Independence Blue Cross Reserve/Surplus Application and Supplemental Documents

INDEPENDENCE BLUE CROSS
APPLICATION FOR APPROVAL
OF RESERVE AND SURPLUS LEVELS
TO THE PENNSYLVANIA INSURANCE DEPARTMENT
APRIL 15, 2004

Introduction

For the past 26 months, Independence Blue Cross has been caught up in a misguided public debate over our surplus. At a time when a crisis in health care costs has placed a severe burden on purchasers of health insurance, the distortions regarding our surplus have misled our customers into questioning whether IBC's premium increases truly were tied to increases in medical costs.

Even more disturbing, the allegations have diverted our community for more than two years from having a meaningful discussion about the real drivers of this health care cost crisis – a crisis that deepens with each passing day.

Today, with this application, the Pennsylvania Insurance Department has all of the information necessary to bring to an end this unfortunate and counterproductive debate. This application makes it absolutely clear to anyone who understands the health insurance business that Independence Blue Cross does not have excessive surplus.

Furthermore, this application addresses the question of what measure the Department could use in future years to determine an insurer's maximum level of surplus. And it summarizes the key elements of IBC's ongoing commitment to a Social Mission – a commitment that is

giving thousands of Pennsylvania's adults and children access to health care they otherwise would not have.

A. Current levels of Reserves and Surplus

In its January 16 Notice, the Department directed IBC to state our current level of reserves and our current surplus.

As of December 31, 2003, Independence Blue Cross and its subsidiaries held the following amounts in its reserves accounts (for anticipated claims liabilities): Keystone Health Plan East ($564.9 million); AmeriHealth HMO, Inc. ($113.3 million); AmeriHealth Insurance Co., ($50.4 million); Independence Blue Cross ($155.5 million); QCC Insurance Co. ($488.9 million).

Also, as of December 31, 2003, Independence Blue Cross and its subsidiaries held a statutory surplus of $840.9 million – which corresponded to a Risk-Based Capital ("RBC") level of 391.5%. That RBC level satisfied the minimum requirement levels for both the Commonwealth (200% RBC) and the Blue Cross Blue Shield Association (375% RBC), the organization that licenses IBC to sell products under the Blue Cross brand in Southeastern Pennsylvania.

That level of surplus also fell at the low end of the RBC range of 350% to 650% suggested by the Department in its January 16 Notice.

To put the size of that surplus in perspective, IBC currently is paying claims on behalf of its members at the rate of $620 million each and every month of the year. At that rate, IBC only has enough surplus to pay our customers' and members' claims in the event of an emergency for 41 days – that's less than six weeks – an amount that no expert would consider excessive.

B. How to Determine a Maximum Level of Surplus

While an insurer's level of Risk-Based Capital is a valuable measure of a company's solvency, Independence Blue Cross is concerned about the use of RBC as a measure for identifying an insurer's maximum level of surplus.

A number of factors are responsible for our concern. First, in the absence of guidance from the Department as to what a maximum RBC level should be, we cannot be comfortable that such a maximum level would allow us to give our customers and members the financial security they expect.

Second, even The National Association of Insurance Commissioners (NAIC), which developed the Risk-Based Capital formula for assessing insurer solvency, has warned:

"The (RBC) formula that is proposed is a threshold capital formula rather than a target capital formula. It has been designed to identify companies with capital levels that require regulatory attention. The formula has not been designed to differentiate among adequately capitalized companies. Therefore, it would be entirely inappropriate to use this formula to rate or rank adequately capitalized companies." *(emphasis added)*

Indeed, while Risk-Based Capital attempts to quantify risk factors associated with an insurer's operations, it does not consider all of the business risks that an insurer faces. For example, IBC's operations and finances have been impacted directly in recent years by a number of issues and developments that are not measured in the RBC formula. They include:

- **Changes in law.** When the Balanced Budget Act of 1997 reduced Medicare's payments to physicians and hospitals, providers began to shift costs to private insurers. The result was a significant increase in our medical costs.

- **New regulations.** The Health Insurance Portability and Accountability Act of 1996 (HIPAA), the federal initiative designed to protect personal health information, required companies like IBC to make major investments in technology, training and other infrastructure. To date, IBC has invested more than **$40 million** to implement HIPAA's provisions.
- **New technology.** Increasingly, our providers, customers and members are demanding greater real-time access to information concerning their accounts, benefits and claims status, as well as access to health information that can better inform decisions related to their medical care. Responding to these demands of the marketplace has required IBC to invest heavily in new technology that addresses provider and customer needs, as well as our own need to control administrative costs.

Risk-Based Capital does not account for developments such as these, nor does it account for our need to respond to them. It also does not account for the fact that when a not-for-profit insurer such as IBC needs capital to address an unanticipated event, we have no access to the capital markets; we need to rely solely on our surplus.

For all of these reasons, IBC is concerned the use of RBC to set a maximum level of surplus will not ensure us an adequate level of capital on hand when unanticipated issues arise. While IBC supports the use of RBC to establish a point **below which** an insurer's surplus should not fall, we believe the Department should consider other possible measures for setting an insurer's maximum surplus level.

Having said that, it is unclear to IBC what measure is the best method for identifying an insurer's maximum level of surplus. But in an effort to comply with the Department's request, we suggest that as a starting point, the Department explore the use of a "months-of-claims"

measure – specifically, **three months** of claims costs and related claims administrative expenses, **plus a factor** that accounts for the risks and costs identified above -- such as changes in law, regulation and technology.

Based on our current claims payments, the use of a three-month measure would set IBC's maximum surplus for 2004 at $1.86 billion – an increase of over $1 billion. And that number would not include an additional factor for unanticipated business risks other than claims.

There is precedent for adopting such a measure. Prior to the development of RBC, a months-of-claims measure was commonly used to determine overall capital adequacy. Government agencies used such a measure to determine a company's tax liability. Generally speaking, insurers used a three-months-of-claims barometer as a source of confidence in the company's financial security.

Even a recent legislative proposal (H.B. 202, 2003) embraces a three-month measure in its calculation; specifically, the proposal would define excess surplus as an amount greater than three months of claims **plus** the minimum surplus level required by the Department (200% RBC).

IBC has questions about the specific implementation of a months-of-claims measure, especially in regard to how it would include an additional factor for unanticipated business risks. We would welcome conversations with the Department to explore those questions.

One final point:

In discussions with the Department regarding the Notice, the Department indicated that despite the fact that RBC is used to impose the same surplus "floor" (200% RBC) for all insurers, the Department may impose different RBC maximums for each of the four Blue Plans. IBC objects to this concept because it lacks any reasonable justification, is arbitrary and unfair. If the

Department approves a maximum surplus level for the members of one Blue Plan, why wouldn't the members of another Blue Plan deserve the same level of financial protection -- especially if the Department chooses a method for measuring surplus that enables an "apples-to-apples" comparison? For example, if the Department were to employ a "three-months measure" for one Blue Plan, why would it set a lower maximum for another Blue Plan?

C. IBC's Social Mission

Long after most Blue Plans across the nation have abandoned their Social Mission, IBC continues to make a significant investment each year in programs and subsidies that provide access to health care for thousands of people.

In fact, in 2004, IBC is subsidizing health care for approximately 200,000 Pennsylvanians who otherwise would be counted among the state's uninsured.

The Mission takes on a number of forms. All of the following initiatives have existed for the years 2002 and 2003, and are planned to continue through 2006.

First, IBC provides direct and indirect subsidies to its non-group benefit plans. In 2003, for example, those subsidies totaled **$6.5 million.**

In addition, IBC's subsidiary, QCC Insurance Co., provides direct and indirect subsidies for its non-group Personal Choice product. In 2003, those subsidies totaled **$9.8 million**. And Keystone Health Plan East provided indirect subsidies to the CHIP and adultBasic programs of **$4.1 million** in 2003.

IBC also is the only insurer in our market to allow year-round, open enrollment for non-group products. Many insurers do not offer any non-group products or limit enrollment to a few weeks or months each year. We cannot quantify the costs of this practice.

Our participation in the CHIP and adultBasic programs also distinguishes IBC from other insurers in our market. The Independence Blue Cross Highmark Blue Shield Caring Foundation for Children administers both programs for the Commonwealth in Southeastern Pennsylvania, and contributes all costs that exceed the administrative fee paid by the state. In 2003, IBC made a direct contribution of **$175,000** to the Caring Foundation; and funded **$1,301,699** in Foundation administrative expenses.

IBC also offers significant support to numerous charitable, fund-raising and wellness activities of local health care, educational and civic organizations. In 2003, those contributions totaled **$3,643,500**.

In total, IBC's Social Mission spending in 2002 totaled approximately **$15 million**. In 2003, the investment totaled **$25.5 million.**

For 2004 and beyond, Independence Blue Cross has initiated two additional Social Mission initiatives. The first dedicates **$6 million** over the next three years for direct financial support of free medical clinics operating in our region. These clinics offer access to health care for many residents of the region who lack health insurance.

Second, IBC has announced a three-year commitment of **$3 million** to addressing the region's nursing shortage. The IBC Nurse Scholars program will provide scholarships for those in the region's graduate nursing programs; its goal is to increase the number of nursing teachers in our area. Also, IBC is offering financial support to the Pennsylvania Higher Education Fund's scholarship program for undergraduate nursing students.

While it is impossible at this time to accurately forecast the size of the subsidies IBC will expend in 2004 and beyond, we are confident that they will be at least as large as those reported for 2003.

Earlier this month, IBC again demonstrated our commitment to our Social Mission by naming Steven Fera to the new position of Vice President for Social Mission Programs. Steve is responsible for coordinating IBC's participation in the CHIP and Adult Basic Programs, Special Care, and the Caring Foundation, as well as for the Nurse Scholar and Medical Clinics programs.

Together, IBC's Social Mission programs reflect its continuing commitment to invest in both access to health care and the quality of that care for as many residents of the region as possible. While the roots of our Social Mission were tied to the company's not-for-profit tax status, our contributions to Social Mission programs today far exceed the size of our tax reduction.

In 2003, when our Social Mission spending totaled $25.5 million, IBC received a tax reduction of approximately $12 million – a state sales tax exemption of approximately $6 million and an approximately $6 million exemption from the state premium tax. Meanwhile, IBC paid **$184 million** in federal, state and local non-payroll taxes (including $49.3 million in Pennsylvania premium tax). IBC's tax bill placed it among the highest corporate taxpayers in the Commonwealth.

D. Plan for Addressing Excess Surplus

Based on our interpretation of the Notice (as guided by discussions with the Department) and because IBC's surplus is so clearly beneath a level that could be considered "excessive," we have not included a plan for how we would address such a situation.

E. Conclusion

We are confident that the contents of this application offer the Department's professional regulators the tools they need to reclaim this critical financial issue from the political arena to which it was hijacked over two years ago. Independence Blue Cross has promised its members that we will be there for them when they need us. The Department knows the important role that our surplus plays in ensuring that we can keep that promise. We invite the Department to move expeditiously to assure our members that Independence Blue Cross is in an appropriately secure financial position to keep that promise.

Independence
Blue Cross

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March 23, 2004

VIA FEDERAL EXPRESS

Sandra L. Ykema
Department Counsel
Commonwealth of Pennsylvania
Insurance Department
1341 Strawberry Square
Harrisburg, PA 17120

Dear Sandra:

Enclosed please find the following materials submitted by Independence Blue Cross (IBC) in connection with the Pennsylvania Insurance Department (PID) request for information dated January 5, 2004. (Certain materials will be submitted at a later date, as approved by the Department on March 18, 2004.)

1. Audited statutory financial statements as of and for the year ended December 31, 2003 and 2002 for:

   - Independence Blue Cross
   - Keystone Health Plan East
   - QCC Insurance Company
   - AmeriHealth HMO, Inc.

2. A summary of Premiums due and Unpaid/Premiums received in Advance/Unearned Premiums for each of the companies noted above, along with a letter from Deloitte & Touche documenting certain audit procedures performed with respect to those balances.

3. Articles of Incorporation for the IBC/PBS Caring Foundation for Children (Foundation)

4. Financial reports related to the Foundation for 2001, 2002 and 2003.

Independence Blue Cross offers products directly, through its subsidiaries Keystone Health Plan East and QCC Ins. Co., and with Pennsylvania Blue Shield, Independent Licensees of the Blue Cross and Blue Shield Association.

5. Tax determination letter for the Foundation dated June 5, 1997 (the most current determination)

6. A listing of Officers of the Foundation, including their positions in IBC or its subsidiaries

7. A copy of letters submitted to Commissioner Koken dated March 22, 2004 and May 15, 2003 detailing and quantifying the charitable and benevolent endeavors of IBC and its subsidiaries for 2002 and 2003. Financial summaries are also provided detailing certain of the subsidies contained in the letters.

Pursuant to the March 23, 2004 ruling of the Pennsylvania Commonwealth Court in the matter of Capital Blue Cross v. M. Diane Koken, all documents submitted pursuant to the PID's request will be marked confidential. All inquiries regarding the issue of confidential treatment of documents should be directed to Eleanor D. Thompson, Vice President & Deputy General Counsel at Eleanor.Thompson@IBX.com or 215-241-3835.

Should you have any questions please contact me at 215-241-2420.

Very truly yours,

John G. Foos
Chief Financial Officer

Enclosures
JGF/dl

Independence Blue Cross

Statutory-Basis Financial Statements for the Years Ended December 31, 2003 and 2002, Supplemental Schedules as of and for the Year Ended December 31, 2003 and Independent Auditors' Report

INDEPENDENCE BLUE CROSS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Independence Blue Cross
Philadelphia, Pennsylvania

We have audited the accompanying statements of admitted assets, liabilities and surplus—statutory basis of Independence Blue Cross (the "Company") as of December 31, 2003 and 2002, and the related statements of operations—statutory basis, changes in surplus—statutory basis and cash flows—statutory basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the statutory-basis financial statements, the Company has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the admitted assets, liabilities and surplus of Independence Blue Cross as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

As discussed in Note 2 to the financial statements, in 2003 the Company changed its method of accounting for additional minimum pension liabilities to conform to a change in statutory accounting practices prescribed by the National Association of Insurance Commissioners.

Our 2003 audit was conducted for the purpose of forming an opinion on the basic 2003 statutory-basis financial statements taken as a whole. The supplemental summary investment schedule and the supplemental schedule of investment risk interrogatories as of and for the year ended December 31, 2003 are presented for complying with the National Association of Insurance Commissioners' instructions to Annual Audited Financial Reports and are not a required part of the basic 2003 statutory-basis financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2003 statutory-basis financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2003 statutory-basis financial statements taken as a whole.

Member of
Deloitte Touche Tohmatsu

This report is intended solely for the information and use of the board of directors and the management of the Company and for filing with the Commonwealth of Pennsylvania Insurance Department and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

March 22, 2004

INDEPENDENCE BLUE CROSS

STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS—STATUTORY BASIS
DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

ADMITTED ASSETS	2003	2002
Cash and short-term investments	$ (9,208)	$ 2,269
Bonds	121,641	122,490
Common stocks—unaffiliated	63,561	44,124
Mortgage loans on real estate: first liens	2,987	12,970
Receivables:		
Accident and health premiums due and unpaid	12,444	53,497
Federal Employee Health Benefits Program	56,025	51,316
Health care receivables	30,323	44,781
Amounts due from subsidiaries and affiliates	89,775	73,909
Investment income due and accrued	4,770	2,293
Other receivables	25,088	51,012
Total receivables	218,425	276,808
Investment in subsidiaries	842,755	704,725
Electronic data processing equipment, net	8,758	4,806
Other admitted assets	52,347	43,554
TOTAL ADMITTED ASSETS	$1,301,266	$1,211,746
LIABILITIES AND SURPLUS		
Liabilities:		
Claims unpaid	$ 90,567	$ 113,941
Unpaid claims adjustment expenses	1,617	2,689
Accounts payable and accrued expenses:		
Aggregate policy reserves	63,290	47,514
General expenses due or accrued	105,660	88,912
Federal income tax payable	56,420	17,495
Total accounts payable and accrued expenses	225,370	153,921
Amounts due to subsidiaries and affiliates	22,699	108,232
Borrowed money	32,605	41,376
Amounts withheld or retained for others	53,862	56,359
Premiums received in advance	33,629	28,122
Total liabilities	460,349	504,640
Commitments and contingencies (see Notes 11 and 14)		
Surplus—		
Unallocated	840,917	707,106
TOTAL LIABILITIES AND SURPLUS	$1,301,266	$1,211,746

See notes to statutory-basis financial statements.

INDEPENDENCE BLUE CROSS

STATEMENTS OF OPERATIONS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
Net premium income	$415,894	$402,900
Underwriting costs:		
Medical and hospital expenses	345,118	371,842
Claims adjustment expense—includes cost containment expenses of $9,750 in 2003 and $14,528 in 2002	11,156	21,207
General administrative expenses	31,269	41,295
Increase in reserves for life and accident and health contracts	12,270	-
Total underwriting costs	399,813	434,344
Net underwriting income (loss)	16,081	(31,444)
Net investment income earned	38,232	38,628
Net realized capital gains	2,224	1,189
Income before federal income tax expense (benefit)	56,537	8,373
Federal income tax expense (benefit)	3,348	(8,396)
NET INCOME	$ 53,189	$ 16,769

See notes to statutory-basis financial statements.

INDEPENDENCE BLUE CROSS

STATEMENTS OF CHANGES IN SURPLUS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
BALANCE, BEGINNING OF YEAR	$ 707,106	$ 689,628
Net income	53,189	16,769
Net unrealized capital gains	118,551	20,982
Increase in non-admitted assets	(75,936)	(41,005)
Cumulative effect of a change in accounting principle (Note 2)	29,886	-
Additional minimum pension obligation	(6,736)	-
Increase in net deferred income tax	14,857	20,732
BALANCE, END OF YEAR	$ 840,917	$ 707,106

See notes to statutory-basis financial statements.

INDEPENDENCE BLUE CROSS

STATEMENTS OF CASH FLOWS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
CASH FROM OPERATIONS:		
Premiums and revenues collected	$ 462,454	$ 399,263
Claims and claims adjustment expenses paid	(377,215)	(371,530)
General administrative expenses paid	(14,521)	(3,539)
Cash provided by underwriting	70,718	24,194
Net investment income	37,980	11,221
Federal income taxes paid	(104,600)	(65,100)
Net cash from operations	4,098	(29,685)
CASH FROM INVESTMENTS:		
Proceeds from investments sold, matured or repaid—bonds	126,890	532,441
Proceeds from investments sold, matured or repaid—stocks	14,468	7,103
Cost of investments acquired:		
Bonds	(124,003)	(523,087)
Stocks	(25,270)	(27,403)
Mortgage loans issued	-	(12,970)
Mortgage loan payments received	9,983	-
Net cash from investments	2,068	(23,916)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES:		
Other cash (used) provided	(74,087)	67,497
Other applications	(43,619)	(49,550)
Borrowed funds repaid	(41,376)	(79,355)
Net transfers from affiliates	141,439	98,750
Net cash from financing and miscellaneous sources	(17,643)	37,342
NET DECREASE IN CASH AND SHORT-TERM INVESTMENTS	(11,477)	(16,259)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	2,269	18,528
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ (9,208)	$ 2,269

See notes to statutory-basis financial statements.

INDEPENDENCE BLUE CROSS

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

1. ORGANIZATION AND OPERATIONS

Business—Independence Blue Cross (the "Company" or "IBC") is a nonprofit corporation in the Commonwealth of Pennsylvania and is subject to regulation by the Commonwealth of Pennsylvania Insurance Department ("PID"). Health benefits are provided under contracts with members through hospitals, skilled nursing facilities and other organizations. The Company contracts with providers of health care to provide health services to members and also performs administrative services such as billing, collection, and marketing for Pennsylvania Blue Shield d/b/a Highmark ("PBS") and processes claims for other Blue Cross plans' members and for programs such as the Federal Employee Health Benefits Program and the BlueCard Program. The Company and PBS jointly participate in lines of business to provide Major Medical and Comprehensive Major Medical benefits. The Company provides its Preferred Provider Organization and Point-of-Service programs in the five-county Philadelphia area through its wholly owned subsidiary, QCC Insurance Company ("QCC"). The Company provides health insurance coverage to New Jersey residents through AmeriHealth Insurance Company of New Jersey and to Delaware residents through QCC d/b/a AmeriHealth Insurance Company. Health insurance is provided by the Company for Puerto Rico residents through its 82.7% owned subsidiary, La Cruz Azul de Puerto Rico, Inc. ("La Cruz Azul"). During the year, the Company also provided health insurance to U.S. Virgin Island residents through QCC d/b/a Blue Cross/Blue Shield of the U.S. Virgin Islands. The Company provides workers' compensation claims management services and third-party administrative services through CompServices, Inc. and AmeriHealth Administrators, Inc., respectively. In addition, the Company provides HMO coverage through its wholly owned subsidiaries, AmeriHealth HMO, Inc. and Keystone Health Plan East, Inc. ("KHPE"). The Company and PBS provide hospitalization and medical/surgical coverages through Inter-County Hospitalization Plan, Inc. and Inter-County Health Plan, Inc., which are jointly owned subsidiaries. Through its wholly owned subsidiary, NewSeasons Assisted Living Communities, Inc. ("NewSeasons"), the Company acquires, constructs, owns and operates assisted living facilities. Through DePaul Health Care Company ("DePaul"), the Company participates in a joint venture to acquire, construct, own and operate assisted living facilities. See Note 6 for related party disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the PID. Effective January 1, 2001, the PID requires that insurance companies domiciled in the Commonwealth of Pennsylvania prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual—Version effective March 2003 ("NAIC SAP"). Accordingly, the admitted assets, liabilities and surplus—statutory basis of the Company as of December 31, 2003 and 2002, and the results of its operations—statutory basis and its cash flows—statutory basis for the years then ended have been determined in accordance with these accounting principles. In addition, the Commissioner of the PID has the right to permit other specific practices that may deviate from prescribed practices (see *Permitted Practices* below).

Accounting practices and procedures of the NAIC as prescribed or permitted by the PID comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant differences are as follows:

a. Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's ability and intent to hold or trade the securities;

b. Investments in common stocks are valued as prescribed by the Securities Valuation Office of the NAIC, while under GAAP, common stocks are reported at market value;

c. NAIC SAP requires an amount to be recorded for deferred taxes; however, there are limitations as to the amount of deferred tax assets that may be reported as "admitted assets," while under GAAP there are no limitations as to the amount that may be reported as assets;

d. Assets are reported under NAIC SAP at "admitted-asset" value and "non-admitted" assets are excluded through a charge against surplus, while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance;

e. Comprehensive income and its components are not presented in the statutory financial statements; and

f. Subsidiaries are included as common stock carried under the equity method, with the equity in net income of subsidiaries credited directly to the Company's surplus for NAIC SAP, while GAAP requires either consolidation or the equity of net income of subsidiaries to be credited to the income statement.

Permitted Practices—The Company prepares its statutory financial statements in accordance with the accounting practices prescribed or permitted by the PID. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory practices encompass all accounting practices not so prescribed.

For the year ended December 31, 2002, the Company, AmeriHealth HMO, Inc. and QCC received written approval from the PID to admit, for statutory purposes, additional goodwill (subject to accelerated amortization) related to AmeriHealth HMO, Inc. and QCC's purchase of PBS's interest in KHPE and certain managed care lines of business (primarily the Personal Choice line of business), which treatment differs from prescribed statutory accounting practices. Statutory accounting practices prescribed by the Commonwealth of Pennsylvania limit admitted goodwill to 10% of the adjusted capital and surplus of an insurer, as reported in its most recently filed statement with the Pennsylvania State Commissioner. As of December 31, 2002, this permitted practice increased statutory surplus $39,986, over what it would have been had prescribed accounting practices been followed. This permitted practice was not in effect for the year ended December 31, 2003.

The Company received written approval from the PID to include in its valuation of investment in AmeriHealth, Inc., for statutory purposes, a surplus note issued by KHPE (an indirect wholly owned subsidiary of AmeriHealth, Inc.), which treatment differs from prescribed statutory accounting practices. Statutory accounting practices prescribed by the PID do not allow an insurer to include surplus notes in valuing its investment in subsidiary. As of December 31, 2003 and 2002, this permitted practice increased statutory surplus by $40,000 over what it would have been had prescribed accounting practices been followed.

Cash and Short-Term Investments—The Company considers all highly liquid investments with original issue maturities of three months or less to be cash equivalents. Short-term investments include money market instruments.

Bonds—Bonds are stated at amortized cost or at values prescribed by the NAIC. Interest is recognized on the accrual basis. Realized capital gains and losses are calculated using the specific cost of the investments sold.

Common Stocks—Unaffiliated—Common stocks—unaffiliated are carried at NAIC market value. The change in the stated value is recorded as a change in net unrealized capital gains (losses), a component of surplus.

Mortgage Loans on Real Estate: First Liens—During 2002, the Company issued two six percent fixed rate mortgage loans to its subsidiary, NewSeasons. There was no premium or discount associated with these loans. The mortgages are carried at amortized cost on the statement of admitted assets. Principal payments of $9,983 were received on the loans for the year ended December 31, 2003. No principal payments were due on the loans for the year ended December 31, 2002.

Health Care Receivables—Health care receivables consist of advances to providers and pharmaceutical rebates (see Note 7).

Property and Equipment—Property and equipment are carried at cost less accumulated depreciation. Depreciation on furniture and fixtures is calculated based on the straight-line method over the estimated useful lives of the assets, which range from five to ten years. The Company provides for amortization of leasehold improvements using the straight-line method over the lesser of the useful life of the asset or the remaining original lease term. Maintenance and repairs are charged to expense as incurred. At December 31, 2003 and 2002, all property and equipment is either fully depreciated or non-admitted under statutory accounting principles. Depreciation and amortization expense related to property and equipment was $4,049 and $2,816 for the years ended December 31, 2003 and 2002, respectively.

Electronic Data Processing Equipment, Net—The aggregate amount of admitted electronic data processing ("EDP") equipment and operating system software, net of accumulated depreciation, is limited to three percent of the Company's capital and surplus as shown on the statement of admitted assets most recently filed with the PID adjusted to exclude any EDP equipment and operating system software, net deferred tax assets and net positive goodwill. EDP equipment and operating software are carried at cost less accumulated depreciation. Depreciation expense is computed on the straight-line method over the lesser of the estimated useful life of the related asset or three years. Depreciation expense related to EDP equipment and operating software was approximately $2,028 and $2,524 for the years ended December 31, 2003 and 2002, respectively.

National Accounts—In order to provide service to employers with employees located in more than one geographical area, IBC participates in numerous syndicated contracts, known as National Accounts, with other Blue Cross plans throughout the country. On an interim basis, income, claims and administrative costs incurred in servicing National Account members are recorded in the statements of operations—statutory basis. Underwriting gains and losses are recorded at settlement, which normally occurs within nine months following the end of the annual contract period.

Uninsured Accident and Health Plans—Under certain contracts, the Company provides administrative services to large group employers that maintain self-funded health plans. The Company provides these groups with claims processing, administration, utilization management and other related services. The Company assumes no underwriting risk under these arrangements. For these contracts, revenue is based

on administrative fees and is recorded as earned on an accrual basis. Administrative fees of $30,929 and $45,401 were netted against *General administrative expenses* in the statements of operations—statutory basis in 2003 and 2002, respectively. Receivables from groups are recorded for amounts due to the Company for known claims, which have been paid to providers on behalf of the groups and are recorded within *Other receivables* in the statements of admitted assets, liabilities and surplus—statutory basis. Claims processed under such arrangements were $160,099 and $184,321 for 2003 and 2002, respectively.

Claims Unpaid—Claims unpaid includes amounts for known reported claims and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Aggregate Policy Reserves—Aggregate reserves for accident and health policies include unearned premium reserves of $37,751 and $37,203, merit rating reserves of $14,889 and $10,311, and premium deficiency reserve of $12,270 and $0 related to certain lines of business at December 31, 2003 and 2002, respectively.

Fair Value of Financial Instruments—The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Short-Term Investments—The carrying amounts for these instruments approximate their fair values.

Bonds—The fair values for bonds are based on quoted market prices.

Common Stocks – Unaffiliated—The fair values for common stocks–unaffiliated are based on quoted market prices.

Affiliated Common Stocks—The fair values of affiliated common stocks (*Investment in subsidiaries*) are based on the Company's ownership portion of respective securities stockholders' equity.

Mortgage Loans on Real Estate: First Liens—The carrying amounts for these instruments approximate their fair values.

Expense Reimbursement—Operating expenses are allocated to various lines of business in order to determine the expense reimbursement due from other Blue Cross plans and other health programs for which IBC processed claims. Expense reimbursement is also calculated for operating expenses incurred on behalf of PBS. The method by which IBC is reimbursed is either actual cost or a predetermined amount.

Income Taxes—IBC is subject to federal income taxes under provisions of Section 1012.b of the Tax Reform Act of 1986. Since IBC is a nonprofit corporation, it is exempt from Pennsylvania corporate taxes. All of IBC's subsidiaries are subject to federal and state income or premium taxes.

IBC files a consolidated federal income tax return including all of its wholly owned subsidiaries. The Company paid taxes of $104,600 and $65,100 in 2003 and 2002, respectively.

Use of Estimates—The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Recent Accounting Pronouncements—In June 2002, the NAIC adopted Statement of Statutory Accounting Principle ("SSAP") No. 85, *Claim Adjustment Expenses, Amendments to SSAP No. 55, Unpaid Claims, Losses, and Loss Adjustment Expenses*. This statement subdivides claim adjustment expenses for accident and health reporting entities and managed care reporting entities into cost containment expenses and other claim adjustment expenses, and provides examples of those expenses. This statement was effective for years ending on or after December 31, 2003. The Company has included cost containment expenses of $9,750 and $14,528, respectively within "Claim adjustment expenses" for the years ended December 31, 2003 and 2002.

In May 2002, the NAIC adopted SSAP No. 86, *Accounting for Derivatives and Hedging Activities*. This statement supersedes the provisions of SSAP No. 31, *Derivative Instruments*, and establishes specific criteria for hedging transactions to be considered highly effective. This statement requires derivatives that meet the criteria of a highly effective hedge to be valued and reported in a manner that is consistent with the changes in the carrying value or cash flow of the hedged item. Derivative instruments that do not meet, or no longer meet, the criteria of an effective hedge are to be accounted for at fair value, with the changes in fair value recorded as unrealized gains or unrealized losses. This statement was effective for derivative transactions entered into or modified on or after January 1, 2003. Implementation of this statement on January 1, 2003 did not have a material impact on the Company's financial statements.

In September 2002, the NAIC adopted SSAP No. 87, *Capitalization Policy, An Amendment to SSAP Nos. 4, 19, 29, 73, 79 and 82*. This statement requires that a predefined threshold be established for capitalization of certain assets, and that any purchase that does not meet that predefined threshold be expensed. This statement is effective for years beginning on or after January 1, 2004. Implementation of this statement on January 1, 2004 did not have a material impact on the Company's financial statements.

In December 2003, the NAIC adopted SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8*. This statement establishes statutory accounting principles and related reporting for employers' pension obligations and supersedes the conclusions reached in SSAP No. 8, *Pensions*, which concluded that an additional minimum liability shall be recorded as a component of statutory income. SSAP No. 89 concludes that an additional minimum liability shall be reported as a component of unassigned funds (surplus), net of any tax benefits that result from considering such losses as temporary differences for purposes of applying the provisions of SSAP No. 10—*Income Taxes*. The Company has recorded a change in accounting principle in the amount of $29,886 related to the adoption of SSAP No. 89 during the year ended December 31, 2003.

Reclassifications—Certain prior-year amounts have been reclassified to conform to the current year's presentation.

3. AGENCY CONTRACTS

Claims processed for others under agency contracts and excluded from the financial statements amounted to $116,882 and $122,670 in 2003 and 2002, respectively. Reimbursements for the administrative cost of services performed for PBS, governmental agencies, and other plans in the amount of $32,120 and $27,698 in 2003 and 2002, respectively, have been offset against general administrative expenses in the statement of operations—statutory basis.

4. INVESTMENTS

The carrying value or cost and estimated market value of investments at December 31, 2003 and 2002 are as follows:

	2003			
	Carrying Value or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Notes and Federal Agencies	$ 81,876	$ 241	$ (234)	$ 81,883
Mortgage-backed securities	11,367	208	(82)	11,493
States, territories, and possessions issuer obligations	400	-	-	400
Corporate debt securities	27,998	1,293	(35)	29,256
Total bonds	$ 121,641	$ 1,742	$ (351)	$ 123,032
Common stocks—unaffiliated	$ 56,067	$ 8,367	$ (873)	$ 63,561

	2002			
	Carrying Value or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Notes and Federal Agencies	$ 74,369	$ 1,996	$ -	$ 76,365
Mortgage-backed securities	17,974	603	-	18,577
States, territories, and possessions issuer obligations	400	-	-	400
Corporate debt securities	29,747	1,674	(26)	31,395
Total bonds	$ 122,490	$ 4,273	$ (26)	$ 126,737
Common stocks—unaffiliated	$ 45,518	$ 3,918	$ (5,312)	$ 44,124

The amortized cost and estimated market value of investments in debt securities by maturity date at December 31, 2003 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Market Value
Due in one year or less	$ 76,591	$ 77,038
Due after one year through five years	21,821	22,074
Due after five years through ten years	11,847	12,412
Due after ten years	15	15
	110,274	111,539
Mortgage-backed securities	11,367	11,493
	$ 121,641	$ 123,032

Gross realized capital gains and losses from sales of investments for the years ended December 31, 2003 and 2002 were as follows:

	2003	2002
Realized gains	$ 3,893	$ 5,191
Realized losses	(1,669)	(4,002)
	$ 2,224	$ 1,189

Proceeds from the sale or maturity of bonds were $126,890 and $532,441 during 2003 and 2002, respectively.

5. INCOME TAXES

IBC and its other eligible domestic subsidiaries file a consolidated federal income tax return and are party to a federal income tax allocation agreement. Under the tax sharing agreement, IBC pays to or receives from a subsidiary the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the subsidiary in the consolidated federal return. Effectively, this results in IBC's annual income tax provision being computed, with adjustments, as if IBC filed a separate return.

The Company's federal income tax return is consolidated with the following entities:

AmeriHealth Administrators, Inc.
AmeriHealth Casualty Insurance Company
AmeriHealth Health Plan, Inc.
AmeriHealth HMO, Inc.
AmeriHealth Insurance Company of New Jersey
AmeriHealth Integrated Benefits, Inc.
AmeriHealth Integrated Case Management, Inc.
AmeriHealth Integrated Workers' Compensation Management, Inc.
AmeriHealth of Florida, Inc.

AmeriHealth Services, Inc.
AmeriHealth, Inc.
CompServices, Inc.
CorCell, Inc
CSI Services, Inc.
HCDV, Inc.
HCS, Inc.
Healthcare Delaware, Inc.
Independence Healthcare Management, Inc.
Independence Holdings, Inc.
Independence Insurance, Inc.
Keystone Benefits, Inc.
Keystone Health Plan East, Inc.
Keystone Health Systems, Inc.
New Seasons Assisted Living Communities, Inc.
QCC Insurance Company
The AmeriHealth Agency, Inc.
Vista Health Plan, Inc.

The components of current income tax expense (benefit) are as follows:

	2003	2002
Federal income taxes	$3,348	$(8,396)
Foreign income taxes	-	-
Federal income tax expense (benefit)	$3,348	$(8,396)

The provision for federal income taxes 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:

	2003	2002
Provision computed at statutory rate	$ 19,788	$ 2,931
Dividends from subsidiaries	(16,362)	(10,807)
Meals and entertainment	156	172
Intangible loss	(1,011)	(1,295)
Tax allocation adjustment	(17,845)	4,131
Change in accounting principle	10,460	-
Non-admitted assets	(22,738)	(8,942)
Prior-year adjustments	13,000	(15,763)
Other	3,043	445
Total	$ (11,509)	$ (29,128)
Federal income tax expense (benefit)	$ 3,348	$ (8,396)
Change in net deferred income taxes	(14,857)	(20,732)
Total statutory income tax benefit	$ (11,509)	$ (29,128)

The components of the net deferred tax asset are as follows:

	2003	2002
Total deferred tax assets (admitted and non-admitted)	$ 68,279	$ 41,417
Total deferred tax liabilities	(23,500)	(11,917)
Net deferred tax asset	44,779	29,500
Total deferred tax assets non-admitted	(28,323)	(12,888)
Net admitted deferred tax asset	$ 16,456	$ 16,612
Change in deferred tax assets non-admitted	$ (15,435)	$ (11,418)

The net deferred tax asset is included in other receivables in the statements of admitted assets, liabilities, capital and surplus—statutory basis at December 31, 2003 and 2002.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2003	2002
Deferred tax assets:		
Discounting of unpaid losses	$ 862	$ 1,478
Bad debt	1,010	639
Accrual for future benefits, post retirement	24,645	22,480
Non-admitted assets	37,467	14,729
Other	4,295	2,091
Total deferred tax assets (admitted and non-admitted)	68,279	41,417
Total deferred tax assets non-admitted	(28,323)	(12,888)
Admitted deferred tax assets	39,956	28,529
Deferred tax liabilities:		
Depreciation	(7,747)	(9,860)
Pension and supplemental employee retirement plan	(9,946)	-
Impairment	-	(907)
Investments	(5,807)	(1,150)
Total deferred tax liabilities	(23,500)	(11,917)
Net admitted deferred tax asset	$ 16,456	$ 16,612

The change in net deferred income taxes is composed of the following:

	2003	2002	Change
Total deferred tax assets (admitted and non-admitted)	$ 68,279	$ 41,417	$ 26,862
Total deferred tax liabilities	(23,500)	(11,917)	(11,583)
Net deferred tax asset	44,779	29,500	15,279
Tax effect of unrealized losses			3,204
Tax effect of additional minimum pension obligation			(3,626)
Change in net deferred income taxes			$ 14,857

6. RELATED PARTY TRANSACTIONS

IBC received dividends from KHPE and AmeriHealth Administrators, Inc. in the amount of $35,000 and $11,749, respectively, for the year ended December 31, 2003. IBC received dividends from KHPE and AmeriHealth Administrators, Inc. in the amount of $20,000 and $10,877, respectively, for the year ended December 31, 2002. Dividends received are recorded in *Net investment income* on the statement of operations for the years ended December 31, 2003 and 2002.

IBC and several of its affiliates and subsidiaries are party to a master service and expense agreement under which IBC will supply underwriting, claims, actuarial, policy processing, tax, legal, investment,

systems, accounting and customer support services based on the cost of the services and each affiliate or subsidiary's proportional use. Additionally, the home office properties are occupied jointly by IBC and certain affiliates and subsidiaries. Because of this relationship, IBC incurs joint operating expenses subject to allocation through contractual arrangements based on the level of services provided. Management believes the method of allocating such expenses is fair and reasonable. IBC charged management and administrative services of $359,945 and $326,704 to affiliates and subsidiaries during 2003 and 2002, respectively.

The following table summarizes the due from/to subsidiaries and affiliates balances at December 31, 2003 and 2002:

	2003		2002	
	Due From	Due To	Due From	Due To
Independence Healthcare Management, Inc.	$ 1,190	$ -	$ 5,190	$ -
AmeriHealth Integrated Case Management, Inc.	218	-	176	-
AmeriHealth Insurance Company of New Jersey	-	22,564	203	-
AmeriHealth Agency	200	-	214	-
AmeriHealth Services, Inc.	299	-	377	-
AmeriHealth HMO, Inc.—NJ	515	-	2,135	-
Inter-County Health Plan, Inc.	-	26	191	-
CSI Services, Inc.	929	-	1,292	-
Home Health Plan Texas	-	-	18	-
NewSeasons Assisted Living Communities, Inc.	996	-	486	-
Independence Insurance, Inc.	76	-	274	-
Keystone Benefits, Inc.	394	-	386	-
AmeriHealth Administrators, Inc.	-	109	1,635	-
AmeriHealth Casualty Insurance Company	-	-	230	-
AmeriHealth of Florida, Inc.	-	-	155	-
Independence Holdings, Inc.	46,069	-	39,000	-
La Cruz Azul de Puerto Rico, Inc.	73	-	-	-
AmeriHealth, Inc.	36,945	-	19,025	-
AmeriHealth Insurance Company	-	-	-	107,337
KHPE	1,058	-	2,922	-
Caring Foundation	813	-	-	895
	$ 89,775	$ 22,699	$ 73,909	$ 108,232

See also Notes 5, 8 and 12.

7. PHARMACEUTICAL REBATES

The Company estimates pharmaceutical rebates at December 31, 2003 and 2002 based upon the following information:

Quarter Ending	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation
December 31, 2003	$ -	$ -	$ -	$ -	$ -
September 30, 2003	-	-	-	-	-
June 30, 2003	-	-	-	-	-
March 31, 2003	-	-	-	-	-
December 31, 2002	-	-	-	-	-
September 30, 2002	-	-	-	-	-
June 30, 2002	-	-	-	-	-
March 31, 2002	1,268	1,268	1,268	-	-

In lieu of cash collections, in most cases pharmaceutical rebates are offset against future billings from the pharmacy benefits manager prior to the end of the quarter.

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has noncontributory defined benefit pension plans (qualified and supplemental) for the benefit of all its employees. The Company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide for benefits attributed to service to date and for those expected to be earned in the future.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retirees. Under the current program, substantially all of the Company's employees may become eligible for these benefits if they are working for the Company when they reach age 55 and they have completed at least 10 years of service. Therefore, the Company begins accruing an obligation for active participants at the later of age 45 or date of hire.

A summary of assets, obligations and assumptions of the pension and other postretirement benefit plans are as follows at December 31, 2003 and 2002:

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Change in benefit obligation				
Benefit obligation at beginning of year	$ 227,258	$ 199,281	$ 20,489	$ 18,786
Service cost	25,064	21,266	2,681	2,218
Interest cost	18,965	13,596	1,757	1,374
Plan participants' contributions	-	-	-	58
Actuarial loss (gain)	66,850	(1,048)	6,205	(15)
Benefits paid	(5,748)	(6,692)	(2,857)	(1,932)
Amendments	1,826	855	(671)	-
Benefit obligation at end of year	$ 334,215	$ 227,258	$ 27,604	$ 20,489
Change in plan assets				
Fair value of plan assets at beginning of year	$ 150,039	$ 142,802	$ 8,165	$ -
Actual return on plan assets	34,831	(19,231)	474	115
Employer contribution	53,385	33,160	2,857	9,923
Actuarial gain	-	-	-	58
Benefits paid	(5,748)	(6,692)	(2,857)	(1,932)
Fair value of plan assets at end of year	$ 232,507	$ 150,039	$ 8,639	$ 8,164
Funded status				
Funded status	$ (101,708)	$ (77,219)	$ (18,965)	$ (12,325)
Unrecognized net gain	114,579	70,481	8,668	2,569
Unamortized prior-service cost	2,180	643	(1,019)	(498)
Remaining net asset at initial date of application	4,910	5,237	-	-
Prepaid cost/accrued liabilities	(19,961)	858	11,316	10,254
Benefit obligation for nonvested employees	$ -	$ -	$ -	$ -
Components of net periodic benefit cost				
Service cost	$ 25,064	$ 21,266	$ 2,681	$ 2,218
Interest cost	18,965	13,596	1,757	1,374
Expected return on plan assets	(17,215)	(16,483)	(714)	-
Amortization of unrecognized:				
Incremental liability	327	327	-	-
Prior-service cost	288	138	(150)	(113)
Actuarial loss	5,440	615	345	113
Special termination benefit charge	212	-	-	-
Statutory pension expense	$ 33,081	$ 19,459	$ 3,919	$ 3,592

Additional Information

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Increase in minimum liability included in changes in surplus	$ 10,362	$ -	N/A	N/A
Increase in minimum liability included in statutory net income	-	29,886	N/A	N/A

The assumptions used in determining the actuarial present value of the projected benefit obligations were as follows:

Weighted-average assumptions as of December 31	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Discount rate	6.50 %	7.00 %	6.50 %	7.00 %
Rate of compensation increase	4.00	4.00	4.00	4.00
Expected long-term rate of return on plan assets	10.00	10.00	10.00	10.00

The expected rate of return on plan assets was estimated utilizing a variety of factors including the historical investment return achieved over a long-term period, the targeted allocation of plan assets and expectation concerning future returns in the marketplace for both equity and debt securities.

