



ANNUAL STATEMENT

For the Year Ending December 31, 2002

OF THE CONDITION AND AFFAIRS OF THE

Mount Carmel Behavioral Healthcare Company

NAIC Group Code	2838 <small>(Current Period)</small>	2838 <small>(Prior Period)</small>	NAIC Company Code	95851	Employer's ID Number	31-0971510
Organized under the Laws of	Ohio		State of Domicile or Port of Entry	Ohio		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[<input checked="" type="checkbox"/>] Dental Service Corporation[] Other[]	Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[<input checked="" type="checkbox"/>]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[]			
Date Incorporated or Organized	10/01/1979		Date Commenced Business	01/01/1997		
Statutory Home Office	1808 East Broad Street <small>(Street and Number)</small>		Columbus, OH 43215 <small>(City, or Town, State and Zip Code)</small>			
Main Administrative Office	1808 East Broad Street <small>(Street and Number)</small>					
	Columbus, OH 43215 <small>(City or Town, State and Zip Code)</small>		(614)251-8242 <small>(Area Code) (Telephone Number)</small>			
Mail Address	1808 East Broad Street <small>(Street and Number or P.O. Box)</small>		Columbus, OH 43215 <small>(City, or Town, State and Zip Code)</small>			
Primary Location of Books and Records	5955 East Broad Street <small>(Street and Number)</small>					
	Columbus, OH 43213 <small>(City, or Town, State and Zip Code)</small>		(614)234-8600-8911 <small>(Area Code) (Telephone Number)</small>			
Internet Website Address						
Statement Contact	David D. Hensel <small>(Name)</small>		(614)234-8911 <small>(Area Code)(Telephone Number)(Extension)</small>			
	dhensel@mchs.com <small>(E-Mail Address)</small>		(614)234-8713 <small>(Fax Number)</small>			
Policyowner Relations Contact	1808 East Broad Street <small>(Street and Number)</small>					
	Columbus, OH 43215 <small>(City, or Town, State and Zip Code)</small>		(614)251-8242 <small>(Area Code) (Telephone Number)(Extension)</small>			

OFFICERS

President Joseph T. Calvaruso
Secretary Michael Cunniff
Treasurer Russell W. Gardner

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

State of Ohio
County of Franklin ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
Joseph T Calvaruso
(Printed Name)
President

(Signature)
Michael Cunniff
(Printed Name)
Secretary

(Signature)
Russell W Gardner
(Printed Name)
Treasurer

- a. Is this an original filing? Yes[] No[]
b. If no, 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

Subscribed and sworn to before me this _____ day of _____, 2003

(Notary Public Signature)

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds	147,563		147,563	147,563
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$..... encumbrances)			(a)	
4.2 Properties held for the production of income (less \$..... encumbrances)				
4.3 Properties held for sale (less \$..... encumbrances)				
5. Cash (\$.....729,827, Schedule E - Part 1) and short-term investments (\$....., Schedule DA - Part 2)	729,827		729,827	1,690,213
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)	877,390		877,390	1,837,776
10. Accident and health premiums due and unpaid	3,013	1,155	1,858	7,542
11. Health care receivables	66,281	10,724	55,557	72,055
12. Amounts recoverable from reinsurers				
13. Net adjustment in assets and liabilities due to foreign exchange rates				
14. Investment income due and accrued				
15. Amounts due from parent, subsidiaries and affiliates	1,331,176	956,176	375,000	
16. Amounts receivable relating to uninsured accident and health plans				
17. Furniture and equipment				7,299
18. Amounts due from agents				
19. Federal and foreign income tax recoverable and interest thereon (including \$..... net deferred tax asset)				
20. Electronic data processing equipment and software	25,572		25,572	44,211
21. Other nonadmitted assets				
22. Aggregate write-ins for other than invested assets	4,260		4,260	15,920
23. Total assets (Lines 9 plus 10 through 22)	2,307,691	968,054	1,339,637	1,984,803
DETAILS OF WRITE-INS				
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. Prepaid Assets	4,260		4,260	8,843
2202. Franklin County Escrow				7,077
2203. Due from Affiliate				
2298. Summary of remaining write-ins for Line 22 from overflow page				
2299. TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)	4,260		4,260	15,920

