



**DIRECTORS OR TRUSTEES (continued)**

J. B. Silvers  
Richard A. Merolla

Bernett L. Williams

**ASSETS**

|  | Current Year |                            |                             | Prior Year                  |
|--|--------------|----------------------------|-----------------------------|-----------------------------|
|  | 1<br>Assets  | 2<br>Nonadmitted<br>Assets | 3<br>Net Admitted<br>Assets | 4<br>Net Admitted<br>Assets |
| 1. Bonds .....   | 12,488,938   |                            | 12,488,938                  | 9,490,385                   |
| 2. Stocks: .....   |              |                            |                             |                             |
| 2.1 Preferred stocks .....   |              |                            |                             |                             |
| 2.2 Common stocks .....  |              |                            |                             |                             |
| 3. Mortgage loans on real estate: .....  |              |                            |                             |                             |
| 3.1 First liens .....  |              |                            |                             |                             |
| 3.2 Other than first liens .....   |              |                            |                             |                             |
| 4. Real estate (Schedule A): .....   |              |                            |                             |                             |
| 4.1 Properties occupied by the company (less \$..... encumbrances) .....   | 42,191       | 42,191 (a)                 |                             |                             |
| 4.2 Properties held for the production of income (less \$..... encumbrances) .....   |              |                            |                             |                             |
| 4.3 Properties held for sale (less \$..... encumbrances) .....   |              |                            |                             |                             |
| 5. Cash (\$.....18,636,574, Schedule E - Part 1) and short-term investments (\$.....834,927,<br>Schedule DA - Part 2) .....    | 19,471,501   |                            | 19,471,501                  | 21,375,068                  |
| 6. Other long-term invested assets .....   |              |                            |                             |                             |
| 7. Receivable for securities .....   |              |                            |                             |                             |
| 8. Aggregate write-ins for invested assets .....   |              |                            |                             |                             |
| 9. Subtotal, cash and invested assets (Lines 1 to 8) .....   | 32,002,630   | 42,191                     | 31,960,439                  | 30,865,453                  |
| 10. Accident and health premiums due and unpaid .....  | 12,332,236   | 229,014                    | 12,103,222                  | 9,083,864                   |
| 11. Health care receivables .....  |              |                            |                             |                             |
| 12. Amounts recoverable from reinsurers .....  |              |                            |                             |                             |
| 13. Net adjustment in assets and liabilities due to foreign exchange rates .....   |              |                            |                             |                             |
| 14. Investment income due and accrued .....  | 195,254      |                            | 195,254                     | 140,180                     |
| 15. Amounts due from parent, subsidiaries and affiliates .....   | 411,725      |                            | 411,725                     | 624,911                     |
| 16. Amounts receivable relating to uninsured accident and health plans .....   |              |                            |                             |                             |
| 17. Furniture and equipment .....  | 744,676      | 744,676                    |                             |                             |
| 18. Amounts due from agents .....  |              |                            |                             |                             |
| 19. Federal and foreign income tax recoverable and interest thereon (including \$.....811,545<br>net deferred tax asset) ..... | 1,577,308    | 765,763                    | 811,545                     |                             |
| 20. Electronic data processing equipment and software .....  | 4,246,729    | 3,800,650                  | 446,079                     | 497,837                     |
| 21. Other nonadmitted assets .....   |              |                            |                             |                             |
| 22. Aggregate write-ins for other than invested assets .....   | 805,666      | 513,748                    | 291,918                     | 2,402,490                   |
| 23. Total assets (Lines 9 plus 10 through 22) .....  | 52,316,224   | 6,096,042                  | 46,220,182                  | 43,614,735                  |
| <b>DETAILS OF WRITE-INS</b>  |              |                            |                             |                             |
| 0801 .....   |              |                            |                             |                             |
| 0802 .....   |              |                            |                             |                             |
| 0803 .....   |              |                            |                             |                             |
| 0898. Summary of remaining write-ins for Line 8 from overflow page .....   |              |                            |                             |                             |
| 0899. TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above) .....  |              |                            |                             |                             |
| 2201. Other Receivables .....  | 291,918      |                            | 291,918                     | 1,214,703                   |
| 2202. Prepaid Interest .....   |              |                            |                             | 19,269                      |
| 2203. Goodwill .....   | 127,145      | 127,145                    |                             |                             |
| 2298. Summary of remaining write-ins for Line 22 from overflow page .....  | 386,603      | 386,603                    |                             | 1,168,518                   |
| 2299. TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above) .....   | 805,666      | 513,748                    | 291,918                     | 2,402,490                   |

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

**LIABILITIES, CAPITAL AND SURPLUS**

|   | Current Year |                |            | Prior Year |
|---|--------------|----------------|------------|------------|
|   | 1<br>Covered | 2<br>Uncovered | 3<br>Total | 4<br>Total |
| 1. Claims unpaid (less \$..... reinsurance ceded) .....   | 5,034,620    |                | 5,034,620  | 3,399,602  |
| 2. Accrued medical incentive pool and bonus payments .....  |              |                |            |            |
| 3. Unpaid claims adjustment expenses .....  | 129,330      |                | 129,330    | 68,767     |
| 4. Aggregate policy reserves .....  |              |                |            |            |
| 5. Aggregate claim reserves .....   |              |                |            |            |
| 6. Premiums received in advance .....   | 23,191,362   |                | 23,191,362 | 19,476,853 |
| 7. General expenses due or accrued .....  | 1,321,676    |                | 1,321,676  | 1,887,438  |
| 8. Federal and foreign income tax payable and interest thereon (including \$..... on<br>realized capital gains (losses)) (including \$..... net deferred tax liability) ..... |              |                |            |            |
| 9. Amounts withheld or retained for account of others .....   |              |                |            |            |
| 10. Borrowed money (including \$..... current) and interest thereon \$.....<br>(including \$..... current) .....  |              |                |            |            |
| 11. Amounts due to parent, subsidiaries and affiliates .....  | 825,191      |                | 825,191    | 2,514,696  |
| 12. Payable to securities .....   |              |                |            |            |
| 13. Funds held under reinsurance treaties with (\$..... authorized reinsurers and<br>\$..... unauthorized reinsurers) .....   |              |                |            |            |
| 14. Reinsurance in unauthorized companies .....   |              |                |            |            |
| 15. Net adjustments in assets and liabilities due to foreign exchange rates .....   |              |                |            |            |
| 16. Liability for amounts held under uninsured accident and health plans .....  |              |                |            |            |
| 17. Aggregate write-ins for other liabilities (including \$..... current) .....   | 1,356,180    |                | 1,356,180  |            |
| 18. Total liabilities (Lines 1 to 17) .....   | 31,858,359   |                | 31,858,359 | 27,347,356 |
| 19. Common capital stock .....  | X X X        | X X X          | 570        | 570        |
| 20. Preferred capital stock .....   | X X X        | X X X          | 100        | 100        |
| 21. Gross paid in and contributed surplus .....   | X X X        | X X X          | 12,306,123 | 11,948,443 |
| 22. Surplus notes .....   | X X X        | X X X          |            |            |
| 23. Aggregate write-ins for other than special surplus funds .....  | X X X        | X X X          |            |            |
| 24. Unassigned funds (surplus) .....  | X X X        | X X X          | 2,055,030  | 4,318,266  |
| 25. Less treasury stock, at cost:   | X X X        | X X X          |            |            |
| 25.1 ..... shares common (value included in Line 19 \$.....)  | X X X        | X X X          |            |            |
| 25.2 ..... shares preferred (value included in Line 20 \$.....)   | X X X        | X X X          |            |            |
| 26. Total capital and surplus (Lines 19 to 25) .....  | X X X        | X X X          | 14,361,823 | 16,267,379 |
| 27. Total liabilities, capital and surplus (Lines 18 and 26) .....  | X X X        | X X X          | 46,220,182 | 43,614,735 |
| <b>DETAILS OF WRITE-INS</b>   |              |                |            |            |
| 1701. Loss adjustment expense reserve .....   |              |                |            |            |
| 1702. Payroll liability .....   | 540,577      |                | 540,577    |            |
| 1703. Deferred tax liability .....  |              |                |            |            |
| 1798. Summary of remaining write-ins for Line 17 from overflow page .....   | 815,603      |                | 815,603    |            |
| 1799. TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above) .....  | 1,356,180    |                | 1,356,180  |            |
| 2301 .....  | X X X        | X X X          |            |            |
| 2302 .....  | X X X        | X X X          |            |            |
| 2303 .....  | X X X        | X X X          |            |            |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....   | X X X        | X X X          |            |            |
| 2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....  | X X X        | X X X          |            |            |

**STATEMENT OF REVENUE AND EXPENSES**

|  | Current Year   |             | Prior Year  |
|--|----------------|-------------|-------------|
|  | 1<br>Uncovered | 2<br>Total  | 3<br>Total  |
| 1. Member Months .....   | X X X          | 1,135,133   | 977,318     |
| 2. Net premium income .....  | X X X          | 253,599,914 | 205,624,255 |
| 3. Change in unearned premium reserves and reserve for rate credits .....  | X X X          |             |             |
| 4. Fee-for-service (net of \$..... medical expenses) .....   | X X X          |             |             |
| 5. Risk revenue .....  | X X X          |             |             |
| 6. Aggregate Write-Ins for Other health care related revenues .....  | X X X          | 3,974,496   | 2,098,996   |
| 7. Total revenues (Lines 2 to 6) .....   | X X X          | 257,574,410 | 207,723,251 |
| <b>Medical and Hospital:</b>   |                |             |             |
| 8. Hospital/medical benefits .....   |                | 186,146,848 | 149,208,534 |
| 9. Other Professional Services .....   |                |             | 27,421,799  |
| 10. Outside Referrals .....  |                |             |             |
| 11. Emergency room and out-of-area .....   |                | 2,010,062   | 1,736,661   |
| 12. Prescription drugs .....   |                | 35,633,504  |             |
| 13. Aggregate write-ins for other medical and hospital .....   |                |             |             |
| 14. Incentive pool and withhold adjustments .....  |                |             |             |
| 15. Subtotal (Lines 8 to 14) .....   |                | 223,790,414 | 178,366,994 |
| <b>LESS:</b>   |                |             |             |
| 16. Net reinsurance recoveries .....   |                | 100,561     |             |
| 17. Total medical and hospital (Lines 15 minus 16) .....   |                | 223,689,853 | 178,366,994 |
| 18. Claims adjustment expenses .....   |                |             |             |
| 19. General administrative expenses .....  |                | 33,316,438  | 25,557,511  |
| 20. Increase in reserves for accident and health contracts .....   |                |             |             |
| 21. Total underwriting deductions (Lines 17 through 20) .....  |                | 257,006,291 | 203,924,505 |
| 22. Net underwriting gain or (loss) (Lines 7 minus 21) .....   | X X X          | 568,119     | 3,798,746   |
| 23. Net investment income earned .....   |                | 759,951     | 658,009     |
| 24. Net realized capital gains or (losses) .....   |                |             |             |
| 25. Net investment gains or (losses) (Lines 23 plus 24) .....  |                | 759,951     | 658,009     |
| 26. Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....)<br>(amount charged off \$.....)] ..... |                |             |             |
| 27. Aggregate write-ins for other income or expenses .....   |                | (49,101)    | 88,399      |
| 28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....  |                | 1,278,969   | 4,545,154   |
| 29. Federal and foreign income taxes incurred .....  | X X X          | 666,218     | 1,785,000   |
| 30. Net income (loss) (Lines 28 minus 29) .....  | X X X          | 612,751     | 2,760,154   |
| <b>DETAILS OF WRITE-INS</b>  |                |             |             |
| 0601. Administrative Services revenue .....  | X X X          | 3,975,221   | 2,096,510   |
| 0602. Misc income received from prior year taxes .....   | X X X          |             |             |
| 0603. Gain/loss on disposal of asset .....   | X X X          | (725)       | 2,486       |
| 0698. Summary of remaining write-ins for Line 6 from overflow page .....   | X X X          |             |             |
| 0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....  | X X X          | 3,974,496   | 2,098,996   |
| 1301 .....   |                |             |             |
| 1302 .....   |                |             |             |
| 1303 .....   |                |             |             |
| 1398. Summary of remaining write-ins for Line 13 from overflow page .....  |                |             |             |
| 1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....   |                |             |             |
| 2701. COB and Subrogation .....  |                |             | 88,399      |
| 2702. Write off of tax receivable .....  |                | (49,101)    |             |
| 2703 .....   |                |             |             |
| 2798. Summary of remaining write-ins for Line 27 from overflow page .....  |                |             |             |
| 2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....   |                | (49,101)    | 88,399      |