In addition to providing health care cost benefits, the Company provides certain healthcare and life insurance benefits for retirees. The related trend rate information is as follows:

Assumed health care cost trend rates at December 31	2003	2002
Health care cost trend rate assumed for next year	9.0 %	8.5 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2009	2009

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would not significantly change results.

IBC's pension plan weighted-average asset allocations at December 31, 2003 and 2002, by asset category are as follows:

	Plan Assets at December 31	
	2003	2002
Asset Category		
Equity securities	60 %	59 %
Debt securities	27	33
Money market	8	7
Other	5	1
Total	100 %	100 %

The investment strategy of the Company's funded defined benefits plans is to achieve consistent positive returns, after adjusting for inflation, and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation. Risk to capital is minimized through the diversification of investments across and within various asset categories.

IBC's other postretirement benefit plan weighted-average asset allocations at December 31, 2003 and 2002, by asset category are as follows:

	Plan Assets at December 31	
	2003	2002
Asset Category		
Equity securities	- %	- %
Debt securities	100	100
Real estate	-	-
Other	-	-
Total	100 %	100 %

Contributions—The Company expects to contribute in excess of $65,000 to its pension plan in 2004. The Company does not expect to make any contributions to its postretirement benefit plan in 2004.

The Company sponsors a qualified 401(k) Savings Plan available to all full time employees of the Company and its subsidiaries and affiliates. The Company contributes fifty percent of a participant's contribution up to a maximum of three percent of a participant's compensation. The Company's contribution for the plan was $4,750 and $4,280 for 2003 and 2002, respectively. The fair value of plan assets was $225,300 and $169,527 at December 31, 2003 and 2002, respectively.

9. ELECTRONIC DATA PROCESSING EQUIPMENT

Electronic data processing equipment at December 31, 2003 and 2002 is as follows:

	2003	2002
Electronic data processing equipment	$ 16,043	$ 14,355
Accumulated depreciation	(7,285)	(9,549)
Electronic data processing equipment, net	$ 8,758	$ 4,806

10. INDEBTEDNESS

IBC has an available line of credit with an area bank in the amount of $10,000 which expires on June 30, 2004. Borrowings under the line of credit bear interest at LIBOR plus 60 basis points and are payable upon demand. As of December 31, 2003 and 2002, no amounts were outstanding under these agreements.

IBC has entered into an investment program with an investment company that allows IBC to borrow funds at the prevailing repurchase rate and invest the proceeds in short-term U.S. Government-backed securities initially yielding a higher return. As of December 31, 2003 and 2002, $32,605 and $41,376, was outstanding under this agreement, respectively. In accordance with the investment program, IBC has pledged certain investments as collateral in the amounts of $33,741 and $46,536 as of December 31, 2003 and 2002, respectively.

11. COMMITMENTS

The Company leases certain facilities and equipment under long-term leases. As of December 31, 2003, future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Years Ending:	Facilities	Equipment	Total
2004	$ 19,417	$28,647	$ 48,064
2005	18,546	7,137	25,683
2006	19,532	261	19,793
2007	20,735	72	20,807
2008	20,552	-	20,552
Thereafter	232,176	-	232,176
Total	$330,958	$36,117	$367,075

Total rental expense amounted to $55,202 and $57,096 for 2003 and 2002, respectively.

During 2002, the Company entered into agreements for the sale and leaseback of a portion of the Company's office furniture, capitalized software and equipment. The leases have terms of 30 through 42 months. The leases are classified as operating leases. The book value and associated depreciation of the office furniture, capitalized software and equipment have been removed from the accounts. The proceeds from the 2002 sales of $19,581 approximated the net book value of the disposed items; therefore, no gain or loss was realized on the sales. Annual payments under the leases were $24,660 and $12,751 for 2003 and 2002, respectively. The Company did not enter into any new sale leaseback

agreements during the year ended December 31, 2003. IBC has established a Reverse Repurchase Agreement with a financial institution in amounts which represent two percent of the statutory admitted assets of the Company as of December 31, 2003 and 2002, which were $26,025 and $24,235, respectively. Borrowings under this agreement bear interest at the prevailing repurchase rate. As of December 31, 2003 and 2002, no amounts were outstanding under this agreement.

In June of 1998, the Company entered into a $10,000 surplus note agreement with Blue Cross and Blue Shield of Vermont (BCBS of VT). Under the terms of the agreement, if BCBS of VT draws on an IBC letter of credit, such amounts will become a principal advance under the surplus note agreement. As of December 31, 2003 and 2002, there have not been any advances under this surplus note agreement.

12. INVESTMENT IN SUBSIDIARY

The Company owns 100% of the outstanding common stock of AmeriHealth, Inc., whose carrying value is equal to or exceeds 10% of the admitted assets of the Company. At December 31, 2003 and 2002, the Company carries AmeriHealth, Inc. at its statutory equity including its remaining goodwill balance of $39,760 and $62,799, respectively. Goodwill is amortized on a straight-line basis over a ten-year period.

Based on the Company's ownership percentage of AmeriHealth, Inc., the value of AmeriHealth, Inc.'s assets, liabilities and net income were as follows:

	2003	2002
Assets	$ 3,125,380	$ 2,879,305
Liabilities	2,125,165	2,024,749
Net income	169,746	120,803

13. UNPAID CLAIMS LIABILITY

	2003	2002
Balance, January 1	$ 113,941	$ 110,327
Incurred related to:		
Current year	387,350	415,693
Prior years	(42,232)	(43,851)
Total incurred	345,118	371,842
Paid related to:		
Current year	(309,770)	(317,542)
Prior years	(58,722)	(50,686)
Total paid	(368,492)	(368,228)
Balance, December 31	$ 90,567	$ 113,941

Claims expense for prior years decreased by a total of $42,232 in 2003 and $43,851 in 2002 because of lower than anticipated claims costs and favorable utilization trends.

14. CONTINGENCIES

Claims Liability Guaranty—During 2000, the Company established an Insolvency Protection Trust Fund (the "Trust") to comply with the Blue Cross and Blue Shield membership standards, which require plans to take steps to ensure the payment of claims liabilities and the continuation of coverage. The Trust replaces a similar arrangement that was put in effect pursuant to the Participation Agreement with the Pennsylvania plans (Capital Blue Cross, Blue Cross of Northeastern Pennsylvania, Blue Cross of Western Pennsylvania and PBS) dated December 31, 1995. The Participation Agreement was terminated by the mutual consent of all of the participants on October 2, 2000. As of December 31, 2003 and 2002, the funded amount required for the Trust was $9,881 and $12,988, respectively, and the fair market value of investments on deposit was $14,402 and $12,979.

Litigation—In the course of ordinary business, the Company is involved in and is subject to claims, contractual disputes and other uncertainties. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on IBC's financial condition or its results of operations.

* * * * * *

INDEPENDENCE BLUE CROSS

SUPPLEMENTAL SCHEDULE—STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

Investment Categories	Gross Investment Holdings*	Admitted Assets as Reported in the Annual Statement
Bonds:		
U.S. treasury securities	$ 79,307	$ 79,307
U.S. government agency and corporate obligations (excluding mortgage-backed securities):		
Issued by U.S. government agencies	2,569	2,569
Issued by U.S. government-sponsored agencies		
Foreign government (including Canada, excluding mortgage-backed securities)	400	400
Securities issued by states, territories and possessions and political subdivisions in the U.S.:		
State, territory and possession general obligations		
Political subdivisions of states, territories and possessions and political subdivisions general obligations		
Revenue and assessment obligations		
Industrial development and similar obligations		
Mortgage-backed securities (includes residential and commercial MBS):		
Pass-through securities:		
Guaranteed by GNMA	7,890	7,890
Issued by FNMA and FHLMC	3,477	3,477
Privately issued		
CMOs and REMICs:		
Issued by FNMA and FHLMC		
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, FHLMC		
All other privately issued		
Other debt and other fixed income securities (excluding short term):		
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	27,998	27,998
Unaffiliated foreign securities		
Affiliated securities		
Equity interests:		
Investments in mutual funds	46,269	46,269
Preferred stocks:		
Affiliated		
Unaffiliated		
Publicly traded equity securities (excluding preferred stocks):		
Affiliated		
Unaffiliated	17,292	17,292
Other equity securities:		
Affiliated	842,755	842,755
Unaffiliated		
Other equity interests including tangible personal property under lease:		
Affiliated		
Unaffiliated		

(Continued)

INDEPENDENCE BLUE CROSS

SUPPLEMENTAL SCHEDULE—STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

Investment Categories	Gross Investment Holdings*	dmitted Assets as Reported in the Annual Statement
Mortgage loans:		
Construction and land development	$	$
Agricultural		
Single family residential properties		
Multifamily residential properties		
Commercial loans	2,987	2,987
Real estate investments:		
Property occupied by company		
Property held for production of income		
Property held for sale		
Collateral loans		
Policy loans		
Receivables for securities		
Cash and short-term investments	(9,208)	(9,208)
Other invested assets	40,564	40,564
Write-in for invested assets	-	-
Total invested assets	$1,062,300	$1,062,300

* Gross Investment Holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual*.

(Concluded)

The Company's total admitted assets as reported in the statement of admitted assets, liabilities, capital and surplus—statutory basis are $1,301,266 at December 31, 2003.

1. The 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, (ii) property occupied by the Company, and (iii) policy loans at December 31, 2003 are as follows:

Investment Category	Amount	Percentage of Total Admitted Assets
AmeriHealth, Inc.	$840,542	64.59%
Invesco International Equity Fund	12,145	0.93
Merrill Lynch Notes	10,004	0.77
Blackrock Funds (PNMIX)	7,585	0.58
PIMCO FDS PAC Investment Mgt. Services	6,143	0.47
Evergreen Fixed Income Fund	5,145	0.40
BCS Financial Corp	3,368	0.26
Dodge & Cox STK FD (DODGX)	2,855	0.22
Vanguard 500 Index FD Admiral	2,781	0.21
General Electric PR Growth	2,540	0.00

2. The amounts and percentages of the Company's total admitted assets held in bonds and preferred stocks by NAIC rating are as follows:

Bonds	Amount	Percentage of Admitted Assets	Preferred Stock	Amount	Percentage of Admitted Assets
NAIC-1	$114,466	8.80 %	P/PSF-1	$ -	-
NAIC-2	1,777	0.14	P/PSF-2	-	-
NAIC-3	2,729	0.21	P/PSF-3	-	-
NAIC-4	2,669	0.21	P/PSF-4	-	-
NAIC-5	-	-	P/PSF-5	-	-
NAIC-6	-	-	P/PSF-6	-	-

3. The amounts and percentages of the Company's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investment denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge), including (i) foreign-currency-denominated investments of $0 supporting insurance liabilities denominated in that same foreign currency of $0 and excluding (ii) Canadian investments and currency exposure of $0 at December 31, 2003 are as follows: $400 investment in State of Israel bonds.

4. The amounts and percentages of the Company's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments

of $0 supporting Canadian-denominated insurance liabilities of $0 at December 31, 2003 are as follows: None.

5. The aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days) at December 31, 2003 are as follows: None.

6. The amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to *SVO Practices and Procedures Manual* as exempt or Class 1) at December 31, 2003 are as follows:

Investment Category	Amount	Percentage of Total Admitted Assets
AmeriHealth, Inc.	$840,542	64.59%
Invesco International Equity Fund	12,145	0.93
Blackrock Funds (PNMIX)	7,585	0.58
PIMCO FDS PAC Investment Mgt. Services	6,143	0.47
BCS Financial Corp	5,145	0.40
Dodge and Cox Stock Fund (DODGX)	3,368	0.26
Vanguard 500 Index FD Admiral	2,855	0.22
SEI Instl Managed TR (SELCX)	2,781	0.21
Vista Health Plan, Inc.	2,540	0.20
MFS Research Intl (MRSIX)	1,969	0.15

7. Nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions at December 31, 2003 totaled $0, which represents 0.00% of total admitted assets.

8. The amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities) at December 31, 2003 are as follows: None.

9. The amount and percentage of the reporting entity's total admitted assets held in mortgage loans at December 31, 2003 is as follows:

Investment Category	Amount	Percentage of Admitted Assets
Commercial Loans	$2,987	0.23 %

10. The amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate, excluding property occupied by the Company at December 31, 2003 are as follows: None.

11. The amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements are as follows:

	At Year-End		At End of Each Quarter		
	Amount	Percentage of Total Admitted Assets	1st Quarter Amount	2nd Quarter Amount	3rd Quarter Amount
Securities lending (do not include assets held as collateral for such transactions)	$ -	-%	$ -	$ 6,751	$ 8,811
Repurchase agreements	-	-	-	-	-
Reverse repurchase agreements	33,741	2.59	36,120	33,541	33,641
Dollar repurchase agreements	-	-	-	-	-
Dollar reverse repurchase agreements	-	-	-	-	-

12. The amounts and percentages of warrants not attached to other financial instruments, options, caps, and floors at December 31, 2003 are as follows: None.

13. The amounts and percentages of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for collars, swaps, and forwards at December 31, 2003 are as follows: None.

14. The amounts and percentages indicated below of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for futures contracts at December 31, 2003 are as follows: None.

15. The amounts and percentages of 10 largest investments included in the Write-in for Invested Assets category on the Summary Investment Schedule as of December 31, 2003 are as follows:

Investment Category	Amount	Percentage of Admitted Assets
Investment Deferred Benefit—Vanguard	$39,680	3.05 %
Investment Plan Liability Insurance	884	0.07

Keystone Health Plan East, Inc.

Statutory-Basis Financial Statements for the Years Ended December 31, 2003 and 2002, Supplemental Schedules as of and for the Year Ended December 31, 2003 and Independent Auditors' Report

KEYSTONE HEALTH PLAN EAST, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors of Keystone Health Plan East, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis of Keystone Health Plan East, Inc. (the "Company") as of December 31, 2003 and 2002, and the related statements of operations—statutory basis, changes in capital and surplus—statutory basis and cash flows—statutory basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the statutory-basis financial statements, the Company has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of Keystone Health Plan East, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our 2003 audit was conducted for the purpose of forming an opinion on the basic 2003 statutory-basis financial statements taken as a whole. The supplemental summary investment schedule and the supplemental schedule of investment risk interrogatories as of and for the year ended December 31, 2003 are presented for complying with the National Association of Insurance Commissioners' instructions to Annual Audited Financial Reports and are not a required part of the basic 2003 statutory-basis financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2003 statutory-basis financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2003 statutory-basis financial statements taken as a whole.

Member of
Deloitte Touche Tohmatsu

This report is intended solely for the information and use of the board of directors and the management of the Company and for filing with the Commonwealth of Pennsylvania Insurance Department and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

March 22, 2004

KEYSTONE HEALTH PLAN EAST, INC.

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, CAPITAL AND SURPLUS—STATUTORY BASIS

DECEMBER 31, 2003 AND 2002
(Dollars in Thousands, except per share data)

	2003	2002
ADMITTED ASSETS		
Cash and short-term investments	$ 33,087	$ 20,732
Investments:		
Bonds	684,642	767,768
Preferred stocks	113,620	9,900
Common stocks—unaffiliated	154,857	78,905
Total investments	953,119	856,573
Receivables:		
Accident and health premiums due and unpaid	44,625	59,281
Amounts receivable relating to uninsured accident and health plans	12,270	10,455
Investment income due and accrued	7,493	9,432
Health care receivables	4,113	8,830
Amounts due from parent, subsidiaries and affiliates	70,301	59,346
Total receivables	138,802	147,344
Investment in subsidiaries	26,358	23,156
Other assets	33,712	19,064
TOTAL ADMITTED ASSETS	$ 1,185,078	$ 1,066,869
LIABILITIES, CAPITAL AND SURPLUS		
Liabilities:		
Claims unpaid	$ 496,559	$ 460,817
Unpaid claims adjustment expenses	12,520	10,952
Aggregate policy reserves	55,862	69,996
General expenses due or accrued	77,220	59,707
Premiums received in advance	115,692	109,559
Amounts due to parent, subsidiaries and affiliates	3,087	2,922
Federal income tax payable	25,085	7,973
Total liabilities	786,025	721,926
Commitments and contingencies (Note 9)		
Capital and surplus:		
Common stock $1.00 par value; 400,000 shares authorized, issued and outstanding	400	400
Gross paid-in and contributed surplus	6,422	6,422
Surplus note	40,000	40,000
Unassigned surplus	352,231	298,121
Total capital and surplus	399,053	344,943
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$ 1,185,078	$ 1,066,869

See notes to statutory-basis financial statements.

KEYSTONE HEALTH PLAN EAST, INC.

STATEMENTS OF OPERATIONS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
Net premium income	$ 4,067,318	$ 3,695,983
Change in unearned premium reserves	11,000	(31,000)
Total Revenues	4,078,318	3,664,983
Underwriting costs:		
Medical and hospital expenses	3,619,677	3,264,503
Claims adjustment expenses (includes cost containment expenses of $75,724 and $60,401, respectively)	114,493	105,903
General administrative expenses	251,601	230,064
Increase in reserves for accident and health contracts	(15,346)	23,009
Total underwriting costs	3,970,425	3,623,479
Net underwriting gain	107,893	41,504
Net investment income earned	20,524	38,156
Net realized capital (losses) gains	21,396	(7,160)
Income before federal income taxes	149,813	72,500
Federal income taxes	58,059	26,712
NET INCOME	$ 91,754	$ 45,788

KEYSTONE HEALTH PLAN EAST, INC.

STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
BALANCE, BEGINNING OF YEAR	$344,943	$327,449
Net income	91,754	45,788
Dividends to stockholder	(35,000)	(30,000)
Net unrealized capital gains	12,839	2,235
Changes in net deferred income taxes	19,901	2,384
Change in non-admitted assets	(35,384)	(2,913)
BALANCE, END OF YEAR	$399,053	$344,943

See notes to statutory-basis financial statements.

KEYSTONE HEALTH PLAN EAST, INC.

STATEMENTS OF CASH FLOWS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
CASH FROM OPERATIONS:		
Premiums and revenues collected	$ 4,046,591	$ 3,680,277
Claims and claims adjustment expenses paid	(3,557,589)	(3,332,884)
General administrative expenses paid	(347,533)	(222,352)
Cash from underwriting	141,469	125,041
Net investment income	26,100	40,606
Miscellaneous income	4,717	
Federal income taxes paid	(40,947)	(23,232)
Net cash from operations	131,339	142,415
CASH USED BY INVESTMENTS:		
Proceeds from investments sold, matured or repaid	2,663,762	558,802
Cost of investments acquired	(2,718,368)	(723,401)
Net cash used by investments	(54,606)	(164,599)
CASH USED BY FINANCING AND MISCELLANEOUS SOURCES:		
Net transfers to parent, subsidiaries and affiliates	(10,789)	15,891
Dividends to stockholder	(35,000)	(30,000)
Other cash provided (used)	(18,589)	(11,570)
Net cash used by financing and miscellaneous sources	(64,378)	(25,679)
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	12,355	(47,863)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	20,732	68,595
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 33,087	$ 20,732

KEYSTONE HEALTH PLAN EAST, INC.

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

1. ORGANIZATION AND OPERATIONS

Business—Keystone Health Plan East, Inc. (the "Company") is a wholly owned subsidiary of AmeriHealth HMO, Inc. ("AH"). AH is an indirect, wholly owned subsidiary of Independence Blue Cross ("IBC"). The Company is designated as an Individual Practice Association health maintenance organization, operating in the greater Philadelphia area. The majority of the Company's membership is commercial (including provider risk-sharing programs) (54.4%). Membership also includes Medicare risk (including provider risk-sharing programs) (11.6%), Medicaid Joint Venture (22.5%), self-funded third party administration (7.8%), and the Children's Health Insurance Program and the Adult Basic Program (3.7%).

The Company has a wholly owned subsidiary, Keystone Health Systems, Inc. ("KHSI"). During 2001 and prior, KHSI administered self-funded health insurance programs and operated in conjunction with the existing self-funded group arrangements of the Company. Such programs were distinguished from the self-funded group arrangements administered by the Company in that groups were given flexibility in the product selection process under the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Effective January 1, 2002, all self-funded group arrangements are administered by the Company.

During 1996, the Company entered into a joint venture agreement through Keystone Benefits, Inc. ("KBI", a wholly owned subsidiary) with Mercy Health Plan ("MHP") to combine the Medicaid lines of business of the two companies, under the name Keystone Mercy Health Plan ("KMHP"). KBI and MHP each maintains a 50% ownership interest in the joint venture partnership. The term of the partnership agreement is fifty years, expiring in April 2046.

The Company has a wholly owned subsidiary, AmeriHealth of Florida, Inc. ("AHFL"). AHFL was originally incorporated in 1986 as Anthem Health Plan of Florida, Inc. ("AHPF"), a wholly owned subsidiary of the Anthem Companies, Inc., which was a wholly owned subsidiary of Anthem Insurance Companies, Inc. The Company acquired AHPF in 1998 and renamed it AmeriHealth of Florida, Inc. The Company exited the Florida market by not renewing any of its member contracts, all of which had expired in 2001. AHFL surrendered its license to the Florida Department of Insurance in 2002.

Effective April 5, 2000, the Company entered into a joint venture agreement with Renaissance Medical Management Company, Inc. to form a limited liability company under the name Renaissance Health Alliance ("RHA"). The joint venture arranges for the delivery of the Company's covered services to the Company's members who reside in and around the joint venture geographic area.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department ("PID"). Effective January 1, 2001, the PID required that insurance companies domiciled in the Commonwealth of Pennsylvania prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures

Manual—Version effective January 1, 2001 ("NAIC SAP"). Accordingly, the admitted assets, liabilities, capital and surplus—statutory basis of the Company as of December 31, 2003 and 2002, and the results of its operations—statutory basis and its cash flows—statutory basis for the years then ended have been determined in accordance with these accounting principles. In addition, the Commissioner of the PID has the right to permit other specific practices that may deviate from prescribed practices (see Note 13).

Accounting practices and procedures of the NAIC as prescribed or permitted by the PID comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant differences are as follows:

(a) Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's ability and intent to hold or trade the securities;

(b) Investments in common stocks are valued as prescribed by the Securities Valuation Office of the NAIC, while under GAAP, common stocks are reported at market value;

(c) NAIC SAP requires an amount to be recorded for deferred taxes; however, there are limitations as to the amount of deferred tax assets that may be reported as "admitted assets," while under GAAP there are no limitations as to the amount that may be reported as assets;

(d) Assets are reported under NAIC SAP at "admitted-asset" value and "non-admitted" assets are excluded through a charge against surplus, while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance;

(e) Comprehensive income and its components are not presented in the statutory financial statements; and

(f) Subsidiaries are included as common stock carried under the equity method, with the equity in net income of subsidiaries credited directly to the Company's surplus for NAIC SAP, while GAAP requires either consolidation or the equity of net income of subsidiaries to be credited to the income statement.

Cash and Short-Term Investments—The Company considers all highly liquid securities with original maturities of three months or less when purchased to be cash equivalents. Short-term investments include money market instruments.

Bonds—Bonds are stated at amortized cost or at values prescribed by the NAIC. Interest is recognized on the accrual basis. Realized capital gains and losses are calculated using the specific cost of the investments sold.

Preferred Stocks—Preferred stocks are stated at cost, lower of cost or amortized cost, or NAIC market values depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions.

Common Stocks—Unaffiliated—Common stocks—unaffiliated are carried at NAIC market value. The change in the stated value is recorded as a change in net unrealized capital gains (losses), a component of unassigned surplus.

Uninsured Accident and Health Plans—Under certain contracts, the Company provides administrative services to large group employers that maintain self-funded health plans. The Company provides these groups with claims processing, administration, utilization management and other related services. The Company assumes no underwriting risk under these arrangements. For these contracts, revenue is based on administrative fees and is recorded as earned on an accrual basis. These administrative fees of $33,792 and $31,608 are netted against *General administrative expenses* in the statement of operations—statutory basis for 2003 and 2002, respectively. Receivables from self-funded groups are recorded for amounts due to the Company for known claims that have been paid to providers on behalf of the groups. Medical and hospital costs under such arrangements were approximately $241,316 and $207,519 for 2003 and 2002, respectively.

Health Care Receivables—Health care receivables include advances to providers and pharmaceutical rebates (see Note 5).

Property and Equipment—Property and equipment are carried at cost less accumulated depreciation. Depreciation on furniture and fixtures is calculated based on the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The Company provides for amortization of leasehold improvements using the straight-line method over the lesser of the useful life of the asset or the remaining original lease term. Maintenance and repairs are charged to expense as incurred. At December 31, 2003 and 2002, all property and equipment is either fully depreciated or non-admitted under statutory accounting principles. Depreciation and amortization expense related to property and equipment was $1,153 and $65 for the years ended December 31, 2003 and 2002, respectively.

Risk Sharing Arrangements—The Company has certain arrangements for the Commercial and Medicare lines of business with integrated delivery systems to share in any deficit or surplus generated against established target medical budgets in the hospital, referral, and pharmacy service categories. A liability or a receivable is recorded based upon each arrangement's estimated experience.

Claims Unpaid—Claims unpaid includes amounts for known reported claims and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Aggregate Policy Reserves—Aggregate policy reserves represent unearned premium reserves of $4,662 and $4,065 at December 31, 2003 and 2002, respectively, and a premium deficiency reserve related to the Company's Medicare business of $47,500 and $65,900 at December 31, 2003 and 2002, respectively, and a premium deficiency reserve related to the Company's Adult Basic Program of $3,700 at December 31, 2003. Medicare premium deficiency reserves were established during 2001 and the Adult Basic premium deficiency reserve was established in 2002; the related charge is included in *Increase in reserves for accident and health contracts* in the statement of operations—statutory basis for the year ended December 31, 2003. In addition, related unpaid claims adjustment expenses of $2,500 and $4,117 are included in *Unpaid claims adjustment expenses* in the statement of admitted assets, liabilities, capital and surplus—statutory basis at December 31, 2003 and 2002, respectively.

Net Premium Income—Membership contracts are generally established on a yearly basis subject to cancellation by the employer group upon thirty days written notice. Premiums are due monthly and are recognized as revenue during the period in which the Company is obligated to provide services to members. The prepaid portion of premiums for a coverage period is recorded in the statement of admitted assets, liabilities, capital and surplus—statutory basis as *Premiums received in advance* and

later reported as premium income when earned. The Company does not purchase reinsurance but rather retains the underwriting risk for all coverages granted under its subscriber contracts.

Income Taxes—The Company has an intercompany federal tax sharing agreement with IBC whereby it calculates its taxes as if it filed its return on a separate–company basis and records amounts due to or receivable from IBC for such calculated amounts. The Company is also subject to state and local taxes on a stand-alone basis. State and local taxes incurred are included in *General administrative expenses* in the statements of operations—statutory basis for the years ended December 31, 2003 and 2002.

Fair Value of Financial Instruments—The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Short-Term Investments—The carrying amounts for these instruments approximate their fair values.

Bonds—The fair values for bonds are based on quoted market prices.

Common Stock—Unaffiliated—The fair values for unaffiliated common stocks are based on quoted market prices.

Affiliated Common Stocks—The fair values of affiliated common stocks (*Investment in subsidiaries*) are based on the Company's ownership portion of respective securities stockholders' equity.

Preferred Stocks—The fair values for preferred stocks are based on quoted market prices.

Recent Accounting Pronouncements—In June 2002, the NAIC adopted SSAP No. 85, *Claim Adjustment Expenses, Amendments to SSAP No. 55, Unpaid Claims, Losses, and Loss Adjustment Expenses*. This statement subdivides claim adjustment expenses for accident and health reporting entities and managed care reporting entities into cost containment expenses and other claim adjustment expenses, and provides examples of those expenses. This statement is effective for years ending on or after December 31, 2003. The Company has included cost containment expenses of $75,724 and $60,401, respectively within *Claim adjustment expenses* for the years ended December 31, 2003 and 2002.

In May 2002, the NAIC adopted SSAP No. 86, *Accounting for Derivatives and Hedging Activities* ("SSAP 86"). This statement supersedes the provisions of SSAP No. 31, *Derivative Instruments*, and establishes specific criteria for hedging transactions to be considered highly effective. SSAP 86 requires derivatives that meet the criteria of a highly effective hedge to be valued and reported in a manner that is consistent with the changes in the carrying value or cash flow of the hedged item. Derivative instruments that do not meet, or no longer meet, the criteria of an effective hedge are to be accounted for at fair value, with the changes in fair value recorded as unrealized gains or unrealized losses. SSAP 86 is effective for derivative transactions entered into or modified on or after January 1, 2003. Implementation of this statement on January 1, 2003 did not have a material impact on the Company's surplus.

In September 2002, the NAIC adopted SSAP No. 87, *Capitalization Policy, An Amendment to SSAP Nos. 4, 19, 29, 73, 79 and 82*. This statement requires that a predefined threshold be established for capitalization of certain assets, and that any purchase that does not meet that predefined threshold be expensed. This statement is effective for years beginning on or after January 1, 2004. Implementation of this statement is not expected to have a material impact on the Company's financial statements.

In December 2003, the NAIC adopted SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8*. This statement establishes statutory accounting principles and related reporting for employers' pension obligations and supersedes the conclusions reached in SSAP No. 8, *Pensions*, which concluded that an additional minimum liability shall be recorded as a component of statutory income. SSAP No. 89 concludes that an additional minimum liability shall be reported as a component of unassigned funds (surplus), net of any tax benefits that result from considering such losses as temporary differences for purposes of applying the provisions of SSAP No. 10, *Income Taxes*. Implementation of this statement on December 31, 2003 had no impact on the Company's financial statements.

Use of Estimates—The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Reclassification—Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. INVESTMENTS

The cost or amortized cost and estimated market value of investments at December 31, 2003 and 2002 are as follows:

	2003			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities and obligations of U.S. Government corporations and agencies	$ 94,426	$ 505	$ (114)	$ 94,817
Mortgage-backed securities	65,076	1,253	(379)	65,950
Corporate debt securities	271,851	13,359	(604)	284,606
Asset-backed securities	63,444	1,123	(359)	64,208
Other	189,845	1,708	(1,509)	190,044
Total bonds	$ 684,642	$ 17,948	$ (2,965)	$ 699,625
Preferred stocks	$ 113,620	$ 2,676	$ (1,338)	$ 114,958
Common stocks—unaffiliated	$ 150,603	$ 6,064	$ (1,810)	$ 154,857

	2002			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities and obligations of U.S. Government corporations and agencies	$111,608	$ 6,769	$ (2)	$118,375
Mortgage-backed securities	81,030	2,876	(210)	83,696
Corporate debt securities	300,827	16,155	(899)	316,083
Asset-backed securities	38,770	1,325	(32)	40,063
Other	235,533	3,721	-	239,254
Total bonds	$767,768	$30,846	$(1,143)	$797,471
Preferred stocks	$ 9,900	$ 172	$ (87)	$ 9,985
Common stocks—unaffiliated	$ 84,818	$ 1,554	$(7,467)	$ 78,905

The amortized cost and estimated market value of debt securities at December 31, 2003, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost or Amortized Cost	Estimated Market Value
Due within 1 year or less	$163,786	$162,824
Due after 1 year through 5 years	183,188	189,272
Due after 5 years through 10 years	139,418	145,775
Due after 10 years	69,730	71,596
	556,122	569,467
Mortgage-backed securities	65,076	65,950
Asset-backed securities	63,444	64,208
Total	$684,642	$699,625

Gross realized capital gains and losses from sales of investments for the years ended December 31, 2003 and 2002 were as follows:

	2003	2002
Realized gains	$ 29,488	$ 13,911
Realized losses	(8,092)	(21,071)
	$ 21,396	$ (7,160)

Proceeds from the sale or maturity of bonds were $2,618,273 and $490,969 during 2003 and 2002, respectively.

In order to comply with statutory requirements, the Company has placed on deposit with the PID investments with a market value of $100 at December 31, 2003 and 2002.

4. RELATED PARTY TRANSACTIONS

In 2003 and 2002, the Company's statements of operations—statutory basis include general administrative expenses charged from IBC and other affiliates for certain services, personnel-related costs and supplies of $202,991 and $174,221, respectively.

The following table summarizes the due from/to parent, subsidiaries and affiliates balances at December 31, 2003 and 2002.

	2003		2002	
	Due From	Due To	Due From	Due To
KHSI	$ -	$ -	$ 1	$ -
IBC	-	1,058	-	2,922
Independence Healthcare Management	20,521	-	13,260	-
AmeriHealth Insurance Company	24,480	-	2,940	-
AmeriHealth Inc.	263	-	3,439	-
AH	7,488	-	2,050	-
AmeriHealth Insurance Company of New Jersey	-	1,031	105	-
AmeriHealth Integrated Case Management	892	-	3,867	-
KBI	6,165	-	10,772	-
AHFL	-	8	3,609	-
KMHP	385	-	411	-
AmeriHealth Services	2,046	-	794	-
AmeriHealth Administrators	-	-	-	-
AmeriHealth Health Plan	-	-	7,189	-
RHA	7,898	-	10,856	-
Caring Foundation for Children	-	987	-	-
Various	163	3	53	-
	$ 70,301	$ 3,087	$ 59,346	$ 2,922

See also Notes 6 and 7.

5. PHARMACEUTICAL REBATES

The Company estimates pharmaceutical rebates at December 31, 2003 and 2002 based upon the following information:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More than 180 Days after Invoicing/ Confirmation
December 31, 2003	**	$ 3,712	*	*	*
September 30, 2003	$ 5,083	3,058	*	*	*
June 30, 2003	**	3,544	*	*	*
March 31, 2003	4,173	4,021	*	*	*
December 31, 2002	$ 3,685	$ 3,685	*	*	*
September 30, 2002	**	3,075	*	*	*
June 30, 2002	2,980	3,519	*	*	*
March 31, 2002	2,918	2,761	*	*	*

* In lieu of cash collections, pharmaceutical rebates are offset against future billings from the pharmacy benefits manager within 90 days of the quarter-end.

** Receivable was fully satisfied prior to the end of the quarter.

6. INCOME TAXES

The Company joins IBC and its other eligible domestic subsidiaries in the filing of a consolidated federal income tax return and is party to a federal income tax sharing agreement. Under the tax sharing agreement, the Company pays to or receives from IBC the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the Company in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

The Company's federal income tax return is consolidated with the following entities:

Independence Blue Cross
AmeriHealth Administrators, Inc.
AmeriHealth Casualty Insurance Company
AmeriHealth Health Plan, Inc.
AmeriHealth HMO, Inc.
AmeriHealth Insurance Company of New Jersey
AmeriHealth Integrated Benefits, Inc.
AmeriHealth Integrated Case Management, Inc.
AmeriHealth Integrated Workers' Compensation Case Management, Inc.
AmeriHealth of Florida, Inc.
AmeriHealth Services, Inc.
AmeriHealth, Inc.

CompServices, Inc.
Corcell, Inc.
CSI Services, Inc.
HCDV, Inc.
HCS, Inc.
Healthcare Delaware, Inc.
Independence Healthcare Management, Inc.
Independence Holdings, Inc.
Independence Insurance, Inc.
Keystone Benefits, Inc.
Keystone Health Systems, Inc.
New Seasons Assisted Living Communities, Inc.
QCC Insurance Company
The AmeriHealth Agency, Inc.
Vista Health Plan, Inc.

The components of current income tax expense are as follows:

	2003	2002
Federal	$ 58,059	$ 26,712
Foreign		
Federal and foreign income taxes	$ 58,059	$ 26,712

The provision for federal and foreign income taxes 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:

	2003	2002
Provision computed at statutory rate	$ 52,435	$ 25,375
Tax exempt interest deduction	(1,159)	(1,635)
Sale leaseback		3,179
Change in non-admitted assets	(12,323)	(1,752)
Reduction of tax contingency	(260)	(790)
Other	(535)	(49)
Total	$ 38,158	$ 24,328
Federal and foreign income taxes	$ 58,059	$ 26,712
Change in net deferred income taxes	(19,901)	(2,384)
Total statutory income taxes	$ 38,158	$ 24,328

The components of the net deferred tax asset (liability) are as follows:

	December 31, 2003	December 31, 2002
Total deferred tax assets (admitted and non-admitted)	$ 48,456	$ 22,716
Total deferred tax liabilities	(13,947)	(3,053)
Net deferred tax asset	34,509	19,663
Total deferred tax assets non-admitted	(836)	(661)
Net admitted deferred tax asset	$ 33,673	$ 19,002
Decrease in deferred tax assets non-admitted	$ 175	$ (1,044)

The net deferred tax asset is included in *Other assets* in the statements of admitted assets, liabilities, capital and surplus-statutory basis at December 31, 2003 and 2002.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2003	December 31, 2002
Deferred tax assets:		
Discounting of unpaid losses	$ 4,318	$ 4,856
Change in unearned premium reserve	8,425	7,954
Allowance for doubtful accounts	525	525
Contract valuation allowance		736
Postretirement benefits	823	30
Pension	14	442
Premium Deficiency Reserve	18,795	
Unrealized losses		2,425
Non-admitted assets	15,145	2,822
Deferred tax losses on investments		2,506
Other	411	420
Total deferred tax assets (admitted and non-admitted)	48,456	22,716
Total deferred tax assets non-admitted	(836)	(661)
Admitted deferred tax assets	47,620	22,055
Deferred tax liabilities:		
Fixed assets	(4,524)	(2,421)
Excess Allowance/Return Premiums	(5,809)	
Unrealized gains	(2,629)	
Other	(985)	(632)
Total deferred tax liabilities	(13,947)	(3,053)
Net admitted deferred tax asset	$ 33,673	$ 19,002

The change in net deferred income taxes is composed of the following:

	December 31, 2003	December 31, 2002	Change
Total deferred tax assets (admitted and non-admitted)	$ 48,456	$ 22,716	$ 25,740
Total deferred tax liabilities	(13,947)	(3,053)	(10,894)
Net deferred tax asset	$ 34,509	$ 19,663	14,846
Tax effect of unrealized gains (losses)			5,055
Change in net deferred income taxes			$ 19,901

7. EMPLOYEE RETIREMENT BENEFITS

The Company has non-contributory defined benefit pension plans, qualified and supplemental plans for the benefit of all its employees maintained by IBC. IBC's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. The Company is allocated its share of the annual pension cost by IBC, based upon the Company's employees. Benefits are based on the employee's years of service and compensation during the years preceding retirement.

In addition to the pension benefits, the Company provides certain health care and life insurance benefits through a postretirement plan maintained by IBC. Under the current program, substantially all of the Company's employees may become eligible for these benefits if they are working for the Company when they reach age 55 and have completed at least 10 years of service. Therefore, the Company begins accruing an obligation for active participants at the later of age 45 or date of hire. The Company is allocated its share of the annual postretirement cost by IBC, based upon the Company's employees.

The amount of pension expense charged by IBC was $922 and $674 for 2003 and 2002, respectively. The postretirement benefit expense charged by IBC was $390 and $268 in 2003 and 2002, respectively.

The Company's employees also participate in a 401(k) savings plan which is maintained by IBC and is available to all full-time employees. The Company contributes 50% of a participant's contribution up to the first 6% of a participant's compensation. The Company's savings plan contribution was $317 and $286 in 2003 and 2002, respectively.

8. SURPLUS AND DIVIDEND RESTRICTIONS

Under applicable state laws and regulations, the Company is required to maintain minimum capital and surplus determined in accordance with statutory accounting practices. In addition, statutory regulations limit dividend payments by the Company. The dividend restrictions are generally based on statutory income and on certain levels of surplus as determined under statutory accounting practices which also require the direct approval of regulatory authorities for any proposed "extraordinary dividend," as defined. The Company declared and paid dividends in 2003 and 2002 in the amounts of $35,000 and $30,000, respectively. Subject to a twelve month look back period to determine the permissible distribution, the amount available to pay dividends in 2004 is limited to the greater of 10% of year-end 2003 statutory surplus or 2003 statutory net income. The amount available to pay dividends in 2004 without the approval of the PID is $91,754.

9. COMMITMENTS AND CONTINGENCIES

The Company leases office space under multiple lease agreements that expire in 2006 and 2008. The leases require the Company to pay a proportionate share of operating expenses and taxes for the leased property. Total net rental expense amounted to $1,899 and $1,231 for 2003 and 2002, respectively. For 2003 and 2002, principally all rent expense and future minimum lease payments are related to shared office space and are allocated to and from other affiliates.

During 2002, the Company entered into agreements for the sale and leaseback of a portion of the Company's office furniture, capitalized software and equipment. The leases have terms of 36 months. The book value and associated depreciation of the office furniture, capitalized software and equipment have been removed from the accounts. The proceeds from the 2002 sales of $14,953, approximated the net book values of the disposed items, therefore, no gain or loss was realized on these sales. Annual payments under these leases are $20,096 in 2003 and $21,018 in 2002.

Total future minimum lease payments at December 31, 2003 are as follows:

	Facilities	Equipment	Total
2004	$ 3,133	$ 22,115	$ 25,248
2005	3,199	3,518	6,717
2006	3,254	2	3,256
2007	3,180	-	3,180
2008	1,336	-	1,336
Thereafter	-	-	-
	$ 14,102	$ 25,635	$ 39,737

Litigation—In the course of ordinary business, the Company is involved in and is subject to claims, contractual disputes and other uncertainties. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial condition or results of operations.

10. DISCLOSURE OF CERTAIN RISKS AND UNCERTAINTIES

The Company's operations are concentrated in the Southeastern Pennsylvania region. As such, regional economic issues are important. The Company's products are highly regulated by the PID and Pennsylvania Department of Health and Public Welfare. These departments must approve rates and policy forms.

The Company considers factors such as rate adequacy, regulatory climate and economic factors in its underwriting process. However, unfavorable developments in these factors could have an adverse impact on the Company's financial condition and results of operations.

11. MEDICAID PROGRAM

The Company provides medical services through its joint venture, KMHP, to certain persons eligible for participation in the Pennsylvania Medical Assistance Program pursuant to agreements with the Pennsylvania Department of Health and Public Welfare. Under the terms of the current agreements, the capitation payments received by the Company are remitted to the joint venture and it is the responsibility of the joint venture, through its participating providers, to provide defined program benefits, while the Company provides certain administrative and claims processing services. The accompanying financial statements do not include any liability for outstanding claims under this program.

The statements of operations—statutory basis include the following activity related to the current agreements:

	2003	2002
Net premium income	$ 968,777	$ 845,296
Medical and hospital expenses	(968,777)	(845,296)
Net	$ -	$ -

12. CLAIMS UNPAID

	2003	2002
Balance, January 1	$ 460,817	$ 394,913
Incurred related to:		
Current year	3,769,340	3,433,417
Prior years	(160,663)	(137,914)
Total incurred	3,608,677	3,295,503
Paid related to:		
Current year	(3,296,782)	(3,019,879)
Prior years	(276,153)	(209,720)
Total paid	(3,572,935)	(3,229,599)
Balance, December 31	$ 496,559	$ 460,817

Medical and hospital expenses for prior years decreased by a total of $160,663 in 2003 and $137,914 in 2002 because of lower than anticipated claims costs and favorable utilization trends.

13. INDEBTEDNESS

In June 1999, the Company entered into a $40,000 subordinated capital note agreement with a third party. The note accrues interest at 9.6% per annum and is paid quarterly. The principal balance is payable on June 30, 2014. The Company received permission from the PID to account for this note as a surplus note. This surplus note is included as a component of capital and surplus.

Interest paid amounted to $3,840 in both 2003 and 2002.

The Company has established a Reverse Repurchase Agreement with a financial institution in the amounts not to exceed two percent of statutory admitted assets of the Company as of December 31, 2003 and 2002, which were $23,702 and $21,337, respectively. Borrowings under this agreement bear interest at the prevailing market rate. As of December 31, 2003 and 2002, no amounts were outstanding under this agreement.