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

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded)				
2. Accrued medical incentive pool and bonus payments				
3. Unpaid claims adjustment expenses				
4. Aggregate policy reserves				
5. Aggregate claim reserves				
6. Premiums received in advance	30,064		30,064	33,088
7. General expenses due or accrued	12,216		12,216	12,084
8. Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$..... net deferred tax liability)				
9. Amounts withheld or retained for account of others				
10. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
11. Amounts due to parent, subsidiaries and affiliates				168,228
12. Payable to securities				
13. Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
14. Reinsurance in unauthorized companies				
15. Net adjustments in assets and liabilities due to foreign exchange rates				
16. Liability for amounts held under uninsured accident and health plans				
17. Aggregate write-ins for other liabilities (including \$..... current)	251,359		251,359	447,044
18. Total liabilities (Lines 1 to 17)	293,639		293,639	660,444
19. Common capital stock	X X X	X X X	500	500
20. Preferred capital stock	X X X	X X X		
21. Gross paid in and contributed surplus	X X X	X X X	6,407,579	4,907,579
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	(5,362,081)	(3,583,720)
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	1,045,998	1,324,359
27. Total liabilities, capital and surplus (Lines 18 and 26)	X X X	X X X	1,339,637	1,984,803
DETAILS OF WRITE-INS				
1701. Unearned ASO Fees	78,168		78,168	58,538
1702. Franklin County Escrow	56,936		56,936	
1703. Accrued IO Claims Payable	116,255		116,255	388,504
1798. Summary of remaining write-ins for Line 17 from overflow page				2
1799. TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above)	251,359		251,359	447,044
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 Uncovered	2 Total	3 Total
1. Member Months	X X X	160,732	178,454
2. Net premium income	X X X	165,702	160,608
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	1,760,875	3,398,508
6. Aggregate Write-Ins for Other health care related revenues	X X X	924,972	810,842
7. Total revenues (Lines 2 to 6)	X X X	2,851,549	4,369,958
Medical and Hospital:			
8. Hospital/medical benefits		2,006,876	3,053,610
9. Other Professional Services			
10. Outside Referrals			
11. Emergency room and out-of-area			
12. Prescription drugs			
13. Aggregate write-ins for other medical and hospital			
14. Incentive pool and withhold adjustments			
15. Subtotal (Lines 8 to 14)		2,006,876	3,053,610
LESS:			
16. Net reinsurance recoveries			
17. Total medical and hospital (Lines 15 minus 16)		2,006,876	3,053,610
18. Claims adjustment expenses			
19. General administrative expenses		1,691,486	1,947,722
20. Increase in reserves for accident and health contracts			
21. Total underwriting deductions (Lines 17 through 20)		3,698,362	5,001,332
22. Net underwriting gain or (loss) (Lines 7 minus 21)	X X X	(846,814)	(631,374)
23. Net investment income earned		25,607	75,990
24. Net realized capital gains or (losses)			
25. Net investment gains or (losses) (Lines 23 plus 24)		25,607	75,990
26. Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
27. Aggregate write-ins for other income or expenses		1,900	20,900
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)		(819,307)	(534,484)
29. Federal and foreign income taxes incurred	X X X		
30. Net income (loss) (Lines 28 minus 29)	X X X	(819,307)	(534,484)
DETAILS OF WRITE-INS			
0601. Claims Processing and Other	X X X	924,972	810,842
0602	X X X		
0603	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	924,972	810,842
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. Rental Income		1,900	20,900
2702			
2703			
2798. Summary of remaining write-ins for Line 27 from overflow page			
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)		1,900	20,900

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year	1,324,359	986,950
GAINS AND LOSSES TO CAPITAL & SURPLUS		
32. Net income or (loss) from Line 30	(819,307)	(534,484)
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		
37. Change in nonadmitted assets	(959,053)	71,893
38. Change in unauthorized reinsurance		
39. Change in treasury stock		
40. Change in surplus notes		
41. Cumulative effect of changes in accounting principles		
42. Capital Changes:		
42.1 Paid in		
42.2 Transferred from surplus (Stock Dividend)		
42.3 Transferred to surplus		
43. Surplus adjustments:		
43.1 Paid in	1,500,000	800,000
43.2 Transferred to capital (Stock Dividend)		
43.3 Transferred from capital		
44. Dividends to stockholders		
45. Aggregate write-ins for gains or (losses) in surplus		
46. Net change in capital and surplus (Lines 32 to 45)	(278,361)	337,409
47. Capital and surplus end of reporting year (Line 31 plus 46)	1,045,998	1,324,359
DETAILS OF WRITE-INS		
4501. Rounding		
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)		