## STATEMENT OF REVENUE AND EXPENSES (Continued)

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>CAPITAL &amp; SURPLUS ACCOUNT</b>                                       |                   |                 |
| 31. Capital and surplus prior reporting year .....                         | 16,267,379        | 11,611,866      |
| <b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS</b>                           |                   |                 |
| 32. Net income or (loss) from Line 30 .....                                | 612,751           | 2,760,154       |
| 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 .....                                | 677,308           | 962,000         |
| 37. Change in nonadmitted assets .....                                     | (3,553,332)       | 264,418         |
| 38. Change in unauthorized reinsurance .....                               |                   |                 |
| 39. Change in treasury stock .....   |                   |                 |
| 40. Change in surplus notes .....  |                   |                 |
| 41. Cumulative effect of changes in accounting principles .....            |                   | (1,116,059)     |
| 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 .....   | 357,680           | 1,785,000       |
| 43.2 Transferred to capital (Stock Dividend) .....                         |                   |                 |
| 43.3 Transferred from capital .....  |                   |                 |
| 44. Dividends to stockholders .....  |                   |                 |
| 45. Aggregate write-ins for gains or (losses) in surplus .....             | 37                |                 |
| 46. Net change in capital and surplus (Lines 32 to 45) .....               | (1,905,556)       | 4,655,513       |
| 47. Capital and surplus end of reporting year (Line 31 plus 46) .....      | 14,361,823        | 16,267,379      |
| <b>DETAILS OF WRITE-INS</b>  |                   |                 |
| 4501. Miscellaneous .....  | 37                |                 |
| 4502 .....   |                   |                 |
| 4503 .....   |                   |                 |
| 4598. Summary of remaining write-ins for Line 45 from overflow page .....  |                   |                 |
| 4599. TOTALS (Lines 4501 through 4503 plus 4598) (Line 45 above) .....     | 37                |                 |

**CASH FLOW**

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| <b>Cash from Operations</b>  |                   |                 |
| 1. Premiums and revenues collected net of reinsurance .....                                | 254,295,065       | 208,690,507     |
| 2. Claims and claims adjustment expenses .....   | 221,994,272       | 175,055,603     |
| 3. General administrative expenses paid .....  | 33,882,200        | 25,712,385      |
| 4. Other underwriting income (expenses) .....  |                   | (416,799)       |
| 5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....             | (1,581,407)       | 7,505,720       |
| 6. Net investment income .....   | 803,678           | 594,743         |
| 7. Other income (expenses) .....   | 6,240,960         | 1,149,468       |
| 8. Federal and foreign income taxes (paid) recovered .....                                 | (397,700)         | (1,191,000)     |
| 9. Net cash from operations (Line 5 to 8) .....  | 5,065,531         | 8,058,931       |
| <b>Cash from Investments</b>   |                   |                 |
| 10. Proceeds from investments sold, matured or repaid:                                     |                   |                 |
| 10.1 Bonds .....   | 2,329,400         | 100,000         |
| 10.2 Stocks .....  |                   |                 |
| 10.3 Mortgage loans .....  |                   |                 |
| 10.4 Real estate .....   |                   |                 |
| 10.5 Other invested assets .....   |                   |                 |
| 10.6 Net gains or (losses) on cash and short-term investments .....                        |                   |                 |
| 10.7 Miscellaneous proceeds .....  |                   |                 |
| 10.8 Total investment proceeds (Lines 10.1 to 10.7) .....                                  | 2,329,400         | 100,000         |
| 11. Cost of investments acquired (long-term only):   |                   |                 |
| 11.1 Bonds .....   | 5,375,008         | 4,497,984       |
| 11.2 Stocks .....  |                   |                 |
| 11.3 Mortgage loans .....  |                   |                 |
| 11.4 Real estate .....   | 11,607            |                 |
| 11.5 Other invested assets .....   |                   |                 |
| 11.6 Miscellaneous applications .....  |                   |                 |
| 11.7 Total investments acquired (Lines 11.1 to 11.6) .....                                 | 5,386,615         | 4,497,984       |
| 12. Net cash from investments (Line 10.8 minus Line 11.7) .....                            | (3,057,215)       | (4,397,984)     |
| <b>Cash from Financing and Miscellaneous Sources</b>                                       |                   |                 |
| 13. Cash provided:   |                   |                 |
| 13.1 Surplus notes, capital and surplus paid in .....                                      | 357,680           | 1,785,000       |
| 13.2 Net transfers from affiliates .....   |                   | 683,424         |
| 13.3 Borrowed funds received .....   | (2,787,569)       | 264,418         |
| 13.4 Other cash provided .....   | 34,427            | 932,335         |
| 13.5 Total (Lines 13.1 to 13.4) .....  | (2,395,462)       | 3,665,177       |
| 14. Cash applied:  |                   |                 |
| 14.1 Dividends to stockholder paid .....   |                   |                 |
| 14.2 Net transfers to affiliates .....   | 1,476,319         |                 |
| 14.3 Borrowed funds repaid .....   |                   |                 |
| 14.4 Other applications .....  | 40,102            | 1,116,059       |
| 14.5 Total (Lines 14.1 to 14.4) .....  | 1,516,421         | 1,116,059       |
| 15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....    | (3,911,883)       | 2,549,118       |
| <b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>                                   |                   |                 |
| 16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) ..... | (1,903,567)       | 6,210,065       |
| 17. Cash and short-term investments:   |                   |                 |
| 17.1 Beginning of year .....   | 21,375,068        | 15,165,002      |
| 17.2 End of year (Line 16 plus Line 17.1) .....  | 19,471,501        | 21,375,067      |

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

|   | 1           | 2   | 3               | 4                      | 5              | 6              | 7   | 8                           | 9                         | 10           | 11                   | 12                    | 13        |
|---|-------------|---|-----------------|------------------------|----------------|----------------|---|-----------------------------|---------------------------|--------------|----------------------|-----------------------|-----------|
|   | Total       | Comprehensive<br>(Hospital<br>&<br>Medical) | Medical<br>Only | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employee<br>Health<br>Benefit Plan | Title<br>XVIII-<br>Medicare | Title<br>XIX-<br>Medicaid | Stop<br>Loss | Disability<br>Income | Long-<br>term<br>Care | Other     |
| 1. Net premium income .....   | 253,599,914 | 98,256,234                                  |                 |                        |                |                | 10,759,803                                    | 82,541,761                  | 62,042,116                |              |                      |                       |           |
| 2. Change in unearned premium reserves and reserve for rate credit .....  |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 3. Fee-for-service (net of \$..... medical expenses) .....                |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 4. Risk revenue .....   |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 5. Aggregate write-ins for other health care related revenues .....       | 3,974,496   |   |                 |                        |                |                |   |                             |                           |              |                      |                       | 3,974,496 |
| 6. Total revenues (Lines 1 to 5) .....                                    | 257,574,410 | 98,256,234                                  |                 |                        |                |                | 10,759,803                                    | 82,541,761                  | 62,042,116                |              |                      |                       | 3,974,496 |
| 7. Medical/hospital benefits .....  | 186,146,848 | 69,291,516                                  |                 |                        |                |                | 7,829,237                                     | 64,989,010                  | 44,037,085                |              |                      |                       |           |
| 8. Other professional services .....                                      |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 9. Outside referrals .....  |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 10. Emergency room and out-of-area .....                                  | 2,010,062   | 1,808,030                                   |                 |                        |                |                |   |                             | 202,032                   |              |                      |                       |           |
| 11. Prescription drugs .....  | 35,633,504  | 16,065,532                                  |                 |                        |                |                | 2,600,148                                     | 7,648,689                   | 9,319,135                 |              |                      |                       |           |
| 12. Aggregate write-ins for other medical and hospital .....              |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 13. Incentive pool and withhold adjustments .....                         |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 14. Subtotal (Lines 7 to 13) .....  | 223,790,414 | 87,165,078                                  |                 |                        |                |                | 10,429,385                                    | 72,637,699                  | 53,558,252                |              |                      |                       |           |
| 15. Net reinsurance recoveries .....                                      | 100,561     | 90,505                                      |                 |                        |                |                | 10,056  |                             |                           |              |                      |                       |           |
| 16. Total medical and hospital (Lines 14 minus 15) .....                  | 223,689,853 | 87,074,573                                  |                 |                        |                |                | 10,419,329                                    | 72,637,699                  | 53,558,252                |              |                      |                       |           |
| 17. Claims adjustment expenses .....                                      |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 18. General administrative expenses .....                                 | 33,316,438  | 9,122,953                                   |                 |                        |                |                | 998,853                                       | 7,656,687                   | 11,762,174                |              |                      |                       | 3,775,771 |
| 19. Increase in reserves for accident and health contracts .....          |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 20. Total underwriting deductions (Lines 16 to 19) .....                  | 257,006,291 | 96,197,526                                  |                 |                        |                |                | 11,418,182                                    | 80,294,386                  | 65,320,426                |              |                      |                       | 3,775,771 |
| 21. Net underwriting gain or (loss) (Line 6 minus Line 20) .....          | 568,119     | 2,058,708                                   |                 |                        |                |                | (658,379)                                     | 2,247,375                   | (3,278,310)               |              |                      |                       | 198,725   |
| <b>DETAILS OF WRITE-INS</b>   |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 0501. Administrative Services Revenue .....                               | 3,975,221   |   |                 |                        |                |                |   |                             |                           |              |                      |                       | 3,975,221 |
| 0502. Administrative services .....                                       |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 0503. Gain or (Loss) on disposal of asset .....                           | (725)       |   |                 |                        |                |                |   |                             |                           |              |                      |                       | (725)     |
| 0598. Summary of remaining write-ins for Line 5 from overflow page .....  |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 0599. TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above) .....      | 3,974,496   |   |                 |                        |                |                |   |                             |                           |              |                      |                       | 3,974,496 |
| 1201 .....  |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 1202 .....  |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 1203 .....  |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 1298. Summary of remaining write-ins for Line 12 from overflow page ..... |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |
| 1299. TOTAL (Lines 1201 through 1203 plus 1298) (Line 12 above) .....     |             |   |                 |                        |                |                |   |                             |                           |              |                      |                       |           |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

| Line of Business |  | 1<br>Direct<br>Business | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Ceded | 4<br>Net Premium<br>Income<br>(Columns<br>1 + 2 - 3) |
|------------------|--|-------------------------|-----------------------------|---------------------------|--|
| 1.               | Comprehensive (medical and hospital) .....               | 98,329,882              |                             | 73,648                    | 98,256,234   |
| 2.               | Medicare Supplement .....                                |                         |                             |                           |  |
| 3.               | Dental only .....  |                         |                             |                           |  |
| 4.               | Vision only .....  |                         |                             |                           |  |
| 5.               | Federal Employees Health Benefits Plan<br>Premiums ..... | 10,767,986              |                             | 8,183                     | 10,759,803   |
| 6.               | Title XVIII - Medicare .....                             | 82,541,761              |                             |                           | 82,541,761   |
| 7.               | Title XIX - Medicaid .....                               | 62,042,116              |                             |                           | 62,042,116   |
| 8.               | Other .....  |                         |                             |                           |  |
| 9.               | <b>TOTALS</b> .....                                      | <b>253,681,745</b>      |                             | <b>81,831</b>             | <b>253,599,914</b>                                   |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - Claims Incurred During the Year