* * * * * *

KEYSTONE HEALTH PLAN EAST, INC.

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA—STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

Investment Categories	Gross Investment Holdings*	Admitted Assets as Reported in the Annual Statement
Bonds:		
U.S. treasury securities	$ 62,290	$ 62,290
U.S. government agency and corporate obligations (excluding mortgage-backed securities):		
Issued by U.S. government agencies	32,258	32,258
Issued by U.S. government-sponsored agencies		
Foreign government (including Canada, excluding mortgage-backed securities)		
Securities issued by states, territories and possessions and political subdivisions in the U.S.:		
State, territory and possession general obligations	80,511	80,511
Political subdivisions of states, territories and possessions political subdivisions general obligations		
Revenue and assessment obligations		
Industrial development and similar obligations		
Mortgage-backed securities (includes residential and commercial MBS):		
Pass-through securities:		
Guaranteed by GNMA	16,103	16,103
Issued by FNMA and FHLMC	47,445	47,445
Privately issued		
CMOs and REMICs:		
Issued by FNMA and FHLMC	23,230	23,230
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, FHLMC	7,625	7,625
All other privately issued	34,095	34,095
Other debt and other fixed income securities (excluding short term):		
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	381,085	381,085
Unaffiliated foreign securities		
Affiliated securities		
Equity interests:		
Investments in mutual funds		
Preferred stocks:		
Affiliated		
Unaffiliated	113,620	113,620
Publicly traded equity securities (excluding preferred stocks):		
Affiliated		
Unaffiliated	154,857	154,857
Other equity securities:		
Affiliated		
Unaffiliated		
Other equity interests including tangible personal property under lease:		
Affiliated	26,358	26,358
Unaffiliated		

(Continued)

KEYSTONE HEALTH PLAN EAST, INC.

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA—STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

Investment Categories	Holdings*	Annual Statement
Mortgage loans:		
Construction and land development		
Agricultural		
Single family residential properties		
Multifamily residential properties		
Commercial loans		
Real estate investments:		
Property occupied by company		
Property held for production of income		
Property held for sale		
Collateral loans		
Policy loans		
Receivables for securities		
Cash and short-term investments	33,087	33,087
Write-in for invested assets		
Total invested assets	$ 1,012,564	$ 1,012,564

* Gross Investment Holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual*.

(Concluded)

The Company's total admitted assets as reported in the statement of admitted assets, liabilities, capital and surplus—statutory basis are $1,185,078 at December 31, 2003.

1. The 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, (ii) property occupied by the Company, and (iii) policy loans at December 31, 2003 are as follows:

Investment Category	Amount	Admitted Assets
Evergreen Short Intermediate Bond Fund	$ 101,034	8.53%
Evergreen Adjustable Rate Fund	83,004	7.00%
AMF Adjustable Rate Mortgage Portfolio	26,031	2.20%
Core Investments	22,581	1.91%
Keystone Benefits, Inc.	21,465	1.81%
Invesco Global Asset Management	11,164	0.94%
Bear Stearns	10,439	0.88%
EOP Operating LP	7,770	0.66%
HSBC Holdings PLC NT	7,692	0.65%
FLA Water Pollution Control	5,756	0.49%

2. The amounts and percentages of the Company's total admitted assets held in bonds and preferred stocks by NAIC rating are as follows:

NAIC-1	$ 548,062	46.25 %	P/PSF-1	$ 50,738	4.28 %
NAIC-2	83,500	7.05	P/PSF-2	56,918	4.80
NAIC-3	15,245	1.29	P/PSF-3	4,052	0.34
NAIC-4	35,715	3.01	P/PSF-4	935	0.08
NAIC-5	1,054	0.09	P/PSF-5		
NAIC-6	1,066	0.09	P/PSF-6	977	0.08

3. The amounts and percentages of the Company's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investment denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge), including (i) foreign-currency-denominated investments of $0 supporting insurance liabilities denominated in that same foreign currency of $0 and excluding (ii) Canadian investments and currency exposure of $0 at December 31, 2003 are as follows: None.

4. The amounts and percentages of the Company's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian—currency—denominated investments of $0 supporting Canadian-denominated insurance liabilities of $0 at December 31, 2003 are as follows: None.

5. The aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days) at December 31, 2003 are as follows: None.

6. The amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to *SVO Practices and Procedures Manual* as exempt or Class 1) at December 31, 2003 are as follows:

Evergreen Short Intermediate Bond Fund	$ 101,034	8.53 %
Keystone Benefits, Inc.	21,465	1.81 %
Invesco Global Asset Management	11,164	0.94 %
Lehman Brothers Hldg	4,988	0.42 %
ABN AMRO	4,537	0.38 %
HSBC USA Inc.	4,260	0.36 %
Interstate Power & Light	3,572	0.30 %
Apache Corp.	3,371	0.28 %
Cobank ACB	3,098	0.26 %
Peco Energy	2,999	0.25 %

7. Nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions at December 31, 2003 totaled $0, which represents 0.00% of total admitted assets.

8. The amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities) at December 31, 2003 are as follows: None.

9. The amounts and percentages of the reporting entity's total admitted assets held in mortgage loans at December 31, 2003 are as follows: None.

10. The amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate, excluding property occupied by the Company at December 31, 2003 are as follows: None.

11. The amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements are as follows:

	At Year-End Amount	Percentage of Total Admitted Assets	At End of Each Quarter 1st Quarter Amount	2nd Quarter Amount	3rd Quarter Amount
Securities lending (do not include assets held as collateral for such transactions)	$	-%	$	$ 22,580	$ 26,511
Repurchase agreements					
Reverse repurchase agreements					
Dollar repurchase agreements					
Dollar reverse repurchase agreements					

12. The amounts and percentages of warrants not attached to other financial instruments, options, caps, and floors at December 31, 2003 are as follows: None.

13. The amounts and percentages of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for collars, swaps, and forwards at December 31, 2002 are as follows: None.

14. The amounts and percentages indicated below of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for futures contracts at December 31, 2002 are as follows: None.

15. The amounts and percentages of 10 largest investments included in the Write-ins for Invested Assets category of on the Summary Investment Schedule as of December 31, 2003 are as follows: None.

QCC Insurance Company

Statutory-Basis Financial Statements for the Years Ended December 31, 2003 and 2002, Supplemental Schedules as of and for the Year Ended December 31, 2003 and Independent Auditors' Report

QCC INSURANCE COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
QCC Insurance Company
Philadelphia, Pennsylvania

We have audited the accompanying statements of admitted assets, liabilities, capital and surplus - statutory basis of QCC Insurance Company (the "Company") as of December 31, 2003 and 2002, and the related statements of operations - statutory basis, changes in capital and surplus - statutory basis and cash flows - statutory basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the statutory-basis financial statements, the Company has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, such financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets, liabilities, capital and surplus of QCC Insurance Company as of December 31, 2003 and 2002, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, such financial statements present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of QCC Insurance Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Member of
Deloitte Touche Tohmatsu

Our 2003 audit was conducted for the purpose of forming an opinion on the basic 2003 statutory-basis financial statements taken as a whole. The supplemental summary investment schedule and the supplemental schedule of investment risk interrogatories as of and for the year ended December 31, 2003 are presented for complying with the National Association of Insurance Commissioners' instructions to Annual Audited Financial Reports and are not a required part of the basic 2003 statutory-basis financial statements. This additional information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audit of the basic 2003 statutory-basis financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2003 statutory-basis financial statements taken as a whole.

Deloitte + Touche LLP

March 22, 2004

QCC INSURANCE COMPANY

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, CAPITAL AND SURPLUS – STATUTORY BASIS
DECEMBER 31, 2003 AND 2002
(Dollars in thousands, except per share data)

ADMITTED ASSETS	2003	2002
Cash and short-term investments	$ 146,076	$ 86,923
Investments:		
Bonds	563,138	450,906
Common stocks—unaffiliated	102,938	42,621
Total investments	666,076	493,527
Receivables:		
Accident and health premiums due and unpaid	45,147	49,473
Amounts receivable relating to uninsured accident and health plans	107,346	66,963
Investment income due and accrued	5,760	5,136
Amounts due from parent, subsidiaries and affiliates	23,918	110,686
Other	64,048	121,750
Total receivables	246,219	354,008
Goodwill, net	18,165	29,784
TOTAL ADMITTED ASSETS	$1,076,536	$964,242
LIABILITIES, CAPITAL AND SURPLUS		
Liabilities:		
Claims unpaid	$ 430,070	$455,534
Aggregate health claim reserves	21,518	19,273
Unpaid claims adjustment expense	9,930	10,940
Aggregate policy reserves	27,367	32,424
General expenses due or accrued	50,277	40,757
Premiums received in advance	134,637	110,615
Federal income tax payable	11,003	11,184
Payable to parent, subsidiaries and affiliates	34,456	12,600
Total liabilities	719,258	693,327
Contingencies (See Note 9)		
Capital and surplus:		
Common capital stock, $10 par value; 200,000 shares authorized, issued and outstanding	2,000	2,000
Gross paid-in and contributed capital	187,519	187,519
Unassigned funds—surplus	167,759	81,396
Total capital and surplus	357,278	270,915
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$1,076,536	$964,242

See notes to statutory-basis financial statements.

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QCC INSURANCE COMPANY

STATEMENTS OF OPERATIONS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
Net premium income	$2,489,714	$2,303,558
Change in aggregate policy reserves	5,057	(12,948)
Underwriting costs:		
Medical and hospital benefits	2,070,725	1,916,684
Claims adjustment expenses (includes cost containment expenses of $93,862 and $88,601, respectively)	146,343	125,610
General administrative expenses	157,326	140,143
Total underwriting costs	2,374,394	2,182,437
Net underwriting income	120,377	108,173
Net investment income earned	15,080	15,754
Net realized capital gains (losses)	5,284	(23,594)
Income before income taxes	140,741	100,333
Federal income taxes incurred	41,532	46,981
NET INCOME	$ 99,209	$ 53,352

See notes to statutory-basis financial statements.

QCC INSURANCE COMPANY

STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
BALANCE, BEGINNING OF YEAR	$270,915	$231,465
Net income	99,209	53,352
Increase in non-admitted assets	(18,755)	(19,207)
Unrealized capital gains (losses)	4,557	(16,118)
Increase in deferred income taxes	1,352	15,802
Decrease in asset valuation reserve	-	5,621
BALANCE, END OF YEAR	$357,278	$270,915

See notes to statutory-basis financial statements.

QCC INSURANCE COMPANY

STATEMENTS OF CASH FLOWS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
CASH FROM OPERATIONS:		
Premiums and revenues collected	$ 2,511,450	$ 2,357,550
Benefits and loss related payments	(2,093,944)	(1,799,321)
Expenses paid	(376,324)	(240,621)
Cash from underwriting	41,182	317,608
Net investment income	14,597	17,220
Federal income taxes paid	(41,713)	(42,465)
Net cash from operations	14,066	292,363
CASH FROM INVESTMENTS:		
Proceeds from investments sold, matured or repaid:		
Bonds	725,205	276,841
Stocks	7,714	33,114
Cost of investments acquired:		
Bonds	(828,700)	(358,754)
Stocks	(53,737)	(60,941)
Net cash used by investments	(149,518)	(109,740)
CASH FROM (USED FOR) FINANCING AND OTHER MISCELLANEOUS SOURCES:		
Other sources (applications)	194,605	(131,299)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	59,153	51,324
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	86,923	35,599
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 146,076	$ 86,923

See notes to statutory-basis financial statements.

QCC INSURANCE COMPANY

NOTES TO STATUTORY - BASIS FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

1. ORGANIZATION AND OPERATIONS

Business—QCC Insurance Company (the "Company") is a wholly owned subsidiary of AmeriHealth, Inc., which is a wholly owned subsidiary of Independence Blue Cross ("IBC"). The Company is a stock life insurance company incorporated in the Commonwealth of Pennsylvania and is licensed to sell insurance in twenty-four states, the District of Columbia and the U.S. Virgin Islands. It is also authorized to underwrite reinsurance in the Commonwealth of Pennsylvania and does underwrite excess of loss reinsurance, in limited instances, for IBC's wholly owned subsidiary, Keystone Health Plan East ("KHPE"). The Company provides comprehensive major medical and preferred provider network ("Personal Choice") coverages in the State of Delaware, the State of Pennsylvania, and the U.S. Virgin Islands. The Company also assumes reinsurance for workers' compensation business from AmeriHealth Casualty Insurance Company, an affiliate.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department ("PID"). Effective January 1, 2001, the PID required that insurance companies domiciled in the Commonwealth of Pennsylvania prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual - Version effective March 2003 ("NAIC SAP"). Accordingly, the admitted assets, liabilities, capital and surplus - statutory basis of the Company as of December 31, 2003 and 2002, and the results of its operations - statutory basis and its cash flows - statutory basis for the years then ended have been determined in accordance with these accounting principles. In addition, the Commissioner of the PID has the right to permit other specific practices that may deviate from prescribed practices (see *Permitted Practices* below).

Accounting practices and procedures of the NAIC as prescribed or permitted by the PID comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant differences are as follows:

(a) Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's ability and intent to hold or trade the securities;

(b) Investments in common stocks are valued as prescribed by the Securities Valuation Office of the NAIC, while under GAAP, common stocks are reported at market value;

(c) NAIC SAP requires an amount to be recorded for deferred taxes; however, there are limitations as to the amount of deferred tax assets that may be reported as "admitted assets," while under GAAP there are no limitations as to the amount that may be reported as assets;

(d) Assets are reported under NAIC SAP at "admitted-asset" value and "non-admitted" assets are excluded through a charge against surplus, while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance; and

(e) Comprehensive income and its components are not presented in the statutory financial statements.

Permitted Practices—The Company prepares its statutory financial statements in accordance with the accounting practices prescribed or permitted by the PID. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory practices encompass all accounting practices not so prescribed.

For the year ended December 31, 2002, the Company received written approval from the PID to admit, for statutory purposes, additional goodwill (subject to accelerated amortization) related to the purchase of Pennsylvania Blue Shield's interest in certain managed care lines of business (primarily the Personal Choice line of business), which treatment differs from prescribed statutory accounting practices. Statutory accounting practices prescribed by the Commonwealth of Pennsylvania limit admitted goodwill to 10% of the adjusted capital and surplus of an insurer, as reported in its most recently filed statement with the Pennsylvania State Commissioner. As of December 31, 2002, this permitted practice increased statutory surplus by $22,201 over what it would have been had prescribed accounting practices been followed. As of December 31, 2003, QCC did not renew its permitted practice with the Pennsylvania Insurance Department.

Cash and Short-Term Investments—The Company considers all highly liquid securities with original maturities of three months or less when purchased to be cash equivalents. Short-term investments include money market instruments.

Bonds—Bonds are stated at amortized cost or at values prescribed by the NAIC. Interest is recognized on the accrual basis. Realized capital gains and losses are calculated using the specific cost of the investments sold.

Common Stocks – Unaffiliated—Common stocks – unaffiliated are carried at NAIC market value. The change in the stated value is recorded as a change in net unrealized capital gains (losses), a component of unassigned surplus.

The assessment of other than temporary impairments is performed on a case-by-case basis. Factors considered in determining whether an other than temporary impairment exists include: the financial condition, business prospects and creditworthiness of the issuer, the length of time and extent to which fair value has been less than cost for equity securities or amortized cost for fixed income securities, and the Company's intent and ability to hold such investments until the fair value recovers.

The Company recognizes other than temporary impairments on common stock when, in management's judgment, the decline in value is not temporary or when the Company has made a decision to sell the stock at an amount below its carrying value. When an other than temporary impairment is recognized, the common stock is written down to fair value as the new cost basis, and the amount of the write-down is recorded as a realized loss.

The Company recognized $0 and $21,411, respectively, of other than temporary impairments on common stock during the years ended December 31, 2003 and 2002.

National Accounts—In order to provide service to employers with employees located in more than one geographical area, the Company participates in numerous syndicated contracts, known as National Accounts, with Blue Cross plans throughout the country. On an interim basis, income, claims and administrative costs incurred in servicing National Account members are recorded in the statements of operations – statutory basis. Underwriting gains and losses are recorded at settlement, which normally occurs within nine months following the end of the annual contract period.

Accident and Health Premiums Due and Unpaid—Accident and health premiums are billed in advance of their respective coverage periods. Receivables and income from such premiums are recorded during the coverage period. The unearned portion of premiums for a coverage period is recorded in the statements of admitted assets, liabilities, capital and surplus – statutory basis as *Aggregate policy reserves* and later reported as underwriting income when earned. Premium payments received by the Company prior to the effective date of the policy are recorded in the statements of admitted assets, liabilities, capital and surplus – statutory basis as *Premiums received in advance*. Premiums for reinsurance are remitted by reinsured affiliates to the Company on a monthly basis as earned.

Amounts Receivable Relating to Uninsured Accident and Health Plans—Under certain contracts, the Company provides administrative services to large group employers that maintain self-funded health plans. The Company provides these groups with claims processing, administration, utilization management and other related services. The Company assumes no underwriting risk under these arrangements. For these contracts, revenue is based on administrative fees and is recorded as earned on an accrual basis. These administrative fees of $150,276 and $168,946 are netted against *General administrative expenses* in the statements of operations - statutory basis for 2003 and 2002, respectively. Claims processed under such arrangements were $793,799 and $592,901 for 2003 and 2002, respectively.

Goodwill, Net—Goodwill, net represents the excess of acquisition cost over the book value of the net assets acquired in the purchase of lines of business. Goodwill is being amortized on a straight-line basis over 10 years. Amortization is included as a component of *Unrealized capital losses* in the statement of changes in capital and surplus – statutory basis.

Claims Unpaid and Aggregate Claim Reserves—Policy and contract claims payable includes amounts for known reported claims and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

Aggregate Policy Reserves—Aggregate reserves for accident and health policies include unearned premium reserves of $8,698 and $22,083, merit rating reserves of $4,307 and $3,341, and premium deficiency reserves of $14,362 and $7,000 related to certain lines of business at December 31, 2003 and 2002, respectively.

Income Taxes—The Company has an intercompany written tax-sharing agreement with IBC whereby it calculates its taxes as if it filed its tax return on a stand-alone basis and records amounts due to or receivable from IBC for such calculated amount. The Company is also subject to premium taxes. Premium taxes incurred are included in *General administrative expenses* in the statements of operations – statutory basis for the years ended December 31, 2003 and 2002.

Use of Estimates—The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Recent Accounting Pronouncements—In June 2002, the NAIC adopted Statement of Statutory Accounting Principle ("SSAP") No. 85, *Claim Adjustment Expenses, Amendments to SSAP No. 55, Unpaid Claims, Losses, and Loss Adjustment Expenses*. This statement subdivides claim adjustment expenses for accident and health reporting entities and managed care reporting entities into cost containment expenses and other claim adjustment expenses, and provides examples of those expenses. This statement was effective for years ending on or after December 31, 2003. The Company has included cost containment expenses of $93,862 and $88,601, respectively, within *Claim adjustment expenses* for the years ended December 31, 2003 and 2002.

In May 2002, the NAIC adopted SSAP No. 86, *Accounting for Derivatives and Hedging Activities*. This statement supersedes the provisions of SSAP No. 31, *Derivative Instruments*, and establishes specific criteria for hedging transactions to be considered highly effective. This statement requires derivatives that meet the criteria of a highly effective hedge to be valued and reported in a manner that is consistent with the changes in the carrying value or cash flow of the hedged item. Derivative instruments that do not meet, or no longer meet, the criteria of an effective hedge are to be accounted for at fair value, with the changes in fair value recorded as unrealized gains or unrealized losses. This statement was effective for derivative transactions entered into or modified on or after January 1, 2003. Implementation of this statement on January 1, 2003 did not have a material impact on the Company's financial statements.

In September 2002, the NAIC adopted SSAP No. 87, *Capitalization Policy, An Amendment to SSAP Nos. 4, 19, 29, 73, 79 and 82*. This statement requires that a predefined threshold be established for capitalization of certain assets, and that any purchase that does not meet that predefined threshold be expensed. This statement is effective for years beginning on or after January 1, 2004. Implementation of this statement on January 1, 2004 did not have a material impact on the Company's financial statements.

In December 2003, the NAIC adopted SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8*. This statement establishes statutory accounting principles and related reporting for employers' pension obligations and supersedes the conclusions reached in SSAP No. 8, *Pensions*, which concluded that an additional minimum liability shall be recorded as a component of statutory income. SSAP No. 89 concludes that an additional minimum liability shall be reported as a component of unassigned funds (surplus), net of any tax benefits that result from considering such losses as temporary differences for purposes of applying the provisions of SSAP No. 10, *Income Taxes*. Implementation of this statement on December 31, 2003 had no impact on the Company's financial statements.

Reclassifications—Certain prior-year amounts have been reclassified to conform to the current year's presentation.

3. INVESTMENTS

The cost or amortized cost and estimated market value of investments as of December 31, 2003 and 2002 are as follows:

	2003			
	Carrying Value or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Notes and Federal Agencies	$ 65,583	$ 376	$ (41)	$ 65,918
Mortgage-backed securities	60,282	188	(621)	59,849
Corporate debt securities	437,273	10,974	(2,253)	445,994
Total bonds	$563,138	$11,538	$ (2,915)	$571,761
Common stocks—unaffiliated	$101,573	$ 6,873	$ (5,508)	$102,938

	2002			
	Carrying Value or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Notes and Federal Agencies	$ 47,797	$ 1,326	$ (1)	$ 49,122
Mortgage-backed securities	66,810	1,605	(1,806)	66,609
Corporate debt securities	336,299	5,763	(480)	341,582
Total bonds	$450,906	$ 8,694	$ (2,287)	$457,313
Common stocks—unaffiliated	$ 55,638	$ 616	$(13,633)	$ 42,621

The amortized cost and estimated market value of debt securities at December 31, 2003, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Market Value
Due in one year or less	$252,073	$249,945
Due after one through five years	98,295	101,221
Due after five years through ten years	151,239	159,453
Due after ten years through twenty years	1,249	1,293
Due after twenty years	-	-
	502,856	511,912
Mortgage-backed securities	60,282	59,849
	$563,138	$571,761

Gross realized gains and losses from sales of investments for the years ended December 31, 2003 and 2002 were as follows:

	2003	2002
Realized gains	$ 10,400	$ 7,305
Realized losses	(5,116)	(30,899)
	$ 5,284	$ (23,594)

Proceeds from the sale or maturity of bonds were $725,205 and $276,841 during 2003 and 2002, respectively.

In order to comply with statutory requirements, the Company has placed on deposit with various State Insurance Departments investments with an amortized cost of $2,600 and $2,597 and a fair value of $2,597 and $2,637 at December 31, 2003 and 2002, respectively.

4. UNPAID CLAIMS AND AGGREGATE CLAIM RESERVES

Balance, January 1	$ 474,807	$ 357,444
Incurred related to:		
Current year	2,169,076	1,990,376
Prior years	(98,351)	(73,692)
Total incurred	2,070,725	1,916,684
Paid related to:		
Current year	(1,787,914)	(1,593,091)
Prior years	(306,030)	(206,230)
Total paid	(2,093,944)	(1,799,321)
Balance, December 31	$ 451,588	$ 474,807

Claims expenses for prior years decreased by $98,351 and $73,692 in 2003 and 2002, respectively, because of lower than anticipated claims costs and favorable utilization trends.

5. SURPLUS AND DIVIDEND RESTRICTIONS

Under applicable state laws and regulations, the Company is required to maintain minimum capital and surplus determined in accordance with statutory accounting principles. In addition, statutory regulations limit dividend payments by the Company. The dividend restrictions are generally based on statutory income and on certain levels of surplus as determined under statutory accounting practices which also require the direct approval of regulatory authorities for any proposed "extraordinary dividend," as defined. The amount for the payment of dividends in 2004 is limited to the greater of 10% of year-end 2003 surplus or 2003 statutory net income. In addition, the amount for payment of dividends is limited to unassigned surplus. The amount available to pay dividends in 2004 without the approval of the Department of Insurance is $99,209. No dividends were paid during 2003 and 2002.

6. INCOME TAXES

The Company joins IBC and its other eligible domestic subsidiaries in the filing of a consolidated federal income tax return and is party to a federal income tax allocation agreement. Under the tax-sharing agreement, the Company pays to or receives from IBC the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the Company in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

The Company's federal income tax return is consolidated with the following entities:

Independence Blue Cross
AmeriHealth Administrators, Inc.
AmeriHealth Casualty Insurance Company
AmeriHealth Health Plan, Inc.
AmeriHealth HMO, Inc.
AmeriHealth Insurance Company of New Jersey
AmeriHealth Integrated Benefits, Inc.
AmeriHealth Integrated Case Management, Inc.
AmeriHealth Integrated Workers' Compensation Management, Inc.
AmeriHealth of Florida, Inc.
AmeriHealth Services, Inc.
AmeriHealth, Inc.
CompServices, Inc.
CorCell, Inc.
CSI Services, Inc.
HCDV, Inc.
HCS, Inc.
Healthcare Delaware, Inc.
Independence Healthcare Management, Inc.
Independence Holdings, Inc.
Independence Insurance, Inc.
Keystone Benefits, Inc.
Keystone Health Plan East, Inc.
Keystone Health Systems, Inc.
New Seasons Assisted Living Communities, Inc.
The AmeriHealth Agency, Inc.
Vista Health Plan, Inc.

The components of current income tax expense are as follows:

	2003	2002
Federal income taxes	$41,532	$46,981
Foreign income taxes	-	-
Federal and foreign income taxes	$41,532	$46,981

The provision for federal and foreign income taxes 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:

	2003	2002
Provision computed at statutory rate	$ 49,260	$ 35,117
Interest maintenance reserve amortization	-	789
Change in deferred taxes on non-admitted assets	(9,298)	(3,905)
Travel and entertainment	103	105
Other	115	(927)
Total	$ 40,180	$ 31,179
Federal and foreign income taxes	$ 41,532	$ 46,981
Change in net deferred income taxes	(1,352)	(15,802)
Total statutory income taxes	$ 40,180	$ 31,179

The components of the net deferred tax asset (liability) are as follows:

	2003	2002
Total deferred tax assets (admitted and non-admitted)	$ 63,367	$ 55,779
Total deferred tax liabilities	(9,566)	(875)
Net deferred tax asset	53,801	54,904
Total deferred tax assets non-admitted	(28,928)	(36,738)
Net admitted deferred tax asset	$ 24,873	$ 18,166
Change in deferred tax assets non-admitted	$ 7,810	$ (20,805)

The net deferred tax asset is included in other receivables in the statements of admitted assets, liabilities, capital and surplus—statutory basis at December 31, 2003 and 2002.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2003	2002
Deferred tax assets:		
Change in unearned premium reserve	$ 10,291	$ 8,532
Discounting of unpaid losses	4,121	4,183
Unrealized capital losses	74	6,106
Goodwill	22,955	22,388
Bad debt	270	176
Impairment loss	-	7,494
Net capital loss carryforward	7,636	1,639
Investment in common stock	-	352
General insurance expense and prepaids	37	376
Premium deficiency reserve	5,027	-
Non-admitted assets	12,956	4,533
Total deferred tax assets (admitted and non-admitted)	63,367	55,779
Total deferred tax assets non-admitted	(28,928)	(36,738)
Admitted deferred tax assets	34,439	19,041
Deferred tax liabilities:		
Unrealized capital gains	(489)	(875)
Excess allowance/return premiums	(9,077)	-
Total deferred tax liabilities	(9,566)	(875)
Net admitted deferred tax asset	$ 24,873	$ 18,166

The change in net deferred income taxes is composed of the following:

	2003	2002	Change
Total deferred tax assets (admitted and non-admitted)	$63,367	$55,779	$ 7,588
Total deferred tax liabilities	(9,566)	(875)	(8,691)
Net deferred tax asset (liability)	53,801	54,904	(1,103)
Tax effect of unrealized gains (losses)			2,455
Change in net deferred income taxes			$ 1,352

7. RELATED PARTY TRANSACTIONS

The Company was provided, and did provide, certain affiliates with certain management and administrative services during the year. The following table summarizes the amounts due from (to) parent, subsidiaries and affiliates at December 31, 2003 and 2002.

	2003		2002	
	Due From	Due To	Due From	Due To
IBC	$ 21,630	$ -	$ 107,337	$ -
Independence Healthcare Management, Inc.	-	5,796	-	5,370
AmeriHealth Administrators	-	68	-	321
AmeriHealth Casualty Insurance Company	1,743	-	3,306	-
AmeriHealth Insurance Company of New Jersey	92	-	43	-
AmeriHealth HMO, Inc.—NJ	-	237	-	733
Keystone Health Plan East, Inc.	-	26,650	-	5,080
CSI Services Inc.	314	279	-	862
AmeriHealth Inc.	111	-	-	-
AmeriHealth Agency	-	92	-	206
AmeriHealth HMO, Inc.—DE	28	-	-	28
La Cruz Azul de Puerto Rico	-	1,334	-	-
	$ 23,918	$ 34,456	$ 110,686	$ 12,600

The following table summarizes the amounts charged by affiliates, net, for certain management and administrative services and medical managements costs for the years ended December 31, 2003 and 2002.

	2003	2002
IBC	$ 191,890	$ 180,004
Independence Healthcare Management, Inc.	69,421	64,559
Other miscellaneous affiliates	44,332	46,981
Total	$ 305,643	$ 291,544

The Company has assumed the following reinsurance premiums from affiliates during the years ended December 31, 2003 and 2002.

	2003	2002
Reinsurance assumed from IBC	$ 3,425	$ 3,232
Reinsurance assumed from AmeriHealth Casualty Insurance Company	17,909	37,942

8. PHARMACEUTICAL REBATES RECEIVABLE

The Company estimates pharmaceutical rebates receivable at December 31, 2003 and 2002 based upon the following information:

Quarter Ending	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation
December 31, 2003	$ -	$ -	$ -	$ -	$ -
September 30, 2003	-	-	-	-	-
June 30, 2003	-	-	-	-	-
March 31, 2003	-	-	-	-	-
December 31, 2002	-	-	-	-	-
September 30, 2002	-	-	-	-	-
June 30, 2002	-	-	-	-	-
March 31, 2002	1,990	1,990	1,990	-	-

In lieu of cash collections, pharmaceutical rebates are offset against future billings from the pharmacy benefits manager prior to the end of the quarter.

9. CONTINGENCIES

In the ordinary course of business, the Company is involved in and is subject to claims, contractual disputes and other uncertainties. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial condition or its results of operations.

* * * * * *

QCC INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE – STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

Investment Categories	Gross Investment Holdings*	Admitted Assets a Reported in the Annual Statement
Bonds:		
U.S. treasury securities	$ 65,583	$ 65,583
U.S. government agency and corporate obligations (excluding mortgage-backed securities):		
Issued by U.S. government agencies		
Issued by U.S. government-sponsored agencies		
Foreign government (including Canada, excluding mortgage-backed securities)		
Securities issued by states, territories and possessions and political subdivisions in the U.S.:		
State, territory and possession general obligations		
Political subdivisions of states, territories and possessions and political subdivisions general obligations		
Revenue and assessment obligations		
Industrial development and similar obligations		
Mortgage-backed securities (includes residential and commercial MBS):		
Pass-through securities:		
Guaranteed by GNMA	3,741	3,741
Issued by FNMA and FHLMC	23,828	23,828
Privately issued		
CMOs and REMICs:		
Issued by FNMA and FHLMC		
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, FHLMC		
All other privately issued	32,713	32,713
Other debt and other fixed income securities (excluding short term):		
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	437,273	437,273
Unaffiliated foreign securities		
Affiliated securities		
Equity interests:		
Investments in mutual funds		
Preferred stocks:		
Affiliated		
Unaffiliated		
Publicly traded equity securities (excluding preferred stocks):		
Affiliated		
Unaffiliated	102,938	102,938
Other equity securities:		
Affiliated	10,500	-
Unaffiliated		
Other equity interests including tangible personal property under lease:		
Affiliated		
Unaffiliated		

QCC INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE - STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

Investment Categories	Gross Investment Holdings*	Admitted Assets as Reported in the Annual Statement
Mortgage loans:		
Construction and land development	$	$
Agricultural		
Single family residential properties		
Multifamily residential properties		
Commercial loans		
Real estate investments:		
Property occupied by company		
Property held for production of income		
Property held for sale		
Collateral loans		
Policy loans		
Receivables for securities		
Cash and short-term investments	146,076	146,076
Other invested assets		
Write-in for invested assets		
Total invested assets	$822,652	$812,152

* Gross Investment Holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual*.

The Company's total admitted assets as reported in the statement of admitted assets, liabilities, capital and surplus – statutory basis are $1,076,536 at December 31, 2003.

1. The 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, (ii) property occupied by the Company, and (iii) policy loans at December 31, 2003 is as follows:

Investment Category	Amount	Total Admitted Assets
Asset Management Fund: ARM Portfolio	$138,661	12.9 %
Evergreen Adjustable Rate Fund	107,000	9.9 %
Evergreen Fixed Income Fund	29,492	2.7 %
SEI Investment Company	19,620	1.8 %
Evergreen Limited Duration Mutual	11,603	1.1 %
Continental Airlines	9,233	0.9 %
SLMA 98-2-A2	7,026	0.7 %
Walt Disney Company	5,275	0.5 %
Safeway Inc.	5,222	0.5 %
Telus Corp.	5,100	0.5 %

2. The amounts and percentages of the Company's total admitted assets held in bonds and preferred stocks by NAIC rating is as follows:

Bonds	Amount	Percentage of Admitted Assets	Preferred Stock	Amount	Percentage of Admitted Assets
NAIC-1	$381,646	35.5%	P/PSF-1	$ -	-
NAIC-2	43,823	4.1%	P/PSF-2	-	-
NAIC-3	52,023	4.8%	P/PSF-3	-	-
NAIC-4	85,345	7.9%	P/PSF-4	-	-
NAIC-5	299	0.0%	P/PSF-5	-	-
NAIC-6	2	0.0%	P/PSF-6	-	-

3. The amounts and percentages of the Company's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investment denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge), including (i) foreign-currency-denominated investments of $0 supporting insurance liabilities denominated in that same foreign currency of $0 and excluding (ii) Canadian investments and currency exposure of $0 at December 31, 2003 are as follows: None.

4. The amounts and percentages of the Company's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments of $0 supporting Canadian-denominated insurance liabilities of $0 at December 31, 2003 are as follows: None.

5. The aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days) at December 31, 2003 are as follows: None.

6. The amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to *SVO Practices and Procedures Manual* as exempt or Class 1) at December 31, 2003 are as follows:

Investment Category	Amount	Percentage of Total Admitted Assets
Evergreen Fixed Income Fund	$ 29,492	2.7 %
SEI Large Cap Fund (SIIT) #286	19,620	1.8 %
Evergreen Limited Duration Mutual	11,603	1.1 %
SEI Small Cap Fund (SIIT) #287	1,606	0.1 %
General Electric Co.	1,041	0.1 %
Zale Corporation	853	0.1 %
Big Lots, Inc.	838	0.1 %
Hubbell Inc. CL B	833	0.1 %
MBIA Inc.	733	0.1 %
AON Corp.	704	0.1 %

7. Nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions at December 31, 2003 totaled $0, which represents 0.00% of total admitted assets.

8. The amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities) at December 31, 2003 are as follows: None.

9. The amounts and percentages of the reporting entity's total admitted assets held in mortgage loans at December 31, 2003 are as follows: None.

10. The amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate, excluding property occupied by the Company at December 31, 2003 are as follows: None.

11. The amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements are as follows:

	At Year-End	Percentage of Total Admitted Assets	At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	Amount		Amount	Amount	Amount
Securities lending (do not include assets held as collateral for such transactions)	$ -	-	$ -	$30,410	$40,493
Repurchase agreements	-	-	-	-	-
Reverse repurchase agreements	-	-	-	-	-
Dollar repurchase agreements	-	-	-	-	-
Dollar reverse repurchase agreements	-	-	-	-	-

12. The amounts and percentages of warrants not attached to other financial instruments, options, caps, and floors at December 31, 2003 are as follows: None.

13. The amounts and percentages of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for collars, swaps, and forwards at December 31, 2003 are as follows: None.

14. The amounts and percentages indicated below of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for futures contracts at December 31, 2003 are as follows: None.

15. The amounts and percentages of 10 largest investments included in the Write-in for Invested Assets category on the Summary Investment Schedule as of December 31, 2003 are as follows: None.

AmeriHealth HMO, Inc.

Statutory-Basis Financial Statements for the Years Ended December 31, 2003 and 2002, Supplemental Schedules as of and for the Year Ended December 31, 2003, and Independent Auditors' Report

AMERIHEALTH HMO, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
AmeriHealth HMO, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis of AmeriHealth HMO, Inc. (the "Company") as of December 31, 2003 and 2002, and the related statements of operations—statutory basis, changes in capital and surplus—statutory basis and cash flows—statutory basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the statutory-basis financial statements, the Company has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, such financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets, liabilities, capital and surplus of AmeriHealth HMO, Inc. as of December 31, 2003 and 2002, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, such financial statements present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of AmeriHealth HMO, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our audits were conducted for the purpose of forming an opinion on the basic statutory-basis financial statements taken as a whole. The supplemental summary investment schedule and the supplemental schedule of investment risk interrogatories as of and for the year ended December 31, 2003, are presented for complying with the National Association of Insurance Commissioners' instructions to Annual Audited Financial Reports and are not a required part of the basic statutory-basis financial statements. This additional

information is the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in our audits of the basic statutory-basis financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic statutory-basis financial statements taken as a whole.

Deloitte + Touche LLP

March 22, 2004

AMERIHEALTH HMO, INC.

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, CAPITAL AND SURPLUS— STATUTORY BASIS
DECEMBER 31, 2003 AND 2002
(Dollars in Thousands, except for per share data)

	2003	2002
ADMITTED ASSETS		
Cash and short-term investments	$ 3,093	$ 5,825
Investments:		
Bonds	150,127	118,455
Receivables:		
Accident and health premiums due and unpaid	7,900	9,227
Amounts receivable relating to uninsured accident and health plans	966	593
Amounts recoverable from reinsurers		189
Investment income due and accrued	1,807	1,525
Health care receivables	8,585	5,248
Amounts due from parent, subsidiaries, and affiliates	976	1,472
Total receivables	20,234	18,254
Investment in subsidiaries	399,053	344,943
Other assets	26,302	32,208
TOTAL ADMITTED ASSETS	$ 598,809	$ 519,685
LIABILITIES, CAPITAL AND SURPLUS		
LIABILITIES:		
Claims unpaid	$ 93,087	$ 94,962
Unpaid claims adjustment expenses	3,338	3,080
Aggregate policy reserves	16,869	2,542
General expenses due or accrued	9,858	9,350
Federal income tax payable	6,832	969
Premiums received in advance	10,414	6,817
Amounts due to parent, subsidiaries, and affiliates	8,898	5,524
Amounts withheld or retained for the account of others	843	
Liability for amounts held under uninsured accident and health plans	1,197	480
Total liabilities	151,336	123,724
COMMITMENTS AND CONTINGENCIES (Note 6)		
CAPITAL AND SURPLUS:		
Common stock $400 par value; 1,000 shares authorized, issued and outstanding	400	400
Gross paid-in and contributed surplus	221,952	221,952
Unassigned surplus	225,121	173,609
Total capital and surplus	447,473	395,961
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$ 598,809	$ 519,685

See notes to statutory-basis financial statements.

AMERIHEALTH HMO, INC.

STATEMENTS OF OPERATIONS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
REVENUE:		
Net premium income	$ 688,658	$ 645,421
Change in unearned premium reserves	234	(81)
Total revenues	688,892	645,340
UNDERWRITING COSTS:		
Medical and hospital expenses	602,902	573,897
Claims adjustment expenses (includes cost containment expenses of $15,993 and $13,066, respectively)	19,704	18,383
General administrative expenses	48,139	49,638
Increase in reserves for health contracts	14,500	
Total underwriting costs	685,245	641,918
NET UNDERWRITING GAIN	3,647	3,422
NET INVESTMENT INCOME EARNED	42,303	35,627
NET REALIZED CAPITAL GAIN (LOSS)	656	(1,084)
INCOME BEFORE FEDERAL INCOME TAXES	46,606	37,965
FEDERAL INCOME TAX EXPENSE	9,309	4,768
NET INCOME	$ 37,297	$ 33,197

See notes to statutory-basis financial statements.

AMERIHEALTH HMO, INC.

STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
BALANCE, BEGINNING OF YEAR	$ 395,961	$ 391,663
Net income	37,297	33,197
Dividends to stockholder	(35,000)	(30,000)
Net unrealized capital gains	90,352	20,008
Change in net deferred income taxes	5,380	2,001
Other losses in surplus (amortization of goodwill)	(10,700)	(17,709)
Change in non-admitted assets	(35,817)	(3,199)
BALANCE, END OF YEAR	$ 447,473	$ 395,961

See notes to statutory-basis financial statements.

AMERIHEALTH HMO, INC.

STATEMENTS OF CASH FLOWS—STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in Thousands)

	2003	2002
CASH FROM OPERATIONS:		
Premiums and revenues collected	$708,034	$646,842
Claims and claims adjustment expenses paid	(619,776)	(567,240)
General administrative expenses paid	(64,344)	(47,201)
Cash provided (used) by underwriting	23,914	32,401
Net investment income	39,993	35,419
Federal income taxes (paid) recovered	(6,093)	(3,420)
Net cash from operations	57,814	64,400
CASH FROM INVESTMENTS:		
Proceeds from investments sold, matured or repaid	115,631	65,498
Cost of investments acquired	(145,817)	(104,868)
Net cash from investments	(30,186)	(39,370)
CASH USED BY FINANCING AND MISCELLANEOUS SOURCES:		
Net transfers from parent, subsidiaries, and affiliates	3,869	3,400
Dividends to stockholder	(35,000)	(30,000)
Other cash (used) provided	771	(402)
Net cash used by financing and miscellaneous sources	(30,360)	(27,002)
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(2,732)	(1,972)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	5,825	7,797
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 3,093	$ 5,825

See notes to statutory-basis financial statements.

1. ORGANIZATION AND OPERATIONS

AmeriHealth HMO, Inc. (the "Company") is a licensed health maintenance organization writing business in the states of Delaware, New Jersey and Pennsylvania. The Company is domiciled in the Commonwealth of Pennsylvania.

The Company is a federally qualified health maintenance organization under Title XIII of the Public Health Service Act. The Company is a wholly owned subsidiary of AmeriHealth Integrated Benefits, Inc. ("AIB"), which is a wholly owned subsidiary of AmeriHealth, Inc., a Pennsylvania Holding Company. The Company's ultimate parent is Independence Blue Cross ("IBC").

The Company underwrites group health insurance coverage. The Company also offers minimum premium arrangements or cost plus contracts for certain groups. In those instances, the underwriting risk is shifted to the self-funded groups and the Company acts as a third-party administrator.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Commonwealth of Pennsylvania Insurance Department ("PID"). Effective January 1, 2001, the PID required that insurance companies domiciled in the Commonwealth of Pennsylvania prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual—Version effective January 1, 2001 ("NAIC SAP"). Accordingly, the admitted assets, liabilities, capital and surplus—statutory basis of the Company as of December 31, 2003 and 2002, and the results of its operations—statutory basis and its cash flows—statutory basis for the years then ended have been determined in accordance with these accounting principles. In addition, the Commissioner of the PID has the right to permit other specific practices that may deviate from prescribed practices (see *Permitted Practices* below).