CASH FLOW

		1 Current Year	2 Prior Year
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance	1,931,106	3,568,731
2.	Claims and claims adjustment expenses	2,042,695	
3.	General administrative expenses paid	1,691,486	1,937,187
4.	Other underwriting income (expenses)		(2,242,742)
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(1,803,075)	(611,198)
6.	Net investment income	25,607	75,990
7.	Other income (expenses)	1,900	20,900
8.	Federal and foreign income taxes (paid) recovered		
9.	Net cash from operations (Line 5 to 8)	(1,775,568)	(514,308)
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1	Bonds		
10.2	Stocks		
10.3	Mortgage loans		
10.4	Real estate		
10.5	Other invested assets		
10.6	Net gains or (losses) on cash and short-term investments		
10.7	Miscellaneous proceeds		
10.8	Total investment proceeds (Lines 10.1 to 10.7)		
11.	Cost of investments acquired (long-term only):		
11.1	Bonds		
11.2	Stocks		
11.3	Mortgage loans		
11.4	Real estate		
11.5	Other invested assets		
11.6	Miscellaneous applications		
11.7	Total investments acquired (Lines 11.1 to 11.6)		
12.	Net cash from investments (Line 10.8 minus Line 11.7)		
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1	Surplus notes, capital and surplus paid in	1,500,000	800,000
13.2	Net transfers from affiliates		362,420
13.3	Borrowed funds received		
13.4	Other cash provided	54,096	89,265
13.5	Total (Lines 13.1 to 13.4)	1,554,096	1,251,685
14.	Cash applied:		
14.1	Dividends to stockholder paid		
14.2	Net transfers to affiliates	543,228	
14.3	Borrowed funds repaid		
14.4	Other applications	195,685	254,186
14.5	Total (Lines 14.1 to 14.4)	738,913	254,186
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	815,183	997,499
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(960,386)	483,191
17.	Cash and short-term investments:		
17.1	Beginning of year	1,690,213	1,207,022
17.2	End of year (Line 16 plus Line 17.1)	729,827	1,690,213

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 (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1. Net premium income	165,702												165,702
2. Change in unearned premium reserves and reserve for rate credit													
3. Fee-for-service (net of \$..... medical expenses)													
4. Risk revenue	1,760,875												1,760,875
5. Aggregate write-ins for other health care related revenues	924,972												924,972
6. Total revenues (Lines 1 to 5)	2,851,549												2,851,549
7. Medical/hospital benefits	2,006,876												2,006,876
8. Other professional services													
9. Outside referrals													
10. Emergency room and out-of-area													
11. Prescription drugs													
12. Aggregate write-ins for other medical and hospital													
13. Incentive pool and withhold adjustments													
14. Subtotal (Lines 7 to 13)	2,006,876												2,006,876
15. Net reinsurance recoveries													
16. Total medical and hospital (Lines 14 minus 15)	2,006,876												2,006,876
17. Claims adjustment expenses													
18. General administrative expenses	1,691,486												1,691,486
19. Increase in reserves for accident and health contracts													
20. Total underwriting deductions (Lines 16 to 19)	3,698,362												3,698,362
21. Net underwriting gain or (loss) (Line 6 minus Line 20)	(846,814)												(846,814)
DETAILS OF WRITE-INS													
0501. Other Claims Processing	924,972												924,972
0502.													
0503.													
0598. Summary of remaining write-ins for Line 5 from overflow page													
0599. TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above)	924,972												924,972
1201. Consolidated Medical Expense													
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

		1	2	3	4
	Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	.....	.....	.....	.....
8.	Other	165,702	.....	.....	165,702
9.	TOTALS	165,702	.....	.....	165,702

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct	2,042,695								2,042,695
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net	2,042,695								2,042,695
2. Paid medical incentive pools and bonuses									
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct									
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net									
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									
7.2 Reinsurance assumed									
7.3 Reinsurance ceded									
7.4 Net									
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	2,042,695								2,042,695
11.2 Reinsurance assumed									
11.3 Reinsurance ceded									
11.4 Net	2,042,695								2,042,695
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- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1 Direct									
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net									
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									
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net									

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred Durring the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (medical and hospital)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan Premiums						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other		2,042,695				
9. Subtotal		2,042,695				
10. Medical incentive pools, accrual and disbursements						
11. TOTALS		2,042,695				