|  | 1           | 2   | 3                      | 4              | 5              | 6  | 7                          | 8                        | 9     |
|--|-------------|---|------------------------|----------------|----------------|--|----------------------------|--------------------------|-------|
|  | Total       | Compre-<br>hensive<br>(Medical &<br>Hospital) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefits Plan<br>Premium | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other |
| 1. Payments during the year:   |             |   |                        |                |                |  |                            |                          |       |
| 1.1 Direct .....   | 222,155,397 | 86,367,712                                    |                        |                |                | 9,591,734  | 72,637,699                 | 53,558,252               |       |
| 1.2 Reinsurance assumed .....  |             |   |                        |                |                |  |                            |                          |       |
| 1.3 Reinsurance ceded .....  |             |   |                        |                |                |  |                            |                          |       |
| 1.4 Net .....  | 222,155,397 | 86,367,712                                    |                        |                |                | 9,591,734  | 72,637,699                 | 53,558,252               |       |
| 2. Paid medical incentive pools and bonuses .....                      |             |   |                        |                |                |  |                            |                          |       |
| 3. Claim liability December 31, current year from Part 2A:             |             |   |                        |                |                |  |                            |                          |       |
| 3.1 Direct .....   | 5,034,620   | 4,090,708                                     |                        |                |                | 943,912  |                            |                          |       |
| 3.2 Reinsurance assumed .....  |             |   |                        |                |                |  |                            |                          |       |
| 3.3 Reinsurance ceded .....  |             |   |                        |                |                |  |                            |                          |       |
| 3.4 Net .....  | 5,034,620   | 4,090,708                                     |                        |                |                | 943,912  |                            |                          |       |
| 4. Claim reserve December 31, current year from Part 2D:               |             |   |                        |                |                |  |                            |                          |       |
| 4.1 Direct .....   |             |   |                        |                |                |  |                            |                          |       |
| 4.2 Reinsurance assumed .....  |             |   |                        |                |                |  |                            |                          |       |
| 4.3 Reinsurance ceded .....  |             |   |                        |                |                |  |                            |                          |       |
| 4.4 Net .....  |             |   |                        |                |                |  |                            |                          |       |
| 5. Accrued medical incentive pools and bonuses, current year .....     |             |   |                        |                |                |  |                            |                          |       |
| 6. Amounts recoverable from reinsurers December 31, current year ..... |             |   |                        |                |                |  |                            |                          |       |
| 7. Claim liability December 31, prior year from Part 2A:               |             |   |                        |                |                |  |                            |                          |       |
| 7.1 Direct .....   | 3,399,603   | 3,293,342                                     |                        |                |                | 106,261  |                            |                          |       |
| 7.2 Reinsurance assumed .....  |             |   |                        |                |                |  |                            |                          |       |
| 7.3 Reinsurance ceded .....  |             |   |                        |                |                |  |                            |                          |       |
| 7.4 Net .....  | 3,399,603   | 3,293,342                                     |                        |                |                | 106,261  |                            |                          |       |
| 8. Claim reserve December 31, prior year from Part 2D:                 |             |   |                        |                |                |  |                            |                          |       |
| 8.1 Direct .....   |             |   |                        |                |                |  |                            |                          |       |
| 8.2 Reinsurance assumed .....  |             |   |                        |                |                |  |                            |                          |       |
| 8.3 Reinsurance ceded .....  |             |   |                        |                |                |  |                            |                          |       |
| 8.4 Net .....  |             |   |                        |                |                |  |                            |                          |       |
| 9. Accrued medical incentive pools and bonuses, prior year .....       |             |   |                        |                |                |  |                            |                          |       |
| 10. Amounts recoverable from reinsurers December 31, prior year .....  |             |   |                        |                |                |  |                            |                          |       |
| 11. Incurred benefits:   |             |   |                        |                |                |  |                            |                          |       |
| 11.1 Direct .....  | 223,790,414 | 87,165,078                                    |                        |                |                | 10,429,385   | 72,637,699                 | 53,558,252               |       |
| 11.2 Reinsurance assumed .....   |             |   |                        |                |                |  |                            |                          |       |
| 11.3 Reinsurance ceded .....   |             |   |                        |                |                |  |                            |                          |       |
| 11.4 Net .....   | 223,790,414 | 87,165,078                                    |                        |                |                | 10,429,385   | 72,637,699                 | 53,558,252               |       |
| 12. Incurred medical incentive pools and bonuses .....                 |             |   |                        |                |                |  |                            |                          |       |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - Claims Liability End of Current Year

|   | 1         | 2   | 3                      | 4              | 5              | 6  | 7                          | 8                        | 9     |
|---|-----------|---|------------------------|----------------|----------------|--|----------------------------|--------------------------|-------|
|   | Total     | Compre-<br>hensive<br>(Medical &<br>Hospital) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefits Plan<br>Premium | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other |
| 1. Reported in Process of Adjustment:                 |           |   |                        |                |                |  |                            |                          |       |
| 1.1 Direct .....                                      | 5,034,620 | 4,090,708                                     |                        |                |                | 943,912  |                            |                          |       |
| 1.2 Reinsurance assumed .....                         |           |   |                        |                |                |  |                            |                          |       |
| 1.3 Reinsurance ceded .....                           |           |   |                        |                |                |  |                            |                          |       |
| 1.4 Net .....   | 5,034,620 | 4,090,708                                     |                        |                |                | 943,912  |                            |                          |       |
| 2. Incurred but Unreported:                           |           |   |                        |                |                |  |                            |                          |       |
| 2.1 Direct .....                                      |           |   |                        |                |                |  |                            |                          |       |
| 2.2 Reinsurance assumed .....                         |           |   |                        |                |                |  |                            |                          |       |
| 2.3 Reinsurance ceded .....                           |           |   |                        |                |                |  |                            |                          |       |
| 2.4 Net .....   |           |   |                        |                |                |  |                            |                          |       |
| 3. Amounts Withheld from Paid Claims and Capitations: |           |   |                        |                |                |  |                            |                          |       |
| 3.1 Direct .....                                      |           |   |                        |                |                |  |                            |                          |       |
| 3.2 Reinsurance assumed .....                         |           |   |                        |                |                |  |                            |                          |       |
| 3.3 Reinsurance ceded .....                           |           |   |                        |                |                |  |                            |                          |       |
| 3.4 Net .....   |           |   |                        |                |                |  |                            |                          |       |
| 4. TOTALS   |           |   |                        |                |                |  |                            |                          |       |
| 4.1 Direct .....                                      | 5,034,620 | 4,090,708                                     |                        |                |                | 943,912  |                            |                          |       |
| 4.2 Reinsurance assumed .....                         |           |   |                        |                |                |  |                            |                          |       |
| 4.3 Reinsurance ceded .....                           |           |   |                        |                |                |  |                            |                          |       |
| 4.4 Net .....   | 5,034,620 | 4,090,708                                     |                        |                |                | 943,912  |                            |                          |       |

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

| Line<br>of<br>Business                                       | Claims<br>Paid During the Year                                      |  | Claim Reserve and Claim<br>Liability December 31<br>of Current Year |  | 5  | 6   |
|--|---|--|---|--|--|---|
|  | 1<br>On<br>Claims Incurred<br>Prior to January 1<br>of Current Year | 2<br>On<br>Claims Incurred<br>During the<br>Year | 3<br>On Claims Unpaid<br>December 31 of<br>Prior Year               | 4<br>On<br>Claims Incurred<br>During the<br>Year | Claims Incurred<br>in Prior Years<br>(Columns 1 + 3) | Estimated Claim<br>Reserve and<br>Claim Liability<br>December 31 of<br>Prior Year |
| 1. Comprehensive (medical and hospital) .....                | 3,069,000   | 83,298,712                                       | 372,000   | 3,718,708  | 3,441,000  | 3,293,342   |
| 2. Medicare Supplement .....                                 |   |  |   |  |  |   |
| 3. Dental only .....   |   |  |   |  |  |   |
| 4. Vision only .....   |   |  |   |  |  |   |
| 5. Federal Employees Health Benefits Plan Premiums .....     | 116,000   | 9,475,734  | 5,500   | 938,412  | 121,500  | 106,261   |
| 6. Title XVIII - Medicare .....                              |   | 72,637,699                                       |   |  |  |   |
| 7. Title XIX - Medicaid .....                                |   | 53,558,252                                       |   |  |  |   |
| 8. Other .....   |   |  |   |  |  |   |
| 9. Subtotal .....  | 3,185,000   | 218,970,397                                      | 377,500   | 4,657,120  | 3,562,500  | 3,399,603   |
| 10. Medical incentive pools, accrual and disbursements ..... |   |  |   |  |  |   |
| 11. TOTALS .....   | 3,185,000   | 218,970,397                                      | 377,500   | 4,657,120  | 3,562,500  | 3,399,603   |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

#### Grand Total

#### Section A - Paid Claims

| Year in Which Losses<br>Were Incurred |             | Net Amounts Paid |           |           |           |           |
|---------------------------------------|-------------|------------------|-----------|-----------|-----------|-----------|
|                                       |             | 1<br>1998        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1.                                    | Prior ..... | 591              |           |           |           |           |
| 2.                                    | 1998 .....  | 93,700           | 1,415     |           |           |           |
| 3.                                    | 1999 .....  | X X X            | 133,376   |           |           |           |
| 4.                                    | 2000 .....  | X X X            | X X X     | 157,066   | 127       |           |
| 5.                                    | 2001 .....  | X X X            | X X X     | X X X     | 178,493   | 3,185     |
| 6.                                    | 2002 .....  | X X X            | X X X     | X X X     | X X X     | 218,971   |

#### Section B - Incurred Claims

| Year in Which Losses<br>Were Incurred |             | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|-------------|---|-----------|-----------|-----------|-----------|
|                                       |             | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1.                                    | Prior ..... | 591   |           |           |           |           |
| 2.                                    | 1998 .....  | 95,164  | 1,465     |           |           |           |
| 3.                                    | 1999 .....  | X X X   | 133,211   |           |           |           |
| 4.                                    | 2000 .....  | X X X   | X X X     | 157,194   | 127       |           |
| 5.                                    | 2001 .....  | X X X   | X X X     | X X X     | 178,367   | 3,563     |
| 6.                                    | 2002 .....  | X X X   | X X X     | X X X     | X X X     | 223,627   |

#### Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

| Years in Which<br>Premiums were<br>Earned and Claims<br>were Incurred |                                 | 1                  | 2                  | 3  | 4                     | 5  | 6                     | 7                | 8                                       | 9  | 10                    |
|---|---------------------------------|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
|   |                                 | Premiums<br>Earned | Claims<br>Payments | Claim<br>Adjustment<br>Expense<br>Payments | (Col. 3/2)<br>Percent | Claim and<br>Claim Adjustment<br>Expense<br>Payments<br>(Col. 2 + 3) | (Col. 5/1)<br>Percent | Claims<br>Unpaid | Unpaid Claims<br>Adjustment<br>Expenses | Total Claims<br>and Claims<br>Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | (Col. 9/1)<br>Percent |
| 1.  | Prior to 1998 .....             | X X X              |                    |  | X X X                 |  | X X X                 |                  |   |  | X X X                 |
| 2.  | 1998 .....                      | 106,448            | 95,115             |  |                       | 95,115   | 89                    |                  |   | 95,115   | 89                    |
| 3.  | 1999 .....                      | 151,003            | 133,376            |  |                       | 133,376  | 88                    |                  |   | 133,376  | 88                    |
| 4.  | 2000 .....                      | 183,657            | 157,193            |  |                       | 157,193  | 86                    |                  |   | 157,193  | 86                    |
| 5.  | 2001 .....                      | 205,625            | 181,678            |  |                       | 181,678  | 88                    | 378              | 9                                       | 182,065  | 89                    |
| 6.  | 2002 .....                      | 253,682            | 218,971            |  |                       | 218,971  | 86                    | 4,657            | 121                                     | 223,749  | 88                    |
| 7.  | TOTAL (Lines 1 through 6) ..... | X X X              | 786,333            |  | X X X                 | 786,333  | X X X                 | 5,035            | 130                                     | 791,498  | X X X                 |
| 8.  | TOTAL (Lines 2 through 6) ..... | 900,415            | X X X              | X X X                                      | X X X                 | X X X  | X X X                 | X X X            | X X X                                   | X X X  | X X X                 |