Accounting practices and procedures of the NAIC as prescribed or permitted by the PID comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant differences are as follows:

(a) Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at either amortized cost or fair value based on their classification according to the Company's ability and intent to hold or trade the securities;

(b) Investments in common stocks are valued as prescribed by the Securities Valuation Office of the NAIC, while under GAAP, common stocks are reported at market value;

(c) NAIC SAP requires an amount to be recorded for deferred taxes; however, there are limitations as to the amount of deferred tax assets that may be reported as "admitted assets," while under GAAP there are no limitations as to the amount that may be reported as assets;

(d) Assets are reported under NAIC SAP at "admitted-asset" value and "non-admitted" assets are excluded through a charge against surplus, while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance;

(e) Comprehensive income and its components are not presented in the statutory financial statements;

(f) Subsidiaries are included as common stock carried under the equity method, with the equity in net income of subsidiaries credited directly to the Company's surplus for NAIC SAP, while GAAP requires either consolidation or the equity of net income of subsidiaries to be credited to the income statement; and

(g) Goodwill under GAAP is calculated as the difference between the cost of acquiring the entity and the fair value of the assets received and liabilities assumed. Under NAIC SAP, goodwill is calculated as the difference between the cost of acquiring the entity and the reporting entity's share of the historical book value of the acquired entity. However under NAIC SAP, the amount of goodwill recorded as an "admitted asset" is subject to limitations.

Permitted Practices—The Company prepares its statutory financial statements in accordance with the accounting practices prescribed or permitted by the PID. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules. Permitted statutory practices encompass all accounting practices not so prescribed.

In 2002, the Company received written approval from the PID to admit, for statutory purposes, additional goodwill related to the purchased of Pennsylvania Blue Shield's interest in Keystone Health Plan East, Inc. ("KHPE"), which treatment differs from the prescribed statutory accounting practices. Statutory accounting practices prescribed by the PID limit admitted goodwill to 10% of the adjusted capital and surplus of an insurer, as reported in its preceding Annual Statement. As of December 31, 2002 this permitted practice increased statutory capital and surplus by $18,194, over what it would have been had prescribed accounting practices been followed.

As of December 31, 2003, the Company did not renew its permitted practice with the Pennsylvania Insurance Department.

The Company received written approval from the PID to include in its valuation of investment in KHPE, for statutory purposes, a surplus note issued by KHPE, which treatment differs from the prescribed statutory accounting practices. Statutory accounting practices prescribed by the PID do not allow the insurer to include surplus notes in valuing its investment in a subsidiary. As of December 31, 2003 and 2002, this permitted practice increased statutory capital by $40,000 over what it would have been had prescribed accounting practices been followed.

Cash and Short-Term Investments—The Company considers all highly liquid securities with original maturities of three months or less when purchased to be cash equivalents. Short-term investments include money market instruments.

Bonds—Bonds are stated at amortized cost or at values prescribed by the NAIC. Interest is recognized on the accrual basis. Realized capital gains and losses are calculated using the specific cost of the investments sold.

Preferred Stocks—Preferred stocks are stated at cost, lower of cost or amortized cost, or NAIC market values depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions.

Uninsured Accident and Health Plans—Under certain contracts, the Company provides administrative services to large group employers that maintain self-funded health plans. The Company provides these groups with claims processing, administration, utilization management and other related services. The Company assumes no underwriting risk under these arrangements. For Administrative Services Contract arrangements, revenue is based on administrative fees and is recorded as earned on an accrual basis. These administrative fees of $652 and $502 are netted against *General administrative expenses* in the statement of operations - statutory basis for 2003 and 2002, respectively. Receivables from self-funded groups are recorded for amounts due to the Company for known claims which have been paid to providers on behalf of the groups. Medical and hospital costs under such arrangements were approximately $4,821 and $4,364 for 2003 and 2002, respectively. For Administrative Services Only arrangements, net reimbursement for administrative expenses in excess of actual expenses were $1,844 and $2,183 in 2003 and 2002, respectively. Medical and hospital costs under such arrangements were approximately $13,386 and $11,557 for 2003 and 2002, respectively.

Health Care Receivables—Health care receivables represent advances to providers.

Property and Equipment—Property and equipment are carried at cost less accumulated depreciation. Depreciation on furniture and fixtures is calculated based on the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The Company provides for amortization of leasehold improvements using the straight-line method over the lesser of the useful life of the asset or the remaining original lease term. Maintenance and repairs are charged to expense as incurred. At December 31, 2003 and 2002, most of the property and equipment is either fully depreciated or nonadmitted under statutory accounting principles. Depreciation and amortization expense related to property and equipment and building improvements was $218 and $321 for the years ended December 31, 2003 and 2002, respectively.

Goodwill—Goodwill is being amortized on a straight-line basis over the expected period of benefit, which is ten years. Amortization of goodwill was $10,700 and $17,709 for the years ended December 31, 2003 and 2002, respectively. Goodwill is recorded as an "admitted asset" in the statements of admitted assets, liabilities, capital and surplus—statutory basis in *Other assets* and has been determined in accordance with NAIC SAP and permitted practices guidance (see *Permitted Practices* above). The Company analyzes the carrying value of its recorded goodwill annually or when certain facts or circumstances indicate that the carrying value may be impaired. The review includes an assessment of cash flow projections and other factors the Company believes are relevant. The Company has concluded that there is no impairment to the carrying value of its recorded goodwill as of December 31, 2003.

Claims Unpaid—Claims unpaid include amounts for known reported claims and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Aggregate Policy Reserves - Aggregate policy reserves represent unearned premium reserves of $2,369 and $2,542 at December 31, 2003 and 2002, respectively, and a premium deficiency reserve related to the Company's Commercial HMO line of business of $14,500 and $0 at December 31, 2003 and 2002, respectively. The premium deficiency reserve was established in 2003; the related charge was included in *Increase in reserves for accident and health contracts* in the statement of operations-statutory basis for the year ended 2003.

Net Premium Income—Membership contracts are generally established on a yearly basis subject to cancellation by the employer group upon thirty days written notice. Premiums are due monthly and are recognized as revenue during the period in which the Company is obligated to provide services to members. The unearned portion of premiums for a coverage period is recorded in the statement of admitted assets, liabilities, capital and surplus—statutory basis as *Aggregate policy reserves* and later reported as premium income when earned.

Income Taxes—The Company has an intercompany federal tax sharing agreement with IBC whereby it calculates its taxes as if it filed its return on a separate company basis and records amounts due to or receivable from IBC for such calculated amounts. The Company is also subject to state and local taxes on a stand-alone basis. State and local taxes incurred are included in *General administrative expenses* in the statements of operations—statutory basis for the years ended December 31, 2003 and 2002.

Fair Value of Financial Instruments—The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

(a) *Cash and Short-Term Investments*—The carrying amounts for these instruments approximate their fair values.

(b) *Bonds*—The fair values for bonds are based on quoted market prices.

(c) *Preferred Stocks*—The fair values for preferred stocks are based on quoted market prices.

(d) *Affiliated Common Stocks*—The fair values of affiliated common stocks (*Investment in subsidiaries*) are based on the Company's ownership portion of respective securities stockholders' equity.

Recent Accounting Pronouncements—In June 2002, the NAIC adopted SSAP No. 85, *Claim Adjustment Expenses, Amendments to SSAP No. 55, Unpaid Claims, Losses, and Loss Adjustment Expenses*. This statement subdivides claim adjustment expenses for accident and health reporting entities and managed care reporting entities into cost containment expenses and other claim adjustment expenses, and provides examples of those expenses. This statement is effective for years ending on or after December 31, 2003. The Company has included cost containment expenses of $15,993 and $13,066, respectively within *Claim adjustment expenses* for the years ended December 31, 2003 and 2002.

In May 2002, the NAIC adopted SSAP No. 86, *Accounting for Derivatives and Hedging Activities* ("SSAP 86"). This statement supercedes the provisions of SSAP No. 31, *Derivative Instruments*, and establishes specific criteria for hedging transactions to be considered highly effective. SSAP 86 requires derivatives that meet the criteria of a highly effective hedge to be valued and reported in a manner that is consistent with the changes in the carrying value or cash flow of the hedged item. Derivative instruments that do not meet, or no longer meet, the criteria of an effective hedge are to be accounted for at fair value, with the changes in fair value recorded as unrealized gains or unrealized losses. SSAP 86 is effective for derivative transactions entered into or modified on or after January 1, 2003. Implementation of this statement on January 1, 2003 did not have a material impact on the Company's financial statements.

In September 2002, the NAIC adopted SSAP No. 87, *Capitalization Policy, An Amendment to SSAP Nos. 4, 19, 29, 73, 79 and 82*. This statement requires that a predefined threshold be established for capitalization of certain assets, and that any purchase that does not meet that predefined threshold be

expensed. This statement is effective for years beginning on or after January 1, 2004. Implementation of this statement is not expected to have a material impact on the Company's financial statements.

In December 2003, the NAIC adopted SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8.* This statement establishes statutory accounting principles and related reporting for employers' pension obligations and supersedes the conclusions reached in SSAP No. 8, *Pensions,* which concluded that an additional minimum liability shall be recorded as a component of statutory income. SSAP No. 89 concludes that an additional minimum liability shall be reported as a component of unassigned funds (surplus), net of any tax benefits that result from considering such losses as temporary differences for purposes of applying the provisions of SSAP No. 10, *Income Taxes.* Implementation of this statement on December 31, 2003 had no impact on the Company's financial statements.

Use of Estimates—The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Reclassification—Certain prior year amounts have been reclassified to conform to the current year's presentation.

3. INVESTMENTS

The cost or amortized cost and estimated market value of investments at December 31, 2003 and 2002 are as follows:

	2003			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities and obligations of U.S. Government corporations and agencies	$ 80,313	$ 982	$ (456)	$ 80,839
Corporate debt securities	61,852	3,394		65,246
ARM Fund	7,962		(21)	7,941
Total bonds	$ 150,127	$ 4,376	$ (477)	$ 154,026

	2002			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities and obligations of U.S. Government corporations and agencies	$ 48,221	$ 2,210	$ -	$ 50,431
Corporate debt securities	47,753	1,759		49,512
ARM Fund	22,481	78		22,559
Total bonds	$ 118,455	$ 4,047	$ -	$ 122,502

The amortized cost and estimated market value of debt securities at December 31, 2003, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
Due within 1 year or less	$ 16,721	$ 17,052
Due after 1 year through 5 years	49,975	51,218
Due after 5 years through 10 years	62,430	64,803
Due after 10 years	21,001	20,953
Total	$ 150,127	$ 154,026

Gross realized capital gains and losses from sales of investments for the year ended December 31, 2003 were as follows:

	2003	2002
Realized gains	$ 1,904	$ 322
Realized losses	(1,248)	(1,406)
	$ 656	$ (1,084)

Proceeds from the sale or maturity of bonds were $115,591 and $64,870 during 2003 and 2002, respectively.

In order to comply with statutory requirements, the Company has placed on deposit with three state insurance departments, investments with a market value of $62,658 and $56,619 at December 31, 2003 and 2002, respectively. These amounts are included in *Cash and Short-Term Investments* and *Bonds* in the statements of admitted assets, liabilities, capital and surplus—statutory basis at December 31, 2003 and 2002.

4. INCOME TAXES

The Company joins IBC and its other eligible domestic subsidiaries in the filing of a consolidated federal income tax return and is party to a federal income tax sharing agreement. Under the tax sharing agreement, the Company pays to or receives from IBC the amount, if any, by which the group's federal income tax liability was affected by virtue of inclusion of the Company in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

The Company's federal income tax return is consolidated with the following entities:

Independence Blue Cross
AmeriHealth Administrators, Inc.
AmeriHealth Casualty Insurance Company
AmeriHealth Health Plan, Inc.
AmeriHealth Insurance Company of New Jersey
AmeriHealth Integrated Benefits, Inc.

AmeriHealth Integrated Case Management, Inc.
AmeriHealth Integrated Workers' Compensation Case Management, Inc.
AmeriHealth of Florida, Inc.
AmeriHealth Services, Inc.
AmeriHealth, Inc.
CompServices, Inc.
Corcell, Inc.
CSI Services, Inc.
HCDV, Inc.
HCS, Inc.
Healthcare Delaware, Inc.
Independence Healthcare Management, Inc.
Independence Holdings, Inc.
Independence Insurance, Inc.
Keystone Benefits, Inc.
Keystone Health Plan East, Inc.
Keystone Health Systems, Inc.
New Seasons Assisted Living Communities, Inc.
QCC Insurance Company
The AmeriHealth Agency, Inc.
Vista Health Plan, Inc.

The components of current income tax expense are as follows:

	2003	2002
Federal	$ 9,309	$ 4,768
Foreign	-	-
Federal and foreign income taxes	$ 9,309	$ 4,768

The provision for federal and foreign income taxes 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:

	2003	2002
Provision computed at statutory rate	$ 16,312	$ 13,288
Dividend received deduction	(12,250)	(10,500)
Other	(132)	(21)
Total	$ 3,930	$ 2,767
Federal and foreign income taxes	$ 9,309	$ 4,768
Change in net deferred income taxes	(5,680)	(2,001)
Total statutory income taxes	$ 3,629	$ 2,767

The components of the net deferred tax asset (liability) are as follows:

	December 31,	
	2003	2002
Total deferred tax assets (admitted and nonadmitted)	$ 8,152	$ 3,240
Total deferred tax liabilities	(110)	(37)
Net deferred tax asset	8,042	3,203
Total deferred tax assets nonadmitted	(410)	(442)
Net admitted deferred tax asset	$ 7,632	$ 2,761
Decrease in deferred tax assets nonadmitted	$ (32)	$ (442)

The net deferred tax asset is included in *Other assets* in the statements of admitted assets, liabilities, capital and surplus—statutory basis at December 31, 2003 and 2002.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2003	2002
Deferred tax assets:		
Discounting of unpaid losses	$ 849	$ 999
Change in unearned premium reserve	895	653
Bad Debt	480	153
Pension and postretirement benefits	190	161
Disallowed capital loss	150	379
Premium Deficiency Reserve	5,075	-
Unrealized loss on investments	27	568
Fixed assets	190	193
Other	295	133
Total deferred tax assets (admitted and nonadmitted)	8,151	3,239
Total deferred tax assets nonadmitted	(410)	(442)
Admitted deferred tax assets	7,741	2,797
Deferred tax liabilities:		
Other	(110)	(37)
Net admitted deferred tax asset	$ 7,631	$ 2,760

The change in net deferred income taxes is composed of the following:

	December 31, 2003	December 31, 2002	Change
Total deferred tax assets (admitted and nonadmitted)	$ 8,152	$ 3,240	$ 4,912
Total deferred tax liabilities	(110)	(37)	(73)
Net deferred tax asset	$ 8,042	$ 3,203	$ 4,839
Tax effect of unrealized gains (losses)			541
Change in net deferred income taxes			$ 5,380

5. EMPLOYEE RETIREMENT BENEFITS

The Company has noncontributory defined benefit pension plans, qualified and supplemental plans for the benefit of all its employees maintained by IBC. IBC's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. The Company is allocated its share of the annual pension cost by IBC, based upon the Company's employees. Benefits are based on the employee's years of service and compensation during the years preceding retirement.

In addition to the pension benefits, the Company provides certain health care and life insurance benefits through a postretirement plan maintained by IBC. Under the current program, substantially all of the Company's employees may become eligible for these benefits if they are working for the Company when they reach age 55 and have completed at least 10 years of service. Therefore, the Company begins accruing an obligation for active participants at the later of age 45 or date of hire. The Company is allocated its share of the annual postretirement cost by IBC, based upon the Company's employees.

The amount of pension expense charged by IBC was $455 and $429 for 2003 and 2002, respectively. The amount of postretirement benefit expense charged by IBC was $204 and $75 in 2003 and 2002, respectively.

The Company's employees also participate in a 401(k) savings plan which is maintained by IBC and is available to all full-time employees. The Company contributes 50% of a participant's contribution up to the first 6% of a participant's compensation. The Company's savings plan contribution was $226 and $233 in 2003 and 2002, respectively.

6. COMMITMENTS AND CONTINGENCIES

The Company leases office space under multiple lease agreements that expire in 2006 and 2008. The leases require the Company to pay a proportionate share of operating expenses and taxes for the leased property.

Total future minimum lease payments at December 31, 2003 are as follows:

	Facilities	Equipment	Total
2004	564	75	639
2005	568	62	630
2006	254	28	282
2007	152		152
2008 and thereafter	38	-	38
	$ 1,576	$ 165	$ 1,741

Total net rental expense amounted to $851 and $852 for 2003 and 2002, respectively.

Litigation—In the course of ordinary business, the Company is involved in and is subject to claims, contractual disputes and other uncertainties. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial condition or results of operations.

7. DISCLOSURE OF CERTAIN RISKS AND UNCERTAINTIES

The Company's operations are concentrated in New Jersey and Delaware. As such, regional economic issues are important. The Company's products are highly regulated by the respective state insurance departments and the Pennsylvania Department of Health and Public Welfare. These departments must approve rates and policy forms.

The Company considers factors such as rate adequacy, regulatory climate and economic factors in its underwriting process. However, unfavorable developments in these factors could have an adverse impact on the Company's financial condition or results of operations.

8. REINSURANCE AGREEMENTS

Under the terms of the Company's reinsurance agreements with Allianz Life Insurance Company of North America and Zurich American Insurance Company, the Company is reimbursed 50% to 90% of covered medical services dependent upon the provider and procedure, after a $100 deductible per member per calendar year with a maximum lifetime payment up to $2,000 per member. Premiums paid for reinsurance coverage were $2,013 and $2,078 in 2003 and 2002, respectively. Amounts recoverable under reinsurance agreements were $0 and $189 at December 31, 2003 and 2002, respectively.

The Company also cedes reinsurance premiums to AmeriHealth Insurance Company of New Jersey, an affiliate, for self-referred covered services incurred under the Company's point of service plans sold to New Jersey members. Reinsurance premiums under this agreement were $7,659 and $6,190 in 2003 and 2002, respectively. There were no amounts of reinsurance recoverable under this agreement recorded at December 31, 2003 and 2002.

9. MEDICAID JOINT VENTURES

The Company's affiliate, AmeriHealth Case Management, Inc., is a 50-50 partner in the joint venture AmeriHealth Mercy Health Plan (the "Medicaid Joint Venture"). The Medicaid Joint Venture provides medical services to certain persons eligible for participation in the Pennsylvania Medical Assistance Program pursuant to agreements with the Pennsylvania Department of Welfare. Under the terms of the agreements, the capitation payments received by the Company are remitted to the Medicaid Joint Venture and it is the responsibility of the Medicaid Joint Venture, through its providers, to provide defined program benefits. The statements of operations—statutory basis include the following activity related to the agreements for the years ended December 31, 2003 and 2002:

	2003	2002
Net premium income	$ 196,353	$ 163,426
Medical and hospital expenses	(196,353)	(163,426)
Net income	$ -	$ -

The accompanying financial statements do not include any liabilities for outstanding claims under this program.

10. RELATED PARTY TRANSACTIONS

The Company was provided by, and did provide, certain affiliates with management and administrative services during the year. The following table summarizes the amounts due from (to) parent, subsidiaries and affiliates at December 31, 2003 and 2002:

	2003		2002	
	Due From	Due To	Due From	Due To
IBC	$ -	$ (516)	$ -	$ (2,135)
Healthcare Delaware, Inc.	-	-	-	-
AmeriHealth, Inc.	-	(81)	-	(91)
AmeriHealth Insurance Company	-	-	-	-
of New Jersey	-	(182)	-	(447)
AmeriHealth Insurance Company	-	-	760	-
KHPE	-	(7,488)	-	(2,050)
Independence Healthcare	-	-	-	-
Management, Inc.	-	(462)	-	(347)
QCC Insurance Company	208	-	-	-
AmeriHealth Administrators, Inc.	104	-	89	-
AmeriHealth Mercy Health Plan	-	(169)	-	(454)
Kentucky Mercy Health Plan	664	-	623	-
Total	$ 976	$ (8,898)	$ 1,472	$ (5,524)

The following table summarizes the amounts charged (from) to affiliates for the years ended December 31, 2003 and 2002:

	2003	2002
IBC	$ (18,457)	$ (18,128)
AmeriHealth Inc.	770	(140)
AmeriHealth Insurance Company of New Jersey	(8,587)	(7,252)
AmeriHealth Administrators, Inc.	918	754
KHPE	(2,516)	(1,898)
Independence Healthcare Management, Inc.	(9,419)	(7,170)
Total	$ (37,291)	$ (33,834)

See also Notes 4, 5, 8, 9 and 11.

11. INVESTMENTS IN AFFILIATES

The Company owns 100% of the outstanding common stock of KHPE at December 31, 2003 and 2002.

Summary financial data for KHPE is as follows (dollars in thousands):

	2003	2002
Assets	$ 1,185,078	$ 1,066,869
Liabilities	786,025	721,926
Net income	91,754	45,788

12. SURPLUS AND DIVIDEND RESTRICTIONS

Under applicable state laws and regulations, the Company is required to maintain minimum capital and surplus determined in accordance with statutory accounting principles. In addition, statutory regulations limit dividend payments by the Company. The dividend restrictions are generally based on statutory income and on certain levels of surplus as determined under statutory accounting principles which also require the direct approval of regulatory authorities for any proposed "extraordinary dividend," as defined. The Company paid a dividend of $35,000 and $30,000 to its parent in 2003 and 2002, respectively. The amount available for the payment of dividends in 2004 is limited to the greater of 10% of year-end 2003 statutory surplus or 2003 statutory net income. Based on this restriction, $44,747 would be available to pay dividends in 2004.

13. CLAIMS UNPAID

	2003	2002
Balance, January 1	$ 94,962	$ 71,147
Incurred related to:		
Current year	632,779	586,551
Prior years	(29,877)	(12,654)
Total incurred	602,902	573,897
Paid related to:		
Current year	(551,602)	(505,645)
Prior years	(53,175)	(44,437)
Total paid	(604,777)	(550,082)
Balance, December 31	$ 93,087	$ 94,962

Medical and hospital expenses for prior years decreased by a total of $29,877 in 2003 and $12,653 in 2002 because of lower than anticipated claims costs.

* * * * * *

AMERIHEALTH HMO, INC.

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA—STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

Investment Categories	Gross Investment Holdings*	Admitted Assets as Reported in the Annual Statement
Bonds:		
U.S. treasury securities	$ 18,046	$ 18,046
U.S. government agency and corporate obligations (excluding mortgage-backed securities):		
Issued by U.S. government agencies		
Issued by U.S. government-sponsored agencies	42,606	42,606
Foreign government (including Canada, excluding mortgage-backed securities)		
Securities issued by states, territories and possessions and political subdivisions in the U.S.:		
State, territory and possession general obligations	19,661	19,661
Political subdivisions of states, territories and possessions and political subdivisions general obligations		
Revenue and assessment obligations		
Industrial development and similar obligations		
Mortgage-backed securities (includes residential and commercial MBS):		
Pass-through securities:		
Guaranteed by GNMA		
Issued by FNMA and FHLMC		
Privately issued		
CMOs and REMICs:		
Issued by FNMA and FHLMC		
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, FHLMC		
All other privately issued		
Other debt and other fixed income securities (excluding short term):		
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	69,814	69,814
Unaffiliated foreign securities		
Affiliated securities		
Equity interests:		
Investments in mutual funds		
Preferred stocks:		
Affiliated		
Unaffiliated		
Publicly traded equity securities (excluding preferred stocks):		
Affiliated		
Unaffiliated		
Other equity securities:		
Affiliated	399,053	399,053
Unaffiliated		
Other equity interests including tangible personal property under lease:		
Affiliated		

AMERIHEALTH HMO, INC.

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA—STATUTORY BASIS
SUMMARY INVESTMENT SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in Thousands)

Investment Categories	Gross Investment oldings*	Admitted Assets as Reported in the Annual Statement
Mortgage loans:		
Construction and land development		
Agricultural		
Single family residential properties		
Multifamily residential properties		
Commercial loans		
Real estate investments:		
Property occupied by company		
Property held for production of income		
Property held for sale		
Collateral loans		
Policy loans		
Receivables for securities		
Cash and short-term investments	3,093	3,093
Write-in for invested assets		
Total invested assets	$552,273	$552,273

* Gross Investment Holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual*.

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA – STATUTORY BASIS
INVESTMENT RISK INTERROGATORIES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003
(DOLLARS IN THOUSANDS)

The Company's total admitted assets as reported in the statement of admitted assets, liabilities, capital and surplus—statutory basis are $598,809 at December 31, 2003.

1. The 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, (ii) property occupied by the Company, and (iii) policy loans at December 31, 2003 are as follows:

Investment Category	Amount	Percentage of Admitted Assets
Keystone Health Plan East, Inc.	$ 399,053	66.64 %
AMF Adjustable Rate Mortgage Portfolio	7,962	1.33 %
Union Planters	5,498	0.92 %
Pemex Project Fdj	5,244	0.88 %
Maryland State Serial 1st-A	818	0.14 %
Chicago Illinois Tran SR-B	814	0.14 %
Flordia Water Pollution Control	813	0.14 %
Musconetcong New Jersey Sewer	808	0.14 %
Connecticut State Serial D	805	0.13 %
Kansas Development Finance Authority	804	0.13 %

2. The amounts and percentages of the Company's total admitted assets held in bonds and preferred stocks by NAIC rating are as follows:

Bonds	Amount	Percentage of Admitted Assets
NAIC-1	$ 88,275	14.74 %
NAIC-2	11,055	1.85 %
NAIC-3	15,479	2.58 %
NAIC-4	35,318	5.90 %
NAIC-5	0	%
NAIC-6	0	%

3. The amounts and percentages of the Company's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investment denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge), including (i) foreign-currency-denominated investments of $0 supporting insurance liabilities denominated in that same foreign currency of $0 and excluding (ii) Canadian investments and currency exposure of $0 at December 31, 2003 are as follows: None.

4. The amounts and percentages of the Company's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian currency denominated investments of $0 supporting Canadian-denominated insurance liabilities of $0 at December 31, 2003 are as follows: None.

5. The aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days) at December 31, 2003 are as follows: None.

6. The amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to SVO Practices and Procedures Manual as exempt or Class 1) at December 31, 2003 are as follows:

Investment Category	Amount	Admitted
Keystone Health Plan East, Inc.	$ 399,053	66.64 %

7. Nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions at December 31, 2003 totaled $0, which represents 0.0% of total admitted assets.

8. The amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities) at December 31, 2003 are as follows: None.

9. The amounts and percentages of the reporting entity's total admitted assets held in mortgage loans at December 31, 2003 are as follows: None.

10. The amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate, excluding property occupied by the Company at December 31, 2003 are as follows: None.

11. The amounts and percentages of the reporting entity's total admitted assets subject to Securities Lending Agreements, Repurchase Agreements, Reverse Repurchase Agreements, Dollar Repurchase Agreements, and Dollar Reverse Repurchase Agreements are as follows: None

12. The amounts and percentages of warrants not attached to other financial instruments, options, caps, and floors at December 31, 2003 are as follows: None.

13. The amounts and percentages of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for collars, swaps, and forwards at December 31, 2003 are as follows: None.

14. The amounts and percentages indicated below of potential exposure *(defined as the amount determined in accordance with the NAIC Annual Statement Instructions)* for futures contracts at December 31, 2003 are as follows: None.

15. The amounts and percentages of 10 largest investments included in the Write-in for Invested Assets category on the Summary Investment Schedule as of December 31, 2003 are as follows: None.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Independence Blue Cross
Philadelphia, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by Independence Blue Cross and subsidiaries (the "Company"), solely to assist the Company in complying with the Health Plan Corporations Act, 40 P.S. 6101 *et seq.* requirements of the Commonwealth of Pennsylvania Insurance Law, which addresses the assessment of surplus levels maintained by the Company as of December 31, 2003, as communicated to the Company in the January 5, 2004 letter received from the Pennsylvania Insurance Department ("PID"). The Company's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed for Independence Blue Cross, QCC Insurance Company, Keystone Health Plan East and AmeriHealth HMO, Inc. (the "Companies") are described below and relate to the following statutory accounts and balances as of December 31, 2003:

(Dollars in thousands) Entity	Assets Line 12.1 Uncollected premiums and agents' balances in the course of collection	Liabilities Line 8 Premiums Received in Advance	Liabilities Included in Line 4 Unearned Premium Reserves
Independence Blue Cross	$ 12,444	$ 33,629	$ 37,751
QCC Insurance Company	45,147	134,637	8,698
Keystone Health Plan East, Inc.	44,626	115,692	4,662
AmeriHealth HMO, Inc.	7,900	10,414	2,369
Totals	$ 110,117	$ 294,372	$ 53,480

Member of
Deloitte Touche Tohmatsu

Accident and Health Premiums Due and Unpaid

1. We obtained a summary from the Companies of the components of the accounts receivable balance that comprise the uncollected premiums and agents' balances in the course of collection line in the Annual Statement. The summary was formatted as follows:

   Gross Accounts Receivable
   Less: unapplied cash
   Less: non-admitted balances over 90 days
   Less: other allowances for doubtful accounts in excess of 90 day non-admit
   Plus/Less: any other miscellaneous debits or credits
   Net Accounts Receivable recorded on the General Ledger

2. We obtained a summary from the Companies of the general ledger accounts that comprise the gross accounts receivable balance.

3. For the gross accounts receivable accounts included in the uncollected premiums and agents' balances in the course of collection line item that are supported by one or more detailed aging reports, we compared the account balance, per the general ledger, to the aging reports, and noted that they were in agreement. We identified reconciling items between each general ledger account and the related aging reports in excess of $500,000 and obtained a written explanation supporting each reconciling item.

4. We summarized the aging by categories (e.g. 0-30 / 30-60 / 60-90 / 90+) for each of the aging reports obtained in step 3.

5. For accounts receivable accounts included in the uncollected premiums and agents' balances in the course of collection line item that were not supported by a detailed aging report, we compared the account balance, per the general ledger, to a supporting schedule or reconciliation prepared by the Companies, and noted that they were in agreement. We obtained an explanation from the Companies supporting why the receivable balance does not have an aging report.

6. We obtained a detailed listing from the Companies of all credit balances recorded in each accounts receivable account and compared it to the general ledger detail, and noted that they were in agreement.

7. We obtained a listing from the Companies of all unapplied cash account balances included in the uncollected premiums and agents' balances in the course of collection line and identified the related accounts receivable account (from step 2 above) to which the unapplied cash account related and compared the balances to the general ledger detail, and noted that they were in agreement.

8. We compared the unapplied cash account balances to a detailed aging report or other detailed listing that supported the balance recorded on the general ledger, and noted that they were in agreement. We identified reconciling items between the detailed listing and the general ledger balance in excess of $500,000 and obtained written explanations supporting each reconciling item.

9. We obtained a detailed listing from the Companies of all debit balances recorded in each unapplied cash account and compared them to the general ledger detail, and noted that they were in agreement.

10. We obtained a listing from the Companies of all non-admitted accounts receivable balances included in the uncollected premiums and agents' balances in the course of collection line and compared non-admitted accounts receivable balances to the over 90 day amounts on the aging reports obtained in step #3 above or other supporting schedules for additional non-admitted assets, and noted that they were in agreement.

11. We selected, on a haphazard basis, a sample of 20 individual receivables balances from each system that generates an aging report and compared the balances to supporting documentation to verify the accuracy of the aging, and noted that they were in agreement. We compared the invoice date from the system to a supporting invoice and performed a recalculation of the aging of the individual receivables, and noted that they were in agreement.

12. We obtained a summary from the Companies of any other bad debt reserve account balances included in the uncollected premiums and agents' balances in the course of collection line and compared it to the accounts receivable balance (from step #3) to which the bad debt reserve related, noting that the accounts were related.

13. For those accounts receivable accounts supported by a detailed aging report and to which the Company applies a bad debt reserve percentage to each aging category, we recalculated the bad debt reserve related to the respective aging category as a percent of each aging category, and noted that the calculations were mathematically correct.

14. For those accounts receivable accounts not supported by a detailed aging report, we obtained the related bad debt reserve methodology and compared the reserve amount to supporting documentation, and noted that they were in agreement.

15. Obtained a history from the Companies of write-offs per year as a percentage of each accounts receivable balance for which there is an allowance for doubtful accounts in excess of the over 90 day balance and compared that write-off percentage to the percentage derived in step 13 as applicable, and noted that the calculations were mathematically correct.

Premiums Received in Advance / Unearned Premium Reserves

1. We obtained a summary from the Companies of the components that comprise the accident and health premiums received in advance line and the unearned premium reserves included in the aggregate health policy reserves line in the Annual Statement.

2. We obtained a summary from the Companies of general ledger accounts that are included in the premiums received in advance line and the unearned premium reserves included in the aggregate health policy reserves line in the Annual Statement.

3. We compared the individual account balances to a detailed aging report or other detailed listing that supports the balance recorded on the general ledger, and noted that they were in agreement.

4. We obtained a listing from the Companies of the accounts receivable accounts and the premiums received in advance and the unearned premium reserve accounts that relate to the respective accounts receivable accounts, and noted the accounts were related.

5. We obtained a detail listing from the Companies of all debit balances recorded in each account balance included in the premiums received in advance line and the unearned premium reserves included in the aggregate health policy reserves line and compared to the general ledger detail, and noted that they were in agreement.

6. We selected, on a haphazard basis, a sample of 20 items from each system that generates a detailed listing of premiums received in advance and unearned premium reserves and obtained the service period information on the related remittance materials and invoice, and noted that the date of service was after December 31, 2003.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Commonwealth of Pennsylvania Insurance Department, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

March 22, 2004

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU
ROOM 308 NORTH OFFICE BUILDING
P.O. BOX 8722
HARRISBURG, PA 17105-8722

IBC/PBS CARING FOUNDATION FOR CHILDREN

THE CORPORATION BUREAU IS HAPPY TO SEND YOU YOUR FILED DOCUMENT. PLEASE NOTE THE FILE DATE AND SIGNATURE OF THE SECRETARY OF THE COMMONWEALTH. THE CORPORATION BUREAU IS HERE TO SERVE YOU AND WANTS TO THANK YOU FOR DOING BUSINESS IN PENNSYLVANIA. IF YOU HAVE ANY QUESTIONS PERTAINING TO THE **CORPORATION BUREAU** CALL 717-787-1057.

ENTITIES ACTING AS PROFESSIONAL FUNDRAISING CONSULTANTS OR PROFESSIONAL SOLICITORS ON BEHALF OF CHARITIES SOLICITING CONTRIBUTIONS WITHIN THE COMMONWEALTH OF PENNSYLVANIA MUST REGISTER WITH THE DEPARTMENT OF STATE, **BUREAU OF CHARITABLE ORGANIZATIONS**, ROOM 308, NORTH OFFICE BUILDING, HARRISBURG, PENNSYLVANIA 17120-0029 (717)/783-1720).

ENTITY NUMBER: 0902328

MICROFILM NUMBER: 09456

1165-1167

MORGAN LEWIS & BOCKIUS
COUNTER

Microfilm Number _____

Entity Number 0902328

Filed with the Department of State on SEP 01 1994

Secretary of the Commonwealth

ARTICLES OF AMENDMENT-DOMESTIC NONPROFIT CORPORATION

DSCB:15-5915 (Rev 91)

In compliance with the requirements of 15 Pa.C.S. § 5915 (relating to articles of amendment), the undersigned nonprofit corporation, desiring to amend its articles, hereby states that:

1. The name of the corporation is: Independence Blue Cross and Pennsylvania Blue Shield Caring Foundation for Children

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 1901 Market Street | Philadelphia | PA | 19103 | Philadelphia
Number and Street | City | State | Zip | County

(b) c/o: _____
Name of Commercial Registered Office Provider | County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: Act of November 15, 1972 (P.L. 1063, No. 27).

4. The date of its incorporation is: June 27, 1986

5. (Check, and if appropriate complete, one of the following):

X The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

____ The amendment shall be effective on: _____ at _____
Date | Hour

6. (Check one of the following):

____ The amendment was adopted by the members (or shareholders) pursuant to 15 Pa.C.S. § 5914(a).

X The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 5914(b).

7. (Check, and if appropriate complete, one of the following):

____ The amendment adopted by the corporation, set forth in full, is as follows:

X The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

SEP -1 94

PA Dept of State

IBC 00126

B. **(Check, if the amendment restates the Articles):**

___ The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 30th day of August, 1994.

Independence Blue Cross and Pennsylvania Blue Shield Caring Foundation for Children
(Name of Corporation)

BY: [signature]
(Signature)

TITLE: PRESIDENT

EXHIBIT A

The Articles of Incorporation are hereby amended to read as follows:

1. Name of Corporation: IBC/PBS Caring Foundation for Children.

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU
ROOM 308 NORTH OFFICE BUILDING
P.O. BOX 8722
HARRISBURG, PA 17105-8722

INDEPENDENCE BLUE CROSS AND PENNSYLVANIA BLUE SHIELD CARING FOUNDA
TION FOR CHILDREN

THE CORPORATION BUREAU IS HAPPY TO SEND YOU YOUR FILED DOCUMENT. PLEASE NOTE THE FILE DATE AND SIGNATURE OF THE SECRETARY OF THE COMMONWEALTH. THE CORPORATION BUREAU IS HERE TO SERVE YOU AND WANTS TO THANK YOU FOR DOING BUSINESS IN PENNSYLVANIA. IF YOU HAVE ANY QUESTIONS PERTAINING TO THE **CORPORATION BUREAU** CALL 717-787-1057.

ENTITIES ACTING AS PROFESSIONAL FUNDRAISING CONSULTANTS OR PROFESSIONAL SOLICITORS ON BEHALF OF CHARITIES SOLICITING CONTRIBUTIONS WITHIN THE COMMONWEALTH OF PENNSYLVANIA MUST REGISTER WITH THE DEPARTMENT OF STATE, **BUREAU OF CHARITABLE ORGANIZATIONS**, ROOM 308, NORTH OFFICE BUILDING, HARRISBURG, PENNSYLVANIA 17120-0029 (717)/783-1720).

ENTITY NUMBER: 0902328

MICROFILM NUMBER: 09437

0029-0031

MORGAN LEWIS & BOCKIUS
COUNTER

Microfilm Number _____

Entity Number 902328

Filed with the Department of State on JUN 08 1994

ACTING Secretary of the Commonwealth

ARTICLES OF AMENDMENT-DOMESTIC NONPROFIT CORPORATION

DSCB:15-5915 (Rev 91)

In compliance with the requirements of 15 Pa.C.S. § 5915 (relating to articles of amendment), the undersigned nonprofit corporation, desiring to amend its articles, hereby states that:

1. The name of the corporation is: The Caring Foundation of Southeastern Pennsylvania

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 1901 Market Street | Philadelphia | PA | 19103 | Philadelphia
Number and Street | City | State | Zip | County

(b) c/o: _____
Name of Commercial Registered Office Provider | County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: Act of November 15, 1972 (P.L. 1063, No. 27

The date of its incorporation is: June 27, 1986

5. (Check, and if appropriate complete, one of the following):

X The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

___ The amendment shall be effective on: _____ (Date) at _____ (Hour)

6. (Check one of the following):

___ The amendment was adopted by the members (or shareholders) pursuant to 15 Pa.C.S. § 5914(a).

X The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 5914(b).

7. (Check, and if appropriate complete, one of the following):

___ The amendment adopted by the corporation, set forth in full, is as follows:

X The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

JUN -8 94

PA Dept. of State

IBC 00130

8. (Check, if the amendment restates the Articles):

____ The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 6th day of June, 1994.

The Caring Foundation of Southeastern Pennsylvania (Name of Corporation)

BY: William F. Haggerty
(Signature)

TITLE: PRESIDENT

EXHIBIT A

The Articles of Incorporation are hereby amended to read as follows:

1. Name of Corporation: Independence Blue Cross and Pennsylvania Blue Shield Caring Foundation for Children.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU
ROOM 308, NORTH OFFICE BUILDING
HARRISBURG, PENNSYLVANIA 17120

CARING FOUNDATION OF SOUTHEASTERN PENNSYLVANIA THE

THE CORPORATION BUREAU IS HAPPY TO SEND YOU YOUR FILED DOCUMENT. PLEASE NOTE THE FILE DATE AND SIGNATURE OF THE SECRETARY OF THE COMMONWEALTH. THE CORPORATION BUREAU IS HERE TO SERVE YOU AND WANTS TO THANK YOU FOR DOING BUSINESS IN PENNSYLVANIA.

ENTITY NUMBER: 0902328

MICROFILM NUMBER: 09118

1480-1483

MORGAN LEWIS & BOCKIUS ESQS
COUNTER

Microfilm Number 91181480

Entity Number 902328

Filed with the Department of State on APR 0 4 1991

Christopher A. Lewis

Secretary of the Commonwealth

ARTICLES OF AMENDMENT-DOMESTIC NONPROFIT CORPORATION

DSCB:15-5915 (Rev 90)

In compliance with the requirements of 15 Pa.C.S. § 5915 (relating to articles of amendment), the undersigned nonprofit corporation, desiring to amend its articles, hereby states that:

1. The name of the corporation is: Independence Blue Cross and Pennsylvania Blue Shield Caring Foundation for Children

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 1901 Market Street (Number and Street) Philadelphia (City) PA (State) 19103 (Zip) Philadelphia (County)

(b) c/o: _____ (Name of Commercial Registered Office Provider) _____ (County)

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: Act of November 15, 1972 (P.L.1063, No.271)

4. The date of its incorporation is: June 27, 1986

5. (Check, and if appropriate complete, one of the following):

X The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

___ The amendment shall be effective on: _____ (Date) at _____ (Hour)

6. (Check one of the following):

___ The amendment was adopted by the members (or shareholders) pursuant to 15 Pa.C.S. § 5914(a).

X The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 5914(b).

7. (Check, and if appropriate complete, one of the following):

___ The amendment adopted by the corporation, set forth in full, is as follows:

X The amendment adopted by the corporation as set forth in full in Exhibit A is attached hereto and made a part hereof.

DSCB:15-5915 (Rev. 90)-2

91181481

8. **(Check, if the amendment restates the Articles):**

X The restated Articles of Incorporation supersede the original Articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this 21st day of March, 1991.

Independence Blue Cross and Pennsylvania Blue Shield Caring Foundation for Children

(Name of Corporation)

BY: [signature]
(Signature)

TITLE: PRESIDENT

91181482

Exhibit A

The Articles of Incorporation are hereby amended and restated in their entirety to read as follows:

1. Name of corporation: The Caring Foundation of Southeastern Pennsylvania.

2. Address of Registered Office in Pennsylvania:

   1901 Market Street
   Philadelphia, Pennsylvania 19103.

3. The corporation is incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania for the following purpose or purposes:

   Exclusively for charitable, educational and scientific purposes, including the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code. The corporation will serve the public health purposes of Independence Blue Cross and Pennsylvania Blue Shield and, among other things, perform and promote scientific research and advance knowledge respecting health-care needs and services in the community.

   No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in this Article Third. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the

91181483

Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or corresponding section of any future federal tax code.

Upon the dissolution of the corporation, its assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, for a public purpose. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas for the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

4. The corporation is to have no members.

5. The corporation is to be organized on a non-stock basis.

6. The term for which the corporation is to exist is perpetual.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU
ROOM 308, NORTH OFFICE BUILDING
HARRISBURG, PENNSYLVANIA 17120

JUNE 28, 1990

INDEPENDENCE BLUE CROSS AND PENNSYLVANIA BLUE SHIELD CARING FOUNDA
TION FOR CHILDREN

THE CORPORATION BUREAU IS HAPPY TO SEND YOU YOUR FILED DOCUMENT. PLEASE NOTE THE FILE DATE AND SIGNATURE OF THE SECRETARY OF THE COMMONWEALTH. THE CORPORATION BUREAU IS HERE TO SERVE YOU AND WANTS TO THANK YOU FOR DOING BUSINESS IN PENNSYLVANIA.

ENTITY NUMBER: 0902328

MICROFILM NUMBER: 09032

0428-0430

MORGAN LEWIS & BOCKIUS ESQS
COUNTER

00000-0000

roilm Numbe: 9032 428

ltv Number 9C2398

Filed with the Department of State on 19 1990

Christopher A. Lewis
Secretary of the Commonwealth

ARTICLES OF AMENDMENT - DOMESTIC NONPROFIT CORPORATION

DSCB:15-5915 (Rev 89)*

In compliance with the requirements of 15 Pa.C.S. § 5915 (relating to articles of amendment), the undersigned nprofit corporation, desiring to amend its articles, hereby states that:

The name of the corporation is: Center For Health Services Research Of Southeastern Pennsylvania

The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 1333 Chestnut Street (Number and Street) Philadelphia (City) PA (State) 19107 (Zip) Philadelphia (County)

(b) c/o: _____ (Name of Commercial Registered Office Provider) _____ (County)

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

Statute by or under which it was incorporated is: Act of November 15, 1972 (P.L. 1063, No.271)

The date of its incorporation is: June 27, 1986

(Check, and if appropriate complete, one of the following):

X The amendment shall be effective upon filing these Articles of Amendment in the Department of State.