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Total	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Total	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Total	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical.	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical.	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical.	NONE
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
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP.	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP.	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP.	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid	NONE
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 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1.	Rent (\$..... for occupancy of own building)				
2.	Salaries, wages and other benefits		1,121,167		1,121,167
3.	Commissions (less \$..... ceded plus \$..... assumed)				
4.	Legal fees and expenses				
5.	Certifications and accreditation fees		3,779		3,779
6.	Auditing, actuarial and other consulting services		22,994		22,994
7.	Traveling expenses		20,095		20,095
8.	Marketing and advertising		2,314		2,314
9.	Postage, express and telephone		51,789		51,789
10.	Printing and office supplies		15,889		15,889
11.	Occupancy, depreciation and amortization		56,530		56,530
12.	Equipment				
13.	Cost or depreciation of EDP equipment and software				
14.	Outsourced services including EDP, claims, and other services		381,604		381,604
15.	Boards, bureaus and association fees		476		476
16.	Insurance, except on real estate		8,673		8,673
17.	Collection and bank service charges		3,994		3,994
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				
23.3	Regulator authority licenses and fees				
23.4	Payroll taxes				
23.5	Other (excluding federal income and real estate taxes)				
24.	Investment expenses not included elsewhere				
25.	Aggregate write-ins for expenses		2,182		2,182
26.	Total expenses incurred (Lines 1 to 25)		1,691,486		(a).... 1,691,486
27.	Add expenses unpaid December 31, prior year				
28.	Less expenses unpaid December 31, current year				
29.	Amounts receivable relating to uninsured accident and health plans, prior year				
30.	Amounts receivable relating to uninsured accident and health plans, current year				
31.	Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30)		1,691,486		1,691,486
DETAILS OF WRITE-INS					
2501.	Books and Periodicals		1,449		1,449
2502.	Other		733		733
2503	.....			
2598.	Summary of remaining write-ins for Line 25 from overflow page				
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above)		2,182		2,182

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 25,607	
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	25,607	
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)		
DETAILS OF WRITE-INS		
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)		
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 Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	5 Total
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment		
1. U.S. Government bonds					
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)					
DETAILS OF WRITE-INS					
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 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2	968,054	9,001	(959,053)
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Leasehold improvements			
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)			
4. Aggregate write-ins for other assets			
5. TOTAL (Line 1 plus Line 3 and Line 4)	968,054	9,001	(959,053)
DETAILS OF WRITE-INS			
0401			
0402			
0403			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above)			

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	178,454	14,021	13,032	13,235	13,843	160,732
7. TOTAL	178,454	14,021	13,032	13,235	13,843	160,732
DETAILS OF WRITE-INS						
0601. Other	178,454	14,021	13,032	13,235	13,843	160,732
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)	178,454	14,021	13,032	13,235	13,843	160,732

Notes to Financial Statement

MOUNT CARMEL BEHAVIORAL HEALTHCARE COMPANY

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business - Mount Carmel Behavioral Healthcare Company (the "Company") was incorporated on October 9, 1979 as Interact Behavioral Healthcare Services, Inc. ("Interact"). On January 1, 1997, Mount Carmel Health System (the "Corporation") acquired all issued and outstanding capital stock of Interact and changed the name to Mount Carmel Behavioral Healthcare Company. The Company is a for-profit corporation organized in the state of Ohio to provide healthcare services to enrolled subscribers ("enrollees") for a premium. The Company received a Certificate of Authority from the Ohio Department of Insurance (the "Department") on September 29, 1999 to provide supplemental health care services. The Company has contracted with various health care providers, including hospitals owned and/or operated by the Corporation or its subsidiaries as well as independent physicians, other professional service providers, and hospitals. The Corporation owns and operates three acute care hospitals in Columbus: Mount Carmel Medical Center, Mount Carmel East Hospital, and Mount Carmel St. Ann's Hospital. Mount Carmel Health System is a major provider of service to subscribers of the Company. The Corporation also provides all management and staffing for the Company in addition to other support services for which the Corporation is paid a fee.

Initial Implementation of Codification - The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of 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 financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual* - Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Ohio Insurance Commissioner. The adoption of the new accounting principles had no effect on the Company's surplus.