12 Total

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

**Hospital and Medical**  
**Section A - Paid Claims**

| Year in Which Losses<br>Were Incurred |             | Net Amounts Paid |           |           |           |           |
|---------------------------------------|-------------|------------------|-----------|-----------|-----------|-----------|
|                                       |             | 1<br>1998        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1.                                    | Prior ..... | 301              |           |           |           |           |
| 2.                                    | 1998 .....  | 34,361           | 791       |           |           |           |
| 3.                                    | 1999 .....  | X X X            | 42,572    |           |           |           |
| 4.                                    | 2000 .....  | X X X            | X X X     | 59,558    | 106       |           |
| 5.                                    | 2001 .....  | X X X            | X X X     | X X X     | 66,641    | 3,069     |
| 6.                                    | 2002 .....  | X X X            | X X X     | X X X     | X X X     | 83,299    |

**Section B - Incurred Claims**

| Year in Which Losses<br>Were Incurred |             | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|-------------|---|-----------|-----------|-----------|-----------|
|                                       |             | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1.                                    | Prior ..... | 301   |           |           |           |           |
| 2.                                    | 1998 .....  | 35,152  | 791       |           |           |           |
| 3.                                    | 1999 .....  | X X X   | 42,572    |           |           |           |
| 4.                                    | 2000 .....  | X X X   | X X X     | 59,665    | 106       |           |
| 5.                                    | 2001 .....  | X X X   | X X X     | X X X     | 66,535    | 3,441     |
| 6.                                    | 2002 .....  | X X X   | X X X     | X X X     | X X X     | 87,017    |

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

| Years in Which<br>Premiums were<br>Earned and Claims<br>were Incurred | 1                  | 2                  | 3  | 4                     | 5  | 6                     | 7                | 8                                       | 9  | 10                    |
|---|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
|   | Premiums<br>Earned | Claims<br>Payments | Claim<br>Adjustment<br>Expense<br>Payments | (Col. 3/2)<br>Percent | Claim and<br>Claim Adjustment<br>Expense<br>Payments<br>(Col. 2 + 3) | (Col. 5/1)<br>Percent | Claims<br>Unpaid | Unpaid Claims<br>Adjustment<br>Expenses | Total Claims<br>and Claims<br>Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | (Col. 9/1)<br>Percent |
| 1. Prior to 1998 .....  | X X X              |                    |  | X X X                 |  | X X X                 |                  |   |  | X X X                 |
| 2. 1998 .....   | 40,040             | 35,152             |  |                       | 35,152   | 88                    |                  |   | 35,152   | 88                    |
| 3. 1999 .....   | 51,629             | 42,572             |  |                       | 42,572   | 82                    |                  |   | 42,572   | 82                    |
| 4. 2000 .....   | 71,693             | 59,664             |  |                       | 59,664   | 83                    |                  |   | 59,664   | 83                    |
| 5. 2001 .....   | 77,479             | 69,710             |  |                       | 69,710   | 90                    | 372              | 7                                       | 70,089   | 90                    |
| 6. 2002 .....   | 98,330             | 83,299             |  |                       | 83,299   | 85                    | 3,719            | 98                                      | 87,116   | 89                    |
| 7. TOTAL (Lines 1 through 6) .....                                    | X X X              | 290,397            |  | X X X                 | 290,397  | X X X                 | 4,091            | 105                                     | 294,593  | X X X                 |
| 8. TOTAL (Lines 2 through 6) .....                                    | 339,171            | X X X              | X X X                                      | X X X                 | X X X  | X X X                 | X X X            | X X X                                   | X X X  | X X X                 |

12 Hospital and Medical

**12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only. . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only. . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only. . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only. . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only. . . . . NONE**

**12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only. . . . . NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)**  
**Federal Employees Health Benefits Plan Premiums**

**Section A - Paid Claims**

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior .....                        |                  |           |           |           |           |
| 2. 1998 .....                         | 626              | 165       |           |           |           |
| 3. 1999 .....                         | X X X            | 1,405     |           |           |           |
| 4. 2000 .....                         | X X X            | X X X     | 2,043     |           |           |
| 5. 2001 .....                         | X X X            | X X X     | X X X     | 2,943     | 116       |
| 6. 2002 .....                         | X X X            | X X X     | X X X     | X X X     | 9,476     |

**Section B - Incurred Claims**

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior .....                        |   |           |           |           |           |
| 2. 1998 .....                         | 790   | 165       |           |           |           |
| 3. 1999 .....                         | X X X   | 1,240     |           |           |           |
| 4. 2000 .....                         | X X X   | X X X     | 2,043     |           |           |
| 5. 2001 .....                         | X X X   | X X X     | X X X     | 2,943     | 122       |
| 6. 2002 .....                         | X X X   | X X X     | X X X     | X X X     | 10,414    |

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

| Years in Which<br>Premiums were<br>Earned and Claims<br>were Incurred | 1<br>Premiums<br>Earned | 2<br>Claims<br>Payments | 3<br>Claim<br>Adjustment<br>Expense<br>Payments | 4<br>(Col. 3/2)<br>Percent | 5<br>Claim and<br>Claim Adjustment<br>Expense<br>Payments<br>(Col. 2 + 3) | 6<br>(Col. 5/1)<br>Percent | 7<br>Claims<br>Unpaid | 8<br>Unpaid Claims<br>Adjustment<br>Expenses | 9<br>Total Claims<br>and Claims<br>Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | 10<br>(Col. 9/1)<br>Percent |
|---|-------------------------|-------------------------|---|----------------------------|---|----------------------------|-----------------------|--|---|-----------------------------|
| 1. Prior to 1998 .....  | X X X                   |                         |   | X X X                      |   | X X X                      |                       |  |   | X X X                       |
| 2. 1998 .....   | 949                     | 791                     |   |                            | 791   | 83                         |                       |  | 791   | 83                          |
| 3. 1999 .....   | 1,514                   | 1,405                   |   |                            | 1,405   | 93                         |                       |  | 1,405   | 93                          |
| 4. 2000 .....   | 2,638                   | 2,043                   |   |                            | 2,043   | 77                         |                       |  | 2,043   | 77                          |
| 5. 2001 .....   | 3,814                   | 3,059                   |   |                            | 3,059   | 80                         | 6                     | 2  | 3,067   | 80                          |
| 6. 2002 .....   | 10,768                  | 9,476                   |   |                            | 9,476   | 88                         | 938                   | 23   | 10,437  | 97                          |
| 7. TOTAL (Lines 1 through 6) .....                                    | X X X                   | 16,774                  |   | X X X                      | 16,774  | X X X                      | 944                   | 25   | 17,743  | X X X                       |
| 8. TOTAL (Lines 2 through 6) .....                                    | 19,683                  | X X X                   | X X X   | X X X                      | X X X   | X X X                      | X X X                 | X X X  | X X X   | X X X                       |

12 Fed Emp HBPP

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

**Title XVIII - Medicare**  
**Section A - Paid Claims**

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior .....                        | 171              |           |           |           |           |
| 2. 1998 .....                         | 40,791           | 343       |           |           |           |
| 3. 1999 .....                         | X X X            | 61,713    |           |           |           |
| 4. 2000 .....                         | X X X            | X X X     | 61,310    | 21        |           |
| 5. 2001 .....                         | X X X            | X X X     | X X X     | 67,733    |           |
| 6. 2002 .....                         | X X X            | X X X     | X X X     | X X X     | 72,638    |

**Section B - Incurred Claims**

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior .....                        | 171   |           |           |           |           |
| 2. 1998 .....                         | 41,134  | 343       |           |           |           |
| 3. 1999 .....                         | X X X   | 61,713    |           |           |           |
| 4. 2000 .....                         | X X X   | X X X     | 61,331    | 21        |           |
| 5. 2001 .....                         | X X X   | X X X     | X X X     | 67,713    |           |
| 6. 2002 .....                         | X X X   | X X X     | X X X     | X X X     | 72,638    |

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

| Years in Which<br>Premiums were<br>Earned and Claims<br>were Incurred | 1                  | 2                  | 3  | 4                     | 5  | 6                     | 7                | 8                                       | 9  | 10                    |
|---|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
|   | Premiums<br>Earned | Claims<br>Payments | Claim<br>Adjustment<br>Expense<br>Payments | (Col. 3/2)<br>Percent | Claim and<br>Claim Adjustment<br>Expense<br>Payments<br>(Col. 2 + 3) | (Col. 5/1)<br>Percent | Claims<br>Unpaid | Unpaid Claims<br>Adjustment<br>Expenses | Total Claims<br>and Claims<br>Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | (Col. 9/1)<br>Percent |
| 1. Prior to 1998 .....  | X X X              |                    |  | X X X                 |  | X X X                 |                  |   |  | X X X                 |
| 2. 1998 .....   | 45,202             | 41,134             |  |                       | 41,134   | 91                    |                  |   | 41,134   | 91                    |
| 3. 1999 .....   | 67,047             | 61,713             |  |                       | 61,713   | 92                    |                  |   | 61,713   | 92                    |
| 4. 2000 .....   | 69,915             | 61,331             |  |                       | 61,331   | 88                    |                  |   | 61,331   | 88                    |
| 5. 2001 .....   | 76,527             | 67,733             |  |                       | 67,733   | 89                    |                  |   | 67,733   | 89                    |
| 6. 2002 .....   | 82,542             | 72,638             |  |                       | 72,638   | 88                    |                  |   | 72,638   | 88                    |
| 7. TOTAL (Lines 1 through 6) .....                                    | X X X              | 304,549            |  | X X X                 | 304,549  | X X X                 |                  |   | 304,549  | X X X                 |
| 8. TOTAL (Lines 2 through 6) .....                                    | 341,233            | X X X              | X X X                                      | X X X                 | X X X  | X X X                 | X X X            | X X X                                   | X X X  | X X X                 |

12 Title XVIII-Medicare

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

**Title XIX - Medicaid**  
**Section A - Paid Claims**

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior .....                        | 119              |           |           |           |           |
| 2. 1998 .....                         | 17,922           | 116       |           |           |           |
| 3. 1999 .....                         | X X X            | 27,686    |           |           |           |
| 4. 2000 .....                         | X X X            | X X X     | 34,155    |           |           |
| 5. 2001 .....                         | X X X            | X X X     | X X X     | 41,176    |           |
| 6. 2002 .....                         | X X X            | X X X     | X X X     | X X X     | 53,558    |

**Section B - Incurred Claims**

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior .....                        | 119   |           |           |           |           |
| 2. 1998 .....                         | 18,088  | 166       |           |           |           |
| 3. 1999 .....                         | X X X   | 27,686    |           |           |           |
| 4. 2000 .....                         | X X X   | X X X     | 34,155    |           |           |
| 5. 2001 .....                         | X X X   | X X X     | X X X     | 41,176    |           |
| 6. 2002 .....                         | X X X   | X X X     | X X X     | X X X     | 53,558    |

**Section C - Incurred Year Claims and Claims Adjustment Expense Ratio**

| Years in Which<br>Premiums were<br>Earned and Claims<br>were Incurred | 1<br>Premiums<br>Earned | 2<br>Claims<br>Payments | 3<br>Claim<br>Adjustment<br>Expense<br>Payments | 4<br>(Col. 3/2)<br>Percent | 5<br>Claim and<br>Claim Adjustment<br>Expense<br>Payments<br>(Col. 2 + 3) | 6<br>(Col. 5/1)<br>Percent | 7<br>Claims<br>Unpaid | 8<br>Unpaid Claims<br>Adjustment<br>Expenses | 9<br>Total Claims<br>and Claims<br>Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | 10<br>(Col. 9/1)<br>Percent |
|---|-------------------------|-------------------------|---|----------------------------|---|----------------------------|-----------------------|--|---|-----------------------------|
| 1. Prior to 1998 .....  | X X X                   |                         |   | X X X                      |   | X X X                      |                       |  |   | X X X                       |
| 2. 1998 .....   | 20,257                  | 18,038                  |   |                            | 18,038  | 89                         |                       |  | 18,038  | 89                          |
| 3. 1999 .....   | 30,813                  | 27,686                  |   |                            | 27,686  | 90                         |                       |  | 27,686  | 90                          |
| 4. 2000 .....   | 39,411                  | 34,155                  |   |                            | 34,155  | 87                         |                       |  | 34,155  | 87                          |
| 5. 2001 .....   | 47,805                  | 41,176                  |   |                            | 41,176  | 86                         |                       |  | 41,176  | 86                          |
| 6. 2002 .....   | 62,042                  | 53,558                  |   |                            | 53,558  | 86                         |                       |  | 53,558  | 86                          |
| 7. TOTAL (Lines 1 through 6) .....                                    | X X X                   | 174,613                 |   | X X X                      | 174,613   | X X X                      |                       |  | 174,613   | X X X                       |
| 8. TOTAL (Lines 2 through 6) .....                                    | 200,328                 | X X X                   | X X X   | X X X                      | X X X   | X X X                      | X X X                 | X X X  | X X X   | X X X                       |