___ The amendment shall be effective on: _____ (Date) at _____ (Hour)

(Check one of the following):

___ The amendment was adopted by the members pursuant to 15 Pa.C.S. § 5914(a).

X The amendment was adopted by the board of directors pursuant to 15 Pa.C.S. § 5914(b).

(Check, and if appropriate complete, one of the following):

___ The amendment adopted by the corporation, set forth in full, is as follows:

X The amendment adopted by the corporation is set forth in full in Exhibit A, attached hereto and made a part hereof.

:B:15-5915 (Rev 89)-2*

9032 429

Check if the amendment restates the articles):

.e restated articles of incorporation supersede the original articles and all amendments thereto.

N TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a authorized officer thereof this 8th day of June, 19 90.

Center For Health Services Research
Of Southeastern Pennsylvania
(Name of Corporation)

BY: Patricia B. Hatler
(Signature)

TITLE: Senior Vice President - General Counsel and Corporate Secretary

Exhibit A

Articles 1, 2 and 3 of the Articles of Incorporation are hereby amended in their entirety to read as follows:

1. The name of the corporation is: Independence Blue Cross and Pennsylvania Blue Shield Caring Foundation for Children.

2. The location and post office address of the registered office of the corporation in this Commonwealth is:

   1901 Market Street
   Philadelphia, Pennsylvania 19103.

3. The corporation is incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania for the following purpose or purposes:

   Exclusively for charitable, educational and scientific purposes, including the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code. The corporation will serve the public health purposes of Independence Blue Cross and Pennsylvania Blue Shield and, among other things, perform and promote scientific research and advance knowledge respecting health-care needs and services in the community.

Applicant's Account No. _____

DSCB: 15-7316 (Rev. 11-72)

Filing Fee: $75

AIN-8

Articles of Incorporation—
Domestic Nonprofit Corporation

86401031

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU

902328

Filed this JUN 27 1986

Commonwealth of Pennsylvania
Department of State

Secretary of the Commonwealth

In compliance with the requirements of 15 Pa.C.S. §7316 (relating to articles of incorporation) the undersigned, desiring to be incorporated as a nonprofit corporation, hereby certifies (certify) that:

1. The name of the corporation is: Center For Health Services Research of Southeastern Pennsylvania

2. The location and post office address of the initial registered office of the corporation in this Commonwealth is:

1333 (NUMBER) Chestnut Street (STREET)

Philadelphia (CITY) Pennsylvania 19107 (ZIP CODE) 51

3. The corporation is incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania for the following purpose or purposes:

Exclusively for charitable, educational, and scientific purposes, including the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code. The Corporation will serve the public health purposes of Blue Cross of Greater Philadelphia and, inter alia, perform and promote scientific research and advance knowledge respecting health-care needs and services in the community.

The corporation does not contemplate pecuniary gain or profit, incidental or otherwise.

IBC 00142

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86401032

DSCB: 15-7318 (Rev. 11-72)-2

4. The term for which the corporation is to exist is: Perpetual

5. The corporation is organized upon a nonstock basis.

6. (Strike out if inapplicable) The corporation shall have no members.

X ~~(Strike out if inapplicable) The incorporators constitute a majority of the members of the unincorporated association~~

~~(NAME OF UNINCORPORATED ASSOCIATION)~~

~~(Strike out if inapplicable) The organization of the association shall be and continue as long as it shall be a corporation.~~

(See Rider Attached)

9. ~~X~~ The name(s) and post office address(es) of each incorporator(s) is (are):

NAME	ADDRESS (including street and number, if any)
Cheryl Lewis	800 North Third Street
	Harrisburg, PA 17102

IN TESTIMONY WHEREOF, the incorporator(s) has (have) signed and sealed these Articles of Incorporation th

27th day of June, 19 86.

_____ (SEAL) Cheryl Lewis (SEA

_____ (SEA

INSTRUCTIONS FOR COMPLETION OF FORM:

A. For general instructions relating to the incorporation of nonprofit corporations see 19 Pa. Code Ch. 2 (relating to nonprofit corporations generally). These instructions relate to such matters as corporate nam stated purposes, term of existence, authorized share structure, inclusion of names of first directors in th Articles of Incorporation, provisions on incorporation of unincorporated associations, etc.

B. One or more corporations or natural persons of full age may incorporate a nonprofit corporation.

C. If the corporation is to be organized upon a stock share basis Paragraph 5 should be modified accordingly.

D. Optional provisions required or authorized by law may be added as Paragraphs 8, 9, 10 . . . etc.

E. The following shall accompany this form:

(1) Any necessary copies of Form DSCB:17.2 (Consent to Appropriation of Name) or Form DSCB:17 (Consent to Use of Similar Name).

(2) Any necessary governmental approvals.

F. 15 Pa.C.S. §7317 (relating to advertisement) requires that the incorporators shall advertise their intention to or the corporation shall advertise the filing of articles of incorporation. Proofs of publication of advertising should not be delivered to the Department, but should be filed with the minutes of corporation.

CENTER FOR HEALTH SERVICES 86401033

RESEARCH OF SOUTHEASTERN PENNSYLVANIA

Rider to Articles of Incorporation

7. No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Third hereof. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or corresponding section of any future federal tax code.

8. Upon the dissolution of the corporation, its assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distrubted to the federal government, for a public purpose. Any such assets not so disposed of shall be disposed of by the Court of Common Pleas for the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

INDEPENDENCE BLUE CROSS &

PENNSYLVANIA BLUE SHIELD

CARING FOUNDATION FOR CHILDREN

REPORT ON AUDITS OF

FINANCIAL STATEMENTS

for the years ended

December 31, 2002 and 2001

Milligan
& COMPANY, LLC
Consultants & Certified Public Accountants

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Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8

Milligan
& COMPANY, LLC
Consultants & Certified Public Accountants

MULBERRY ATRIUM NORTH
105-107 N. 22nd St. 2ND FL
Philadelphia, PA 19103

Tel: 215 496-9100
Fax: 215 496-0980

INDEPENDENT AUDITORS' REPORT

Board of Directors
Independence Blue Cross & Pennsylvania Blue Shield
Caring Foundation for Children
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of Independence Blue Cross & Pennsylvania Blue Shield Caring Foundation for Children (the Foundation) as of December 31, 2002 and 2001, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Milligan & Company LLC

Milligan & Company, LLC

June 20, 2003

OTHER LOCATIONS • Camden, NJ • New Orleans, LA

INDEPENDENCE BLUE CROSS AND PENNSYLVANIA BLUE SHIELD
CARING FOUNDATION FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2002 AND 2001

ASSETS

	2002	2001
Current assets:		
Cash and cash equivalents	$ 308,598	$ 158,073
Interest receivable	212	169
Contributions receivable	762,685	481,808
Accounts receivable	2,802,105	3,059,798
Advances	75,092	147,057
Total assets	$ 3,948,692	$ 3,846,905

NET ASSETS

Unrestricted net assets	$ 3,948,692	$ 3,846,905
Total net assets	$ 3,948,692	$ 3,846,905

The accompanying notes are an integral part of the financial statements.

INDEPENDENCE BLUE CROSS AND PENNSYLVANIA BLUE SHIELD
CARING FOUNDATION FOR CHILDREN
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For The Years Ended December 31, 2002 and 2001

	2002 Unrestricted	2001 Unrestricted
Support and revenue:		
Contributions	$ 542,445	$ 1,033,197
Contributed facilities and materials	123,954	103,266
Fundraising	228,558	260,161
Investment income	12,485	11,226
Total support and revenue	907,442	1,407,850
Expenses:		
Health insurance	583,014	463,553
Contributed facilities and materials	123,954	103,266
Fundraising	65,110	68,026
Healthy Futures expenses	33,577	223,128
Total expenses	805,655	857,973
Changes in net assets	101,787	549,877
Net assets, beginning of year	3,846,905	3,297,028
Net assets, end of year	$ 3,948,692	$ 3,846,905

The accompanying notes are an integral part of the financial statements.

INDEPENDENCE BLUE CROSS AND PENNSYLVANIA BLUE SHIELD
CARING FOUNDATION FOR CHILDREN
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Total changes in net assets	$ 101,787	$ 549,877
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable	(280,877)	441,336
(Increase) decrease in interest receivable	(43)	1,145
Decrease (increase) in accounts receivable	257,693	(810,823)
Decrease (increase) in advances	71,965	(72,206)
Total adjustments	48,738	(440,548)
Net increase in cash and cash equivalents	150,525	109,329
Cash and cash equivalents, beginning of year	158,073	48,744
Cash and cash equivalents, end of year	$ 308,598	$ 158,073

The accompanying notes are an integral part of the financial statements.

INDEPENDENCE BLUE CROSS & PENNSYLVANIA BLUE SHIELD
CARING FOUNDATION FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

1. Organization and Purpose:

The Independence Blue Cross & Pennsylvania Blue Shield Caring Foundation for Children (the Foundation) is a joint undertaking of Independence Blue Cross (IBC) and Pennsylvania Blue Shield (PBS). From its inception in 1990, the Foundation has worked to provide health insurance to children of low-income, working families of Southeastern Pennsylvania. Today, the Foundation works with Keystone Health Plan East (KHPE) to administer the Commonwealth of Pennsylvania's Children's Health Insurance Program (CHIP) in addition to the Adult Basic Coverage Insurance Program (ABC), which provides health insurance to low-income uninsured adults.

The Foundation's charitable work remains focused on improving the health status of children in the Delaware Valley. The Foundation subsidizes the monthly cost of children enrolled in the low cost CHIP program, making coverage more affordable for parents of eligible children. Additionally, the Foundation's Healthy Futures initiative educates and guides parents to more effectively use their children's health coverage. Both endeavors are funded through charitable donations, which are matched by IBC and PBS.

2. Summary of Significant Accounting Policies:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Continued

2. Summary of Significant Accounting Policies, continued:

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2002 and 2001, there were no temporarily or permanently restricted net assets.

Cash and Cash Equivalents

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

Government Funded Health Insurance Premiums

The Foundation is responsible for the administration of CHIP and ABC funds and premium payments to insurance providers.

The payments to the providers and reimbursements from the Commonwealth of Pennsylvania are considered pass-through transactions and are not recorded as transactions in the accompanying statements of activities.

Contributions Receivable and Contributions

Contributions are recognized when the donor makes a pledge to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Facilities and Materials

The Foundation occupies, without charge, certain premises owned and operated by IBC. The cost of operating these premises and other donated materials and administrative costs are jointly donated by IBC and PBS. The estimated fair rental value of the premises and administrative expenses are simultaneously reported as support and expense in the period in which they are used.

Continued

2. Summary of Significant Accounting Policies, continued:

Income Taxes

The Foundation is a non-profit corporation organized under the laws of the Commonwealth of Pennsylvania and is exempt from income tax under section 501 (c) (3) of the Internal Revenue Code.

3. Contributions:

Contributions for the years ended December 31, 2002 and 2001 consisted of the following:

	2002	2001
Individuals and Organizations	$ 142,445	$ 203,543
Independence Blue Cross	200,000	414,827
Pennsylvania Blue Shield	200,000	414,827
Total	$ 542,445	$ 1,033,197

4. Contributions Receivable:

Contributions receivable as of December 31, 2002 and 2001, were as follows:

	2002	2001
Independence Blue Cross	$ 526,838	$ 425,455
Pennsylvania Blue Shield	200,000	-
United Way	35,847	56,353
Contributions receivable	$ 762,685	$ 481,808

5. Accounts receivable:

Accounts receivable represent funds that the Foundation has paid on behalf of a provider for insurance premiums in excess of grant reimbursements the Foundation received from the Commonwealth of Pennsylvania for the provider. As of December 31, 2002 and 2001, the balances were $2,802,105 and $3,059,798, respectively.

Continued

6. Related Parties and Advances:

Because the presidents and chief executive officers of IBC and PBS co-chair the Foundation's board of directors, these companies are related parties. These two companies have contributed services of certain executive and administrative personnel. These services have not been recognized in the accompanying financial statements as they are not under the direct control of the Foundation.

The value of administrative costs jointly donated by IBC and PBS was $123,954 and $103,266 at December 31, 2002 and 2001, respectively.

At times, the Foundation advances payments to affiliates for program expenses incurred by the affiliates on behalf of the Foundation. As of December 31, 2002 and 2001 advances paid were $75,092 and $147,057, respectively.

7. Concentration of Credit Risk:

The Foundation is required by SFAS No. 105 to disclose significant concentrations of credit risk. The Foundation maintains cash accounts with a bank that from time to time exceed the limit of insurability under the Federal Deposit Insurance Corporation.

8. Functional Classification of Activities:

The functional allocation of expenses is based primarily on the amount of direct cost spent on the activity as follows:

	2002	2001
Program services	$616,591	$686,681
Management and general	123,954	103,266
Fundraising	65,110	68,026
Total	$805,655	$857,973

Indirect expenses are allocated to the Foundation by IBC on the basis of salaries, square footage and usage.

Caring Foundation for Children Unaudited Financial Report – 12/31/03

Proprietary & Confidential

Internal Revenue Service
District Director

Department of the Treasury

31 HOPKINS PLAZA
BALTIMORE, MD 21201

Date: AUG 01 1989

CENTER FOR HEALTH SERVICES RESEARCH
OF SOUTHEASTERN PENNSYLVANIA
C/O ROBERT T KELLY JR
MORGAN LEWIS & BOCKIUS
2000 ONE LOGAN SQUARE
PHILADELPHIA, PA 19103

Employer Identification Number:
22-2724721
Contact Person:
MRS. S. PRATT
Contact Telephone Number:
(301) 962-4779

Accounting Period Ending:
December 31
Foundation Status Classification:
509(a)(1)
Advance Ruling Period Begins:
June 7, 1989
Advance Ruling Period Ends:
December 31, 1993
Addendum Applies:
None

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

Accordingly, you will be treated as a publicly supported organization, and not as a private foundation, during an advance ruling period. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must submit to us information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also, if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections 507(d) and 4940.

Grantors and contributors may rely on the determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you submit the required information within the 90 days, grantors and contributors may continue to rely on the advance determination until the Service makes a final determination of your foundation status.

IBC 00156

CENTER FOR HEALTH SERVICES RESEARCH

the return even if you do not exceed the gross receipts test. If are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $10 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Phil Brand

District Director

IBC 00157

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply to:

Date: JUL 17 1991

Independence Blue Cross
and Pennsylvania Blue Shield
Caring Foundation for Children
1901 Market Street
Philadelphia, PA 19103

DO: Baltimore
EIN: 22-2724721

Dear Sir or Madam:

This is in reply to your letter of July 24, 1990, in which you notified your key District Director in Baltimore of numerous changes in your activities and various amendments to your governing instruments.

You were recognized as exempt under section 501(c)(3) of the Internal Revenue Code and received an advance ruling as a publicly supported organization described in section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Your advance ruling period is to end on December 31, 1993. Thereafter, you are required to submit additional financial information and a final determination on your public charity status will be made.

Your letter of July 24, 1990, included a description of a program you intend to undertake to provide health care coverage for children of unemployed, or marginally employed, residents of the communities serviced by Independence Blue Cross. Under this program you will purchase primary health care coverage for eligible children. The insurance is to be provided, without charge to the families, to the eligible children whose families meet certain income guidelines. The insurance coverage is to be purchased from Independence Blue Cross and Pennsylvania Blue Shield, your founders, at a cost based on the lowest actuarial estimates of the costs involved. The Pennsylvania Department of Insurance has reviewed and approved the insurance program and will review any changes in benefits or costs. Independence Blue Cross and Pennsylvania Blue Shield will have a matching grant program for the first 3 years of operations which will provide up to $2,000,000. This matching grant shall be used to provide insurance and will not be used to pay overhead costs. You indicate that you will pay the insurer an amount equal to approximately 50 percent of the insurance costs. Blue Cross and Blue Shield will be providing the variable overhead cost without charge. You state that you expect to receive sufficient contributions from the general public to enable you to carry on this program and not be reclassified as a private foundation within the meaning of section 509(a) of the Code.

In your letter of June 7, 1991, you indicate that you have

Re: Independence Blue Cross and Pennsylvania
Blue Shield Caring Foundation for Children

taken formal action to reconstitute your Board of Directors to include representatives of the public. In particular, you have amended your bylaws to add 3 community representatives to your Board of Directors. These community representatives must be approved by the other 4 members of the board who are representatives of Pennsylvania Blue Shield and Independence Blue Cross. You have also established a special committee that will have responsibility for reviewing the terms and conditions of the insurance coverage and determining on an annual basis that the insurance purchased is the most favorable coverage available at the most favorable price. This committee will be made up of 3 individuals, 2 of whom will be community representatives.

Section 501(c)(3) of the Code provides for the exemption from federal income tax of organizations which are organized and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 509(a)(1) of the Code provides that organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii)) are excepted from classification as private foundations.

We have reviewed the various amendments to your governing documents and other materials you have submitted and have concluded that these changes will not affect your status as an organization described in section 501(c)(3) of the Code. A copy of your letter of July 24, 1990, and the other materials you have submitted have been forwarded to your key district director.

In addition, we are specifically ruling that your program to provide medical insurance without cost to qualifying children will not affect your status under section 501(c)(3) of the Code. We recognize that this insurance will be purchased from the organizations which established you and control your operations. However, by expanding your board of directors to include community representatives, you have taken appropriate measures to ensure that no private benefit will inure to your sponsors.

We also wish to point out that should you be reclassified as a private foundation within the meaning of section 509(a), you will be subject to the excise taxes under Chapter 42 of the Code and your current program may constitute self-dealing within the meaning of section 4941.

Therefore, at the end of your advance ruling period you may need to reconsider the operation of this program and might have to seek another ruling from the Service regarding its continued

Re: Independence Blue Cross and Pennsylvania
Blue Shield Caring Foundation for Children

operation. This is not a ruling with respect to Chapter 42.

This ruling is based on the understanding that there will be no material changes in the facts upon which they are based. Furthermore, it is based upon your representation that the amendments in your governing instruments regarding the modification of your governing body and the establishment of an insurance committee will be adopted, and, also that community directors will be elected in the near future.

A copy of this letter and a copy of the materials you have submitted are being forwarded to your key District Director. Because it could resolve questions concerning your federal income tax status, a copy of this ruling should be kept in your permanent records.

Sincerely yours,

Conrad Rosenberg
Chief, Exempt Organizations
Rulings Branch 1

Internal Revenue Service
District Director

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: JUN 05 1997

IBC/PBS Caring Foundation for Children
1901 Market Street
Philadelphia, PA 19103-1400

Person to Contact:
D. Downing
Telephone Number:
513-241-5199
Fax Number
513-684-5936
Federal Identification Number:
22-2724721

Dear Sir or Madam:

Our records indicate that a determination letter issued in July of 1989 granted your organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section 509(a)(1).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than $25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of $20 a day, up to a maximum of $10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

IBC/PBS Caring Foundation for Children
22-2724721

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

Please direct any questions to the person identified in the letterhead above.

This letter affirms your organization's exempt status.

Sincerely,

C. Ashley Bullard

C. Ashley Bullard
District Director

IBC/PBS Caring Foundation for Children Officers

G. Fred DiBona, Jr., Esq.	Co-Chairman and Co-Chief Executive Officer
Samuel D. Ross, Jr.	Co-Chairman and Co-Chief Executive Officer
Stephen P. Fera	President
John G. Foos	Senior Vice President and Treasurer
Daniel C. Lyons, M.D.	Senior Vice President, Government Programs
Paul A. Tufano, Esq.	Corporate Secretary

IBC/PBS Caring Foundation for Children – Officers' Affiliation with Parent Corporation or any Subsidiary

G. Fred DiBona, Jr., Esq.

Independence Blue Cross	Director
CorCell, Inc.	Director
CSI Services, Inc.	Director (Chairman)
AmeriHealth Administrators, Inc.	Director (Chairman)
AmeriHealth Casualty Insurance Company	Director (Chairman)
AmeriHealth HMO, Inc.	Director (Chairman)
AmeriHealth Insurance Company of New Jersey	Director (Chairman)
AmeriHealth Integrated Benefits, Inc.	Director (Chairman)
AmeriHealth Integrated Case Management, Inc.	Director (Chairman)
AmeriHealth Integrated Workers' Compensation Management, Inc.	Director (Chairman)
AmeriHealth Mercy Health Plan	Director (Chairman)
AmeriHealth Services, Inc.	Director (Chairman)
AmeriHealth, Inc.	Director (Chairman)
CompServices, Inc.	Director (Chairman)
HCDV, Inc.	Director (Chairman)
HCS, Inc.	Director (Chairman)
Healthcare Delaware, Inc.	Director (Chairman)
Independence Healthcare Management, Inc.	Director (Chairman)
Independence Holdings, Inc.	Director (Chairman)
Independence Insurance, Inc.	Director (Chairman)
Keystone Benefits, Inc.	Director (Chairman)
Keystone Health Plan East, Inc.	Director (Chairman)
Keystone Health Systems, Inc.	Director (Chairman)
Keystone Mercy Health Plan	Director (Chairman)
La Cruz Azul de Puerto Rico, Inc.	Director (Chairman)
NewSeasons Assisted Living Communities, Inc.	Director (Chairman)
QCC Insurance Company	Director (Chairman)
Select Health of South Carolina, Inc.	Director (Chairman)
Renaissance Health Alliance, LLC	Manager (Chairman)
The AmeriHealth Agency, Inc.	Director (Chairman)
Vista Health Plan, Inc.	Director (Chairman)
Independence Blue Cross	President and Chief Executive Officer
AmeriHealth Administrators, Inc.	Chairman of the Board
AmeriHealth Casualty Insurance Company	Chairman of the Board
AmeriHealth Insurance Company of New Jersey	Chairman of the Board
AmeriHealth Mercy Health Plan	Chairman of the Board
CompServices, Inc.	Chairman of the Board
CSI Services, Inc.	Chairman of the Board
Keystone Mercy Health Plan	Chairman of the Board
La Cruz Azul de Puerto Rico, Inc.	Chairman of the Board
NewSeasons Assisted Living Communities, Inc.	Chairman of the Board
Renaissance Health Alliance, LLC	Chairman of the Board
Select Health of South Carolina, Inc.	Chairman of the Board
AmeriHealth HMO, Inc.	Chairman, President and Chief Executive Officer
AmeriHealth Integrated Benefits, Inc.	Chairman, President and Chief Executive Officer
AmeriHealth Integrated Case Management, Inc.	Chairman, President and Chief Executive Officer
AmeriHealth Integrated Workers' Compensation Management, Inc.	Chairman, President and Chief Executive Officer
AmeriHealth Services, Inc.	Chairman, President and Chief Executive Officer
AmeriHealth, Inc.	Chairman, President and Chief Executive Officer
HCDV, Inc.	Chairman, President and Chief Executive Officer
HCS, Inc.	Chairman, President and Chief Executive Officer
Healthcare Delaware, Inc.	Chairman, President and Chief Executive Officer

Independence Healthcare Management, Inc.	Chairman, President and Chief Executive Officer
Independence Holdings, Inc.	Chairman, President and Chief Executive Officer
Independence Insurance, Inc.	Chairman, President and Chief Executive Officer
Keystone Benefits, Inc.	Chairman, President and Chief Executive Officer
Keystone Health Plan East, Inc.	Chairman, President and Chief Executive Officer
Keystone Health Systems, Inc.	Chairman, President and Chief Executive Officer
QCC Insurance Company	Chairman, President and Chief Executive Officer
IBC/PBS Caring Foundation for Children	Co-Chairman and Co-Chief Executive Officer
AmeriHealth of Florida, Inc.	President and Chief Executive Officer
The AmeriHealth Agency, Inc.	Chairman, President and Chief Executive Officer
Vista Health Plan, Inc.	Chairman, President and Chief Executive Officer

Samuel D. Ross, Jr.

Keystone Health Plan East, Inc.	Director

Stephen P. Fera

Independence Blue Cross	Senior Director, Government Programs

John G. Foos

CSI Services, Inc.	Director
AmeriHealth of Florida, Inc.	Director (Chairman)
NewSeasons of Allentown, Inc.	Director
NewSeasons of Bensalem, Inc.	Director
NewSeasons of Cherry Hill, Inc.	Director
NewSeasons of Clarks Summit, Inc.	Director
NewSeasons of Concordville, Inc.	Director
NewSeasons of Devon, Inc.	Director
NewSeasons of Emmaus, Inc.	Director
NewSeasons of Exton, Inc.	Director
NewSeasons of Harrisburg, Inc.	Director
NewSeasons of Jenkintown, Inc.	Director
NewSeasons of Kingston, Inc.	Director
NewSeasons of Mt. Arlington I, Inc.	Director
NewSeasons of New Britain, Inc.	Director
NewSeasons of Voorhees, Inc.	Director
NewSeasons of Washington Township, Inc.	Director
AmeriHealth Administrators, Inc.	Director
AmeriHealth HMO, Inc.	Director
AmeriHealth Insurance Company of New Jersey	Director
AmeriHealth Integrated Benefits, Inc.	Director
AmeriHealth Integrated Case Management, Inc.	Director
AmeriHealth Integrated Workers' Compensation Management, Inc.	Director
AmeriHealth Mercy Health Plan	Director
AmeriHealth Services, Inc.	Director
AmeriHealth, Inc.	Director
CompServices, Inc.	Director
Healthcare Delaware, Inc.	Director
Independence Healthcare Management, Inc.	Director
Independence Holdings, Inc.	Director
Independence Insurance, Inc.	Director
Inter-County Health Plan, Inc.	Director
Inter-County Hospitalization Plan, Inc.	Director
Keystone Benefits, Inc.	Director
Keystone Health Plan East, Inc.	Director
Keystone Health Systems, Inc.	Director
Keystone Mercy Health Plan	Director

La Cruz Azul de Puerto Rico, Inc.	Director
NewSeasons Assisted Living Communities, Inc.	Director
QCC Insurance Company	Director
Select Health of South Carolina, Inc.	Director
The AmeriHealth Agency, Inc.	Director
Vista Health Plan, Inc.	Director
Independence Blue Cross	Chief Financial Officer
AmeriHealth of Florida, Inc.	Chairman, Chief Financial Officer and Treasurer
QCC Insurance Company	Chief Financial Officer
AmeriHealth Casualty Insurance Company	Chief Financial Officer and Treasurer
AmeriHealth HMO, Inc.	Chief Financial Officer and Treasurer
AmeriHealth Insurance Company of New Jersey	Chief Financial Officer and Treasurer
AmeriHealth Integrated Benefits, Inc.	Chief Financial Officer and Treasurer
AmeriHealth Integrated Case Management, Inc.	Chief Financial Officer and Treasurer
AmeriHealth Integrated Workers' Compensation Management, Inc.	Chief Financial Officer and Treasurer
AmeriHealth Services, Inc.	Chief Financial Officer and Treasurer
AmeriHealth, Inc.	Chief Financial Officer and Treasurer
CompServices, Inc.	Chief Financial Officer and Treasurer
CSI Services, Inc.	Chief Financial Officer and Treasurer
HCDV, Inc.	Chief Financial Officer and Treasurer
HCS, Inc.	Chief Financial Officer and Treasurer
Healthcare Delaware, Inc.	Chief Financial Officer and Treasurer
Independence Healthcare Management, Inc.	Chief Financial Officer and Treasurer
Independence Holdings, Inc.	Chief Financial Officer and Treasurer
Independence Insurance, Inc.	Chief Financial Officer and Treasurer
Keystone Benefits, Inc.	Chief Financial Officer and Treasurer
Keystone Health Systems, Inc.	Chief Financial Officer and Treasurer
The AmeriHealth Agency, Inc.	Chief Financial Officer and Treasurer
Vista Health Plan, Inc.	Chief Financial Officer and Treasurer
AmeriHealth Administrators, Inc.	Treasurer
Inter-County Health Plan, Inc.	Treasurer
Inter-County Hospitalization Plan, Inc.	Treasurer
Keystone Health Plan East, Inc.	Treasurer

Daniel C. Lyons, M.D.

Keystone Benefits, Inc.	Director
Independence Blue Cross	Senior Vice President, Government Programs
AmeriHealth HMO, Inc.	Senior Vice President, Government Programs
Keystone Benefits, Inc.	Senior Vice President, Government Programs
Keystone Health Plan East, Inc.	Senior Vice President, Government Programs
QCC Insurance Company	Senior Vice President, Government Programs

Paul A. Tufano, Esq.

Independence Blue Cross	Senior Vice President, General Counsel and Corporate Secretary
NewSeasons of Allentown, Inc.	Secretary
NewSeasons of Bensalem, Inc.	Secretary
NewSeasons of Cherry Hill, Inc.	Secretary
NewSeasons of Clarks Summit, Inc.	Secretary
NewSeasons of Concordville, Inc.	Secretary
NewSeasons of Devon, Inc.	Secretary
NewSeasons of Emmaus, Inc.	Secretary
NewSeasons of Exton, Inc.	Secretary
NewSeasons of Harrisburg, Inc.	Secretary
NewSeasons of Jenkintown, Inc.	Secretary
NewSeasons of Kingston, Inc.	Secretary
NewSeasons of Mt. Arlington I, Inc.	Secretary
NewSeasons of New Britain, Inc.	Secretary
NewSeasons of Voorhees, Inc.	Secretary
NewSeasons of Washington Township, Inc.	Secretary
Inter-County Health Plan, Inc.	Corporate Secretary
Inter-County Hospitalization Plan, Inc.	Corporate Secretary

NewSeasons Assisted Living Communities, Inc.	Secretary
Renaissance Health Alliance, LLC	Secretary
AmeriHealth HMO, Inc.	Senior Vice President and General Counsel
AmeriHealth Insurance Company of New Jersey	Senior Vice President and General Counsel
AmeriHealth Administrators, Inc.	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth Casualty Insurance Company	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth Integrated Benefits, Inc.	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth Integrated Case Management, Inc.	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth Integrated Workers' Compensation Management, Inc.	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth of Florida, Inc.	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth Services, Inc.	Senior Vice President, General Counsel and Corporate Secretary
AmeriHealth, Inc.	Senior Vice President, General Counsel and Corporate Secretary
CompServices, Inc.	Senior Vice President, General Counsel and Corporate Secretary
CSI Services, Inc.	Senior Vice President, General Counsel and Corporate Secretary
HCDV, Inc.	Senior Vice President, General Counsel and Corporate Secretary
HCS, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Healthcare Delaware, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Independence Healthcare Management, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Independence Holdings, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Independence Insurance, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Keystone Benefits, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Keystone Health Plan East, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Keystone Health Systems, Inc.	Senior Vice President, General Counsel and Corporate Secretary
QCC Insurance Company	Senior Vice President, General Counsel and Corporate Secretary
The AmeriHealth Agency, Inc.	Senior Vice President, General Counsel and Corporate Secretary
Vista Health Plan, Inc.	Senior Vice President, General Counsel and Corporate Secretary

Independence
Blue Cross

1901 MARKET STREET
PHILADELPHIA, PA 19103-1480

March 22, 2004

Honorable M. Diane Koken, Commissioner
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17101

Dear Commissioner Koken:

This information is submitted pursuant to your Order of March 15, 1997, that requires Independence Blue Cross (IBC) annually to submit "a summary, in a form acceptable to the Department, of its charitable and benevolent endeavors".

Independence Blue Cross is a non-profit entity, but is not a charity. IBC has never been a 501(c)(3) entity entitled to receive charitable donations and has never accepted charitable donations.

IBC is more highly regulated than commercial insurance companies. Pursuant to this special regulatory status and Insurance Department requirements, IBC engages in activities that are considered "social mission" activities. The following summarizes the most notable of these social mission activities for 2003.

1. **Direct Rate Subsidy to Non-Group Programs' Rates** — **$3.7 million**

2. **Indirect Rate Subsidy to Non-Group Programs' Rates** — **$2.8 million**
   (Losses after premium and direct subsidy)

   In addition to the above, IBC's subsidiary QCC Insurance Co. (QCC) provided direct and indirect subsidies to non-group rates of **$9.8 million** in 2003, and Keystone Health Plan East (Keystone) provided indirect subsidies to the CHIP and Adult Basic programs of **$4.1 million.**

Independence Blue Cross offers products directly, through its subsidiaries Keystone Health Plan East and QCC Ins. Co., and with Pennsylvania Blue Shield.
Independent Licensees of the Blue Cross and Blue Shield Association.

Further, for 2004 Keystone projects that it will lose approximately **$50 million** from its participation in the Medicare + Choice program in Southeastern Pennsylvania. All of these subsidies reflect IBC's ongoing, significant commitment to the non-group and elderly populations of this region.

3. **Year Round Open Enrollment** - IBC non-group programs accept direct applicants 12 months a year. Many health insurers either do not offer non-group programs at all, or they limit non-group enrollment to a few weeks or months each year. IBC does not have data to quantify the extra costs of this practice.

4. **Contributions to Caring Foundation** - The Independence Blue Cross Pennsylvania Blue Shield Caring Foundation for Children is a separate Section 501(c)(3) company, which provides subsidized health insurance for poor children and administers a significant portion of the state's CHIP program for children in Southeastern Pennsylvania. IBC makes substantial contributions to this effort.

   2003

$175,000	direct funding contribution
$1,301,699	funding of Foundation administrative expenses

5. **Miscellaneous** – The IBC Family of Companies also supports numerous charitable, fund-raising and wellness activities of local health care, educational and civic organizations. **$ 3,643,500**

6. In 2003, the IBC Board approved funding for two initiatives in the Southeast Pennsylvania region to improve and increase the quality and availability of healthcare services. First, it authorized the expenditure of **$6 million** over the next three years for direct financial support to free medical clinics in the region. IBC has already committed $1.2 million of grants to local clinics in connection with this initiative.

In addition, on March 8, 2004 IBC announced a commitment of approximately **$3 million** over the next three years to fund, in participation with the Pennsylvania Higher Education Foundation, graduate and undergraduate nurse scholarships to support regional nursing education programs. Initial scholarship awards will be made beginning in Spring 2004.

IBC is fully taxable at the federal level, and has paid federal income taxes since the late 1980s. During 2003, IBC paid $104.6 million in Federal income taxes; its subsidiaries paid $16.7 million in state income taxes, and $13.4 million in local income and business taxes. All IBC subsidiaries pay the local and state taxes applicable to businesses of their type. For example, QCC Insurance Company paid $49.3 million in Pennsylvania premium tax for 2003. Total federal and state taxes paid in 2003 were **$184 million**.

Independence Blue Cross looks forward to continuing to work with the Insurance Department.

Sincerely,

John G. Foos
Chief Financial Officer

Copy: Stephen J. Johnson – PID

JGF/dl

Independence Blue Cross
Subsidy to Non Group Programs
(All $ Millions)

	2002 IBC	2002 QCC	2002 Total	2003 IBC	2003 QCC	2003 Total
Premium	$ 95.1	$ 86.3	$ 181.4	$ 88.1	$ 86.2	$ 174.3
Claims	90.2	84.2	174.4	83.3	87.4	170.7
Administrative Expense	6.9	4.2	11.1	7.7	4.2	12.0
Medical Management	2.7	2.7	5.4	2.3	2.6	4.9
Premium Tax	-	1.7	1.7	-	1.7	1.7
Gain/(Loss) Prior to Subsidy	$ (4.7)	$ (6.6)	$ (11.3)	$ (5.2)	$ (9.8)	$ (15.0)
Group Subsidy	4.5	6.7	11.2	3.7	9.1	12.9
Net Gain/(Loss)	$ (0.3)	$ 0.1	$ (0.1)	$ (1.4)	$ (0.7)	$ (2.1)
Indirect Subsidy	$ 0.3	$ -	$ 0.1	$ 1.4	$ 0.7	$ 2.1
Total Subsidy	$ 4.7	$ 6.7	$ 11.3	$ 5.2	$ 9.8	$ 15.0

Independence
Blue Cross

1901 MARKET STREET
PHILADELPHIA, PA 19103-1480

VIA FEDERAL EXPRESS

May 15, 2003

Honorable M. Diane Koken, Commissioner
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17101

Dear Commissioner Koken:

This information is submitted pursuant to your Order of March 15, 1997, that requires Independence Blue Cross (IBC) annually to submit "a summary, in a form acceptable to the Department, of its charitable and benevolent endeavors".

Independence Blue Cross is a non-profit entity, but is not a charity. IBC has never been a 501(c)(3) entity entitled to receive charitable donations and has never accepted charitable donations.

IBC is more highly regulated than commercial insurance companies. Pursuant to this special regulatory status and Insurance Department requirements, IBC engages in activities that are considered "social mission" activities. The following summarizes the most notable of these social mission activities for 2002.

1. **Direct Rate Subsidy to Non-Group Programs' Rates** — **$4.5 million**

2. **Indirect Rate Subsidy to Non-Group Programs' Rates** — **$1.4 million**
   (Losses after premium and direct subsidy)

   In addition to the above, IBC's subsidiary QCC Insurance Co. (QCC) provided direct subsidies to non-group rates of $6.7 million in 2002.

   Over the past five years, combined IBC and QCC direct and indirect subsidies provided to the non-group programs have exceeded $100 million, an average of over $20 million per year.

Independence Blue Cross offers products directly through its subsidiaries Keystone Health Plan East, ...

Further, in 2003 IBC's subsidiary Keystone Health Plan East projects that it will lose more than $50 million from its participation in the Medicare + Choice program in Southeastern Pennsylvania. All of these subsidies reflect IBC's ongoing, significant commitment to the non-group and elderly populations of this region.

3. **No Medical Underwriting-** IBC enrolls every applicant in all health insurance programs (group and non-group) regardless of the applicant's health status. IBC does not have data to quantify the extra costs of this practice.

4. **Year Round Open Enrollment** - IBC non-group programs accept direct applicants 12 months a year. Many health insurers either do not offer non-group programs at all, or they limit non-group enrollment to a few weeks or months each year. IBC does not have data to quantify the extra costs of this practice.

5. **Community-Rating for Small Groups** - IBC offers community rating to small group employers, which enables them more effectively to spread their risk experience. IBC does not have data to quantify the extra costs of this practice.

6. **Contributions to Caring Foundation** - The Independence Blue Cross Pennsylvania Blue Shield Caring Foundation for Children is a separate Section 501(c)(3) company, which provides subsidized health insurance for poor children and administers a significant portion of the state's CHIP program for children in Southeastern Pennsylvania. IBC makes substantial contributions to this effort.

2002	
$222,504	direct funding contribution
$1,316,279	funding of Foundation administrative expenses.

7.	**Miscellaneous** - IBC also supports numerous charitable, fund-raising and wellness activities of local health care, educational and civic organizations.	**$767,900**

IBC is fully taxable at the federal level, and has paid federal income taxes since the late 1980s. During 2002, IBC paid $65.1 million in Federal income taxes; its subsidiaries paid $10.7 million in Pennsylvania net income tax, and $8.2 million in local income and business taxes. All IBC subsidiaries pay the local and state taxes applicable to businesses of their type. For example, QCC Insurance Company paid $42.5 million in Pennsylvania premium tax for 2002.

Independence Blue Cross looks forward to continuing to work with the Insurance Department.

Sincerely,

John G. Foos
Chief Financial Officer

Copy: Stephen J. Johnson – PID

JGF/dl

Independence
Blue Cross

www.ibx.com

1901 MARKET STREET
PHILADELPHIA, PA 19103-1480

May 13, 2004

VIA HAND DELIVERY

Sandra L. Ykema, Esquire
Department Counsel
Pennsylvania Insurance Department
1341 Strawberry Square
Harrisburg, PA 17120

RE: RESPONSE TO YOUR LETTER DATED MAY 7, 2004

Dear Ms. Ykema:

Your letter dated May 7, 2004, to Paul Tufano, Esquire, IBC's General Counsel, has been forwarded to me for response. For your convenience, this written response will address each of the matters in the order presented in your May 7th letter.

Question No. 1:

Inter-County Hospitalization Plan, Inc. - As the Department knows, this entity is not included in IBC's insurance blank. However, I am informed that Highmark supplied the responsive information for this entity in its March 22, 2004 written reply to the Department and, therefore, I draw your attention to Highmark's response.

Inter-County Health Plan, Inc. - As the Department knows, this entity too is not included in IBC's insurance blank. However, it is my understanding that Highmark supplied the responsive information for this entity in its March 22, 2004 written reply to the Department and, therefore, I draw your attention to Highmark's response.

Vista Health Plan, Inc. - Inactive.

AmeriHealth Casualty Ins. Co. – This Delaware domiciled entity only recently began underwriting operations. Premiums earned in 2003 were $17.3 million, a clearly immaterial amount. For your information, the most recent insurance blank with actuarial certification is enclosed.

Independence Blue Cross offers products directly, through its subsidiaries Keystone Health Plan East and OCC Ins. Co., and with Pennsylvania Blue Shield.
Independent Licensees of the Blue Cross and Blue Shield Association

AmeriHealth Ins. Co. of NJ - The responsive information was included in my March 23, 2004 written response to the Department.

Healthcare Delaware, Inc., - Inactive.

AmeriHealth Health Plan, Inc. - Sold December 2003.

Independence Insurance, Inc. - Inactive.

La Cruz Azul de Puerto Rico - Notwithstanding IBC's belief that this not-wholly-owned, foreign domiciled entity is both irrelevant and immaterial to the Department's considerations at hand, the most recent insurance blank with actuarial certification for claims liability for this entity is enclosed.

Question No. 2:

There are no accrued medical incentive pool and bonus payments posted to the 2003 financial statements, so independent actuarial certification is not applicable.

Further, accident and health unearned premiums posted to the 2003 financial statements are a function of accounting, and are not subject to actuarial estimation, calculation or judgment.

I trust that you recall our having discussed this in our telephone conference on January 22, 2004, in which Stephen J. Johnson, Deputy Commissioner, and others participated. My notes and recollection of that January 22nd conference call reflect Mr. Johnston advised me that Highmark earlier had raised the same concern about actuarial review and certification of such matters and Mr. Johnson agreed upon procedures for Highmark to follow in lieu of such review and certification. Mr. Johnson then advised that IBC could and should follow those same procedures, which IBC did.

Specific procedures related to non-claim accounts (specifically unearned premiums and premiums due and unpaid) were provided to the Department on March 23, 2004, along with a letter from Deloitte & Touche documenting certain audit procedures performed with respect to those balances.

Therefore, IBC's substantive response to the information requested remains the information IBC previously supplied to the Department.

Question No. 3 (The Response To Which Applies Equally To Question Nos. 4 & 6):

The documentation responsive to these questions is extremely proprietary and sensitive to IBC. In fact, the release, whether inadvertent or not, to a third party of the trend, cost and pricing information contained in these documents would have a devastating impact upon IBC's ability to compete in the market place. For these reasons, we have offered to make the documents available for inspection by the Department at IBC's premises; an eminently reasonable offer which the Department has rejected without explanation.

IBC nevertheless is willing to try to accommodate the Department and, in the spirit of cooperation, makes the following proposal in exchange for IBC producing the documents to the Department:

1. The Department agrees that the documents (and their content) will not be made available in any way to any third party(ies);

2. The Department agrees to take all necessary steps to implement and/or enforce a policy or process designed to ensure that the documents (and their content) are not released to any third party(ies) by accident or otherwise;

3. The Department agrees that the documents contain sensitive proprietary information about IBC which must be maintained in confidence and not released to any third party(ies);

4. The Department agrees it will take whatever action is necessary to ensure that the documents and their contents are maintained in confidence and not released to any third party(ies) and will affirmatively support any action by IBC to ensure that such documents and their contents are maintained in confidence and not released to any third party(ies); and,

5. The Department agrees to return the documents and any copies thereof to IBC within thirty (30) days after production by IBC.