Basis of Presentation - The accompanying financial statements - statutory basis of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Department, which practices differ from generally accepted accounting principles ("GAAP"). The more significant variances from GAAP are as follows:

- a. Investments in bonds are reported at amortized cost or market value based on their National Association of Insurance Commissioners ("NAIC") rating; for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of member's equity for those designated as available-for-sale.
- b. Certain assets designated as "non-admitted," are excluded from the accompanying balance sheet and are charged directly to retained deficit. The Company's non-admitted assets consisted of prepaid expenses and building improvements.
- c. Deferred Federal income taxes are not provided for differences between the financial statement amounts and tax bases of assets and liabilities.
- d. The presentation in the statement of cash flows differs from GAAP.

2. OTHER SIGNIFICANT ACCOUNTING PRACTICES

Use of Estimates - The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Department requires management to make estimates and assumptions that affect amounts reported in the financial statements - statutory basis and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein.

Investments - Investments are reported at cost adjusted for amortization of premiums or discounts. Amortization is calculated using the straight-line method. Realized gains and losses, determined on the specific identification basis, are included in investment income.

Furniture and Equipment - The Company's furniture and equipment is reported at cost, less accumulated depreciation.

Minimum Security Requirements - Under the laws of the State of Ohio, the Company is required to provide a minimum security deposit of \$150,000. The Company has satisfied this requirement by depositing \$150,000 in a trusted account.

Minimum Net Worth - Under the laws of the State of Ohio, the Company is required at all times to maintain total admitted assets equal to at least one hundred and ten percent of its liabilities, or five hundred thousand dollars, whichever is greater. The required minimum net worth is \$500,000. The Company has satisfied the minimum net

Notes to Financial Statement

worth requirements.

Income Taxes - No provision or benefit for Federal income taxes is reflected in the accompanying financial statement due to the Company's net operating loss.

Subscriber Premiums - Subscriber premiums are included in income in the period earned. The unearned portion of premiums are recorded as unearned deferred revenue and subsequently credited to income as earned during the coverage period.

Claims - Claims are charged to income based upon the date services are rendered and represent the estimated remaining ultimate net cost of unpaid claims, both reported and unreported, during the year. The Company does not discount claim reserves. The reserves for unpaid claims are estimated using a cost model. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for claims are adequate. The estimates are reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Risk Based Capital Requirements - Health insurance companies are subject to certain Risk-Based Capital ("RBC") requirements as specified by the NAIC. Under these requirements, the amount of capital and surplus maintained by a health insurance company is to be determined based on the various risk factors. Beginning January 1, 2001, the Company was required by the State of Ohio to comply with the RBC requirements. The Company is in compliance with RBC requirements.

CLAIMS INCURRED AND UNREPORTED

The Company provided for claims incurred and unreported and the cost of settling these claims based on an actuarially determined cost model. Estimates are adjusted as changes in these factors occur and such adjustments are reported in the period of determination.

3. BUSINESS COMBINATIONS AND GOODWILL

N/A

4. DISCONTINUED OPERATIONS

N/A

5. INVESTMENTS

N/A

6. JOINT VENTURES PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

N/A

7. INVESTMENT INCOME

N/A

8. DERIVATIVE INSTRUMENTS

N/A

9. INCOME TAXES

N/A

10. INFORMATION CONCERNING PARENT SUBSIDIARIES AND AFFILIATES

SUPPORT OF MOUNT CARMEL BEHAVIORAL HEALTHCARE COMPANY

The Company sustained operating losses but maintained sufficient net worth to be in compliance with Ohio's minimum net worth requirements through contributions from Mount Carmel Health System. The Mount Carmel Health System has resolved to financially support the Company to the point of break-even through the next fiscal year and to ensure compliance with Ohio's minimum net worth and RBC requirements.

The Company leases the services of certain employees and its office space from the Corporation. Additionally, the Corporation also provides certain management, administrative and marketing services to the Company.

Notes to Financial Statement

11. DEBT

N/A

12. RETIREMENT PLANS DEFERRED COMPENSATION POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

N/A

13. CAPITAL AND SURPLUS SHAREHOLDERS DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

N/A

14. CONTINGENCIES

N/A

15. LEASES

The Company leases buildings under agreements that typically are for periods of 1 to 5 years. The lease provisions require the Company to be responsible for operating and maintenance costs and to pay utilities associated with the operation of the buildings.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

N/A

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

N/A

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

N/A

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

N/A

20. OTHER ITEMS

N/A

21. EVENTS SUBSEQUENT

N/A

22. REINSURANCE

The Department has accepted a resolution and guaranty of support by the Mount Carmel Health System Board of Trustees, as noted above, in lieu of a reinsurance contract. Therefore, the Company has no contractual reinsurance agreement with another insurance company.