12 Title XIX-Medicaid

**12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other..... NONE**

**12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other..... NONE**

**12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other..... NONE**

**13 Underwriting Invest Exh Pt 2D - A & H Reserve - ..... NONE**

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - ANALYSIS OF EXPENSES

|   | 1<br>Claim<br>Adjustment<br>Expenses | 2<br>General<br>Administrative<br>Expenses | 3<br>Investment<br>Expenses | 4<br>Total     |
|---|--------------------------------------|--|-----------------------------|----------------|
| 1. Rent (\$..... for occupancy of own building) .....   |                                      | 1,133,174                                  |                             | 1,133,174      |
| 2. Salaries, wages and other benefits .....   |                                      | 12,514,084                                 |                             | 12,514,084     |
| 3. Commissions (less \$..... ceded plus \$..... assumed) .....                                |                                      | 3,678,722                                  |                             | 3,678,722      |
| 4. Legal fees and expenses .....  |                                      | 107,447                                    |                             | 107,447        |
| 5. Certifications and accreditation fees .....  |                                      |  |                             |                |
| 6. Auditing, actuarial and other consulting services .....                                    |                                      | 2,871,643                                  |                             | 2,871,643      |
| 7. Traveling expenses .....   |                                      | 338,844                                    |                             | 338,844        |
| 8. Marketing and advertising .....  |                                      | 801,384                                    |                             | 801,384        |
| 9. Postage, express and telephone .....   |                                      | 969,487                                    |                             | 969,487        |
| 10. Printing and office supplies .....  |                                      | 1,004,538                                  |                             | 1,004,538      |
| 11. Occupancy, depreciation and amortization .....  |                                      | 1,357,396                                  |                             | 1,357,396      |
| 12. Equipment .....   |                                      |  |                             |                |
| 13. Cost or depreciation of EDP equipment and software .....                                  |                                      |  |                             |                |
| 14. Outsourced services including EDP, claims, and other services .....                       |                                      | 2,080,568                                  |                             | 2,080,568      |
| 15. Boards, bureaus and association fees .....  |                                      | 106,212                                    |                             | 106,212        |
| 16. Insurance, except on real estate .....  |                                      | 73,285                                     |                             | 73,285         |
| 17. Collection and bank service charges .....   |                                      | 74,880                                     |                             | 74,880         |
| 18. Group service and administration fees .....   |                                      |  |                             |                |
| 19. Reimbursements by uninsured accident and health plans .....                               |                                      |  |                             |                |
| 20. Reimbursements from fiscal intermediaries .....   |                                      |  |                             |                |
| 21. Real estate expenses .....  |                                      |  |                             |                |
| 22. Real estate taxes .....   |                                      |  |                             |                |
| 23. Taxes, licenses and fees:   |                                      |  |                             |                |
| 23.1 State and local insurance taxes .....  |                                      |  |                             |                |
| 23.2 State premium taxes .....  |                                      | 619,541                                    |                             | 619,541        |
| 23.3 Regulator authority licenses and fees .....  |                                      |  |                             |                |
| 23.4 Payroll taxes .....  |                                      | 769,005                                    |                             | 769,005        |
| 23.5 Other (excluding federal income and real estate taxes) .....                             |                                      |  |                             |                |
| 24. Investment expenses not included elsewhere .....  |                                      |  |                             |                |
| 25. Aggregate write-ins for expenses .....  |                                      | 4,816,228                                  |                             | 4,816,228      |
| 26. Total expenses incurred (Lines 1 to 25) .....   |                                      | 33,316,438                                 |                             | (a) 33,316,438 |
| 27. Add expenses unpaid December 31, prior year .....   | 68,767                               | 1,887,438                                  |                             | 1,956,205      |
| 28. Less expenses unpaid December 31, current year .....                                      | 129,330                              | 1,321,676                                  |                             | 1,451,006      |
| 29. Amounts receivable relating to uninsured accident and health<br>plans, prior year .....   |                                      |  |                             |                |
| 30. Amounts receivable relating to uninsured accident and health<br>plans, current year ..... |                                      |  |                             |                |
| 31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30) .....                    | (60,563)                             | 33,882,200                                 |                             | 33,821,637     |
| <b>DETAILS OF WRITE-INS</b>   |                                      |  |                             |                |
| 2501. Miscellaneous .....   |                                      | 41,232                                     |                             | 41,232         |
| 2502. Other IS Expenses .....   |                                      | 48,212                                     |                             | 48,212         |
| 2503. Donations .....   |                                      | 2,500                                      |                             | 2,500          |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....                     |                                      | 4,724,284                                  |                             | 4,724,284      |
| 2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above) .....                            |                                      | 4,816,228                                  |                             | 4,816,228      |

(a) Includes management fees of \$.....4,076,546 to affiliates and \$..... to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

|   | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds .....  | (a)..... 704,877              | ..... 759,951              |
| 1.1 Bonds exempt from U.S. tax .....  | (a).....                      |                            |
| 1.2 Other bonds (unaffiliated) .....  | (a).....                      |                            |
| 1.3 Bonds of affiliates .....   | (a).....                      |                            |
| 2.1 Preferred stocks (unaffiliated) .....                                     | (b).....                      |                            |
| 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).....                      |                            |
| 7. Derivative instruments .....   | (f).....                      |                            |
| 8. Other invested assets .....  |                               |                            |
| 9. Aggregate write-ins for investment income .....                            |                               |                            |
| 10. Total gross investment income .....                                       | 704,877                       | 759,951                    |
| 11. Investment expenses .....   |                               | (g).....                   |
| 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).....                   |
| 15. Aggregate write-ins for deductions from investment income .....           |                               |                            |
| 16. Total deductions (Lines 11 through 15) .....                              |                               |                            |
| 17. Net Investment income (Line 10 minus Line 16) .....                       |                               | 759,951                    |
| <b>DETAILS OF WRITE-INS</b>   |                               |                            |
| 0901. Misc. adjustment .....  |                               |                            |
| 0902 .....  |                               |                            |
| 0903 .....  |                               |                            |
| 0998. Summary of remaining write-ins for Line 9 from overflow page .....      |                               |                            |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....        |                               |                            |
| 1501 .....  |                               |                            |
| 1502 .....  |                               |                            |
| 1503 .....  |                               |                            |
| 1598. Summary of remaining write-ins for Line 15 from overflow page .....     |                               |                            |
| 1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....       |                               |                            |

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

## EXHIBIT OF CAPITAL GAINS (LOSSES)

|  | 1   | 2                             | 3   | 4<br>Net Gain (Loss)<br>from Change<br>in Difference<br>Between Basis<br>Book/Adjusted<br>Carrying and<br>Admitted Values | 5<br>Total |
|--|---|-------------------------------|---|---|------------|
|  | Realized Gain<br>(Loss) on Sales<br>or Maturity | Other Realized<br>Adjustments | Increases<br>(Decreases) by<br>Adjustment |   |            |
| 1. U.S. Government bonds .....   |   |                               |   |   |            |
| 1.1 Bonds exempt from U.S. tax .....                                     |   |                               |   |   |            |
| 1.2 Other bonds (unaffiliated) .....                                     |   |                               |   |   |            |
| 1.3 Bonds of affiliates .....  |   |                               |   |   |            |
| 2.1 Preferred stocks (unaffiliated) .....                                |   |                               |   |   |            |
| 2.11 Preferred stocks of affiliates .....                                |   |                               |   |   |            |
| 2.2 Common stocks (unaffiliated) .....                                   |   |                               |   |   |            |
| 2.21 Common stocks of affiliates .....                                   |   |                               |   |   |            |
| 3. Mortgage loans .....  |   |                               |   |   |            |
| 4. Real estate .....   |   |                               |   |   |            |
| 5. Contract loans .....  |   |                               |   |   |            |
| 6. Cash/short-term investments .....                                     |   |                               |   |   |            |
| 7. Derivative instruments .....  |   |                               |   |   |            |
| 8. Other invested assets .....   |   |                               |   |   |            |
| 9. Aggregate write-ins for capital gains (losses) .....                  |   |                               |   |   |            |
| 10. Total capital gains (losses) .....                                   |   |                               |   |   |            |
| <b>DETAILS OF WRITE-INS</b>  |   |                               |   |   |            |
| 0901 .....   |   |                               |   |   |            |
| 0902 .....   |   |                               |   |   |            |
| 0903 .....   |   |                               |   |   |            |
| 0998. Summary of remaining write-ins for Line 9 from overflow page ..... |   |                               |   |   |            |
| 0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....   |   |                               |   |   |            |

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

|  | 1<br>End<br>of<br>Current Year | 2<br>End<br>of<br>Prior Year | 3<br>Changes for Year<br>(Increase) or<br>Decrease |
|--|--------------------------------|------------------------------|--|
| 1. Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2 .....  | 5,540,103                      | 1,732,651                    | (3,807,452)  |
| 2. Other Nonadmitted Assets:   |                                |                              |  |
| 2.1 Bills receivable .....   |                                |                              |  |
| 2.2 Leasehold improvements .....   | 42,191                         | 58,346                       | 16,155   |
| 2.3 Cash advanced to or in the hands of officers and agents .....        |                                |                              |  |
| 2.4 Loans on personal security, endorsed or not .....                    |                                |                              |  |
| 2.5 Commuted commissions .....   |                                |                              |  |
| 3. Total (Lines 2.1 to 2.5) .....  | 42,191                         | 58,346                       | 16,155   |
| 4. Aggregate write-ins for other assets .....                            | 513,748                        | 751,713                      | 237,965  |
| 5. TOTAL (Line 1 plus Line 3 and Line 4) .....                           | 6,096,042                      | 2,542,710                    | (3,553,332)  |
| <b>DETAILS OF WRITE-INS</b>  |                                |                              |  |
| 0401. Prepaid interest expense .....                                     |                                | 95,927                       | 95,927   |
| 0402. Goodwill .....   | 127,145                        | 508,582                      | 381,437  |
| 0403. Cumulative change in accounting principle .....                    |                                |                              |  |
| 0498. Summary of remaining write-ins for Line 4 from overflow page ..... | 386,603                        | 147,204                      | (239,399)  |
| 0499. TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above) .....    | 513,748                        | 751,713                      | 237,965  |

## EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

| Source of Enrollment   | Total Members at End of |                       |                        |                       |                      | 6<br>Current Year<br>Member<br>Months |
|--|-------------------------|-----------------------|------------------------|-----------------------|----------------------|---------------------------------------|
|  | 1<br>Prior<br>Year      | 2<br>First<br>Quarter | 3<br>Second<br>Quarter | 4<br>Third<br>Quarter | 5<br>Current<br>Year |                                       |
| 1. Health Maintenance Organizations .....                                | 86,296                  | 91,064                | 92,660                 | 97,023                | 102,023              | 1,135,133                             |
| 2. Provider Service Organizations .....                                  |                         |                       |                        |                       |                      |                                       |
| 3. Preferred Provider Organizations .....                                |                         |                       |                        |                       |                      |                                       |
| 4. Point of Service .....  |                         |                       |                        |                       |                      |                                       |
| 5. Indemnity Only .....  |                         |                       |                        |                       |                      |                                       |
| 6. Aggregate write-ins for other lines of business .....                 |                         |                       |                        |                       |                      |                                       |
| 7. TOTAL .....   | 86,296                  | 91,064                | 92,660                 | 97,023                | 102,023              | 1,135,133                             |
| <b>DETAILS OF WRITE-INS</b>  |                         |                       |                        |                       |                      |                                       |
| 0601 .....   |                         |                       |                        |                       |                      |                                       |
| 0602 .....   |                         |                       |                        |                       |                      |                                       |
| 0603 .....   |                         |                       |                        |                       |                      |                                       |
| 0698. Summary of remaining write-ins for Line 6 from overflow page ..... |                         |                       |                        |                       |                      |                                       |
| 0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....    |                         |                       |                        |                       |                      |                                       |

## Notes to Financial Statement

### Notes to Financial Statements

#### Section A

##### 1. Summary of Significant Accounting Policies

A) The accompanying financial statements of SummaCare, Inc. have been prepared in conformity with the NAIC Annual Statement Instruction and Accounting Practices and Procedures manual without exception.