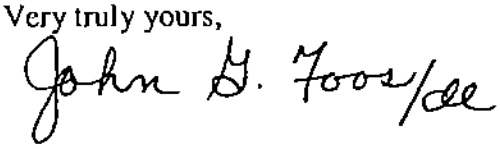
Please direct all inquiries regarding the confidential treatment of the documents to Eleanor D. Thompson, Vice President and Deputy General Counsel at Eleanor.Thompson@ibx.com or 215-241-3835.

Question No. 5:

The first talking point for clarification during our telephone conference on January 22, 2004 was whether IBC should provide the Department with a consolidated surplus level because the identification of surplus on a company by company basis would be misleading in that it would fail to accurately record requisite accounting deductions necessary to reflect shifts between equity and investment. My notes reflect Mr. Johnson agreed that IBC's point was well taken, and that IBC should only provide a consolidated surplus number. In IBC's case, the answer remains $840,916,664.

If you have any further questions regarding this information, please contact me at 215-241-2420, or *via* e-mail at John.Foos@ibx.com.

Very truly yours,



John G. Foos
Chief Financial Officer

JGF/dl
Enclosures

cc: S.J. Johnson - PID
R.L. Rohrbaugh - PID
Paul Tufano, Senior Vice President and General Counsel
Eleanor D. Thompson, Vice President and Deputy General Counsel

ANNUAL STATEMENT

OF THE

LA CRUZ AZUL DE PUERTO RICO, INC.

of

San Juan

in the state of

Puerto Rico

2003

TO THE

Insurance Department

OF THE STATE OF

Puerto Rico

FOR THE YEAR ENDED
DECEMBER 31, 2003

LIFE AND ACCIDENT AND HEALTH

2003

33546200344000100 2003 Document Code: 440

Statement of Actuarial Opinion

Deloitte.

Deloitte Consulting LLP
2 Hilton Street
Parsippany, New Jersey 07050
USA

Tel: 973-683-7000
Fax: 973-683-6714
www.deloitte.com

STATEMENT OF ACTUARIAL OPINION

Statutory Annual Statement of La Cruz Azul De Puerto Rico Inc.
December 31, 2003

I, Donald J. Martineau, am a Member of the American Academy of Actuaries and am associated with the firm of Deloitte Consulting, LLP. I have been retained by La Cruz Azul De Puerto Rico Inc. to review calculations of certain actuarial items made by La Cruz Azul De Puerto Rico Inc. I meet the Academy qualification standards for rendering this statement of actuarial opinion.

I have examined the assumptions and methods used in determining the loss reserves as shown in the annual statement of the corporation as prepared for filing with Commonwealth regulatory officials as of December 31, 2003.

Contract Claims; Accident and Health (Line 4.2, Page 3,)	$24,700,000
Premiums and Annuity Considerations Received in Advance (Line 8, Page 3)	$ 15,298
Contract Liabilities not included elsewhere (Line 9, Page 3)	$ 0

My examination included such review of the assumptions and methods and of the underlying basic records and summaries and such tests and calculations as I considered necessary.

In my opinion, the amount carried in the balance sheet on account of the item identified above is in accordance with accepted actuarial standards consistently applied and is fairly stated in accordance with sound actuarial principles, is based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the Statement was prepared, meets the requirements of the laws of the Commonwealth of Puerto Rico and makes good and sufficient provision for all unpaid claims under the terms of its contracts and agreements, is computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of December 31, 2002 and includes appropriate provision for all actuarial items which ought to be established.

Member of
Deloitte Touche Tohmatsu

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Statement of Actuarial Opinion

STATEMENT OF ACTUARIAL OPINION

This opinion has been prepared solely for the Board and management of the Company, for filing with insurance regulatory agencies of the Commonwealth of Puerto Rico, and for filing with the Blue Cross and Blue Shield Association.

March 26, 2004

Donald J. Martineau, FSA, MAAA
Deloitte Consulting, LLP
2 Hilton Court
Parsippany, New Jersey 07054
(973) 683-7683

Member of
Deloitte Touche Tohmatsu

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LIFE AND ACCIDENT AND HEALTH COMPANIES ASSOCIATION EDITION

53546200320100100 2003 Document Code: 201

ANNUAL STATEMENT

For the Year Ended December 31, 2003
OF THE CONDITION AND AFFAIRS OF THE

LA CRUZ AZUL DE PUERTO RICO, INC.

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 53546 Employer's ID Number 660195325

Organized under the Laws of Puerto Rico, State of Domicile or Port of Entry Puerto Rico

Country of Domicile United States of America

Incorporated 10/21/1998 Commenced Business 12/19/1998

Statutory Home Office State Road #1 Km 17.3 (Street and Number), San Juan, PR 000927 (City, or Town, State and Zip Code)

Main Administrative Office SAME (Street and Number)

(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address PO BOX 366068 (Street and Number or P.O. Box), San Juan, PR 00936 (City, or Town, State and Zip Code)

Primary Location of Books and Records SAME (Street and Number)

(City, or Town, State and Zip Code) (000)000-0000 (Area Code) (Telephone Number)

Internet Website Address www.cruzazul.com

Statutory Statement Contact Jose A. Rodriguez (Name) (787)272-7879 (Area Code)(Telephone Number)(Extension)

jose.rodriguez@cruzazul.com (E-Mail Address) (787)272-7202 (Fax Number)

Policyowner Relations Contact (Street and Number)

(City, or Town, State and Zip Code) (Area Code) (Telephone Number)(Extension)

OFFICERS

President	MARCOS A VIDAL
Secretary	IRAELIA PERNAS
COO AND CFO	JUAN ORTEGA
Vacant/Actuary	LINCOLN ZUKUH

VICE PRESIDENTS

GLORIA E CIBES
JOSE MALDONADO
MARIO ROBLES
LUIS FIGUEROA
REGINA VEGA
CARMEN S ROVIRA
JUAN ARILL

DIRECTORS OR TRUSTEES

State of Puerto Rico
County of San Juan 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 manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Marcos A. Vidal	Iraelia Pernas	JUAN ORTEGA
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	COO AND CFO

AFFIDAVIT NO. -3619-

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

Subscribed and sworn to before me this 29th day of March, 2004

(Notary Signature)

Gilberto Mayo Pagán
Abogado Notario

IBC 00182

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	13,823,065	1,102,608	12,720,457	11,453,967
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks	106,500		106,500	106,500
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..... encumbrances)				11,101,038
4.2 Properties held for the production of income (less $..... encumbrances)				
4.3 Properties held for sale (less $..... encumbrances)				
5. Cash ($.....6,823,832 Schedule E Part 1), cash equivalents ($..... Schedule E Part 2) and short-term investments ($.....2,513,490 Schedule DA)	9,337,322		9,337,322	8,739,449
6. Contract loans (including $..... premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	23,266,887	1,102,608	22,164,279	31,400,954
11. Investment income due and accrued	174,504		174,504	200,038
12. Premiums and considerations				
12.1 Uncollected premiums and agents' balances in the course of collection	7,156,074		7,156,074	7,607,210
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..... earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans	16,339,208	193,807	16,145,401	15,072,608
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset	333,000		333,000	
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software	1,276,004	1,276,004		
18. Furniture and equipment, including health care delivery assets ($.....)	141,686	141,686		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates				
21. Health care ($.....) and other amounts receivable	7,413,130		7,413,130	6,551,933
22. Other assets nonadmitted	1,061,776	1,061,776		
23. Aggregate write-ins for other than invested assets	9,318,059	1,652,033	7,666,026	4,269,639
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	66,480,328	5,427,914	61,052,414	65,102,382
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	66,480,328	5,427,914	61,052,414	65,102,382
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)				
2301. OVERPAYMENTS TO PROVIDERS	3,285,000	710,000	2,575,000	1,099,129
2302. OTHERS	2,623,722	942,033	1,681,689	733,957
2303. PREPA WITHHOLDING	3,409,337		3,409,337	2,436,553
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	9,318,059	1,652,033	7,666,026	4,269,639

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
Aggregate reserve for life contracts $..... (Exhibit 5, Line 9999999) less $..... included in Line 6.3 (including $..... Modco Reserve)		
Aggregate reserve for accident and health contracts (Exhibit 6, Line 17, Column 1) (including $..... Modco Reserve)		
Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including $..... Modco Reserve)		
Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Column 1 less sum of Columns 9, 10, and 11)		
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Columns 9, 10, and 11)	24,700,000	18,500,000
Policyholders' dividends $..... and coupons $..... due and unpaid (Exhibit 4, Line 10)		
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment to ..... (including $..... Modco)		
6.2 Dividends not yet apportioned (including $..... Modco)		
6.3 Coupons and similar benefits (including $..... Modco)		
Amount provisionally held for deferred dividend policies not included in Line 6		
Premiums and annuity considerations for life and accident and health contracts received in advance less $..... discount; including $.....15,298 accident and health premiums (Exhibit 1, Part 1, Column 1, sum of Lines 4 and 14)	15,298	96,768
Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		
9.2 Provision for experience rating refunds, including $..... A & H experience rating refunds		
9.3 Other amounts payable on reinsurance; including $..... assumed and $..... ceded		
9.4 Interest Maintenance Reserve (IMR, Line 6)	(27,314)	
Commissions to agents due or accrued-life and annuity contracts $..... accident and health $..... and deposit-type contract funds $.....		
Commissions and expense allowances payable on reinsurance assumed		
General expenses due or accrued (Exhibit 2, Line 12, Column 5)	14,470,347	15,443,623
Transfers to Separate Accounts due or accrued (net) (including $..... accrued for expense allowances recognized in reserves, net of reinsured allowances)		
Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5)	375,194	654,132
1 Current Federal and foreign income taxes, including $..... on realized capital gains (losses)		
2 Net deferred tax liability		
Unearned investment income		
Amounts withheld or retained by company as agent or trustee		
Amounts held for agents' account, including $..... agents' credit balances		
Remittances and items not allocated		
Net adjustment in assets and liabilities due to foreign exchange rates		
Liability for benefits for employees and agents if not included above		
Borrowed money $..... and interest thereon $.....		
Dividends to stockholders declared and unpaid		
Miscellaneous liabilities:		
24.1 Asset Valuation Reserve (Page 35, Line 16, Column 7)		
24.2 Reinsurance in unauthorized companies		
24.3 Funds held under reinsurance treaties with unauthorized reinsurers		
24.4 Payable to parent, subsidiaries and affiliates	1,500,000	10,202,455
24.5 Drafts outstanding		
24.6 Liability for amounts held under uninsured accident and health plans	570,951	490,951
24.7 Funds held under coinsurance		
24.8 Payable for securities		
24.9 Capital notes $..... and interest thereon $.....		
Aggregate write-ins for liabilities	8,272,429	7,459,928
TOTAL Liabilities excluding Separate Accounts business (Lines 1 to 25)	49,876,905	52,847,857
From Separate Accounts Statement		
TOTAL LIABILITIES (Lines 26 and 27)	49,876,905	52,847,857
Common capital stock	1,130,264	623,684
Preferred capital stock		
Aggregate write-ins for other than special surplus funds		
Surplus Notes		36,000,000
Gross paid in and contributed surplus (Page 3, Line 33, Column 2 plus Page 4, Line 51.1, Column 1)	70,069,511	34,576,091
Aggregate write-ins for special surplus funds		
Unassigned funds (surplus)	(60,024,266)	(58,950,575)
Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 29 $.....)		
36.2 ..... shares preferred (value included in Line 30 $.....)		
Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including $..... in Separate Accounts Statement)	10,045,245	11,625,516
TOTALS of Lines 29, 30 and 37 (Page 4, Line 55)	11,175,509	12,249,200
TOTALS of Lines 28 and 38 (Page 2, Line 26, Column 3)	61,052,414	65,097,057

AILS OF WRITE-INS

DEPOSITS		
OBLIGATIONS UNDER CAPITAL LEASES	154,963	212,108
OTHER ACCOUNTS PAYABLE	6,965,042	7,247,820
Summary of remaining write-ins for Line 25 from overflow page	1,152,424	
TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	8,272,429	7,459,928
Summary of remaining write-ins for Line 31 from overflow page		
TOTALS (Lines 3101 through 3103 plus 3198) (Line 31 above)		
Summary of remaining write-ins for Line 34 from overflow page		
TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)		

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SUMMARY OF OPERATION

(Excluding Unrealized Capital Gains and Losses)

		1 Current Year	2 Prior Year
.	Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col.11)	114,877,070	156,966,386
.	Considerations for supplementary contracts with life contingencies		
.	Net investment income (Exhibit of Net Investment Income Line 17)	425,362	651,372
.	Amortization of Interest Maintenance Reserve (IMR) (Page 33, Line 5)	27,314	
.	Separate Accounts net gain from operations excluding unrealized gains or losses		
.	Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Column 1)		
.	Reserve adjustments on reinsurance ceded		
.	Miscellaneous Income:		
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts		
	8.2 Charges and fees for deposit-type contracts		
	8.3 Aggregate write-ins for miscellaneous income	1,058,510	
.	Totals (Lines 1 to 8.3)	116,388,256	157,617,758
0.	Death benefits		
1.	Matured endowments (excluding guaranteed annual pure endowments)		
2.	Annuity benefits (Exhibit 8, Part 2, Line 6.4, Columns 4 + 8)		
3.	Disability benefits and benefits under accident and health contracts	93,583,226	126,396,254
4.	Coupons, guaranteed annual pure endowments and similar benefits		
5.	Surrender benefits and other fund withdrawals for life contracts		
6.	Group conversions		
7.	Interest and adjustments on contract or deposit-type contract funds		
8.	Payments on supplementary contracts with life contingencies		
9.	Increase in aggregate reserves for life and accident and health contracts		
0.	Totals (Lines 10 to 19)	93,583,226	126,396,254
1.	Commissions on premiums, annuity considerations, and deposit type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Column 1)		
2.	Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Column 1)		
3.	General insurance expenses (Exhibit 2, Line 10, Columns 1 + 2 + 3)	20,332,666	24,230,580
4.	Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Columns 1 + 2 + 3)	1,286,435	1,164,077
5.	Increase in loading on deferred and uncollected premiums		
6.	Net transfers to or (from) Separate Accounts net of reinsurance		
7.	Aggregate write-ins for deductions	1,431,578	8,097,298
8.	Totals (Lines 20 to 27)	116,633,905	159,888,209
9.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(245,649)	(2,270,451)
0.	Dividends to policyholders		
1.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(245,649)	(2,270,451)
2.	Federal and foreign income taxes incurred (excluding tax on capital gains)		
3.	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(245,649)	(2,270,451)
4.	Net realized capital gains or (losses) less capital gains tax of $..... (excluding taxes of $..... transferred to the IMR)	(15,105)	(1,213,942)
5.	Net income (Line 33 plus Line 34)	(260,754)	(3,484,393)
	CAPITAL AND SURPLUS ACCOUNT		
6.	Capital and surplus, December 31, prior year (Page 3, Line 38, Column 2)	12,249,200	14,232,026
7.	Net income (Line 35)	(260,754)	(3,484,393)
8.	Change in net unrealized capital gains (losses)	8,202	
9.	Change in net unrealized foreign exchange capital gain (loss)		
0.	Change in net deferred income tax	(821,139)	(498,433)
1.	Change in nonadmitted assets and related items (Exhibit 9, Line 6, Column 3)		
2.	Change in liability for reinsurance in unauthorized companies		
3.	Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 9999999, Col. 4)		
4.	Change in asset valuation reserve (Page 35, Lines 2 + 3 + 4 + 5 - 6 + 7 + 11 + 14 + 15, Column 7)		
5.	Change in treasury stock (Page 3, Lines 36.1 and 36.2 Column 2 minus Column 1)		
6.	Surplus (contributed to) withdrawn from Separate Accounts during period		
7.	Other changes in surplus in Separate Accounts Statement	(35,493,420)	10,000,000
8.	Change in surplus notes		
9.	Cumulative effect of changes in accounting principles		
50.	Capital changes:		
	50.1 Paid in		
	50.2 Transferred from surplus (Stock Dividend)		(8,000,000)
	50.3 Transferred to surplus		
51.	Surplus adjustment:	35,493,420	
	51.1 Paid in		
	51.2 Transferred to capital (Stock Dividend)		
	51.3 Transferred from capital		
	51.4 Change in surplus as a result of reinsurance		
52.	Dividends to stockholders		
53.	Aggregate write-ins for gains and losses in surplus	(1,073,691)	(1,982,826)
54.	Net change in capital and surplus for the year (Lines 37 through 53)	11,175,509	12,249,200
55.	Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)		
DETAILS OF WRITE-INS			
08.301.	Gain on Sale of Building and Furniture	1,058,510	
08.302			
08.303			
08.398.	Summary of remaining write-ins for Line 8.3 from overflow page		
08.399.	TOTALS (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	1,058,510	
2701.	Other	(8,301)	
2702.	Guayama and Non-Guayama Reciprocity Write-Off	1,439,879	8,097,298
2703			
2798.	Summary of remaining write-ins for Line 27 from overflow page		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	1,431,578	8,097,298
5301			
5302			
5303			
5398.	Summary of remaining write-ins for Line 53 from overflow page		
5399.	TOTALS (Lines 5301 through 5303 plus 5398) (Line 53 above)		

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	107,639,526	144,059,701
2.	Net investment income	250,858	1,257,980
3.	Miscellaneous income	1,058,510	
4.	Total (Lines 1 through 3)	108,948,894	145,317,681
5.	Benefit and loss related payments	87,383,226	149,896,254
6.	Net transfers to Separate, Segregated and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	39,588,825	34,138,661
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) $..... net tax on capital gains (losses)	333,000	
10.	Total (Lines 5 through 9)	127,305,051	184,034,915
11.	Net cash from operations (Lines 4 minus 10)	(18,356,157)	(38,717,234)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	4,708,236	18,653,887
	12.2 Stocks		6,183,924
	12.3 Mortgage loans		
	12.4 Real estate	12,900,000	
	12.5 Other invested assets	900,000	
	12.6 Net gains or (losses) on cash and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	18,508,236	24,837,811
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	5,306,602	6,871,083
	13.2 Stocks		309,531
	13.3 Mortgage loans		
	13.4 Real estate		1,138,493
	13.5 Other invested assets		
	13.6 Miscellaneous applications	1,793,129	
	13.7 Total investments acquired (Lines 13.1 to 13.6)	7,099,731	8,319,107
14.	Net increase (or decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	11,408,505	16,518,704
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes	(36,000,000)	
	16.2 Capital and paid in surplus, less treasury stock	36,000,000	
	16.3 Borrowed funds received		10,000,000
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	7,545,525	(1,638,562)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	7,545,525	8,361,438
	RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18.	Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17)	597,873	(13,837,092)
19.	Cash and short-term investments:		
	19.1 Beginning of year	8,739,449	22,576,541
	19.2 End of year (Line 18 plus Line 19.1)	9,337,322	8,739,449

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit) (Excluding Capital Gains and Losses)

	1	2	Ordinary			6	Group		Accident and Health			12
	Total	Industrial Life	3 Life Insurance	4 Individual Annuities	5 Supplementary Contracts	Credit Life (Group and Individual)	7 Life Insurance (a)	8 Annuities	9 Group	10 Credit (Group and Individual)	11 Other	Aggregate of All Other Lines of Business
1. Premiums and annuity considerations for life and accident and health contracts	114,877,070								114,877,070			
2. Considerations for supplementary contracts with life contingencies												
3. Net investment income	425,362								425,362			
4. Amortization of Interest Maintenance Reserve (IMR)	27,314								27,314			
5. Separate Accounts net gain from operations excluding unrealized gains or losses												
6. Commissions and expense allowances on reinsurance ceded												
7. Reserve adjustments on reinsurance ceded												
8. Miscellaneous Income												
8.1 Fees associated with income from investment mngmt., admin., and contract guarantees (From S.A.)												
8.2 Charges and fees for deposit-type contracts												
8.3 Aggregate write-ins for miscellaneous income	1,058,510								1,058,510			
9. Totals (Lines 1 to 8.3)	116,388,256								116,388,256			
10. Death benefits												
11. Matured endowments (excluding guaranteed annual pure endowments)												
12. Annuity benefits												
13. Disability benefits and benefits under accident and health contracts	93,583,226								93,583,226			
14. Coupons, guaranteed annual pure endowments and similar benefits												
15. Surrender benefits and withdrawals for life contracts												
16. Group conversions												
17. Interest and adjustments on contract or deposit-type contract funds												
18. Payments on supplementary contracts with life contingencies												
19. Increase in aggregate reserves for life and accident and health contracts												
20. Totals (Lines 10 to 19)	93,583,226								93,583,226			
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)												
22. Commissions and expense allowances on reinsurance assumed												
23. General insurance expenses	20,332,666								20,332,666			
24. Insurance taxes, licenses and fees, excluding federal income taxes	1,286,435								1,286,435			
25. Increase in loading on deferred and uncollected premiums												
26. Net transfers to or (from) Separate Accounts net of reinsurance												
27. Aggregate write-ins for deductions	1,431,578								1,431,578			
28. Totals (Lines 20 to 27)	116,633,905								116,633,905			
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 - Line 28)	(245,649)								(245,649)			
30. Dividends to policyholders												
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 - Line 30)	(245,649)								(245,649)			
32. Federal income taxes incurred (excluding tax on capital gains)												
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(245,649)								(245,649)			
DETAILS OF WRITE-INS												
08.301. Gain on Sale of Building and Furniture	1,058,510								1,058,510			
08.302												
08.303												
08.398. Summary of remaining write-ins for Line 8.3 from overflow page												
08.399. TOTALS (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	1,058,510								1,058,510			
2701. Other	(8,301)								(8,301)			
2702. Guayama and Non-Guayama Reciprocity Write-Off	1,439,879								1,439,879			
2703												
2798. Summary of remaining write-ins for Line 27 from overflow page												
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	1,431,578								1,431,578			

(a) Includes the following amounts for FEGLI/SGLI: Line 1 $.....; Line 10 $.....; Line 16 $.....; Line 23 $.....; Line 24 $.....

ANALYSIS OF INCREASE IN RESERVES AND DEPOSIT FUNDS DURING THE YEAR

	1	2	Ordinary			6	Group	
			3	4	5		7	8
	Total	Industrial Life	Life Insurance	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance	Annuities
Involving Life or Disability Contingencies (Reserves) (Net of Reinsurance Ceded)								
1. Reserve December 31, prior year								
2. Tabular net premiums or considerations								
3. Present value of disability claims incurred					XXX			
4. Tabular interest								
5. Tabular less actual reserve released								
6. Increase in reserve on account of change in valuation basis								
7. Other increases (net)								
8. Totals (Lines 1 to 7)								
9. Tabular cost					XXX			
10. Reserves released by death				XXX	XXX			XXX
11. Reserves released by other terminations (net)								
12. Annuity, supplementary contract, and disability payments involving life contingencies								
13. Net transfers to or (from) Separate Accounts								
14. Total deductions (Lines 9 to 13)								
15. Reserve December 31, current year								

NONE

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 1,050,864	1,076,399
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	1,050,864	1,076,399
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h) 651,037
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)		651,037
17.	Net Investment Income (Line 10 minus Line 16)		425,362
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 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	5 Total
1.	U.S. Government bonds	8,682				8,682
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)	(23,788)				(23,788)
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)	(15,106)				(15,106)
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 - PART 1 - PREMIUMS AND ANNUITY CONSIDERATIONS FOR LIFE AND ACCIDENT AND HEALTH POLICIES AND CONTRACTS

	1	2	Ordinary		5	Group		Accident and Health			11
			3	4		6	7	8	9	10	
	Total	Industrial Life	Life Insurance	Individual Annuities	Credit Life (Group and Individual)	Life Insurance	Annuities	Group	Credit (Group and Individual)	Other	Aggregate of All Other Lines of Business
FIRST YEAR (other than single)											
1. Uncollected											
2. Deferred and accrued											
3. Deferred, accrued and uncollected:											
3.1 Direct											
3.2 Reinsurance assumed											
3.3 Reinsurance ceded											
3.4 Net (Line 1 + Line 2)											
4. Advance											
5. Line 3.4 - Line 4											
6. Collected during year:											
6.1 Direct											
6.2 Reinsurance assumed											
6.3 Reinsurance ceded											
6.4 Net											
7. Line 5 + Line 6.4											
8. Prior year (uncollected + deferred and accrued - advance)											
9. First year premiums and considerations:											
9.1 Direct											
9.2 Reinsurance assumed											
9.3 Reinsurance ceded											
9.4 Net (Line 7 - Line 8)											
SINGLE											
10. Single premiums and considerations:											
10.1 Direct											
10.2 Reinsurance assumed											
10.3 Reinsurance ceded											
10.4 Net											
RENEWAL											
11. Uncollected	7,156,074							7,156,074			
12. Deferred and accrued											
13. Deferred, accrued and uncollected:											
13.1 Direct	7,156,074							7,156,074			
13.2 Reinsurance assumed											
13.3 Reinsurance ceded											
13.4 Net (Line 11 + Line 12)	7,156,074							7,156,074			
14. Advance	15,298							15,298			
15. Line 13.4 - Line 14	7,140,776							7,140,776			
16. Collected during year:											
16.1 Direct	115,404,070							115,404,070			
16.2 Reinsurance assumed											
16.3 Reinsurance ceded	527,000							527,000			
16.4 Net	114,877,070							114,877,070			
17. Line 15 + Line 16.4	122,017,846							122,017,846			
18. Prior year (uncollected + deferred and accrued - advance)	7,140,776							7,140,776			
19. Renewal premiums and considerations:											
19.1 Direct	115,404,070							115,404,070			
19.2 Reinsurance assumed											
19.3 Reinsurance ceded	527,000							527,000			
19.4 Net (Line 17 - Line 18)	114,877,070							114,877,070			
TOTAL											
20. TOTAL premiums and annuity considerations											
20.1 Direct	115,404,070							115,404,070			
20.2 Reinsurance assumed											
20.3 Reinsurance ceded	527,000							527,000			
20.4 Net (Lines 9.4 + 10.4 + 19.4)	114,877,070							114,877,070			

EXHIBIT 1 - PART 2 - DIVIDENDS AND COUPONS APPLIED, REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES AND COMMISSIONS INCURRED (direct business only)

	1	2	Ordinary		5	Group		Accident and Health			11
			3	4		6	7	8	9	10	
	Total	Industrial Life	Life Insurance	Individual Annuities	Credit Life (Group and Individual)	Life Insurance	Annuities	Group	Credit (Group and Individual)	Other	Aggregate of All Other Lines of Business
DIVIDENDS AND COUPONS APPLIED (included in Part 1)											
21. To pay renewal premiums (Exhibit 4, Line 1)											
22. All other (Exhibit 4, Lines 2, 3 & 4)											
REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES INCURRED											
23. First year (other than single):											
23.1 Reinsurance ceded											
23.2 Reinsurance assumed											
23.3 Net ceded less assumed											
24. Single:											
24.1 Reinsurance ceded											
24.2 Reinsurance assumed											
24.3 Net ceded less assumed											
25. Renewal:											
25.1 Reinsurance ceded											
25.2 Reinsurance assumed											
25.3 Net ceded less assumed											
26. TOTALS:											
26.1 Reinsurance ceded (Page 6, Line 6)											
26.2 Reinsurance assumed (Page 6, Line 22)											
26.3 Net ceded less assumed											
COMMISSIONS INCURRED (direct business only)											
27. First year (other than single)											
28. Single											
29. Renewal											
30. Deposit-type contract funds											
31. Totals (to agree with Page 6, Line 21)											

NONE

EXHIBIT 2 - GENERAL EXPENSES

		Insurance 1 Life	2 Accident and Health	3 All Other Lines of Business	4 Investment	5 Total
1.	Rent		1,515,229			1,515,229
2.	Salaries and wages		10,834,926			10,834,926
3.11	Contributions for benefit plans for employees		3,844,991			3,844,991
3.12	Contributions for benefit plans for agents					
3.21	Payments to employees under non-funded benefit plans					
3.22	Payments to agents under non-funded benefit plans					
3.31	Other employee welfare					
3.32	Other agent welfare					
4.1	Legal fees and expenses		336,945			336,945
4.2	Medical examination fees					
4.3	Inspection report fees					
4.4	Fees of public accountants and consulting actuaries		103,000			103,000
4.5	Expense of investigation and settlement of policy claims					
5.1	Traveling expenses		552,321			552,321
5.2	Advertising		722,823			722,823
5.3	Postage, express, telegraph and telephone		1,109,830			1,109,830
5.4	Printing and stationery		321,612			321,612
5.5	Cost or depreciation of furniture and equipment					
5.6	Rental of equipment					
5.7	Cost or depreciation of EDP equipment and software					
6.1	Books and periodicals					
6.2	Bureau and association fees		178,240			178,240
6.3	Insurance, except on real estate		445,320			445,320
6.4	Miscellaneous losses					
6.5	Collection and bank service charges		179,204			179,204
6.6	Sundry general expenses		850,665			850,665
6.7	Group service and administration fees					
6.8	Reimbursements by uninsured accident and health plans		(12,311,166)			(12,311,166)
7.1	Agency expense allowance					
7.2	Agents' balances charged off (less $..... recovered)					
7.3	Agency conferences other than local meetings					
9.1	Real estate expenses					
9.2	Investment expenses not included elsewhere					
9.3	Aggregate write-ins for expenses		11,648,726			11,648,726
10.	General expenses incurred		20,332,666			(a) 20,332,666
11.	General expenses unpaid December 31, prior year		15,443,623			15,443,623
12.	General expenses unpaid December 31, current year		14,470,347			14,470,347
13.	Amounts receivable relating to uninsured accident and health plans, prior year		15,067,898			15,067,898
14.	Amounts receivable relating to uninsured accident and health plans, current year		16,339,208			16,339,208
15.	General expenses paid during year (Lines 10 + 11 - 12 - 13 + 14)		22,577,252			22,577,252
DETAILS OF WRITE-INS						
09.301.	MEDICAL MANAGEMENT		662,518			662,518
09.302.	DATA PROCESSING EXPENSE		8,952,950			8,952,950
09.303.	EQUIPMENT EXPENSE		256,928			256,928
09.398.	Summary of remaining write-ins for Line 9.3 from overflow page		1,776,330			1,776,330
09.399.	TOTALS (Lines 09.301 through 09.303 plus 09.398) (Line 9.3 above)		11,648,726			11,648,726

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

EXHIBIT 3 - TAXES, LICENSES AND FEES (EXCLUDING FEDERAL INCOME TAXES)

		Insurance 1 Life	2 Accident and Health	3 All Other Lines of Business	4 Investment	5 Total
1.	Real estate taxes		102,000			102,000
2.	State insurance department licenses and fees					
3.	State taxes on premiums					
4.	Other state taxes, incl. $.....1,184,435 for employee benefits		1,184,435			1,184,435
5.	U.S. Social Security taxes					
6.	All other taxes					
7.	Taxes, licenses and fees incurred		1,286,435			1,286,435
8.	Taxes, licenses and fees unpaid December 31, prior year		654,132			654,132
9.	Taxes, licenses and fees unpaid December 31, current year		375,194			375,194
10.	Taxes, licenses and fees paid during year (Lines 7 + 8 - 9)		1,565,373			1,565,373

EXHIBIT 4 - DIVIDENDS OR REFUNDS

		1 Life	2 Accident and Health
1.	Applied to pay renewal premiums		
2.	Applied to shorten the endowment or premium-paying period		
3.	Applied to provide paid-up additions		
4.	Applied to provide paid-up annuities		
5.	Total (Lines 1 through 4)		
6.	Paid in cash		
7.	Left on deposit		
8.	Aggregate write-ins for dividend or refund options		
9.	Total (Lines 5 through 8)		
10.	Amount due and unpaid		
11.	Provision for dividends or refunds payable in the following calendar year		
12.	Terminal dividends		
13.	Provision for deferred dividend contracts		
14.	Amount provisionally held for deferred dividend contracts not included in line 13		
15.	Total (Lines 10 through 14)		
16.	Total from prior year		
17.	Total dividends or refunds (Lines 9 + 15 - 16)		
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)		

NONE

EXHIBIT 5 - AGGREGATE RESERVE FOR L.. E CONTRACTS

1 Valuation Standard	2 Total	3 Industrial	4 Ordinary	5 Credit (Group and Individual)	6 Group
NONE					
9999999 Totals - (Net) -Page 3, Line 1					

EXHIBIT 5 - INTERROGATORIES

Has the reporting entity ever issued both participating and non-participating contracts? Yes[ ] No[X]
If not, state which kind is issued.

Does the reporting entity at present issue both participating and non-participating contracts? Yes[ ] No[X]
If not, state which kind is issued.

Does the reporting entity at present issue or have in force contracts that contain non-guaranteed elements? Yes[ ] No[X]
If so, attach a statement that contains the determination procedures, answers to the interrogatories and an actuarial opinion as described in the instructions.

Has the reporting entity any assessment or stipulated premium contracts in force? Yes[ ] No[X]
If so, state:
Amount of insurance? $
Amount of reserve? $
Basis of reserve
Basis of regular assessments
Basis of special assessments
Assessments collected during the year $

f the contract loan interest rate guaranteed in any one or more of its currently issued contracts is less than 5%, not in advance, state the contract oan rate guarantees on any such contracts

Does the reporting entity hold reserves for any annuity contracts which are less than the reserves that would be held on a standard basis? Yes[ ] No[X]
If so, state the amount or reserve on such contracts on the basis actually held: $
Which would have been held (on an exact or approximate basis) using the actual ages of the annuitants; the interest rate(s) used in 6.1, and the same mortality basis used by the reporting entity for the valuation of comparable annuity benefits issued to standard lives. If the reporting entity has no comparable annuity benefits for standard lives to be valued, the mortality basis shall be the table most recently approved by the state of domicile for valuing individual annuity benefits: $
Attach statement of methods employed in their valuation.

Does the reporting entity have any Synthetic GIC contracts or agreements in effect as of December 31 of the current year? Yes[ ] No[X]
If yes, state the total dollar amount of assets covered by these contracts or agreements? $
Specify the basis (fair value, amortized cost, etc.) for determining the amount
State the amount of reserves established for this business: $
Identify where the reserves are reported in the blank

EXHIBIT 5A - CHANGES IN BASES OF VALUATION DURING THE YEAR

1	Valuation Basis		4
	2	3	
Description of Valuation Class	Changed From	Changed To	Increase in Actuarial Reserve Due to Change
NONE			
9999999 Total (Column 4 Only)			

14 Exhibit 6 - Aggregate Reserve for Acc. and Health ..... NONE

15 Exhibit 7 - Deposit Type Contracts ..... NONE

EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

PART 1 - Liability End of Current Year

	1	2	Ordinary			6	Group		Accident and Health		
			3	4	5		7	8	9	10	11
	Total	Industrial Life	Life Insurance	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance	Annuities	Group	Credit (Group and Individual)	Other
1. Due and Unpaid:											
1.1 Direct											
1.2 Reinsurance assumed											
1.3 Reinsurance ceded											
1.4 Net											
2. In course of settlement:											
2.1 Resisted:											
2.11 Direct											
2.12 Reinsurance assumed											
2.13 Reinsurance ceded											
2.14 Net			(b)	(b)		(b)	(b)				
2.2 Other:											
2.21 Direct	24,700,000								24,700,000		
2.22 Reinsurance assumed											
2.23 Reinsurance ceded											
2.24 Net	24,700,000		(b)	(b)		(b)	(b)		(b) 24,700,000	(b)	(b)
3. Incurred but unreported:											
3.1 Direct											
3.2 Reinsurance assumed											
3.3 Reinsurance ceded											
3.4 Net			(b)	(b)		(b)	(b)		(b)	(b)	(b)
4. TOTALS:											
4.1 Direct	24,700,000								24,700,000		
4.2 Reinsurance assumed											
4.3 Reinsurance ceded											
4.4 Net	24,700,000	(a)	(a)				(a)		24,700,000		

(a) Including matured endowments (but not guaranteed annual pure endowments) unpaid amounting to $..... in Column 2, $..... in Column 3 and $..... in Column 7.

(b) Include only portion of disability and accident and health claim liabilities applicable to assumed "accrued" benefits. Reserve (including reinsurance assumed and net of reinsurance ceded) for unaccrued benefits for Ordinary Life Insurance $....., Individual Annuities $....., Credit Life (Group and Individual) $....., and Group Life $....., are included in Page 3, Line 1, (See Exhibit 5, Section on Disability Disabled Lives); and for Group Accident and Health $....., Credit (Group and Individual) Accident and Health $..... and Other Accident and Health $..... are included in Page 3, Line 2, (See Exhibit 6, Claim Reserve).

EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

PART 2 - Incurred During the Year

	1	2	Ordinary			6	Group		Accident and Health		
			3	4	5		7	8	9	10	11
	Total	Industrial Life (a)	Life Insurance (b)	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance (c)	Annuities	Group	Credit (Group and Individual)	Other
1. Settlements during the year:											
1.1 Direct	87,383,226								87,383,226		
1.2 Reinsurance assumed											
1.3 Reinsurance ceded											
1.4 Net	(d) 87,383,226								87,383,226		
2. Liability December 31, current year from Part 1:											
2.1 Direct	24,700,000								24,700,000		
2.2 Reinsurance assumed											
2.3 Reinsurance ceded											
2.4 Net	24,700,000								24,700,000		
3. Amounts recoverable from reinsurers December 31, current year											
4. Liability December 31, prior year:											
4.1 Direct	18,500,000								18,500,000		
4.2 Reinsurance assumed											
4.3 Reinsurance ceded											
4.4 Net	18,500,000								18,500,000		
5. Amounts recoverable from reinsurers December 31, prior year											
6. Incurred benefits:											
6.1 Direct	93,583,226								93,583,226		
6.2 Reinsurance assumed											
6.3 Reinsurance ceded											
6.4 Net	93,583,226								93,583,226		

(a) Including matured endowments (but not guaranteed annual pure endowments) amounting to $..... in Line 1.1, $..... in Line 1.4, $..... in Line 6.1 and $..... in Line 6.4.
(b) Including matured endowments (but not guaranteed annual pure endowments) amounting to $..... in Line 1.1, $..... in Line 1.4, $..... in Line 6.1 and $..... in Line 6.4.
(c) Including matured endowments (but not guaranteed annual pure endowments) amounting to $..... in Line 1.1, $..... in Line 1.4, $..... in Line 6.1 and $..... in Line 6.4.
(d) Includes $..... premiums waived under total and permanent disability benefits.

EXHIBIT 9 - 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 12 through 20, Column 2	1,611,497	2,955,516	1,344,019
2.	Other Nonadmitted Assets:			
	2.1 Bills receivable			
	2.2 Leasehold improvements	130,225		(130,225)
	2.3 Cash advanced to or in the hands of officers or agents			
	2.4 Loans on personal security, endorsed or not			
	2.5 Commuted commissions			
	2.6 Supplies, stationery, printed matter	931,551	1,067,889	136,338
3.	Total (Lines 2.1 to 2.6)	1,061,776	1,067,889	6,113
4.	Disallowed interest maintenance reserve			
5.	Aggregate write-ins for other assets	2,754,641	583,370	(2,171,271)
6.	Total (Line 1 plus Lines 3 to 5)	5,427,914	4,606,775	(821,139)
DETAILS OF WRITE-INS				
0501.	Others	942,033	12,089	(929,944)
0502.	Bonds	1,102,608	571,281	(531,327)
0503.	A/R DENIED DAYS AND DUPLICATES	710,000		(710,000)
0598.	Summary of remaining write-ins for Line 5 from overflow page			
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	2,754,641	583,370	(2,171,271)

Notes to Financial Statement

NONE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 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			172,614	0.779
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations			12,547,843	56.613
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			106,500	0.481
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				
4.6 Mezzanine real estate 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			9,337,322	42.128
9. Other invested assets				
10. Total invested assets			22,164,279	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? Puerto Rico

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. 12/31/2003

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. 12/31/2003

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)

1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
2 If response to 8.1 is yes, please identify the name of the bank holding company.
3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
RSM ROC & COMPANY, PO BOX 10528, SAN JUAN, PR 00922-0528

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?
DELOITTE AND TOUCHE, TWO HILTON COURT, PO BOX 319, PARSIPPANY, NEW JERSEY 007054-0319

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[X]
3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[X]
4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes[ ] No[ ] N/A[X]

BOARD OF DIRECTORS

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[ ] No[X]

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes[ ] No[X]

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[ ] No[X]

FINANCIAL

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
15.11 To directors or other officers $
15.12 To stockholders not officers $
15.13 Trustees, supreme or grand (Fraternal only) $
Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
15.21 To directors or other officers $
15.22 To stockholders not officers $
15.23 Trustees, supreme or grand (Fraternal only) $

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]
If yes, state the amount thereof at December 31 of the current year:
16.21 Rented from others $
16.22 Borrowed from others $
16.23 Leased from others $
16.24 Other $
Disclose in Notes to Financial the nature of each obligation.

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]
If answer is yes:
17.21 Amount paid as losses or risk adjustment $
17.22 Amount paid as expenses $
17.23 Other amounts paid $

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
1. Preferred					Yes[ ] No[ ] N/A[X]	Yes[ ] No[ ] N/A[X]
2. Common	2,500,000.000	467,128.000	2.000	X X X	X X X	X X X

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 3 - Special Deposits? Yes[ ] No[X]
2 If no, give full and complete information, relating thereto:

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 3 - 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 16.1). Yes[ ] No[X]
2 If yes, state the amount thereof at December 31 of the current year:
20.21 Loaned to others $
20.22 Subject to repurchase agreements $
20.23 Subject to reverse repurchase agreements $
20.24 Subject to dollar repurchase agreements $
20.25 Subject to reverse dollar repurchase agreements $
20.26 Pledged as collateral $
20.27 Placed under option agreements $
20.28 Letter stock or securities restricted as to sale $
20.29 Other $
For each category above, if any of these assets are held by other, identify by whom held:
20.31
20.32
20.33
20.34
20.35
20.36
20.37
20.38
20.39
For categories (20.21) and (20.23) 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.
For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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]
If yes, state the amount thereof at December 31 of the current year. $

GENERAL INTERROGATORIES (continued)

INVESTMENT

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]

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

1 Name of Custodian(s)	2 Custodian's Address
SANTANDER ASSET MANAGEMENT	221 PONCE DE LEON AVE. SUITE 600 SAN JUAN PR 00917

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)

03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes[ ] No[X]

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

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

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

Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[ ] No[X]

If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
24.2999 Total		

For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES (Continued)

OTHER

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

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

1 Amount of payments for legal expenses, if any? $

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

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

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 - LIFE 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 earned premium 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 $
.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 $

. Health Test

		1 Current Year	2 Prior Year
2.1	Premium Numerator		
2.2	Premium Denominator		
2.3	Premium Ratio (2.1 / 2.2)		
2.4	Reserve Numerator		
2.5	Reserve Denominator		
2.6	Reserve Ratio (2.4 / 2.5)		

1 Does this reporting entity have Separate Accounts? Yes[ ] No[X]
2 If yes, has a Separate Accounts statement been filed with this department? Yes[ ] No[ ] N/A[X]
3 What portion of capital and surplus funds of the reporting entity covered by assets in the Separate Accounts statement, is not currently distributable from the Separate Accounts to the general account for use by the general account? $
4 State the authority under which Separate Accounts are maintained:
5 Was any of the reporting entity's Separate Accounts business reinsured as of December 31? Yes[ ] No[X]
6 Has the reporting entity assumed by reinsurance any Separate Accounts business as of December 31? Yes[ ] No[X]
7 If the reporting entity has assumed Separate Accounts business, how much, if any, reinsurance assumed receivable for reinsurance of Separate Accounts reserve expense allowances is included as a negative amount in the liability for "Transfers to Separate Accounts due or accrued (net)?" $

1 Are personnel or facilities of this reporting entity used by another entity or entities or are personnel or facilities of another entity or entities used by this reporting entity (except for activities such as administration of jointly underwritten group contracts and joint mortality or morbidity studies)? Yes[ ] No[X]
2 Net reimbursement of such expenses between reporting entities:
4.21 Paid $
4.22 Received $

1 Does the reporting entity write any guaranteed interest contracts? Yes[ ] No[X]
2 If yes, what amount pertaining to these items is included in:
5.21 Page 3, Line 1 $
5.22 Page 4, Line 1 $

For stock reporting entities only:
Total amount paid in by stockholders as surplus funds since organization of the reporting entity: $

Total dividends paid stockholders since the organization of the reporting entity:
7.11 Cash $
7.12 Stock $

GENERAL INTERROGATORIES

PART 2 - LIFE INTERROGATORIES (Continued)

1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[ ] No[X]
8.11 Name of real estate holding company
8.12 Number of parcels involved
8.13 Total book/adjusted carrying value $
2 If yes, provide explanation

1 Does the company reinsure any Workers' Compensation Carve-Out business defined as: Yes[ ] No[X]
Workers' compensation carve-out business is defined as reinsurance (including retrocessional reinsurance) assumed by life an health insurers of medical, wage loss and death benefits of the occupational illness and accident exposures, but not the employers liability exposures, of business originally written as workers' compensation insurance.
2 If yes, has the reporting entity completed the WORKERS' COMPENSATION CARVE-OUT SUPPLEMENT to the Annual Statement? Yes[ ] No[X]
3 If 9.1 is yes, the amounts of earned premiums and claims incurred in this statement are:

		1 Reinsurance Assumed	2 Reinsurance Ceded	3 Net Retained
9.31	Earned premium			
9.32	Paid claims			
9.33	Claim liability and reserve (beginning of year)			
9.34	Claim liability and reserve (end of year)			
9.35	Incurred claims			

If reinsurance assumed included amounts with attachment points below $1,000,000, the distribution of the amounts reported in Lines 9.31 and 9.34 for Column (1) are:

	Attachment Point	1 Earned Premium	2 Claim Liability and Reserve
9.41	< $25,000		
9.42	$25,000 - 99,999		
9.43	$100,000 - 249,999		
9.44	$250,000 - 999,999		
9.45	$1,000,000 or more		

What portion of earned premium reported in 9.31, Column 1 was assumed from pools? $

1 Does the company have variable annuities with guaranteed benefits? Yes[ ] No[X]
2 If 10.1 is yes, complete the following table for each type of guaranteed benefit.

