount actually paid for year withholds	\$.....	0											
10. List service areas in which reporting entity is licensed to operate:													
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">1</td> </tr> <tr> <td style="text-align: center; border-bottom: 1px solid black;">Name of Service Area</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Ohio Counties</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Adams</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Allen</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Ashland</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Ashtabula</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Athens</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Auglaize</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Belmont</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Brown</td> </tr> </table>			1	Name of Service Area	Ohio Counties	Adams	Allen	Ashland	Ashtabula	Athens	Auglaize	Belmont	Brown
1													
Name of Service Area													
Ohio Counties													
Adams													
Allen													
Ashland													
Ashtabula													
Athens													
Auglaize													
Belmont													
Brown													

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

Butler
Carroll
Champaign
Clark
Clermont
Clinton
Columbiana
Coshocton
Crawford
Cuyahoga
Darke
Delaware
Erie
Fairfield
Fayette
Franklin
Gallia
Geauga
Greene
Guernsey
Hamilton
Hardin
Harrison
Highland
Hocking
Holmes
Huron
Jackson
Jefferson
Knox
Lake
Lawrence
Licking
Logan
Lorain
Lucas
Madison
Mahoning
Marion
Medina
Meigs
Mercer
Miami
Montgomery
Monroe
Morgan
Morrow
Muskingum
Noble
Ottawa
Perry
Pickaway
Pike
Portage
Preble
Richland
Ross
Sandusky
Scioto
Seneca
Shelby
Stark
Summit
Trumbull
Tuscarawas
Union
Vinton
Warren
Washington
Wayne
Wood
Wyandot
Kentucky Counties
Boone
Campbell
Kenton
Indiana County
Dearborn

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23).....	345,971,036	363,024,837	315,039,072	291,276,855	293,882,738
2. Total liabilities (Page 3, Line 18).....	199,791,016	249,247,985	269,812,466	220,315,427	240,383,504
3. Statutory surplus.....	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
4. Total capital and surplus (Page 3, Line 26).....	146,180,020	113,776,852	45,226,606	70,961,428	53,499,234
Income Statement Items (Page 4)					
5. Total revenues (Line 7).....	1,501,412,345	1,668,382,552	1,509,965,175	1,271,379,104	1,118,568,364
6. Total medical and hospital expenses (Line 17).....	1,216,733,697	1,396,557,102	1,324,963,788	1,071,272,899	952,243,699
7. Total administrative expenses (Line 19).....	182,683,674	183,086,661	161,828,850	192,942,691	172,372,545
8. Net underwriting gain (loss) (Line 22).....	54,308,907	22,096,816	(46,857,052)	7,163,514	(6,047,880)
9. Net investment gain (loss) (Line 25).....	19,199,893	17,829,623	15,231,938	14,715,170	13,349,052
10. Total other income (Lines 26 plus 27).....	9,921	36,027	25,208		61,822
11. Net income or (loss) (Line 30).....	51,872,183	33,370,466	(19,320,906)	15,619,684	5,987,994
Risk-Based Capital Analysis					
12. Total adjusted capital.....	146,180,020	113,776,852	45,226,606		
13. Authorized control level risk-based capital.....	44,669,968	52,128,512	48,178,453		
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7).....	522,713	665,322	787,720	710,106	665,385
15. Total member months (Column 6, Line 7).....	6,641,408	8,504,111	9,119,976	8,156,926	7,555,320
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5)					
16. Premiums earned (Lines 2 plus 3).....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17).....	81.0	83.7	87.7	83.3	84.1
18. Total underwriting deductions (Line 21).....	96.4	98.7	103.1	98.3	99.3
19. Total underwriting gain (loss) (Line 22).....	3.6	1.3	(3.1)	0.6	(0.5)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5).....	143,048,025	182,286,609	149,963,664	141,314,099	121,198,313
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	176,197,412	197,239,332	140,758,381	150,541,271	129,437,664

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....					
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....					
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....					
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....					
26. Affiliated mortgage loans on real estate.....					
27. All other affiliated.....					
28. Total of above Lines 22 to 27.....	0	0	0	0	0