B) The preparation of financial statements in conformity with the practices prescribed or permitted by the ODI requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C) Short-term investments consist primarily of negotiable passbook savings deposits and money market investments, the carrying amount of which approximates fair value. The Company places its cash and short-term investments primarily in accounts with high quality credit institutions which, at times, have exceeded federally insured limits.

Bonds are comprised of U.S Treasury notes, which are valued on the basis prescribed by the NAIC at their amortized cost. Realized gains and losses on sales of investments are determined on a specific identification method and are recorded directly in the statutory statements of revenues, expenses and net worth.

##### 2) Accounting Changes and Corrections of Errors

A) The Company prepares its statutory financial statements in conformity with the 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 Accounting Practices and Procedures manual-Version effective January 1, 2001.

Accounting changes adopted to conform to the provisions of the NAIC Accounting Practices and Procedures manual-Version effective January 1, 2001 are reported as changes in accounting principles.

The Company implemented NAIC SAP effective January 1, 2001 to the extent it is not inconsistent with Ohio statutes. The cumulative effect for the change in accounting principles are reported as an adjustment to surplus at January 1, 2001. Accounting changes adopted to conform to these provisions are reported as changes in accounting principles. 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 a change in accounting principle as an adjustment to decrease surplus by \$1,116,059 on the 2001 NAIC Annual Statement.

##### 3) Business Combinations and Goodwill

A) On December 31, 1999, Summa Health System reorganized resulting in a change in ownership of SummaCare. Prior to December 31, 1999, SummaCare was a wholly-owned subsidiary of Akron City Health System (ACHS). As part of the reorganization, Summa Insurance Company received SummaCare's voting common stock for no consideration.

##### 4) Discontinued operations

Not applicable

##### 5) Investments

###### A) Mortgage Loans

Not applicable

###### B) Debt restructuring

Not applicable

###### C) Reverse Mortgages

Not applicable

###### D) Loan-backed securities

Not applicable

###### E) Repurchase agreements

Not applicable

##### 6) Joint Ventures, Partnerships and Limited Liability Companies

Not applicable

##### 7) Investment Income

No investment income and accrued was nonadmitted for the period.

##### 8) Derivative Instruments

Not applicable

##### 9) Income Taxes

Income taxes are computed on a stand-alone basis in accordance with the asset and liability method. A current tax liability or asset is recognized for the estimated

## Notes to Financial Statement

taxes payable or refundable on tax returns for the current year. SummaCare is not a separate tax paying entity and is included in its parent's consolidated tax return.

| A. The components of the net deferred tax asset/(liability) are as follows:  |     |   |  |  | December 31, | December 31, |               |
|--|-----|---|--|--|--------------|--------------|---------------|
|  |     |   |  |  | 2001         | 2002         |               |
|  | (1) | Total of gross deferred tax assets (admitted and nonadmitted) |  |  | 1,864,000    | 2,723,339    |               |
|  | (2) | Total of gross deferred tax liabilities                       |  |  | 964,000      | 1,146,031    |               |
|  | (3) | Net deferred tax asset  |  |  | 900,000      | 1,577,308    |               |
|  | (4) | Net deferred tax asset nonadmitted                            |  |  | 147,204      | 765,763      |               |
|  | (5) | Net admitted deferred tax (liability)/asset                   |  |  | 752,796      | 811,545      |               |
|  | (6) | Increase(decrease) in deferred tax asset nonadmitted          |  |  | 147,204      | 618,559      |               |
|  |     |   |  |  |              |              |               |
|  |     |   |  |  |              |              |               |
| B. Deferred tax liabilities are not recognized for the following amounts:  |     |   |  |  |              |              |               |
|  |     | Not applicable  |  |  |              |              |               |
|  |     |   |  |  |              |              |               |
| C. Current income taxes incurred consist of the following major components:  |     |   |  |  |              |              |               |
|  |     |   |  |  | 2001         | 2002         |               |
|  |     | Current year tax  |  |  | 1,785,000    | 531,228      |               |
|  |     | Prior year underaccrual                                       |  |  | -            | 0            |               |
|  |     | Current income taxes incurred                                 |  |  | 1,785,000    | 531,228      |               |
|  |     |   |  |  |              |              |               |
|  |     |   |  |  |              |              |               |
| The change in main components of DTAs and DTLs is as follows:  |     |   |  |  |              |              |               |
|  |     |   |  |  | 2001         | 2002         |               |
| Deferred tax assets:   |     |   |  |  |              |              |               |
|  |     | Goodwill Amortization   |  |  | 141,000      | -            |               |
|  |     | Nonadmitted Statutory Assets                                  |  |  | 815,000      | 1,812,000    |               |
|  |     | AMT Credit Carryforward                                       |  |  | 211,000      | 164,653      |               |
|  |     | Other, net  |  |  | 182,000      | 417,327      |               |
|  |     | Org. Costs  |  |  | 515,000      | 329,359      |               |
|  |     | Total deferred tax assets                                     |  |  | 1,864,000    | 2,723,339    |               |
|  |     | Nonadmitted deferred tax assets                               |  |  | -            |              |               |
|  |     | Admitted deferred tax assets                                  |  |  | 1,864,000    | 2,723,339    |               |
| Deferred tax liabilities:  |     |   |  |  |              |              |               |
|  |     | Basis difference in fixed assets                              |  |  | 343,000      | 311,763      |               |
|  |     | Amortization of Deferred Credit                               |  |  | 621,000      | 834,268      |               |
|  |     | Total deferred tax liabilities                                |  |  | 964,000      | 1,146,031    |               |
|  |     |   |  |  |              |              |               |
|  |     | Net admitted deferred tax (liability)/asset                   |  |  | 900,000      | 1,577,308    |               |
|  |     |   |  |  |              |              |               |
|  |     |   |  |  |              |              |               |
|  |     |   |  |  | 2001         | 2002         | Change        |
|  |     | Total deferred tax assets                                     |  |  | 1,864,000    | 2,723,339    | 859,339       |
|  |     | Total deferred tax liabilities                                |  |  | 964,000      | 1,146,031    | 182,031       |
|  |     | Net deferred tax asset(liability)                             |  |  | 900,000      | 1,577,308    | 677,308       |
|  |     | Tax effect of unrealized gains(losses)                        |  |  |              |              |               |
|  |     | Change in net deferred income tax                             |  |  |              |              | 677,308       |
|  |     |   |  |  |              |              |               |
| D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows: |     |   |  |  |              |              |               |
|  |     |   |  |  |              | December 31, | Effective Tax |
|  |     |   |  |  |              | 2002         | Rate          |
|  |     | Provision computed at statutory rate                          |  |  |              | 208,339      | 0.34          |
|  |     | Items permanent in nature                                     |  |  |              | 55,119       | 9.00%         |
|  |     | Change in net deferred income taxes                           |  |  |              | 677,120      | 110.51%       |
|  |     | Other, net  |  |  |              | (409,350)    | -66.81%       |
|  |     | Total statutory income taxes incurred                         |  |  |              | 531,228      | 153.00%       |
|  |     |   |  |  |              |              |               |



## Notes to Financial Statement

Not applicable

20) Other Items

Not applicable

21) Events Subsequent

None applicable

22) Reinsurance

Reinsurance premiums are netted against premiums. Reinsurance recoveries are recorded as a reduction of related healthcare costs.

23) Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

24) Salvage and Subrogation

Not applicable

25) Change in Incurred Claims and Claim Adjustment Expenses

The Company recorded a increase in claims liability of \$1,635,018 and a change in unpaid claims adjustment expenses of \$60,563.

26) Organization and Operation

SummaCare, Inc. ("SummaCare" or the "Company") is a wholly owned subsidiary of Summa Insurance Company, Inc. ("SIC"). The Company is licensed in Ohio as a health insuring corporation ("HIC") under Chapter 1751 of the Ohio Revised Code. SummaCare provides comprehensive health care services to a defined enrolled population ("Members") for a predetermined, prepaid monthly fee. The population from which the Company draws its membership is predominately located in Northeast Ohio. SummaCare Members are eligible to receive healthcare services from multiple providers, including the Summa Health System (SHS) hospitals. SIC is a majority-owned subsidiary of SHS.

Reorganization

On December 31, 1999, Summa Health System reorganized resulting in a change in ownership of SummaCare. Prior to December 31, 1999, SummaCare was a wholly-owned subsidiary of Akron City Health System (ACHS). As part of the reorganization, SIC received SummaCare's voting common stock for no consideration.

27) Minimum Net Worth

Under the laws of the State of Ohio for health insuring corporations, the Company is required to maintain total admitted assets equal to at least 110% of the liabilities of the Company. However, at no time shall the Company's net worth be less than \$1,500,000. A comparison of the Company's net worth to the minimum net worth requirement at December 31, 2001 is as follows:

|                                 |              |
|---------------------------------|--------------|
| Liabilities                     | \$31,858,359 |
| Required admitted assets (110%) | \$35,044,195 |
| Company admitted assets         | \$46,220,182 |
| Minimum net worth               | \$ 1,500,000 |
| Company net worth               | \$14,361,823 |