23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

N/A

24. SALVAGE AND SUBROGATION

N/A

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Notes to Financial Statement

N/A

26. ORGANIZATION AND OPERATION

N/A

27. MINIMUM NET WORTH

N/A

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities				
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	147,563	16.818	147,563	16.818
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	729,827	83.182	729,827	83.182
9. Other invested assets				
10. Total invested assets	877,390	100.000	877,390	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[] No[X]
- 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[] No[X] 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.
- 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.
- 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).
- 3.4 By what department or departments?
- 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 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement) Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes,%
- 7.21 State the percentage of foreign control
- 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 Nationality	2 Type of Entity
.....

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Deloitte & Touche 127 Public Square Suite 2500 Cleveland, Ohio 43114
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?
 John S. Richie, Principal c/o Deloitte & Touche 222 South Riverside Plaza Suite 1000 Chicago, Illinois 60606
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 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
1. Preferred	Yes[] No[] N/A[X]	Yes[] No[] N/A[X]
2. Common	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:

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 Nature of Restriction	2 Description	3 Amount
.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
 20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
 If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
 21.2 If yes, state the amount thereof at December 31 of the current year. \$

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[] No[X]
 22.1 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

	1 Name of Custodian(s)	2 Custodian's Address
22.1001

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year?

Yes [] No [X]

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

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

22.05 Identify all investment 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 Central Registration Depository Number(s)	2 Name	3 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 Name	2 Amount Paid

24.1 Amount of payments for legal expenses, if any?

\$

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 Name	2 Amount Paid

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 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[] 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[] No[X]
- 4.2 If no, explain:
- 4.3 Maximum retained risk (see instructions): \$
 - 4.31 Comprehensive Medical \$
 - 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:
- 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 1350
 - 7.2 Number of providers at end of reporting year 1487
- 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 165701.51
 - 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
Name of Service Area

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	1,339,637	1,984,803	1,520,368		
2. Total liabilities (Page 3, Line 18)	293,639	660,444	533,418		
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 26)	1,045,998	1,324,359	986,950		
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	2,851,549	4,369,958	4,383,375		
6. Total medical and hospital expenses (Line 17)	2,006,876	3,053,610	3,444,921		
7. Total administrative expenses (Line 19)	1,691,486	1,947,722	2,089,948		
8. Net underwriting gain (loss) (Line 22)	(846,814)	(631,374)	(1,151,494)		
9. Net investment gain (loss) (Line 25)	25,607	75,990	24,726		
10. Total other income (Lines 26 plus 27)	1,900	20,900	36,450		
11. Net income or (loss) (Line 30)	(819,307)	(534,484)	(1,090,318)		
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	1,045,998	1,324,359			
13. Authorized control level risk-based capital	134,120	85,228			
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	13,843	13,058			
15. Total members months (Column 6, Line 7)	160,732	178,454			
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5)					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	104.2	85.8	1,958.9		
18. Total underwriting deductions (Line 21)	192.0	140.5	3,147.4		
19. Total underwriting gain (loss) (Line 22)	(44.0)	(17.7)	(654.8)		
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)					
21. Estimated liability of unpaid claims-[prior year (Line 11, Col. 6)] ..					

FIVE-YEAR HISTORICAL DATA (Continued)

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

SCHEDULE D - SUMMARY BY COUNTRY**Long-term Bonds and Stocks OWNED December 31 of Current Year**

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	147,563	158,484	147,563	150,000
	2. Canada				
	3. Other Countries				
	4. Totals	147,563	158,484	147,563	150,000
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	147,563	158,484	147,563	150,000
PREFERRED STOCKS					
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				
COMMON STOCKS					
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	147,563	158,484	147,563	

(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	147,563	6. Foreign Exchange Adjustment	
2. Cost of bonds and stocks acquired, Column 6, Part 3		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		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	147,563
3.4 Column 10, Part 4		8. Total valuation allowance	
4. Total gain (loss), Column 14, Part 4		9. Subtotal (Lines 7 plus 8)	147,563
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4		10. Total nonadmitted assets	
		11. Statement value of bonds and stocks, current period	147,563

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only			6 Federal Employees Health Benefits Program Premiums
				3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	
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	165,702		
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		165,702		

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