NONE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS				
Governments (Including all obligations guaranteed by governments)	1. United States.....20,755,857	.....23,202,414	.....20,832,908	.....19,385,122
	2. Canada.....	.....	.....	.....
	3. Other Countries.....	.....	.....	.....
	4. Totals.....20,755,857	.....23,202,414	.....20,832,908	.....19,385,122
States, Territories and Possessions (Direct and guaranteed)	5. United States.....46,889,778	.....46,889,778	.....47,382,980	.....44,660,000
	6. Canada.....1,493,480	.....1,870,725	.....1,493,205	.....1,500,000
	7. Other Countries.....	.....	.....	.....
	8. Totals.....48,383,258	.....48,760,503	.....48,876,185	.....46,160,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....24,518,912	.....24,917,763	.....24,672,584	.....23,760,000
	10. Canada.....	.....	.....	.....
	11. Other Countries.....	.....	.....	.....
	12. Totals.....24,518,912	.....24,917,763	.....24,672,584	.....23,760,000
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....149,537,386	.....149,648,208	.....150,296,067	.....143,917,259
	14. Canada.....	.....	.....	.....
	15. Other Countries.....	.....	.....	.....
	16. Totals.....149,537,386	.....149,648,208	.....150,296,067	.....143,917,259
Public Utilities (unaffiliated)	17. United States.....4,998,316	.....5,325,150	.....4,998,100	.....5,000,000
	18. Canada.....	.....	.....	.....
	19. Other Countries.....	.....	.....	.....
	20. Totals.....4,998,316	.....5,325,150	.....4,998,100	.....5,000,000
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....67,278,924	.....69,371,985	.....67,598,021	.....67,488,894
	22. Canada.....1,428,851	.....1,745,587	.....1,427,974	.....1,430,000
	23. Other Countries.....	.....	.....	.....
	24. Totals.....68,707,775	.....71,117,572	.....69,025,995	.....68,918,894
Parent, Subsidiaries and Affiliates	25. Totals.....	.....	.....	.....
	26. Total Bonds.....316,901,504	.....322,971,610	.....318,701,839	.....307,141,275
PREFERRED STOCKS				
Public Utilities (Unaffiliated)	27. United States.....	.....	.....	.....
	28. Canada.....	.....	.....	.....
	29. Other Countries.....	.....	.....	.....
	30. Totals.....0	.....0	.....0	.....0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	.....	.....	.....
	32. Canada.....	.....	.....	.....
	33. Other Countries.....	.....	.....	.....
	34. Totals.....0	.....0	.....0	.....0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....	.....	.....	.....
	36. Canada.....	.....	.....	.....
	37. Other Countries.....	.....	.....	.....
	38. Totals.....0	.....0	.....0	.....0
Parent, Subsidiaries and Affiliates	39. Totals.....	.....	.....	.....
	40. Total Preferred Stocks.....0	.....0	.....0	.....0
COMMON STOCKS				
Public Utilities (Unaffiliated)	41. United States.....	.....	.....	.....
	42. Canada.....	.....	.....	.....
	43. Other Countries.....	.....	.....	.....
	44. Totals.....0	.....0	.....0	.....0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....	.....	.....	.....
	46. Canada.....	.....	.....	.....
	47. Other Countries.....	.....	.....	.....
	48. Totals.....0	.....0	.....0	.....0
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	.....	.....	.....
	50. Canada.....	.....	.....	.....
	51. Other Countries.....	.....	.....	.....
	52. Totals.....0	.....0	.....0	.....0
Parent, Subsidiaries and Affiliates	53. Totals.....	.....	.....	.....
	54. Total Common Stocks.....0	.....0	.....0	.....0
	55. Total Stocks.....0	.....0	.....0	.....0
	56. Total Bonds and Stocks.....316,901,504	.....322,971,610	.....318,701,839	.....307,141,275

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....254,799,045.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year.....	307,516,784		6. Foreign exchange adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	207,743,053		6.1 Column 17, Part 1.....
3. Increase (decrease) by adjustment:			6.2 Column 13, Part 2, Section 1.....
3.1 Column 16, Part 1.....	(844,772)		6.3 Column 11, Part 2, Section 2.....
3.2 Column 12, Part 2, Section 1.....			6.4 Column 11, Part 4.....
3.3 Column 10, Part 2, Section 2.....			0
3.4 Column 10, Part 4.....	244,766	(600,006)	7. Book/adjusted carrying value at end of current period.....
4. Total gain (loss), Column 14, Part 4.....	1,497,336		316,901,504
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4...	199,255,663		8. Total valuation allowance.....
			316,901,504
			9. Subtotal (Lines 7 plus 8).....
			316,901,504
			10. Total nonadmitted amounts.....
			316,901,504
			11. Statement value of bonds and stocks, current period.....
			316,901,504

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only			
			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	Yes	20,810,538			
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	Yes	1,208,305,204	237,768,074		38,738,975
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	XXX	XXX	0	0	0	0
58. Total (Direct Business).....	XXX	(a) 2	1,229,115,742	237,768,074	0	38,738,975

DETAILS OF WRITE-INS

5701.					
5702.					
5703.					
5798. Summary of remaining write-ins for line 57 from overflow page.....			0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....			0	0	0

Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

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

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

PART 1 – ORGANIZATIONAL CHART