**SUMMARY INVESTMENT SCHEDULE**

| Investment Categories   | Gross Investment Holdings |                 | Admitted Assets as Reported in the Annual Statement |                 |
|---|---------------------------|-----------------|---|-----------------|
|   | 1<br>Amount               | 2<br>Percentage | 3<br>Amount   | 4<br>Percentage |
| 1. Bonds:   |                           |                 |   |                 |
| 1.1 U.S. treasury securities .....  | 12,488,937                | 39.076          | 12,488,937  | 39.076          |
| 1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):                            |                           |                 |   |                 |
| 1.21 Issued by U.S. government agencies .....   |                           |                 |   |                 |
| 1.22 Issued by U.S. government sponsored agencies .....   |                           |                 |   |                 |
| 1.3 Foreign government (including Canada, excluding mortgage-backed securities) .....                                   |                           |                 |   |                 |
| 1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:                   |                           |                 |   |                 |
| 1.41 States, territories and possessions general obligations .....  |                           |                 |   |                 |
| 1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations ..... |                           |                 |   |                 |
| 1.43 Revenue and assessment obligations .....   |                           |                 |   |                 |
| 1.44 Industrial development and similar obligations .....   |                           |                 |   |                 |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):   |                           |                 |   |                 |
| 1.51 Pass-through securities:   |                           |                 |   |                 |
| 1.511 Guaranteed by GNMA .....  |                           |                 |   |                 |
| 1.512 Issued by FNMA and FHLMC .....  |                           |                 |   |                 |
| 1.513 Privately issued .....  |                           |                 |   |                 |
| 1.52 CMOs and REMICs:   |                           |                 |   |                 |
| 1.521 Issued by FNMA and FHLMC .....  |                           |                 |   |                 |
| 1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....                     |                           |                 |   |                 |
| 1.523 All other privately issued .....  |                           |                 |   |                 |
| 2. Other debt and other fixed income securities (excluding short term):   |                           |                 |   |                 |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....                              |                           |                 |   |                 |
| 2.2 Unaffiliated foreign securities .....   |                           |                 |   |                 |
| 2.3 Affiliated securities .....   |                           |                 |   |                 |
| 3. Equity interests:  |                           |                 |   |                 |
| 3.1 Investments in mutual funds .....   |                           |                 |   |                 |
| 3.2 Preferred stocks:   |                           |                 |   |                 |
| 3.21 Affiliated .....   |                           |                 |   |                 |
| 3.22 Unaffiliated .....   |                           |                 |   |                 |
| 3.3 Publicly traded equity securities (excluding preferred stocks):   |                           |                 |   |                 |
| 3.31 Affiliated .....   |                           |                 |   |                 |
| 3.32 Unaffiliated .....   |                           |                 |   |                 |
| 3.4 Other equity securities:  |                           |                 |   |                 |
| 3.41 Affiliated .....   |                           |                 |   |                 |
| 3.42 Unaffiliated .....   |                           |                 |   |                 |
| 3.5 Other equity interests including tangible personal property under lease:  |                           |                 |   |                 |
| 3.51 Affiliated .....   |                           |                 |   |                 |
| 3.52 Unaffiliated .....   |                           |                 |   |                 |
| 4. Mortgage loans:  |                           |                 |   |                 |
| 4.1 Construction and land development .....   |                           |                 |   |                 |
| 4.2 Agricultural .....  |                           |                 |   |                 |
| 4.3 Single family residential properties .....  |                           |                 |   |                 |
| 4.4 Multifamily residential properties .....  |                           |                 |   |                 |
| 4.5 Commercial loans .....  |                           |                 |   |                 |
| 5. Real estate investments:   |                           |                 |   |                 |
| 5.1 Property occupied by company .....  |                           |                 |   |                 |
| 5.2 Property held for production of income (includes \$..... of property acquired in satisfaction of debt) .....        |                           |                 |   |                 |
| 5.3 Property held for sale (\$..... including property acquired in satisfaction of debt) .....                          |                           |                 |   |                 |
| 6. Policy loans .....   |                           |                 |   |                 |
| 7. Receivables for securities .....   |                           |                 |   |                 |
| 8. Cash and short-term investments .....  | 19,471,501                | 60.924          | 19,471,501  | 60.924          |
| 9. Other invested assets .....  |                           |                 |   |                 |
| 10. Total invested assets .....   | 31,960,438                | 100.000         | 31,960,438  | 100.000         |

# 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. .....12/31/1997.....
- 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. .....12/31/1997.....
- 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). .....12/31/1998.....
- 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 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<br>Name of Entity | 2<br>NAIC Company Code | 3<br>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
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

| 1<br>Nationality | 2<br>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?  
 KPMG, LLP One Cleveland Center, 1375 East 9th Street Suite 2600, Cleveland, OH 44114
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?  
 Charles D. Friedstat FSA, MAAA, a consulting actuary with KPMG LLP
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? Yes[ ] No[ ] N/A[X]  
 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[ ] N/A[X]  
 10.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]  
 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?

### 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 \$ .....
  - 14.12 To stockholders not officers \$ .....
  - 14.13 Trustees, supreme or grand (Fraternal only) \$ .....
- 14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.21 To directors or other officers \$ .....
  - 14.22 To stockholders not officers \$ .....
  - 14.23 Trustees, supreme or grand (Fraternal only) \$ .....
- 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 \$ .....
  - 15.22 Borrowed from others \$ .....
  - 15.23 Leased from others \$ .....
  - 15.24 Other \$ .....
- Disclose in 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 \$ .....
  - 16.22 Amount paid as expenses \$ .....
  - 16.23 Other amounts paid \$ .....

# GENERAL INTERROGATORIES (continued)

## INVESTMENT

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

|                    | 1<br>Number of<br>Shares Authorized | 2<br>Number of<br>Shares Outstanding | 3<br>Par Value<br>Per Share | 4<br>Redemption Price<br>If Callable | 5<br>Is Dividend<br>Rate Limited? | 6<br>Are Dividends<br>Cumulative? |
|--------------------|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| 1. Preferred ..... | 300.000                             | 100.000                              | 1.000                       | .....                                | Yes[ ] No[X] N/A[ ]               | Yes[X] No[ ] N/A[ ]               |
| 2. Common .....    | 700.000                             | 570.000                              | 1.000                       | X X X                                | X X X                             | X X X                             |

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[ ] No[X]

18.2 If no, give full and complete information, relating thereto:  
Investments Held by FirstMerit Corp. Trust Group, Akron OH

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

19.3 For each category above, if any of these assets are held by other, 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<br>Nature of Restriction | 2<br>Description | 3<br>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. \$

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[ ]

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

|         | 1<br>Name of Custodian(s) | 2<br>Custodian's Address                     |
|---------|---------------------------|--|
| 22.1001 | First Merit Bank .....    | 295 FirstMerit Circle, Akron, OH 44307 ..... |

## 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<br>Name(s) | 2<br>Location(s) | 3<br>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<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

22.05 Identify all investment advisers, 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<br>Central Registration<br>Depository Number(s) | 2<br>Name | 3<br>Address |
|---|-----------|--------------|
|   |           |              |

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

\$ .....

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<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

24.1 Amount of payments for legal expenses, if any?

\$ ..... 107,447

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

| 1<br>Name                       | 2<br>Amount Paid |
|---------------------------------|------------------|
| Brouse & McDowell .....         | 30,720           |
| Schottenstein, Zox & Dunn ..... | 34,546           |

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

\$ .....

25.2 List the name of 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 department of government during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

## GENERAL INTERROGATORIES (continued)

### PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[ ] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only: \$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?  
1.31 Reason for excluding: \$ .....
- 1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ .....
- 1.6 Individual policies - Most current three years:  
1.61 Total premium earned \$ .....  
1.62 Total incurred claims \$ .....  
1.63 Number of covered lives \$ .....  
All years prior to most current three years:  
1.64 Total premium earned \$ .....  
1.65 Total incurred claims \$ .....  
1.66 Number of covered lives \$ .....
- 1.7 Group policies - Most current three years:  
1.71 Total premium earned \$ .....  
1.72 Total incurred claims \$ .....  
1.73 Number of covered lives \$ .....  
All years prior to most current three years:  
1.74 Total premium earned \$ .....  
1.75 Total incurred claims \$ .....  
1.76 Number of covered lives \$ .....
- 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[ ] No[X]
- 2.2 If yes, give particulars:
- 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[X] No[ ]
- 3.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[ ] No[X]
- 4.1 Does the reporting entity have stop-loss reinsurance? Yes[X] No[ ]
- 4.2 If no, explain:
- 4.3 Maximum retained risk (see instructions): \$ .....
- 4.31 Comprehensive Medical \$ ..... 232,500
- 4.32 Medical Only \$ .....
- 4.33 Medicare Supplement \$ .....
- 4.34 Dental \$ .....
- 4.35 Other Limited Benefit Plan \$ .....
- 4.36 Other \$ .....
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:  
Hold harmless clauses are contained in all provider contracts
- 6.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes[X] No[ ]
- 6.2 If no, give details:
7. Provide the following information regarding participating providers:  
7.1 Number of providers at start of reporting year ..... 6197  
7.2 Number of providers at end of reporting year ..... 6200
- 8.1 Does the reporting entity have business subject to premium rate guarantees? Yes[ ] No[X]
- 8.2 If yes, direct premium earned:  
8.21 Business with 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[ ] No[X]
- 9.2 If yes:  
9.21 Maximum amount payable bonuses \$ .....  
9.22 Amount actually paid for year bonuses \$ .....  
9.23 Maximum amount payable withholds \$ .....  
9.24 Amount actually paid for year withholds \$ .....
10. List service areas in which reporting entity is licensed to operate:

| 1<br>Name of Service Area |
|---------------------------|
| Summit .....              |
| Portage .....             |
| Cuyahoga .....            |
| Geauga .....              |
| Stark .....               |
| Medina .....              |
| Wayne .....               |
| Ashtabula .....           |
| Carroll .....             |
| Lorain .....              |
| Mahoning .....            |
| Trumbull .....            |
| Tuscarawas .....          |

**FIVE-YEAR HISTORICAL DATA**

|  | 1<br>2002   | 2<br>2001   | 3<br>2000   | 4<br>1999   | 5<br>1998   |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>                                 |             |             |             |             |             |
| 1. Total admitted assets (Page 2, Line 23) .....                           | 46,220,182  | 43,614,735  | 32,284,617  | 19,808,789  | 14,865,528  |
| 2. Total liabilities (Page 3, Line 18) .....                               | 31,858,359  | 27,347,356  | 20,672,752  | 15,170,105  | 13,285,525  |
| 3. Statutory surplus .....   |             |             |             | 4,638,684   | 1,580,003   |
| 4. Total capital and surplus (Page 3, Line 26) .....                       | 14,361,823  | 16,267,379  | 11,611,865  | 19,808,789  | 14,865,528  |
| <b>INCOME STATEMENT ITEMS (Page 4)</b>                                     |             |             |             |             |             |
| 5. Total revenues (Line 7) .....   | 257,574,410 | 207,723,251 | 184,379,988 | 151,754,180 | 107,501,327 |
| 6. Total medical and hospital expenses (Line 17) .....                     | 223,689,853 | 178,366,994 | 157,193,056 | 133,211,383 | 95,233,814  |
| 7. Total administrative expenses (Line 19) .....                           | 33,316,438  | 25,557,511  | 20,121,953  | 16,824,620  | 15,193,298  |
| 8. Net underwriting gain (loss) (Line 22) .....                            | 568,119     | 3,798,746   | 7,077,014   | 1,718,177   | (2,734,876) |
| 9. Net investment gain (loss) (Line 25) .....                              | 759,951     | 658,009     | 285,294     | 136,630     | 117,067     |
| 10. Total other income (Lines 26 plus 27) .....                            | (49,101)    | 88,399      |             |             | 187,909     |
| 11. Net income or (loss) (Line 30) .....                                   | 612,751     | 2,760,154   | 7,362,308   | 1,854,807   | (2,620,809) |
| <b>RISK-BASED CAPITAL ANALYSIS</b>   |             |             |             |             |             |
| 12. Total adjusted capital .....   | 14,361,823  | 16,267,379  | 11,611,865  | 19,808,789  |             |
| 13. Authorized control level risk-based capital .....                      | 6,191,248   | 5,156,975   |             |             |             |
| <b>ENROLLMENT (Exhibit 2)</b>  |             |             |             |             |             |
| 14. Total members at end of period (Column 5, Line 7) .....                | 102,023     | 86,296      | 85,141      | 71,974      | 69,583      |
| 15. Total members months (Column 6, Line 7) .....                          | 1,135,133   | 977,318     | 932,723     | 795,098     | 765,684     |
| <b>OPERATING PERCENTAGE (Page 4)</b>                                       |             |             |             |             |             |
| <b>(Item divided by Page 4, sum of Lines 2, 3 and 5)</b>                   |             |             |             |             |             |
| 16. Premiums earned (Lines 2 plus 3) .....                                 | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| 17. Total medical and hospital (Line 17) .....                             | 88.2        | 86.7        | 85.6        | 88.2        | 89.5        |
| 18. Total underwriting deductions (Line 21) .....                          | 101.3       | 99.2        | 96.5        | 99.4        | 103.6       |
| 19. Total underwriting gain (loss) (Line 22) .....                         | 0.2         | 1.8         | 3.9         | 0.1         | (2.5)       |
| <b>UNPAID CLAIMS ANALYSIS</b>  |             |             |             |             |             |
| <b>(U&amp;I Exhibit, Part 2B)</b>  |             |             |             |             |             |
| 20. Total claims incurred for prior years (Line 11, Col. 5) .....          | 3,562,500   | 126,977     |             | 1,465,062   | 575,291     |
| 21. Estimated liability of unpaid claims-[prior year (Line 11, Col. 6)] .. | 3,399,603   | 126,977     |             | 1,465,062   | 591,115     |

## FIVE-YEAR HISTORICAL DATA (Continued)

|  | 1<br>2002   | 2<br>2001 | 3<br>2000 | 4<br>1999 | 5<br>1998 |
|--|-------------|-----------|-----------|-----------|-----------|
| <b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>  |             |           |           |           |           |
| 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,<br>Part 2, Col. 5, Line 11) ..... | <b>NONE</b> |           |           |           |           |
| 26. Affiliated mortgage loans on real estate .....   |             |           |           |           |           |
| 27. All other affiliated .....   |             |           |           |           |           |
| 28. Total of above Lines 22 to 27 .....  |             |           |           |           |           |

## SCHEDULE D - SUMMARY BY COUNTRY

### Long-term Bonds and Stocks OWNED December 31 of Current Year

| Description   | 1                                | 2              | 3           | 4                  |
|---|----------------------------------|----------------|-------------|--------------------|
|   | Book/Adjusted Carrying Value     | Fair Value (a) | Actual Cost | Par Value of Bonds |
| <b>BONDS</b>  |                                  |                |             |                    |
| Governments (Including all obligations guaranteed by governments)   | 1. United States .....           | 12,488,937     | 12,488,937  | 12,609,899         |
|   | 2. Canada .....                  |                |             |                    |
|   | 3. Other Countries .....         |                |             |                    |
|   | 4. Totals .....                  | 12,488,937     | 12,488,937  | 12,609,899         |
| States, Territories and Possessions (Direct and Guaranteed)   | 5. United States .....           |                |             |                    |
|   | 6. Canada .....                  |                |             |                    |
|   | 7. Other Countries .....         |                |             |                    |
|   | 8. Totals .....                  |                |             |                    |
| Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)   | 9. United States .....           |                |             |                    |
|   | 10. Canada .....                 |                |             |                    |
|   | 11. Other Countries .....        |                |             |                    |
|   | 12. Totals .....                 |                |             |                    |
| Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions | 13. United States .....          |                |             |                    |
|   | 14. Canada .....                 |                |             |                    |
|   | 15. Other Countries .....        |                |             |                    |
|   | 16. Totals .....                 |                |             |                    |
| Public Utilities (unaffiliated)   | 17. United States .....          |                |             |                    |
|   | 18. Canada .....                 |                |             |                    |
|   | 19. Other Countries .....        |                |             |                    |
|   | 20. Totals .....                 |                |             |                    |
| Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)   | 21. United States .....          |                |             |                    |
|   | 22. Canada .....                 |                |             |                    |
|   | 23. Other Countries .....        |                |             |                    |
|   | 24. Totals .....                 |                |             |                    |
| Parent, Subsidiaries and Affiliates   | 25. Totals .....                 |                |             |                    |
|   | 26. Total Bonds .....            | 12,488,937     | 12,488,937  | 12,609,899         |
| <b>PREFERRED STOCKS</b>   |                                  |                |             |                    |
| Public Utilities (unaffiliated)   | 27. United States .....          |                |             |                    |
|   | 28. Canada .....                 |                |             |                    |
|   | 29. Other Countries .....        |                |             |                    |
|   | 30. Totals .....                 |                |             |                    |
| Banks, Trust and Insurance Companies (unaffiliated)   | 31. United States .....          |                |             |                    |
|   | 32. Canada .....                 |                |             |                    |
|   | 33. Other Countries .....        |                |             |                    |
|   | 34. Totals .....                 |                |             |                    |
| Industrial and Miscellaneous (unaffiliated)   | 35. United States .....          |                |             |                    |
|   | 36. Canada .....                 |                |             |                    |
|   | 37. Other Countries .....        |                |             |                    |
|   | 38. Totals .....                 |                |             |                    |
| Parent, Subsidiaries and Affiliates   | 39. Totals .....                 |                |             |                    |
|   | 40. Total Preferred Stocks ..... |                |             |                    |
| <b>COMMON STOCKS</b>  |                                  |                |             |                    |
| Public Utilities (unaffiliated)   | 41. United States .....          |                |             |                    |
|   | 42. Canada .....                 |                |             |                    |
|   | 43. Other Countries .....        |                |             |                    |
|   | 44. Totals .....                 |                |             |                    |
| Banks, Trust and Insurance Companies (unaffiliated)   | 45. United States .....          |                |             |                    |
|   | 46. Canada .....                 |                |             |                    |
|   | 47. Other Countries .....        |                |             |                    |
|   | 48. Totals .....                 |                |             |                    |
| Industrial and Miscellaneous (unaffiliated)   | 49. United States .....          |                |             |                    |
|   | 50. Canada .....                 |                |             |                    |
|   | 51. Other Countries .....        |                |             |                    |
|   | 52. Totals .....                 |                |             |                    |
| Parent, Subsidiaries and Affiliates   | 53. Totals .....                 |                |             |                    |
|   | 54. Total Common Stocks .....    |                |             |                    |
|   | 55. Total Stocks .....           |                |             |                    |
|   | 56. Total Bonds and Stocks ..... | 12,488,937     | 12,488,937  | 12,609,899         |

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

## SCHEDULE D - Verification Between Years

|   |                  |  |            |
|---|------------------|--|------------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year ..... | 9,503,710        | 6. Foreign Exchange Adjustment                                 |            |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3 .....          | 5,375,008        | 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 .....   | (84,615)         | 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 .....                                |                  | 7. Book/adjusted carrying value at end of current period ..... | 12,466,157 |
| 3.4 Column 10, Part 4 .....   | (1,234) (85,849) | 8. Total valuation allowance .....                             |            |
| 4. Total gain (loss), Column 14, Part 4 .....                         | 2,688            | 9. Subtotal (Lines 7 plus 8) .....                             | 12,466,157 |
| 5. Deduct consideration for bonds and stocks disposed of              |                  | 10. Total nonadmitted assets .....                             |            |
| Column 6, Part 4 .....  | 2,329,400        | 11. Statement value of bonds and stocks, current period .....  | 12,466,157 |

# SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

## Allocated by States and Territories

|     | State, Etc.             | 1<br>Guaranty<br>Fund<br>(Yes or<br>No) | 2<br>Is Insurer<br>Licensed<br>(Yes or<br>No) | Direct Business Only |                              |                            |   |            |
|-----|-------------------------|---|---|----------------------|------------------------------|----------------------------|---|------------|
|     |                         |   |   | 3<br>Premiums        | 4<br>Medicare<br>Title XVIII | 5<br>Medicaid<br>Title XIX | 6<br>Federal Employees<br>Health Benefits<br>Program Premiums |            |
| 1.  | Alabama                 | AL                                      | No  | No                   |                              |                            |   |            |
| 2.  | Alaska                  | AK                                      | No  | No                   |                              |                            |   |            |
| 3.  | Arizona                 | AZ                                      | No  | No                   |                              |                            |   |            |
| 4.  | Arkansas                | AR                                      | No  | No                   |                              |                            |   |            |
| 5.  | California              | CA                                      | No  | No                   |                              |                            |   |            |
| 6.  | Colorado                | CO                                      | No  | No                   |                              |                            |   |            |
| 7.  | Connecticut             | CT                                      | No  | No                   |                              |                            |   |            |
| 8.  | Delaware                | DE                                      | No  | No                   |                              |                            |   |            |
| 9.  | District of Columbia    | DC                                      | No  | No                   |                              |                            |   |            |
| 10. | Florida                 | FL                                      | No  | No                   |                              |                            |   |            |
| 11. | Georgia                 | GA                                      | No  | No                   |                              |                            |   |            |
| 12. | Hawaii                  | HI                                      | No  | No                   |                              |                            |   |            |
| 13. | Idaho                   | ID                                      | No  | No                   |                              |                            |   |            |
| 14. | Illinois                | IL                                      | No  | No                   |                              |                            |   |            |
| 15. | Indiana                 | IN                                      | No  | No                   |                              |                            |   |            |
| 16. | Iowa                    | IA                                      | No  | No                   |                              |                            |   |            |
| 17. | Kansas                  | KS                                      | No  | No                   |                              |                            |   |            |
| 18. | Kentucky                | KY                                      | No  | No                   |                              |                            |   |            |
| 19. | Louisiana               | LA                                      | No  | No                   |                              |                            |   |            |
| 20. | Maine                   | ME                                      | No  | No                   |                              |                            |   |            |
| 21. | Maryland                | MD                                      | No  | No                   |                              |                            |   |            |
| 22. | Massachusetts           | MA                                      | No  | No                   |                              |                            |   |            |
| 23. | Michigan                | MI                                      | No  | No                   |                              |                            |   |            |
| 24. | Minnesota               | MN                                      | No  | No                   |                              |                            |   |            |
| 25. | Mississippi             | MS                                      | No  | No                   |                              |                            |   |            |
| 26. | Missouri                | MO                                      | No  | No                   |                              |                            |   |            |
| 27. | Montana                 | MT                                      | No  | No                   |                              |                            |   |            |
| 28. | Nebraska                | NE                                      | No  | No                   |                              |                            |   |            |
| 29. | Nevada                  | NV                                      | No  | No                   |                              |                            |   |            |
| 30. | New Hampshire           | NH                                      | No  | No                   |                              |                            |   |            |
| 31. | New Jersey              | NJ                                      | No  | No                   |                              |                            |   |            |
| 32. | New Mexico              | NM                                      | No  | No                   |                              |                            |   |            |
| 33. | New York                | NY                                      | No  | No                   |                              |                            |   |            |
| 34. | North Carolina          | NC                                      | No  | No                   |                              |                            |   |            |
| 35. | North Dakota            | ND                                      | No  | No                   |                              |                            |   |            |
| 36. | Ohio                    | OH                                      | No  | Yes                  | 98,329,882                   | 82,541,761                 | 62,042,116  | 10,767,986 |
| 37. | Oklahoma                | OK                                      | No  | No                   |                              |                            |   |            |
| 38. | Oregon                  | OR                                      | No  | No                   |                              |                            |   |            |
| 39. | Pennsylvania            | PA                                      | No  | No                   |                              |                            |   |            |
| 40. | Rhode Island            | RI                                      | No  | No                   |                              |                            |   |            |
| 41. | South Carolina          | SC                                      | No  | No                   |                              |                            |   |            |
| 42. | South Dakota            | SD                                      | No  | No                   |                              |                            |   |            |
| 43. | Tennessee               | TN                                      | No  | No                   |                              |                            |   |            |
| 44. | Texas                   | TX                                      | No  | No                   |                              |                            |   |            |
| 45. | Utah                    | UT                                      | No  | No                   |                              |                            |   |            |
| 46. | Vermont                 | VT                                      | No  | No                   |                              |                            |   |            |
| 47. | Virginia                | VA                                      | No  | No                   |                              |                            |   |            |
| 48. | Washington              | WA                                      | No  | No                   |                              |                            |   |            |
| 49. | West Virginia           | WV                                      | No  | No                   |                              |                            |   |            |
| 50. | Wisconsin               | WI                                      | No  | No                   |                              |                            |   |            |
| 51. | Wyoming                 | WY                                      | No  | No                   |                              |                            |   |            |
| 52. | American Samoa          | AS                                      | No  | No                   |                              |                            |   |            |
| 53. | Guam                    | GU                                      | No  | No                   |                              |                            |   |            |
| 54. | Puerto Rico             | PR                                      | No  | No                   |                              |                            |   |            |
| 55. | U.S. Virgin Islands     | VI                                      | No  | No                   |                              |                            |   |            |
| 56. | Canada                  | CN                                      | No  | No                   |                              |                            |   |            |
| 57. | Aggregate other alien   | OT                                      | X X X   | X X X                |                              |                            |   |            |
| 58. | TOTAL (Direct Business) | X X X                                   | (a)..... 1                                    |                      | 98,329,882                   | 82,541,761                 | 62,042,116  | 10,767,986 |

| DETAILS OF WRITE-INS |   |  |  |  |  |  |  |
|----------------------|---|--|--|--|--|--|--|
| 5701                 |   |  |  |  |  |  |  |
| 5702                 |   |  |  |  |  |  |  |
| 5703                 |   |  |  |  |  |  |  |
| 5798.                | Summary of remaining write-ins for Line 57 from overflow page |  |  |  |  |  |  |
| 5799.                | TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)    |  |  |  |  |  |  |

(a) Insert the number of yes responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

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

## PART 1 - ORGANIZATIONAL CHART