Type		3	4	5	6	7	8	9
1 Guaranteed Death Benefit	2 Guaranteed Living Benefit	Waiting Period Remaining	Account Value Related to Column 3	Total Related Account Values	Gross Amount of Reserve	Location of Reserve	Portion Reinsured	Reinsurance Reserve Credit

FIVE - YEAR HISTORICAL DATA

Show Amounts in Whole Dollars Only, No Cents; Show Percentages to One Decimal Place, i.e., 17.6.
Show Amounts of Life Insurance in this Exhibit in Thousands (Omit $000)

	1 2003	2 2002	3 2001	4 2000	5 1999
Life Insurance In Force (Exhibit of Life Insurance)					
1. Ordinary - whole life and endowment (Line 34, Column 4)					
2. Ordinary - term (Line 21, Column 4, less Line 34, Column 4)					
3. Credit life (Line 21, Column 6)					
4. Group, excluding FEGLI/SGLI (Line 21, Column 9 less Lines 43 & 44, Column 4)					
5. Industrial (Line 21, Column 2)					
6. FEGLI/SGLI (Lines 43 & 44, Column 4)					
7. TOTAL (Line 21, Column 10)					
New Business Issued (Exhibit of Life Insurance)					
8. Ordinary - whole life and endowment (Line 34, Col. 2)					
9. Ordinary - term (Line 2, Col. 4, less Line 34, Col. 2)					
10. Credit life (Line 2, Column 6)					
11. Group (Line 2, Column 9)					
12. Industrial (Line 2, Column 2)					
13. TOTAL (Line 2, Column 10)					
Premium Income-Lines of Business					
14. Industrial life (Exhibit 1 - Part 1, Line 20.4, Column 2)					
15.1 Ordinary life insurance (Exhibit 1 - Part 1, Line 20.4, Column 3)					
15.2 Ordinary individual annuities (Exhibit 1 - Part 1, Line 20.4, Column 4)					
16. Credit life, (Group and Individual) (Exhibit 1 - Part 1, Line 20.4, Column 5)					
17.1 Group life insurance (Exhibit 1 - Part 1, Line 20.4, Column 6)					
17.2 Group annuities (Exhibit 1 - Part 1, Line 20.4, Column 7)					
18.1 A & H group (Exhibit 1 - Part 1, Line 20.4, Column 8)	114,877,070	156,966,386	473,253,710		
18.2 A & H credit (group and individual) (Exhibit 1 - Part 1, Line 20.4, Column 9)				489,120,826	334,535,023
18.3 A & H other (Exhibit 1 - Part 1, Line 20D.4 Column 10)					
19. Aggregate of all other lines of business (Exhibit 1 - Part 1, Line 20.4, Column 11)					
20. Deposit-type funds	XXX	XXX	XXX		
21. TOTAL	114,877,070	156,966,386	473,253,710	489,120,826	334,535,023
Balance Sheet Items (Pages 2 and 3)					
22. TOTAL admitted assets excluding Separate Accounts business (Page 2, Line 24, Column 3)	61,052,414	65,102,382	82,526,852	114,203,606	92,491,536
23. TOTAL liabilities excluding Separate Accounts business (Page 3, Line 26)	49,876,905	52,847,857	67,709,222	81,105,268	61,768,190
24. Aggregate life reserves (Page 3, Line 1)					
25. Aggregate A & H reserves (Page 3, Line 2)				XXX	XXX
26. Deposit-type contract funds (Page 3, Line 3)					
27. Asset valuation reserve (Page 3, Line 24.1)					
28. Capital (Page 3, Lines 29 & 30)	1,130,264	623,684	8,400,000	8,400,000	8,400,000
29. Surplus (Page 3, Line 37)	10,045,245	11,625,516	6,417,630		
Risk-Based Capital Analysis					
30. TOTAL adjusted capital	11,175,509	12,249,200	14,817,630		
31. Authorized control level risk-based capital	4,032,909	4,707,350			
Percentage Distribution of Assets (Page 2, Column 3) (Line No./Page 2, Line 10, Column 3) x 100.0					
32. Bonds (Line 1)	57.4	37.6	37.2	60.0	29.1
33. Stocks (Lines 2.1 and 2.2)	0.5	0.3	10.2	11.8	0.5
34. Mortgage loans on real estate (Line 3.1 and 3.2)					
35. Real estate (Lines 4.1, 4.2 and 4.3)		34.7	16.7	14.2	14.0
36. Cash and short-term investments (Line 5)	42.1	27.3	36.0	14.0	56.4
37. Premium notes	XXX				
38. Contract loans (Line 6)					
39. Other invested assets (Line 7)					
40. Receivable for securities (Line 8)					
41. Aggregate write-ins for invested assets (Line 9)					
42. Cash and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0

FIVE - YEAR HISTORICAL DATA (Continued)

	1 2003	2 2002	3 2001	4 2000	5 1999
Investments in Parent, Subsidiaries and Affiliates					
43. Affiliated bonds (Schedule D Summary, Line 25 Column 1)					
44. Affiliated preferred stocks (Schedule D Summary, Line 39, Column 1)					
45. Affiliated common stocks (Schedule D Summary, Line 53, Column 2)					
46. Affiliated short-term investments (subtotal included in Schedule DA, Part 2, Column 5, Line 11)					
47. Affiliated mortgage loans on real estate					
48. All other affiliated					
49. TOTAL of above Lines 43 to 48					
Total Nonadmitted and Admitted Assets					
50. TOTAL nonadmitted assets (Page 2, Line 26, Column 2)	5,427,914	4,897,498	23,314,166	10,101,953	9,471,882
51. TOTAL admitted assets (Page 2, Line 26, Column 3)	61,052,414	65,102,362	82,526,852	114,023,606	92,491,538
Investment Data					
52. Net investment income (Exhibit of Net Investment Income)	425,362	651,372	2,413,421	2,951,140	1,408,428
53. Realized capital gains (losses)			265,100	311,501	(114,447)
54. Unrealized capital gains (losses)			(710,734)	(545,317)	(924,184)
55. TOTAL of above Lines 52, 53, and 54	425,362	651,372	1,967,787	2,717,324	369,797
Benefits and Reserve Increase (Page 6)					
56. TOTAL contract benefits-life (Lines 10, 11, 12, 13, 14 and 15, Col. 1 minus Lines 10, 11, 12, 13, 14 and 15, Cols. 9, 10 & 11)					
57. TOTAL contract benefits - A & H (Lines 13 & 14, Columns 9, 10 & 11)	93,583,226	126,396,254	465,614,610	459,277,374	323,010,947
58. Increase in life reserves-other than group and annuities (Line 19, Columns 2 & 3)					
59. Increase in A & H reserves (Line 19, Columns 9, 10 & 11)					
60. Dividends to policyholders (Line 30, Column 1)					
Operating Percentages					
61. Insurance expense percent (Page 6, Column 1, Lines 21, 22 & 23 less Line 6) / (Page 6 Col. 1, Line 1 plus group annuity contribution funds) x 100.00		17.8	9.0	6.4	10.4
62. Lapse percent (ordinary only) Exhibit of Life Insurance, Column 4, Lines 14 & 15) x 100.00 / 1/2 (Lines 1 & 21)					
63. A & H loss percent (Schedule H, Part 1, Lines 3 & 4, Column 2)					
64. A & H expense percent (Schedule H, Part 1, Line 8, Column 2)					
A & H Claim Reserve Adequacy					
65. Incurred losses on prior years' claims - group health (Schedule H, Part 3, Line 3.1, Column 2)	18,500,000	42,000,000	55,384,420		
66. Prior years' claim liability and reserve - group health (Schedule H, Part 3, Line 3.2, Column 2)	18,500,000	42,000,000	55,384,420		
67. Incurred losses on prior years' claims - health other than group (Schedule H, Part 3, Line 3.1, Column 1 less Column 2)				45,400,000	39,978,000
68. Prior years' claim liability and reserve - health other than group (Schedule H, Part 3, Line 3.2, Column 1 less Column 2)				45,400,000	39,978,000
Net Gains From Operations After Federal Income Taxes by Lines of Business (Page 6, Line 33)					
69. Industrial life (Column 2)					
70. Ordinary - life (Column 3)					
71. Ordinary - individual annuities (Column 4)					
72. Ordinary - supplementary contracts (Column 5)					
73. Credit life (Column 6)					
74. Group life (Column 7)					
75. Group annuities (Column 8)					
76. A & H - group (Column 9)	(245,649)	(2,270,451)	(33,254,176)		
77. A & H - credit (Column 10)				1,668,371	(21,847,015)
78. A & H - other (Column 11)					
79. Aggregate of all other lines of business (Column 12)					
80. TOTAL (Column 1)	(245,649)	(2,270,451)	(33,254,176)	1,668,371	(21,847,015)

53546200343055100 2003 Document Code 433

DIRECT BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR 2003

NAIC Group Code: 0000 LIFE INSURANCE NAIC Company Code: 53546

DIRECT PREMIUMS AND ANNUITY CONSIDERATIONS	1 Ordinary	2 Credit Life (Group and Individual)	3 Group	4 Industrial	5 Total
1. Life insurance					
2. Annuity considerations					
3. Deposit-type contract funds		XXX		XXX	
4. Other considerations					
5. Totals (Sum of Lines 1 to 4)					
DIRECT DIVIDENDS TO POLICYHOLDERS					
Life Insurance:					
6.1 Paid in cash or left on deposit					
6.2 Applied to pay renewal premiums					
6.3 Applied to provide paid-up additions or shorten the endowment or premium-paying period					
6.4 Other					
6.5 Totals (sum of Lines 6.1 to 6.4)					
Annuities:					
7.1 Paid in cash or left on deposit					
7.2 Applied to provide paid-up annuities					
7.3 Other					
7.4 Totals (sum of Lines 7.1 to 7.3)					
8. Grand Totals (Lines 6.5 plus 7.4)					
DIRECT CLAIMS AND BENEFITS PAID					
9. Death benefits					
10. Matured endowments					
11. Annuity benefits					
12. Surrender values and withdrawals for life contracts					
13. Aggregate write-ins for miscellaneous direct claims and benefits paid					
14. All other benefits, except accident and health					
15. Totals					
DETAILS OF WRITE-INS					
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)					

1	Ordinary		Credit Life (Group and Individual)		Group		Industrial		Total	
	1	2	3	4	5	6	7	8	9	10
DIRECT DEATH BENEFITS AND MATURED ENDOWMENTS INCURRED	Number	Amount	No. of Ind.Pols & Group Certifs.	Amount	No. of Certificates	Amount	Number	Amount	Number	Amount
16. Unpaid December 31, prior year										
17. Incurred during current year										
Settled during current year:										
18.1 By payment in full										
18.2 By payment on compromised claims										
18.3 Totals paid										
18.4 Reduction by compromise										
18.5 Amount rejected										
18.6 Total settlements										
19. Unpaid Dec. 31, current year (Lines 16 + 17 - 18.6)										
POLICY EXHIBIT					No. of Policies					
20. In force December 31, prior year				(a)						
21. Issued during year										
22. Other changes to in force (Net)										
23. In force December 31 of current year				(a)						

(a) Includes Individual Credit Life Insurance prior year $....., current year $.....
Includes Group Credit Life Insurance Loans less than or equal to 60 months at issue, prior year $....., current year $.....
Loans greater than 60 months at issue BUT NOT GREATER THAN 120 MONTHS prior year $....., current year $.....

ACCIDENT AND HEALTH INSURANCE

	1 Direct Premiums	2 Direct Premiums Earned	3 Dividends Paid Or Credited On Direct Business	4 Direct Losses Paid	5 Direct Losses Incurred
. Group Policies (b)	115,404,070	114,877,070			
.1 Federal Employees Health Benefits Program Premium (b)					
.2 Credit (Group and Individual)					
.3 Collectively Renewable Policies (b)					
Other Individual Policies					
.1 Non-cancelable (b)					
.2 Guaranteed renewable (b)					
.3 Non-renewable for stated reasons only (b)					
.4 Other accident only					
5 All other (b)					
6 Totals (sum of Lines 25.1 to 25.5)					
Totals (Lines 24 + 24.1 + 24.2 + 24.3 + 25.6)	115,404,070	114,877,070			

For health business on indicated lines report: Number of persons insured under PPO managed care products ....., and number of persons insured under indemnity only products .....

53546200343054100 2003 Document Code 430

DIRECT BUSINESS IN THE STATE OF PUERTO RICO DURING THE YEAR 2003

NAIC Group Code: 0000 LIFE INSURANCE NAIC Company Code: 53546

DIRECT PREMIUMS AND ANNUITY CONSIDERATIONS	1 Ordinary	2 Credit Life (Group and Individual)	3 Group	4 Industrial	5 Total
1. Life insurance					
2. Annuity considerations					
3. Deposit-type contract funds		XXX		XXX	
4. Other considerations					
5. Totals (Sum of Lines 1 to 4)					
DIRECT DIVIDENDS TO POLICYHOLDERS					
Life Insurance:					
6.1 Paid in cash or left on deposit					
6.2 Applied to pay renewal premiums					
6.3 Applied to provide paid-up additions or shorten the endowment or premium-paying period					
6.4 Other					
6.5 Totals (sum of Lines 6.1 to 6.4)					
Annuities:					
7.1 Paid in cash or left on deposit					
7.2 Applied to provide paid-up annuities					
7.3 Other					
7.4 Totals (sum of Lines 7.1 to 7.3)					
8. Grand Totals (Lines 6.5 plus 7.4)					
DIRECT CLAIMS AND BENEFITS PAID					
9. Death benefits					
10. Matured endowments					
11. Annuity benefits					
12. Surrender values and withdrawals for life contracts					
13. Aggregate write-ins for miscellaneous direct claims and benefits paid					
14. All other benefits, except accident and health					
15. Totals					
DETAILS OF WRITE-INS					
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)					

1 DIRECT DEATH BENEFITS AND MATURED ENDOWMENTS INCURRED	Ordinary 1 Number	Ordinary 2 Amount	Credit Life (Group and Individual) 3 No. of Ind.Pols & Group Certifs.	Credit Life 4 Amount	Group 5 No. of Certificates	Group 6 Amount	Industrial 7 Number	Industrial 8 Amount	Total 9 Number	Total 10 Amount
16. Unpaid December 31, prior year										
17. Incurred during current year										
Settled during current year:										
18.1 By payment in full										
18.2 By payment on compromised claims										
18.3 Totals paid										
18.4 Reduction by compromise										
18.5 Amount rejected										
18.6 Total settlements										
19. Unpaid Dec. 31, current year (Lines 16 + 17 - 18.6)										
POLICY EXHIBIT					No. of Policies					
20. In force December 31, prior year				(a)						
21. Issued during year										
22. Other changes to in force (Net)										
23. In force December 31 of current year				(a)						

a) Includes Individual Credit Life Insurance prior year $....., current year $.....
Includes Group Credit Life Insurance Loans less than or equal to 60 months at issue, prior year $....., current year $.....
Loans greater than 60 months at issue BUT NOT GREATER THAN 120 MONTHS prior year $....., current year $.....

ACCIDENT AND HEALTH INSURANCE

	1 Direct Premiums	2 Direct Premiums Earned	3 Dividends Paid Or Credited On Direct Business	4 Direct Losses Paid	5 Direct Losses Incurred
24. Group Policies (b)	115,404,070	114,877,070			
24.1 Federal Employees Health Benefits Program Premium (b)					
24.2 Credit (Group and Individual)					
24.3 Collectively Renewable Policies (b)					
Other Individual Policies					
25.1 Non-cancelable (b)					
25.2 Guaranteed renewable (b)					
25.3 Non-renewable for stated reasons only (b)					
25.4 Other accident only					
25.5 All other (b)					
25.6 Totals (sum of Lines 25.1 to 25.5)					
26. Totals (Lines 24 + 24.1 + 24.2 + 24.3 + 25.6)	115,404,070	114,877,070			

For health business on indicated lines report: Number of persons insured under PPO managed care products ....., and number of persons insured under indemnity only products .....

31 Exhibit of Life Insurance - #1 ..... NONE

32 Exhibit of Life Insurance - #2 ..... NONE

32 Exhibit of Life Insurance - #3 ..... NONE

33 Supplementary Contracts ..... NONE

33 Annuities ..... NONE

33 Accident and Health Insurance ..... NONE

33 Deposit Funds and Dividend Accumulations ..... NONE

FORM FOR CALCULATING THE INTEREST MAINTENANCE RESERVE

INTEREST MAINTENANCE RESERVE

		1 Amount
1.	Reserve as of December 31, Prior Year	
2.	Current Year's Realized Pre-Tax Capital Gains/(Losses) of $..... Transferred into the Reserve Net of Taxes of $.....	
3.	Adjustment for Current Year's Liability Gains/(Losses) released from the reserve	
4.	Balance Before Reduction for Amount Transferred to Summary of Operations (Line 1 + Line 2 + Line 3)	
5.	Current Year's Amortization Released to Summary of Operations (Amortization, Line 1, Column 4)	27,314
6.	Reserve as of December 31, Current Year (Line 4 minus Line 5)	(27,314)

AMORTIZATION

	Year of Amortization	1 Reserve as of December 31, Prior Year	2 Current Year's Realized Capital Gains/(Losses) Transferred into the Reserve Net of Taxes	3 Adjustment for Current Year's Liability Gains/(Losses) Released From the Reserve	4 Balance Before Reduction for Current Year's Amortization (Columns 1 + 2 + 3)
1.	2003				
2.	2004				
3.	2005				
4.	2006				
5.	2007				
6.	2008				
7.	2009				
8.	2010				
9.	2011				
10.	2012				
11.	2013				
12.	2014				
13.	2015				
14.	2016				
15.	2017				
16.	2018				
17.	2019				
18.	2020				
19.	2021				
20.	2022				
21.	2023				
22.	2024				
23.	2025				
24.	2026				
25.	2027				
26.	2028				
27.	2029				
28.	2030				
29.	2031				
30.	2032				
31.	2033 and later				
32.	TOTAL (Lines 1 to 31)				

NONE

35 Assets Valuation Reserve ..... NONE

36 Asset Valuation Reserve - Default Component - #1 ..... NONE

37 Asset Valuation Reserve - Default Component - #2 ..... NONE

38 Asset Valuation Reserve - Equity Component - #1 ..... NONE

39 Asset Valuation Reserve - Equity Component - #2 ..... NONE

40 Asset Valuation Reserve - Equity Component - #3 ..... NONE

41 Asset Valuation Reserve - Replications ..... NONE

SCHEDULE A - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)	11,101,038
2.	Increase (decrease) by adjustment:	
	2.1 Totals, Part 1, Column 10	
	2.2 Totals, Part 3, Column 7	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
	4.1 Totals, Part 1, Column 13	
	4.2 Totals, Part 3, Column 9	
5.	Total profit (loss) on sales, Part 3, Column 14	1,798,962
6.	Increase (decrease) by foreign exchange adjustment:	
	6.1 Totals, Part 1, Column 11	
	6.2 Totals, Part 3, Column 8	
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12	12,900,000
8.	Book/adjusted carrying value at the end of current period	
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, current period)	

SCHEDULE B - VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year		
2.	Amount loaned during year:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the year		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period		

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during year:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the year		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period		

NONE

SCHEDULE D - SUMMARY BY COUNTRY

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

Description			1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1.	United States				
Governments (including all obligations guaranteed by governments)	2.	Canada				
	3.	Other Countries				
	4.	Totals				
	5.	United States	179,622	153,562	172,614	175,000
States, Territories and Possessions (Direct and Guaranteed)	6.	Canada				
	7.	Other Countries				
	8.	Totals	179,622	153,562	172,614	175,000
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	877,488	759,795	813,969	840,000
	18.	Canada				
	19.	Other Countries				
	20.	Totals	877,488	759,795	813,969	840,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	12,765,955	11,689,139	11,770,339	11,724,000
	22.	Canada				
	23.	Other Countries				
	24.	Totals	12,765,955	11,689,139	11,770,339	11,724,000
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	13,823,065	12,602,496	12,756,922	12,739,000
PREFERRED STOCKS	27.	United States				
Public Utilities (unaffiliated)	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	41.	United States				
Public Utilities (unaffiliated)	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States	106,500	106,500	106,500	
	46.	Canada				
	47.	Other Countries				
	48.	Totals	106,500	106,500	106,500	
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks	106,500	106,500	106,500	
	55.	Total Stocks	106,500	106,500	106,500	
	56.	Total Bonds and Stocks	13,929,565	12,708,996	12,863,422	

(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.. 11,560,467
2. Cost of bonds and stocks acquired, Column 6, Part 3..... 5,306,602
3. Increase (decrease) by adjustment:
   - 3.1 Column 16, Part 1.....
   - 3.2 Column 12, Part 2, Section 1.....
   - 3.3 Column 10, Part 2, Section 2.....
   - 3.4 Column 10, Part 4..... 1,776,565
4. Total gain (loss), Column 14, Part 4..... (5,833)
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4..... 4,708,236
6. Foreign Exchange Adjustment
   - 6.1 Column 17, Part 1.....
   - 6.2 Column 13, Part 2, Section 1.....
   - 6.3 Column 11, Part 2, Section 2.....
   - 6.4 Column 11, Part 4.....
7. Book/adjusted carrying value at end of current period..... 13,929,565
8. Total valuation allowance.....
9. Subtotal (Lines 7 plus 8)..... 13,929,565
10. Total nonadmitted assets..... 1,102,608
11. Statement value of bonds and stocks, current period 12,826,957

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Government, Schedules D & DA (Group 1)											
1.1 Class 1	2,513,490					2,513,490	15.39	2,658,591	18.25	2,513,490	
1.2 Class 2											
1.3 Class 3											
1.4 Class 4											
1.5 Class 5											
1.6 Class 6											
1.7 TOTALS	2,513,490					2,513,490	15.39	2,658,591	18.25	2,513,490	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1											
2.2 Class 2											
2.3 Class 3											
2.4 Class 4											
2.5 Class 5											
2.6 Class 6											
2.7 TOTALS											
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1	179,622					179,622	1.10	185,162	1.27	179,622	
3.2 Class 2											
3.3 Class 3											
3.4 Class 4								186,768	1.28		
3.5 Class 5											
3.6 Class 6											
3.7 TOTALS	179,622					179,622	1.10	371,950	2.55	179,622	
4. Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1											
4.2 Class 2											
4.3 Class 3											
4.4 Class 4											
4.5 Class 5											
4.6 Class 6											
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1											
5.2 Class 2											
5.3 Class 3											
5.4 Class 4											
5.5 Class 5											
5.6 Class 6											
5.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1											
6.2 Class 2											
6.3 Class 3	213,150	346,563	84,436			644,149	3.94	1,022,281	7.02	644,149	
6.4 Class 4		139,050				139,050	0.85			139,050	
6.5 Class 5											
6.6 Class 6											
6.7 TOTALS	213,150	485,613	84,436			783,199	4.79	1,022,281	7.02	783,199	
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1								73,700	0.51		
7.2 Class 2			142,876			142,876	0.87	877,115	6.02	142,876	
7.3 Class 3	103,531	2,314,087	7,920,601			10,338,219	63.28	8,569,484	58.82	10,338,219	
7.4 Class 4		1,025,000	1,354,150			2,379,150	14.56	558,000	3.83	2,379,150	
7.5 Class 5								222,500	1.53		
7.6 Class 6								215,500	1.48		
7.7 TOTALS	103,531	3,339,087	9,417,627			12,860,245	78.72	10,516,299	72.18	12,860,245	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1											
8.2 Class 2											
8.3 Class 3											
8.4 Class 4											
8.5 Class 5											
8.6 Class 6											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1											
9.2 Class 2											
9.3 Class 3											
9.4 Class 4											
9.5 Class 5											
9.6 Class 6											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	2,693,112					2,693,112	16.49	XXX	XXX	2,693,112	
10.2 Class 2			142,876			142,876	0.87	XXX	XXX	142,876	
10.3 Class 3	316,681	2,660,650	8,005,037			10,982,368	67.23	XXX	XXX	10,982,368	
10.4 Class 4		1,164,050	1,354,150			2,518,200	15.41	XXX	XXX	2,518,200	
10.5 Class 5						(c)		XXX	XXX		
10.6 Class 6						(c)		XXX	XXX		
10.7 TOTALS	3,009,793	3,824,700	9,502,063			(b) 16,336,556	100.00	XXX	XXX	16,336,556	
10.8 Line 10.7 as a % of Column 6	18.42	23.41	58.16			100.00	XXX	XXX	XXX	100.00	
11. Total Bonds Prior Year											
11.1 Class 1	2,543,872	314,206	59,375			XXX	XXX	2,917,453	20.02	2,917,453	
11.2 Class 2		19,138	857,977			XXX	XXX	877,115	6.02	877,115	
11.3 Class 3		2,287,203	7,476,069	15,281		XXX	XXX	9,778,553	67.12	9,778,553	
11.4 Class 4		255,000	303,000			XXX	XXX	558,000	3.83	558,000	
11.5 Class 5		222,500				XXX	XXX	(c) 222,500	1.53	222,500	
11.6 Class 6			215,500			XXX	XXX	(c) 215,500	1.48	215,500	
11.7 TOTALS	2,543,872	3,098,047	8,911,921	15,281		XXX	XXX	(b) 14,569,121	100.00	14,569,121	
11.8 Line 11.7 as a % of Col. 8	17.46	21.26	61.17	0.10		XXX	XXX	100.00	XXX	100.00	
12. Total Publicly Traded Bonds											
12.1 Class 1	2,693,112					2,693,112	16.49	2,917,453	20.02	2,693,112	XXX
12.2 Class 2			142,876			142,876	0.87	877,115	6.02	142,876	XXX
12.3 Class 3	316,681	2,660,650	8,005,037			10,982,368	67.23	9,778,553	67.12	10,982,368	XXX
12.4 Class 4		1,164,050	1,354,150			2,518,200	15.41	558,000	3.83	2,518,200	XXX
12.5 Class 5								222,500	1.53		XXX
12.6 Class 6								215,500	1.48		XXX
12.7 TOTALS	3,009,793	3,824,700	9,502,063			16,336,556	100.00	14,569,121	100.00	16,336,556	XXX
12.8 Line 12.7 as a % of Col. 6	18.42	23.41	58.16			100.00	XXX	XXX	XXX	100.00	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	18.42	23.41	58.16			100.00	XXX	XXX	XXX	100.00	XXX
13. Total Privately Placed Bonds											
13.1 Class 1										XXX	
13.2 Class 2										XXX	
13.3 Class 3										XXX	
13.4 Class 4										XXX	
13.5 Class 5										XXX	
13.6 Class 6										XXX	
13.7 TOTALS										XXX	
13.8 Line 13.7 as a % of Col. 6						XXX	XXX	XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10						XXX	XXX	XXX	XXX	XXX	

(a) Includes $..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes $..... current year, $..... prior year of bonds with Z designations and $..... current year, $..... prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

(c) Includes $..... current year, $..... prior year of bonds with 5* designations and $..... current year, $..... prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations	2,513,490					2,513,490	15.39	2,658,591	18.25	2,513,490	
1.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
1.7 TOTALS	2,513,490					2,513,490	15.39	2,658,591	18.25	2,513,490	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations											
2.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined											
2.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5 Defined											
2.6 Other											
2.7 TOTALS											
3. States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations	179,622					179,622	1.10	371,950	2.55	179,622	
3.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined											
3.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5 Defined											
3.6 Other											
3.7 TOTALS	179,622					179,622	1.10	371,950	2.55	179,622	
4. Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations											
4.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined											
4.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5 Defined											
4.6 Other											
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5)											
5.1 Issuer Obligations											
5.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined											
5.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5 Defined											
5.6 Other											
5.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations	213,150	485,613	178,725			877,488	5.37	1,022,281	7.02	877,488	
6.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS	213,150	485,613	178,725			877,488	5.37	1,022,281	7.02	877,488	
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	103,531	3,339,087	9,323,337			12,765,955	78.14	10,516,299	72.18	12,765,955	
7.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS	103,531	3,339,087	9,323,337			12,765,955	78.14	10,516,299	72.18	12,765,955	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	3,009,793	3,824,700	9,502,062			16,336,555	100.00	XXX	XXX	16,336,555	
10.2 Single Class Mortgage-Backed/Asset-Backed Securities								XXX	XXX		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								XXX	XXX		
10.4 Other								XXX	XXX		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								XXX	XXX		
10.6 Other								XXX	XXX		
10.7 TOTALS	3,009,793	3,824,700	9,502,062			16,336,555	100.00	XXX	XXX	16,336,555	
10.8 Line 10.7 as a % of Column 6	18.42	23.41	58.16			100.00	XXX	XXX	XXX	100.00	
11. Total Bonds Prior Year											
11.1 Issuer Obligations	2,543,872	3,098,047	8,911,921	15,281		XXX	XXX	14,569,121	100.00	14,569,121	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities						XXX	XXX				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						XXX	XXX				
11.4 Other						XXX	XXX				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						XXX	XXX				
11.6 Other						XXX	XXX				
11.7 TOTALS	2,543,872	3,098,047	8,911,921	15,281		XXX	XXX	14,569,121	100.00	14,569,121	
11.8 Line 11.7 as a % of Column 8	17.46	21.26	61.17	0.10		XXX	XXX	100.00	XXX	100.00	
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	3,009,793	3,824,700	9,502,062			16,336,555	100.00	14,569,121	100.00	16,336,555	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities											XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											XXX
12.4 Other											XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											XXX
12.6 Other											XXX
12.7 TOTALS	3,009,793	3,824,700	9,502,062			16,336,555	100.00	14,569,121	100.00	16,336,555	XXX
12.8 Line 12.7 as a % of Column 6	18.42	23.41	58.16			100.00	XXX	XXX	XXX	100.00	XXX
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10	18.42	23.41	58.16			100.00	XXX	XXX	XXX	100.00	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations										XXX	
13.2 Single Class Mortgage-Backed/Asset-Backed Securities										XXX	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										XXX	
13.4 Other										XXX	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										XXX	
13.6 Other										XXX	
13.7 TOTALS										XXX	
13.8 Line 13.7 as a % of Column 6							XXX	XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10							XXX	XXX	XXX	XXX	

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years

		1 Total	2 Bonds	3 Mortgage Loans	4 Other Short-term Investment Assets (a)	5 Investments in Parent, Subsidiaries and Affiliates
1.	Book/adjusted carrying value, prior year	2,543,872			2,543,872	
2.	Cost of short-term investments acquired					
3.	Increase (decrease) by adjustment	(30,382)			(30,382)	
4.	Increase (decrease) by foreign exchange adjustment					
5.	Total profit (loss) on disposal of short-term investments					
6.	Consideration received on disposal of short-term investments					
7.	Book/adjusted carrying value, current year	2,513,490			2,513,490	
8.	Total valuation allowance					
9.	Subtotal (Lines 7 plus 8)	2,513,490			2,513,490	
10.	Total nonadmitted amounts					
11.	Statement value (Lines 9 minus 10)	2,513,490			2,513,490	
12.	Income collected during year					
13.	Income earned during year					

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment.

51 Schedule DB Part A Verification ..... NONE

51 Schedule DB Part B Verification ..... NONE

52 Schedule DB Part C Verification ..... NONE

52 Schedule DB Part D Verification ..... NONE

52 Schedule DB Part E Verification ..... NONE

53 Schedule DB Part F Sn 1 - Sum Replicated Assets ..... NONE

54 Schedule DB Part F Sn 2 - Recon Replicated Assets ..... NONE

55 Schedule F ..... NONE

SCHEDULE H - ACCIDENT AND HEALTH EXHIBIT

	Total		Group Accident and Health		Credit Accident & Health (Group and Individual)		Collectively Renewable		Other Individual Contracts: Non-Cancelable		Other Individual Contracts: Guaranteed Renewable		Other Individual Contracts: Non-Renewable for Stated Reasons Only		Other Individual Contracts: Other Accident Only		Other Individual Contracts: All Other	
	1 Amount	2 %	3 Amount	4 %	5 Amount	6 %	7 Amount	8 %	9 Amount	10 %	11 Amount	12 %	13 Amount	14 %	15 Amount	16 %	17 Amount	18 %
PART 1 - ANALYSIS OF UNDERWRITING OPERATIONS																		
1. Premiums written	114,795,600	XXX	114,795,600	XXX		XXX		XXX		XXX		XXX		XXX		XXX		XXX
2. Premiums earned	114,877,070	XXX	114,877,070	XXX		XXX		XXX		XXX		XXX		XXX		XXX		XXX
3. Incurred claims	93,883,226	81.7	93,883,226	81.7														
4. Increase in contract reserves																		
5. Commissions (a)																		
6. General insurance expenses	20,332,666	17.7	20,332,666	17.7														
7. Taxes, licenses and fees	1,286,435	1.1	1,286,435	1.1														
8. Total expenses incurred	21,619,101	18.8	21,619,101	18.8														
9. Aggregate write-ins for deductions																		
10. Gain from underwriting before dividends or refunds	(625,257)	(0.5)	(625,257)	(0.5)														
11. Dividends or refunds																		
12. Gain from underwriting after dividends or refunds	(625,257)	(0.5)	(625,257)	(0.5)														
DETAILS OF WRITE-INS																		
0901																		
0902																		
0903																		
0998. Summary of remaining write-ins for Line 9 from overflow page																		
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)																		

(a) Includes $..... reported as "Contract, membership and other fees retained by agents."

SCHEDULE H - ACCIDENT AND HEALTH EXHIBIT (Continued)

	1	2	3	4	Other Individual Contracts				
	Total	Group Accident and Health	Credit Accident and Health (Group and Individual)	Collectively Renewable	5 Non-Cancelable	6 Guaranteed Renewable	7 Non-Renewable for Stated Reasons Only	8 Other Accident Only	9 All Other
PART 2 - RESERVES AND LIABILITIES									
A. Premium Reserves:									
1. Unearned premiums									
2. Advance premiums	15,298	15,298							
3. Reserve for rate credits									
4. Total premium reserves, current year	15,298	15,298							
5. Total premium reserves, prior year	96,768	96,768							
6. Increase in total premium reserves	(81,470)	(81,470)							
B. Contract Reserves:									
1. Additional reserves									
2. Reserve for future contingent benefits (deferred maternity and other similar benefits)									
3. Total contract reserves, current year									
4. Total contract reserves, prior year									
5. Increase in contract reserves									
C. Claim Reserves and Liabilities:									
1. Total current year	24,700,000	24,700,000							
2. Total prior year	18,500,000	18,500,000							
3. Increase	6,200,000	6,200,000							
PART 3 - TEST OF PRIOR YEAR'S CLAIM RESERVES AND LIABILITIES									
1. Claim Paid During the Year:									
1.1 On claims incurred prior to current year	18,500,000	18,500,000							
1.2 On claims incurred during current year	69,183,226	69,183,226							
2. Claim Reserves and Liabilities, December 31, Current Year:									
2.1 On claims incurred prior to current year									
2.2 On claims incurred during current year	24,700,000	24,700,000							
3. Test:									
3.1 Lines 1.1 and 2.1	18,500,000	18,500,000							
3.2 Claim reserves and liabilities, December 31, prior year	18,500,000	18,500,000							
3.3 Line 3.1 minus Line 3.2									
PART 4 - REINSURANCE									
A. Reinsurance Assumed:									
1. Premiums written									
2. Premiums earned									
3. Incurred claims									
4. Commissions									
B. Reinsurance Ceded:									
1. Premiums written									
2. Premiums earned									
3. Incurred claims									
4. Commissions									

SCHEDULE H - PART 5 - HEALTH CLAIMS

	1 Medical	2 Dental	3 Other	4 Total
A. Direct:				
1. Incurred Claims			93,583,226	93,583,226
2. Beginning Claim Reserve and Liabilities			18,500,000	18,500,000
3. Ending Claim Reserves and Liabilities			24,700,000	24,700,000
4. Claims Paid			87,383,226	87,383,226
B. Assumed Reinsurance:				
5. Incurred Claims				
6. Beginning Claim Reserves and Liabilities				
7. Ending Claim Reserve and Liabilities				
8. Claims Paid				
C. Ceded Reinsurance:				
9. Incurred Claims				
10. Beginning Claim Reserves and Liabilities				
11. Ending Claim Reserve and Liabilities				
12. Claims Paid				
D. Net:				
13. Incurred Claims			93,583,226	93,583,226
14. Beginning Claim Reserve and Liabilities			18,500,000	18,500,000
15. Ending Claim Reserve and Liabilities			24,700,000	24,700,000
16. Claims Paid			87,383,226	87,383,226

59 Schedule S - Part 1 - Section 1 ..... NONE

60 Schedule S - Part 1 - Section 2 ..... NONE

61 Schedule S - Part 2 ..... NONE

62 Schedule S - Part 3 - Section 1 ..... NONE

SCHEDULE S - PART 3 - SECTION 2

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

1	2	3	4	5	6	7	8	9	Outstanding Surplus Relief		12	13
									10	11		
NAIC Company Code	Federal ID Number	Effective Date	Name of Company	Location	Type	Premiums	Unearned Premiums (estimated)	Reserve Credit Taken Other than for Unearned Premiums	Current Year	Prior Year	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance
Affiliates												
76694	23-2044256	01/01/2000	LONDON LIFE REINS CO	BLUEBIRD, PA	OTH/I	527,000						
0199999 Total - Affiliates						527,000						
0399999 Totals						527,000						

SCHEDULE S - PART 4

Reinsurance Ceded To Unauthorized Companies

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Reserve Credit Taken	6 Paid and Unpaid Losses Recoverable (Debit)	7 Other Debits	8 Totals (Cols. 5 + 6 + 7)	9 Letters of Credit	10 Trust Agreements	11 Funds Deposited by and Withheld from Reinsurers	12 Other	13 Miscellaneous Balances (Credit)	14 Sum of Cols. 9+10+11+12+13 But Not in Excess of Col. 8
					NONE								
1199999 Totals (General Account and Separate Accounts combined)													

SCHEDULE S - PART 5

Five-Year Exhibit of Reinsurance Ceded Business

(000 Omitted)

	1 2003	2 2002	3 2001	4 2000	5 1999
A. OPERATIONS ITEMS:					
1. Premiums and annuity considerations for life and accident and health contracts	527	357	503	4	420
2. Commissions and reinsurance expense allowances					
3. Contract claims					
4. Surrender benefits and withdrawals for life contracts					
5. Dividends to policyholders					
6. Reserve adjustments on reinsurance ceded					
7. Increase in aggregate reserves for life and accident and health contracts					
B. BALANCE SHEETS ITEMS					
8. Premiums and annuity considerations for life and accident and health contracts deferred and uncollected					
9. Aggregate reserves for life and accident and health contracts					
10. Liability for deposit-type contracts					
11. Contract claims unpaid					
12. Amounts recoverable on reinsurance					
13. Experience rating refunds due or unpaid					
14. Policyholders' dividends (not included in Line 10)					
15. Commissions and reinsurance expense allowances unpaid					
16. Unauthorized reinsurance offset					
C. UNAUTHORIZED REINSURANCE (Deposits By and Funds Withheld From)					
17. Funds deposited by and withheld from (F)					
18. Letters of credit (L)					
19. Trust agreements (T)					
20. Other (O)					

SCHEDULE S - PART 6

Restatement of Balance Sheet to Identify Net Credit for Ceded Reinsurance

	1 As Reported (net of ceded)	2 Restatement Adjustments	3 Restated (gross of ceded)
ASSETS (Page 2, Column 3)			
1. Cash and invested assets (Line 10)	22,164,279		22,164,279
2. Reinsurance ceded (Line 13)			
3. Premiums and considerations (Line 12)	7,156,074		7,156,074
4. Net credit for ceded reinsurance	XXX		
5. All other admitted assets (balance)	31,732,061		31,732,061
6. TOTAL assets excluding Separate Accounts (Line 24)	61,052,414		61,052,414
7. Separate Account assets (Line 25)			
8. TOTAL assets (Line 26)	61,052,414		61,052,414
LIABILITIES, CAPITAL AND SURPLUS (Page3)			
9. Contract reserves (Lines 1 and 2)			
10. Liability for deposit-type contracts (Line 3)			
11. Claim reserves (Line 4)	24,700,000		24,700,000
12. Policyholder dividends/reserves (Lines 5 through 7)			
13. Premium & annuity considerations received in advance (Line 8)	15,298		15,298
14. Other contract liabilities (Line 9)	(27,314)		(27,314)
15. Reinsurance in unauthorized companies (Line 24.2)			
16. Funds held under reinsurance with unauthorized reinsurers (Line 24.3)		XXX	
17. All other liabilities (balance)	25,188,921		25,188,921
18. Total liabilities excluding Separate Accounts (Line 26)	49,876,905		49,876,905
19. Separate Account liabilities (Line 27)			
20. TOTAL liabilities (Line 28)	49,876,905		49,876,905
21. Capital & surplus (Line 36)	11,175,509	XXX	11,175,509
22. TOTAL liabilities, capital and surplus (Line 39)	61,052,414		61,052,414
NET CREDIT FOR CEDED REINSURANCE			
23. Contract reserves			
24. Claim reserves			
25. Policyholder dividends/reserves			
26. Premium & annuity considerations received in advance			
27. Liability for premium & other deposit funds			
28. Other contract liabilities			
29. Reinsurance ceded assets			
30. Other ceded reinsurance recoverables			
31. TOTAL ceded reinsurance recoverables			
32. Premiums and considerations			
33. Reinsurance in unauthorized companies			
34. Other ceded reinsurance payables/offsets			
35. TOTAL ceded reinsurance payable/offsets			
36. TOTAL net credit for ceded reinsurance			

SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS

Allocated by States and Territories

	States, Etc.	1 Is Insurer Licensed (Yes or No)	Direct Business Only: Life Contracts: 2 Life Insurance Premiums	3 Annuity Considerations	4 Accident and Health Insurance Premiums Including Policy, Membership and Other Fees	5 Deposit-Type Contract Funds	6 Other Considerations
1.	Alabama (AL)	No					
2.	Alaska (AK)	No					
3.	Arizona (AZ)	No					
4.	Arkansas (AR)	No					
5.	California (CA)	No					
6.	Colorado (CO)	No					
7.	Connecticut (CT)	No					
8.	Delaware (DE)	No					
9.	District of Columbia (DC)	No					
10.	Florida (FL)	No					
11.	Georgia (GA)	No					
12.	Hawaii (HI)	No					
13.	Idaho (ID)	No					
14.	Illinois (IL)	No					
15.	Indiana (IN)	No					
16.	Iowa (IA)	No					
17.	Kansas (KS)	No					
18.	Kentucky (KY)	No					
19.	Louisiana (LA)	No					
20.	Maine (ME)	No					
21.	Maryland (MD)	No					
22.	Massachusetts (MA)	No					
23.	Michigan (MI)	No					
24.	Minnesota (MN)	No					
25.	Mississippi (MS)	No					
26.	Missouri (MO)	No					
27.	Montana (MT)	No					
28.	Nebraska (NE)	No					
29.	Nevada (NV)	No					
30.	New Hampshire (NH)	No					
31.	New Jersey (NJ)	No					
32.	New Mexico (NM)	No					
33.	New York (NY)	No					
34.	North Carolina (NC)	No					
35.	North Dakota (ND)	No					
36.	Ohio (OH)	No					
37.	Oklahoma (OK)	No					
38.	Oregon (OR)	No					
39.	Pennsylvania (PA)	No					
40.	Rhode Island (RI)	No					
41.	South Carolina (SC)	No					
42.	South Dakota (SD)	No					
43.	Tennessee (TN)	No					
44.	Texas (TX)	No					
45.	Utah (UT)	No					
46.	Vermont (VT)	No					
47.	Virginia (VA)	No					
48.	Washington (WA)	No					
49.	West Virginia (WV)	No					
50.	Wisconsin (WI)	No					
51.	Wyoming (WY)	No					
52.	American Samoa (AS)	No					
53.	Guam (GU)	No					
54.	Puerto Rico (PR)	Yes			115,404,070		
55.	U.S. Virgin Islands (VI)	No					
56.	Canada (CN)	No					
57.	Aggregate other alien (OT)	XXX					
58.	Subtotal	(a) 1			115,404,070		
90.	Reporting entity contributions for employee benefits plans	XXX					
91.	Dividends or refunds applied to purchase paid-up additions and annuities	XXX					
92.	Dividends or refunds applied to shorten endowment or premium paying period	XXX					
93.	Premium or annuity considerations waived under disability or other contract provisions	XXX					
94.	Aggregate other amounts not allocable by State	XXX					
95.	Totals (Direct Business)	XXX			115,404,070		
96.	Plus Reinsurance Assumed	XXX					
97.	Totals (All Business)	XXX			115,404,070		
98.	Less Reinsurance Ceded	XXX					
99.	Totals (All Business) less Reinsurance Ceded	XXX			(b) 115,404,070		
	DETAILS OF WRITE-INS						
5701		XXX					
5702		XXX					
5703		XXX					
5798.	Summary of remaining write-ins for Line 57 from overflow page	XXX					
5799.	Totals (Lines 5701 through 5703 plus 5798) (Line 57 above)	XXX					
9401		XXX					
9402		XXX					
9403		XXX					
9498	Summary of remaining write-ins for Line 94 from overflow page	XXX					
9499.	Totals (Lines 9401 through 9403 plus 9498) (Line 94 above)	XXX					

a) Insert the number of yes responses except for Canada and Other Alien.
b) Column 4 should balance with Exhibit 1, Lines 6.4, 10.4 and 16.4, Cols. 8, 9 and 10 or with Schedule H, Part 1, Line 1. Indicate which.... Exhibit 1, Lines 6.4, 10.4, and 16.4, Cols 8, 9 and 10

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

68 Schedule Y - Part 1 - ..... NONE

69 Schedule Y - Part 2 - ..... NONE

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

	Response
MARCH FILING	
1. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?	No
2. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	No
3. Will the SVO Compliance Certification be filed by March 1?	No
4. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1?	No
5. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	No
6. Will the Risk-based Capital Report be filed with the NAIC by March 1?	No
7. Will the Risk-based Capital Report be filed with the state of domicile, if required, by March 1?	No
8. Will the statement on non-guaranteed elements as required in Interrogatory #3 to Exhibit 5 be filed by March 1?	No
9. Will an actuarial opinion be filed with this statement by March 1?	No
10. Will the Workers' Compensation Carve-Out Supplement be filed by March 1?	No
11. Will Supplemental Schedule O be filed with the state of domicile and the NAIC by March 1?	No
APRIL FILING	
12. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?	No
13. Will Management's Discussion and Analysis be filed by April 1?	No
14. Will the Interest-Sensitive Life Insurance Products Report Forms be filed with the state of domicile and the NAIC by April 1?	No
15. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1?	No
16. Will the Life, Health & Annuity Guaranty Association Model Act Assessment Base Reconciliation Exhibit be filed with the state of domicile and the NAIC by April 1?	No
17. Will the Adjustment Form (if required) be filed with the state of domicile and the NAIC by April 1?	No
18. Will the Accident and Health Policy Experience Exhibit be filed by April 1?	No
19. Will the Investment Risks Interrogatories be filed by April 1?	No
JUNE FILING	
20. Will an audited financial report be filed by June 1?	No

Explanations:

Bar Codes:

Schedule SIS
5354620034 2000000 2003 Document Code: 420

Medicare Supplement Insurance Experience Exhibit
5354620036 0000000 2003 Document Code: 360

SVO Compliance Certification
5354620034 7000000 2003 Document Code: 470

Trusteed Surplus Statement
5354620034 9000000 2003 Document Code: 490

Supplemental Compensation Exhibit
5354620034 6000000 2003 Document Code: 460

Risk-Based Capital Filing
5354620033 9000000 2003 Document Code: 390

Statement of Non-Guaranteed Elements for Exhibit 5
5354620033 7000000 2003 Document Code: 370

Statement of Actuarial Opinion / Certification
5354620034 4000000 2003 Document Code: 440

Worker's Compensation Carve-out Supplement
5354620034 9500000 2003 Document Code: 495

Supplemental Schedule O
5354620034 6500000 2003 Document Code: 465

LTC Experience Reporting Form C
5354620033 3000000 2003 Document Code: 330

Management's Discussion & Analysis of Operations
5354620033 5000000 2003 Document Code: 350

Interest Sensitive Life Insurance Products Report
5354620032 8000000 2003 Document Code: 280

Credit Insurance Exhibit
5354620032 3000000 2003 Document Code: 230

LHA Guaranty Association Reconciliation
5354620032 9000000 2003 Document Code: 290

LHA Guaranty Association Adjustment Exhibit
5354620033 0000000 2003 Document Code: 300

Accident and Health Policy Experience Exhibit
5354620032 1000000 2003 Document Code: 210

Supplemental Investment Risks Interrogatories
5354620032 8500000 2003 Document Code: 285

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES (continued)

Audited Financial Report

53548200322000000 2003 Document Code: 220

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
2504.	UNEARNED GAIN ON SALE OF BUILDING	1,152,424	
2597.	Summary of remaining write-ins for Line 25 (Lines 2504 through 2596)	1,152,424	

EXHIBIT 2 - GENERAL EXPENSES

		Insurance			4	5
		1 Life	2 Accident and Health	3 All Other Lines of Business	Investment	Total
09.304.	BAD DEBT EXPENSE		1,286,002			1,286,002
09.305.	CONSULTING AND PROFESSIONAL SERVICES		490,328			490,328
09.397.	Summary of remaining write-ins for Line 9.3 (Lines 09.304 through 09.396)		1,776,330			1,776,330

E01 Schedule A - Part 1 Real Estate Owned - . . . . . NONE

E02 Schedule A - Part 2 Real Estate Aquired - . . . . . NONE

SCHEDULE A - PART 3

Showing all Real Estate SOLD during the Year, including Payments during the Final Year on "Sales under Contract"

1	Location		4	5	6	7	8	9	10	11	12	13	14	15	16
	2	3													
Description of Property	City	State	Disposal Date	Name of Purchaser	Actual Cost	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Expended for Additions, Permanent Improvements and Changes in Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Amounts Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred
Property Sold															
Land and Building	San Juan	PR		CRIM	14,701,038				11,101,038	12,900,000		1,798,962	1,798,962		396,713
0199999 Subtotal - Property Sold					14,701,038				11,101,038	12,900,000		1,798,962	1,798,962		396,713
9999999 Totals					14,701,038				11,101,038	12,900,000		1,798,962	1,798,962		396,713

E04 Schedule B - Part 1 Mortgage Loans Owned ..... NONE

E05 Schedule B - Part 2 Mortgage Loans Sold ..... NONE

E06 Schedule BA - Part 1 Invested Assets Owned ..... NONE

E07 Schedule BA - Part 2 Invested Assets Sold ..... NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description		Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations																				
	PR HIGHWAY BONDS		5.800		07/01/2004			179,622	175,000	87.7500	153,562	172,614						1	01/01/1999	
1199999 Subtotal - States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations								179,622	175,000	XXX	153,562	172,614						XXX	XXX	XXX
1799999 Subtotal - States, Territories and Possessions (Direct and Guaranteed)								179,622	175,000	XXX	153,562	172,614						XXX	XXX	XXX
Public Utilities (Unaffiliated) - Issuer Obligations																				
	ALLIED WASTE INDS		7.625		01/01/2006			253,125	250,000	87.9750	219,937	239,688						3	02/28/2000	
	ALLIED WASTE NORTH AMERICA		8.500		12/01/2008			83,438	75,000	100.0000	75,000	75,000						3	11/15/2001	
	BOWATER CANADA FIN		7.950		11/15/2011			31,856	30,000	102.5592	30,768	30,675						3	11/26/2002	
	BOWATER INC		9.500		10/15/2012			28,320	25,000	112.6180	28,155	27,833						3	12/23/2002	
	CMS ENERGY CORP		7.500		01/15/2009			139,050	135,000	91.7087	123,807	128,497						4	02/28/2000	
	BOWATER INC		6.500		10/15/2013			24,266	25,000	99.6100	24,903	24,908						3	06/16/2003	
	WESTERN RESOURCES INC		6.875		08/01/2004			213,150	210,000	86.8396	182,363	206,340						3	02/28/2000	
	WESTERN RESOURCES INC		7.125		08/01/2009			94,283	90,000	83.1800	74,862	81,028						3	02/28/2000	
3299999 Subtotal - Public Utilities (Unaffiliated) - Issuer Obligations								877,488	840,000	XXX	759,795	813,969						XXX	XXX	XXX
3899999 Subtotal - Public Utilities (Unaffiliated)								877,488	840,000	XXX	759,795	813,969						XXX	XXX	XXX
Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations																				
	DANA CORPORATION		9.000		08/15/2011			271,125	225,000	90.8333	204,375	208,773						3	11/09/2001	
	DELTA AIRLINES INC.		7.900		12/15/2009			56,613	70,000	89.2717	62,490	64,421						4	11/09/2001	
	DR HORTON INC.		8.000		02/01/2009			133,906	125,000	87.3841	109,230	116,010						3	02/28/2000	
	EXPRESS SCRIPTS INC		9.625		06/15/2009			177,375	165,000	99.9387	164,256	165,010						3	02/28/2000	
	EXPRESS SCRIPTS INC		9.625		06/15/2009			10,750	10,000	107.2500	10,725	10,484						3	03/14/2001	
	EXPRESS SCRIPTS INC		9.625		06/15/2009			16,125	15,000	107.5000	16,125	15,749						3	03/23/2001	
	FAIRFAX FINANCIAL HOLDING		7.375		03/15/2006			15,150	15,000	78.3333	11,750	13,255						4	01/24/2002	
	FAIRFAX FINANCIAL HOLDING		6.875		04/15/2008			9,950	10,000	72.5000	7,250	8,096						4	01/23/2002	
	FOREST OIL CORPORATION		8.000		12/15/2011			108,158	99,000	100.1641	99,163	99,129						3	11/30/2001	
	GAP INC		8.800		12/15/2008			184,875	150,000	95.4958	143,244	145,066						3	03/01/2002	
	GOODYEAR TIRE & RUBBER		8.500		03/15/2007			19,650	20,000	98.3125	19,662	19,784						4	02/15/2002	
	GOODYEAR TIRE & RUBBER		7.857		08/15/2011			30,538	35,000	94.4286	33,050	33,427						4	02/26/2002	
	HARRAHS OPERATING CO.		7.875		12/15/2005			108,750	100,000	93.7500	93,750	97,889						3	02/26/2000	
	HARRAHS OPERATING CO.		7.875		12/15/2005			54,375	50,000	104.7500	52,375	51,166						3	01/11/2002	
	IMC GLOBAL		10.875		06/01/2008			49,500	45,000	106.5278	47,938	47,017						4	12/20/2001	
	IMC GLOBAL		11.250		06/01/2011			33,000	30,000	104.9167	31,475	31,142						4	10/30/2001	
	JC PENNEY NOTES		7.600		04/01/2007			104,856	95,000	96.6053	91,775	93,175						3	06/05/2001	
	KANSAS CITY SOUTHERN RAILWAY		7.500		06/15/2009			15,375	15,000	100.0000	15,000	15,000						4	06/05/2002	
	KANSAS CITY SOUTHERN RAILWAY		9.500		10/01/2008			33,300	30,000	100.0000	30,000	30,000						4	09/21/2000	
	KAUFMAN & BROAD HOME		7.750		10/15/2004			103,531	100,000	93.6000	93,600	98,906						3	02/28/2000	
	KB HOME		9.500		02/15/2011			223,000	200,000	103.3750	206,750	205,268						3	01/08/2002	
	KENNAMENTAL INC.		7.200		06/15/2012			159,095	150,000	100.2233	150,335	150,285						3	06/24/2002	
	LEAR CORPORATION		7.960		05/15/2005			53,500	50,000	96.0570	48,029	49,427						3	08/25/2000	
	LEAR CORPORATION		8.110		05/15/2009			176,438	150,000	92.9186	139,378	143,805						3	02/28/2000	
	LYONDELL CHEMICAL		9.875		05/01/2007			290,125	275,000	95.9773	263,937	269,859						4	02/28/2000	
	LYONDELL CHEMICAL		9.625		05/01/2007			26,500	25,000	100.5000	25,125	25,063						4	09/15/2000	
	MASTEC INC.		7.750		02/01/2008			126,250	125,000	91.8500	114,812	119,746						4	02/28/2000	
	METHANEX CORP		8.750		08/15/2012			16,725	15,000	100.0000	15,000	15,000						3	06/13/2002	

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description		Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
	MGM MIRAGE		8.375		02/01/2011			226,500	200,000	102.0438	204,088	203,003						3	05/10/2001	
	NAVISTAR INTL COPR		8.000		02/01/2008			71,925	70,000	93.2250	65,257	67,554						4	02/28/2000	
	NEWFIELD EXPLORATIONS CO		8.375		08/15/2012			112,000	100,000	105.0375	105,037	104,362						3	09/10/2002	
	NORSKE SKOG CANADA LTD		8.625		06/15/2011			10,500	10,000	99.5310	9,953	9,964						3	08/08/2001	
	NORSKE SKOG CANADA LTD		8.625		06/15/2011			52,500	50,000	102.3750	51,188	51,048						3	12/20/2002	
	NOVA CHEMICALS		7.000		05/15/2006			26,375	25,000	93.0000	23,250	23,826						3	10/29/2002	
	OMNICARE INC		8.125		03/15/2011			38,238	35,000	100.0000	35,000	35,000						3	03/15/2001	
	PARK PLACE ENTERTAINMENT		8.875		09/15/2008			152,888	135,000	105.7624	142,806	141,093						3	08/21/2002	
	PIONEER NAT RESOURCES		9.625		04/01/2010			118,216	95,000	103.2538	98,091	96,915						3	02/28/2000	
	PIONEER NAT RESOURCES		7.500		04/15/2012			28,735	25,000	100.0000	25,000	25,000						3	04/25/2002	
	PRIDE INTERNATIONAL		10.000		06/01/2009			257,400	240,000	99.3750	238,500	239,122						3	02/28/2000	
	PRIDE INTERNATIONAL		10.000		06/01/2009			26,813	25,000	107.4000	26,850	26,234						3	03/01/2001	
	ROGERS CANTEL		9.375		06/01/2008			156,938	150,000	103.0000	154,500	152,408						3	02/28/2000	
	ROGERS CANTEL		9.375		06/01/2008			26,156	25,000	100.0000	25,000	25,000						3	05/02/2001	
	ROGERS WIRELESS COMM		9.625		05/01/2011			85,600	80,000	100.6577	80,526	80,390						3	05/01/2001	
	SAMINA CORP		10.375		01/15/2010			81,900	70,000	100.0000	70,000	70,000						3	12/18/2002	
	SEQUA CORP		9.000		08/01/2009			267,500	250,000	93.9773	234,943	241,074						4	02/29/2000	
	SOLECTRON CORP		9.625		02/15/2009			33,450	30,000	99.3690	29,811	29,862						4	02/06/2002	
	SPX CORPORATION		7.500		01/01/2013			16,313	15,000	100.0000	15,000	15,000						3	12/13/2002	
	STANDARD PACIFIC CORP		8.000		02/15/2008			25,563	25,000	93.5000	23,375	24,041						3	01/03/2001	
	STANDARD PACIFIC CORP		8.500		04/01/2009			254,800	245,000	88.6990	217,313	229,005						3	02/28/2000	
	STANDARD PACIFIC CORP		8.500		04/01/2009			20,800	20,000	96.0000	19,200	19,461						3	05/01/2001	
	TEMBEC INDUSTRIES INC		8.500		02/01/2011			31,697	35,000	101.4581	35,510	35,369						3	03/01/2001	
	TOLL CORP		8.125		02/01/2009			103,750	100,000	91.0000	91,000	94,863						3	03/03/2000	
	TRICON GLOBAL RESTAURANT		7.650		05/15/2008			113,500	100,000	94.0200	94,020	96,815						3	02/29/2000	
	TYCO INTL GROUP SA		6.375		02/15/2006			15,975	15,000	92.6667	13,900	14,328						3	09/13/2002	
	TYCO INTL GROUP SA		5.800		08/01/2006			5,288	5,000	90.0000	4,500	4,671						3	09/13/2002	
	TYCO INTL GROUP SA		6.125		01/15/2009			16,050	15,000	88.5000	13,275	13,637						3	09/13/2002	
	TYCO INTL GROUP SA		6.125		01/15/2009			21,400	20,000	88.5000	17,700	18,183						3	09/13/2002	
	ABITIBI CONSOLIDATED YANKEE		8.550		08/01/2010			94,669	85,000	107.3849	91,277	90,392						3	11/25/2002	
	AMERICAN STANDARD		7.375		04/15/2005			52,750	50,000	93.5000	46,750	49,172						3	03/24/2000	
	AMERICAN STANDARD		7.625		02/15/2010			255,375	225,000	92.0833	207,188	214,048						3	02/28/2000	
	AMERISOURCEBEGEN CORP		7.250		11/15/2012			107,750	100,000	100.0000	100,000	100,000						3	11/12/2002	
	AMERISOURCEBEGEN CORP		7.250		11/15/2012			53,875	50,000	103.7500	51,875	51,686						3	12/17/2002	
	AVAYA, INC.		11.250		04/01/2009			204,750	175,000	97.3624	170,384	171,491						4	04/22/2002	
	AVISTA CORP		9.750		06/01/2008			29,750	25,000	99.3210	24,830	24,893						3	03/29/2001	
	AVISTA CORP		9.750		06/01/2008			89,250	75,000	99.0000	74,250	74,398						3	12/13/2002	
	BALL CORP		7.750		08/01/2006			161,250	150,000	95.0000	142,500	146,982						3	02/28/2000	
	BEAZER HOME USA		8.625		05/15/2011			123,050	115,000	99.1780	114,055	114,453						3	05/14/2001	
	BOISE CASCADE		6.500		10/01/2010			31,294	30,000	100.2292	30,069	30,067						3	10/16/2003	
	CARLSTAR INDUSTRIES INC		9.875		04/01/2011			135,000	125,000	96.1840	120,230	121,498						4	03/23/2001	
	CENTURY ALUMINUM CO		11.750		04/15/2008			27,875	25,000	99.3178	24,829	24,799						4	03/28/2001	
	CENTURY ALUMINUM CO		11.750		04/15/2008			27,875	25,000	97.5000	24,375	24,492						4	12/20/2002	
	CHESAPEAKE ENERGY CORP		9.000		08/15/2012			87,300	90,000	111.2500	100,125	99,609						3	07/15/2003	
	CHESAPEAKE ENERGY CORP		9.000		08/15/2012			49,050	45,000	102.2500	46,012	45,967						3	08/06/2003	
	CHESAPEAKE ENERGY CORP		9.000		08/15/2012			59,950	55,000	102.0000	56,100	56,051						3	08/06/2003	
	COLUMBIA HCA HEALTH		7.250		05/20/2008			230,607	210,000	89.0665	187,040	197,755						3	02/25/2000	
	COVENTRY HEALTH CARE		8.125		02/15/2012			16,650	15,000	100.0000	15,000	15,000						3	02/01/2002	
	COVENTRY HEALTH CARE		8.125		02/15/2012			55,500	50,000	105.5000	52,750	52,425						3	12/13/2002	
	CSC HOLDINGS		7.625		04/01/2011			131,563	125,000	98.2104	122,763	123,363						4	04/25/2001	

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Showing all Long-Term BONDS Owned December 31, of Current Year

1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description		Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
	CSC HOLDINGS		7.625		04/01/2011			184,188	175,000	93.5660	163,740	165,838						4	04/22/2002	
	CUMMINS INC.		9.500		12/01/2010			5,750	5,000	100.0000	5,000	5,000						3	11/15/2002	
	TYCO INTL GROUP SA		6.750		02/15/2011			16,388	15,000	85.4000	12,810	13,156						3	09/10/2002	
	TYCO INTL GROUP SA		6.375		10/15/2011			138,938	130,000	88.0385	114,450	116,729						3	09/12/2002	
	UNYSIS CORP.		7.875		04/01/2008			93,263	90,000	93.7773	84,400	87,085						3	02/28/2000	
	US STEEL		10.750		08/01/2008			234,000	200,000	97.4993	194,999	196,159						3	07/24/2001	
	WINN-DIXIE STORES		8.875		04/01/2008			121,800	120,000	100.0000	120,000	120,000						4	03/22/2001	
	YUM BRANDS		7.700		07/01/2012			115,125	100,000	99.4500	99,450	99,532						3	06/25/2002	
	FAIRFAX FINANCIAL HOLDING		6.875		04/15/2008			9,950	10,000	100.5000	10,050	10,038						3	12/19/2003	
	GAP INC		8.800		12/15/2008			49,300	40,000	111.2500	44,500	43,833						4	02/19/2003	
	KANSAS CITY SOUTHERN		9.500		10/01/2008			55,500	50,000	110.1250	55,063	54,289						3	02/21/2003	
	KANSAS CITY SOUTHERN		9.500		10/01/2008			11,100	10,000	110.1250	11,012	10,860						4	02/26/2003	
	METHANEZ CORP		8.750		08/15/2012			27,875	25,000	113.0000	28,250	28,078						3	07/08/2003	
	NORSKE SKOG CANADA LIMITED		8.625		06/15/2011			52,500	50,000	103.0000	51,500	51,473						3	11/12/2003	
	NORSKE SKOG CANADA LIMITED		8.625		06/15/2011			10,500	10,000	103.3750	10,338	10,335						3	12/08/2003	
	OMNICARE INC		8.125		03/15/2011			15,038	15,000	100.0000	15,000	15,000						3	06/10/2003	
	PARK PLACE ENTERTAINMENT		8.125		05/15/2011			56,063	50,000	105.6250	52,812	52,603						3	05/28/2003	
	PARK PLACE ENTERTAINMENT		8.125		05/15/2011			33,638	30,000	111.0000	33,300	33,076						3	06/18/2003	
	JC PENNEY INC		7.375		08/15/2008			83,344	75,000	90.3330	67,750	70,196						3	06/19/2001	
	PIONEER NAT RESOURCES		7.500		04/15/2012			28,735	25,000	112.8310	28,208	28,100						3	09/17/2003	
	PIONEER NAT RESOURCES		7.500		04/15/2012			28,735	25,000	112.8790	28,220	28,113						3	09/18/2003	
	SAMINA CORP		10.375		01/15/2010			70,200	50,000	112.0000	67,200	66,569						3	06/02/2003	
	SOLECTRON CORP		9.625		02/15/2009			111,500	100,000	108.5000	108,500	107,636						4	06/02/2003	
	TEMBEC INDUSTRIES INC		8.500		02/01/2011			40,753	45,000	100.2500	45,112	45,101						3	02/26/2003	
	TEMBEC INDUSTRIES INC		8.500		02/01/2011			79,600	80,000	92.5000	74,000	74,111						3	11/12/2003	
	ABITIBI-CONSOLIDATED YANKEE		8.550		08/01/2010			33,413	30,000	111.6095	33,483	33,073						3	02/13/2003	
	ABITIBI-CONSOLIDATED YANKEE		8.550		08/01/2010			27,844	25,000	109.5790	27,395	27,349						3	11/14/2003	
	APOGENT TECH		6.500		05/15/2013			10,095	10,000	100.0000	10,000	10,000						3	05/22/2003	
	APOGENT TECH		6.500		05/15/2013			5,047	5,000	97.5000	4,875	4,879						3	08/26/2003	
	APOGENT TECH		6.500		05/15/2013			10,095	10,000	98.5000	9,850	9,855						3	08/28/2003	
	APOGENT TECH		6.500		05/15/2013			5,047	5,000	99.7500	4,988	4,988						3	09/02/2003	
	APOGENT TECH		6.500		05/15/2013			20,190	20,000	99.7500	19,950	19,952						3	09/03/2003	
	APOGENT TECH		6.500		05/15/2013			30,284	30,000	99.5000	29,850	29,855						3	09/03/2003	
	APOGENT TECH		6.500		05/15/2013			35,332	35,000	99.6071	34,863	34,867						3	09/05/2003	
	APOGENT TECH		6.500		05/15/2013			25,237	25,000	99.8500	24,963	24,964						3	09/09/2003	
	APOGENT TECH		6.500		05/15/2013			35,332	35,000	100.2500	35,087	35,085						3	09/12/2003	
	APOGENT TECH		6.500		05/15/2013			5,047	5,000	101.0000	5,050	5,048						3	09/16/2003	
	APOGENT TECH		6.500		05/15/2013			10,095	10,000	102.0000	10,200	10,194						3	09/24/2003	
	APOGENT TECH		6.500		05/15/2013			20,190	20,000	103.2500	20,650	20,634						3	10/07/2003	
	APOGENT TECH		6.500		05/15/2013			10,095	10,000	103.0000	10,300	10,293						3	10/15/2003	
	APOGENT TECH		6.500		05/15/2013			20,190	20,000	103.1255	20,625	20,612						3	10/16/2003	
	APOGENT TECH		6.500		05/15/2013			35,332	35,000	103.8750	36,356	36,329						3	10/23/2003	
	ARCH WESTERN		6.750		07/01/2013			35,963	35,000	100.0000	35,000	35,000						3	06/19/2003	
	AVISTA CORP		9.750		06/01/2008			59,500	50,000	104.6250	52,312	51,929						3	02/13/2003	
	AVISTA CORP		9.750		06/01/2008			35,700	30,000	103.6250	31,088	30,909						3	02/18/2003	
	BEAZAR HOMES		8.625		05/15/2011			32,100	30,000	105.6250	31,688	31,511						3	02/19/2003	
	BIO-RADS LABS		7.500		08/15/2013			16,500	15,000	100.0000	15,000	15,000						4	08/11/2003	

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Showing all Long-Term BONDS Owned December 31, of Current Year

1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description		Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
	BOISE CASCADE		6.500		10/01/2010			5,216	5,000	101.1250	5,056	5,055						3	10/21/2003	
	BRITISH SKY BROAD		8.200		07/15/2009			142,876	120,000	119.7500	143,700	141,626						2	06/20/2003	
	CASE NEW HOLLAND INC		9.250		08/01/2011			145,600	130,000	106.3269	138,225	137,905						3	09/10/2003	
	CASE NEW HOLLAND INC		9.250		08/01/2011			56,000	50,000	111.2500	55,625	55,527						3	11/12/2003	
	CASE NEW HOLLAND INC		9.250		08/01/2011			72,800	65,000	98.6210	64,104	64,151						3	07/29/2003	
	CENTERPOINT ENERGY RESOURCES		7.875		04/01/2013			5,661	5,000	111.8960	5,595	5,554						3	04/23/2003	
	CENTERPOINT ENERGY RESOURCES		7.875		04/01/2013			5,661	5,000	114.0740	5,704	5,655						3	04/24/2003	
	CENTERPOINT ENERGY RESOURCES		7.875		04/01/2013			11,322	10,000	114.2750	11,427	11,329						3	04/24/2003	
	CENTERPOINT ENERGY RESOURCES		7.875		04/01/2013			22,644	20,000	114.0420	22,808	22,614						3	04/24/2003	
	CENTERPOINT ENERGY RESOURCES		7.875		04/01/2013			22,644	20,000	115.5290	23,106	22,900						3	05/05/2003	
	CHEVY CHASE BANK		6.875		12/01/2013			15,375	15,000	100.0000	15,000	15,000						4	11/24/2003	
	CONSTELLATION BRANDS		8.000		02/15/2008			33,300	30,000	104.0000	31,200	30,984						3	02/03/2003	
	CONSTELLATION BRANDS		8.000		02/15/2008			5,550	5,000	110.2500	5,512	5,489						3	10/22/2003	
	CONSTELLATION BRANDS		8.000		02/15/2008			5,550	5,000	110.8750	5,544	5,520						3	10/22/2003	
	CUMMINS INC		9.500		12/01/2010			63,250	55,000	103.5000	56,925	56,514						3	02/13/2002	
	CUMMINS INC		9.500		12/01/2010			63,250	55,000	106.2500	58,437	58,059						3	02/21/2003	
	DILLARD DEPT STORES		7.850		10/01/2012			31,500	30,000	101.2500	30,375	30,345						4	04/01/2003	
	ECHOSTAR DBS CORP		10.375		10/01/2007			32,888	30,000	101.9063	33,075	32,653						3	05/27/2003	
	ECHOSTAR DBS CORP		9.375		02/01/2009			99,859	95,000	107.5000	102.125	95,000						3	04/23/2003	
	ECHOSTAR DBS CORP		6.375		10/01/2011			112,750	110,000	99.8466	109,831	109,837						3	09/29/2003	
	ECHOSTAR DBS CORP		6.375		10/01/2011			20,000	20,000	99.4688	19,894	19,896						3	11/06/2003	
	ECHOSTAR DBS CORP		6.375		10/01/2011			5,125	5,000	103.0000	5,150	5,150						3	12/23/2003	
	FMC CORP		10.250		11/01/2009			5,850	5,000	111.0000	5,550	5,486						3	03/25/2003	
	FMC CORP		10.250		11/01/2009			5,850	5,000	111.2500	5,563	5,497						3	03/27/2003	
	GEORGIA PACIFIC CORP		8.125		05/15/2011			66,000	60,000	97.4896	58,494	58,669						3	01/10/2003	
	GEORGIA PACIFIC CORP		8.875		02/01/2010			34,200	30,000	99.3600	29,808	29,834						3	01/23/2003	
	GEORGIA PACIFIC CORP		8.875		02/01/2010			11,400	10,000	109.9375	10,994	10,952						3	09/25/2003	
	GEORGIA PACIFIC CORP		8.875		02/01/2010			11,400	10,000	110.8750	11,088	11,051						3	10/14/2003	
	GEORGIA PACIFIC CORP		8.875		02/01/2010			5,700	5,000	110.5000	5,525	5,502						3	09/18/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			17,250	15,000	100.0000	15,000	15,000						3	02/18/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	100.2500	5,013	5,011						3	02/18/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	100.3750	10,037	10,034						3	02/19/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	100.2500	5,013	5,011						3	02/19/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	100.0000	10,000	10,000						3	02/19/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	100.7500	10,075	10,069						3	02/20/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	100.2500	10,025	10,023						3	02/20/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	100.8750	5,044	5,040						3	02/21/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	100.7500	10,075	10,069						3	02/24/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	100.2500	10,025	10,023						3	02/25/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	100.7500	5,037	5,034						3	02/26/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	101.0000	5,050	5,046						3	02/26/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	101.0000	5,050	5,046						3	02/27/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	101.1250	5,056	5,052						3	02/25/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	101.2500	5,062	5,057						3	02/25/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	101.5000	5,075	5,069						3	03/03/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			11,500	10,000	101.6250	10,162	10,149						3	03/13/2003	

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1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description		Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	102.7500	5,137	5,127						3	03/25/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	105.7500	5,287	5,265						3	03/26/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	106.0000	5,300	5,277						3	04/01/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	106.5000	5,325	5,301						3	04/07/2003	
	GEORGIA PACIFIC CORP		9.375		02/01/2013			5,750	5,000	106.0000	5,300	5,277						3	04/07/2003	
	HERCULES INC		11.125		11/15/2007			11,500	10,000	106.0000	10,600	10,555						3	05/05/2003	
	HERCULES INC		11.125		11/15/2007			11,975	10,000	115.0000	11,500	11,282						3	06/30/2003	
	HERCULES INC		11.125		11/15/2007			11,975	10,000	117.5000	11,750	11,549						3	07/16/2003	
	ISTAR FINANCIAL INC		8.750		08/15/2008			11,975	10,000	117.1250	11,712	11,531						3	12/02/2003	
	ISTAR FINANCIAL INC		7.900		08/15/2008			23,100	20,000	112.5000	22,500	22,502						3	12/05/2003	
	KEY ENERGY SERVICES INC		6.375		04/01/2013			86,700	85,000	99.4360	84,521	84,520						3	05/08/2003	
	KEY ENERGY SERVICES INC		6.375		05/01/2013			5,075	5,000	100.0000	5,000	5,000						3	05/30/2003	
	MANDALAY RESORT GROUP		6.500		07/31/2009			30,450	30,000	101.7500	30,525	30,494						3	08/04/2003	
	MILLENIUM AMERICA INC		9.250		06/15/2008			238,901	235,000	100.0000	235,000	235,000						4	10/10/2003	
	MILLENIUM AMERICA INC		9.250		06/15/2008			10,900	10,000	104.2500	10,425	10,405						4	11/13/2003	
	NEVADA POWER CORP		10.875		10/15/2009			5,450	5,000	106.5000	5,325	5,316						3	04/16/2003	
	NEVADA POWER CORP		10.875		10/15/2009			5,806	5,000	105.2500	5,312	5,278						3	05/12/2003	
	NEVADA POWER CORP		10.875		10/15/2009			5,806	5,000	109.0000	5,450	5,405						3	08/13/2003	
	OWENS & MINORS		8.500		07/15/2011			60,844	55,000	100.0000	55,000	55,000						3	02/18/2003	
	PEABODY ENERGY		6.875		03/15/2013			98,775	90,000	108.0000	97,200	96,459						3	03/14/2003	
	PEABODY ENERGY		6.875		03/15/2013			15,825	15,000	100.0000	15,000	15,000						3	03/25/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	100.7500	5,037	5,035						3	03/26/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	101.5000	5,075	5,069						3	04/08/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	102.7500	5,137	5,127						3	04/09/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	102.7500	5,137	5,127						3	04/15/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	103.0000	5,150	5,139						3	05/16/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	105.1250	5,256	5,240						3	05/29/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	104.3750	5,219	5,206						3	06/24/2003	
	PEABODY ENERGY		6.875		03/15/2013			5,275	5,000	105.6250	5,281	5,266						3	10/07/2003	
	PREMCOR REFINING GROUP		9.500		02/01/2013			5,275	5,000	104.7500	5,237	5,232						3	01/28/2003	
	PREMCOR REFINING GROUP		9.500		02/01/2013			74,100	65,000	100.0000	65,000	65,000						3	01/29/2003	
	PREMCOR REFINING GROUP		9.500		02/01/2013			5,700	5,000	100.0000	5,000	5,000						3	01/29/2003	
	PREMCOR REFINING GROUP		9.500		02/01/2013			5,700	5,000	99.7500	4,987	4,989						3	02/24/2003	
	ROGERS CABLE		6.250		06/15/2013			85,500	75,000	103.7500	77,812	77,572						3	06/16/2003	
	ROGERSCABLE		6.250		06/15/2013			15,113	15,000	100.0000	15,000	15,000						3	07/14/2003	
	RYLAND GROUP		9.125		06/15/2011			85,638	85,000	98.2690	83,529	83,598						3	02/19/2003	
	RYLAND GROUP		9.125		06/15/2011			68,550	60,000	108.3750	65,025	64,504						3	02/25/2003	
	SEMCO ENERGY		7.125		05/15/2008			62,838	55,000	108.7500	59,813	59,326						3	05/14/2003	
	SEMCO ENERGY		7.750		05/15/2013			5,262	5,000	100.0000	5,000	5,000						3	05/14/2003	
	SEMCO ENERGY		7.750		05/15/2013			5,227	5,000	100.0000	5,000	5,000						3	12/12/2003	
	SHAW COMMUNICATIONS		8.250		04/11/2010			283,838	270,000	104.2500	281,475	281,412						3	06/10/2003	
	SHAW COMMUNICATIONS		8.250		04/11/2010			5,663	5,000	109.5000	5,475	5,436						3	08/01/2003	
	SHAW COMMUNICATIONS		8.250		04/11/2010			5,663	5,000	108.0000	5,400	5,375						3	08/05/2003	
	SHAW COMMUNICATIONS		8.250		04/11/2010			5,663	5,000	105.7500	5,288	5,270						3	08/15/2003	
	SHAW COMMUNICATIONS		8.250		04/11/2010			5,663	5,000	105.0000	5,250	5,236						3	10/22/2003	
	SHAW COMMUNICATIONS		8.250		04/11/2010			5,663	5,000	110.7500	5,537	5,522						3	12/08/2003	
	STARWOOD HOTELS RESOTS		7.875		05/01/2012			5,625	5,000	112.7500	5,637	5,631						3	05/01/2003	
	STARWOOD HOTELS RESOTS		7.875		05/01/2012			5,625	5,000	105.5000	5,275	5,256						3	05/07/2003	
	STARWOOD HOTELS RESOTS		7.875		05/01/2012			5,625	5,000	105.7500	5,288	5,268						3	07/08/2003	
	STARWOOD HOTELS RESOTS		7.875		05/01/2012			5,625	5,000	110.0000	5,500	5,473						3	07/11/2003	
	STARWOOD HOTELS RESOTS		7.875		05/01/2012			5,625	5,000	109.2500	5,463	5,439						3	07/31/2003	
	STARWOOD HOTELS RESOTS		7.875		05/01/2012			5,625	5,000	106.5000	5,325	5,309						3	07/31/2003	
									5,000	105.5000	5,275	5,262						3	07/31/2003	

E08.4

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

1	2	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description	Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Designation	Date Acquired	Effective Rate of Interest
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			5,625	5,000	104.3750	5,219	5,210						3	08/26/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			11,250	10,000	107.2500	10,725	10,698						3	09/05/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			5,625	5,000	107.2500	5,363	5,349						3	09/05/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			11,250	10,000	107.7500	10,775	10,747						3	09/09/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			5,625	5,000	108.5000	5,425	5,411						3	09/15/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			28,125	25,000	110.3000	27,575	27,507						3	10/10/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			45,000	40,000	110.7969	44,319	44,233						3	10/30/2003	
	STARWOOD HOTELS RESOTS	7.875		05/01/2012			73,125	65,000	113.3750	73,694	73,660						3	12/19/2003	
	TENET HEALTH CARE	7.375		02/01/2013			65,325	65,000	98.2400	63,856	63,918						3	06/25/2003	
	TENET HEALTH CARE	7.375		02/01/2013			75,375	75,000	95.8750	71,906	72,037						3	08/07/2003	
	TESORO PETROLEUM	8.000		04/15/2008			10,625	10,000	98.9940	9,899	9,914						3	04/14/2003	
	TESORO PETROLEUM	8.000		04/15/2008			5,313	5,000	103.0000	5,150	5,130						3	04/28/2003	
	TESORO PETROLEUM	8.000		04/15/2008			53,125	50,000	101.3750	50,688	50,606						3	06/03/2003	
	THOMAS & BETTS CORP	7.250		06/01/2013			5,150	5,000	100.0000	5,000	5,000						3	05/21/2003	
	THOMAS & BETTS CORP	7.250		06/01/2013			5,150	5,000	100.5000	5,025	5,024						3	06/01/2003	
	TIMKEN CO	5.750		02/15/2010			4,942	5,000	97.2140	4,861	4,865						3	10/15/2003	
	TIMKEN CO	5.750		02/15/2010			4,942	5,000	98.1790	4,909	4,912						3	10/21/2003	
	TIMKEN CO	5.750		02/15/2010			4,942	5,000	98.5540	4,928	4,930						3	11/03/2003	
	TIMKEN CO	5.750		02/15/2010			9,884	10,000	99.0000	9,900	9,902						3	11/13/2003	
	TOM BROWN	7.250		09/15/2013			15,863	15,000	100.0000	15,000	15,000						3	09/11/2003	
	TOM BROWN	7.250		09/15/2013			21,150	20,000	106.0000	21,200	21,192						3	12/08/2003	
	TYCO INTL GROUP SA	6.750		02/15/2011			65,550	60,000	94.8750	56,925	57,256						3	02/20/2003	
	VISTEON CORP	8.250		02/01/2010			55,422	50,000	112.1250	56,063	56,042						3	12/23/2003	
	WABTEC CORPORATION	6.875		07/31/2013			10,363	10,000	100.0000	10,000	10,000						3	07/25/2003	
	WABTEC CORPORATION	6.875		07/31/2013			56,994	55,000	104.5000	57,475	57,469						3	12/22/2003	
	WINN-DIXIE STORES	8.875		04/01/2008			30,450	30,000	100.0000	30,000	30,000						3	12/01/2003	
	YUM BRANDS INC	7.700		07/01/2012			34,538	30,000	115.2500	34,575	34,562						3	12/22/2003	
	THORNBURG MORTGAGE	8.000		05/15/2013			5,250	5,000	104.2500	5,213	5,207						3	09/30/2003	
	THORNBURG MORTGAGE	8.000		05/15/2013			5,250	5,000	104.2500	5,212	5,207						3	10/07/2003	
	THORNBURG MORTGAGE	8.000		05/15/2013			15,750	15,000	105.9167	15,888	15,872						3	10/30/2003	
	JC PENNEY NOTES	8.000		03/01/2010			39,288	35,000	106.5000	37,275	37,193						3	06/18/2003	
	SHAW COMMUNICATIONS	7.250		04/06/2011			5,383	5,000	105.5000	5,275	5,257						3	06/12/2003	
3999999 Subtotal - Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations							12,765,955	11,724,000	XXX	11,689,139	11,770,339						XXX	XXX	XXX
4599999 Subtotal - Industrial & Miscellaneous (Unaffiliated)							12,765,955	11,724,000	XXX	11,689,139	11,770,339						XXX	XXX	XXX
5499999 Subtotals - Issuer Obligations							13,823,065	12,739,000	XXX	12,602,496	12,756,922						XXX	XXX	XXX
6099999 Grand Total - Bonds							13,823,065	12,739,000	XXX	12,602,496	12,756,922						XXX	XXX	XXX

SCHEDULE D - PART 2 - SECTION 1

Showing all PREFERRED STOCKS Owned December 31, Current Year

1	2	3	4	5	6	7	8	9	Dividends		12	13	14	15
									10	11				
Cusip Identification	Description	Number of Shares	Par Value Per Share	Rate Per Share	Book/Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared but Unpaid	Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	NAIC Desig-nation	Date Acquired
					NONE									
6599999 Total Preferred Stocks						XXX							XXX	XXX

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SCHEDULE D - PART 2 - SECTION 2

Showing All COMMON STOCKS Owned December 31 of Current Year

1	2	3	4	5	6	7	Dividends		10	11	12	13
							8	9				
CUSIP Identification	Description	Number of Shares	Book/Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared But Unpaid	Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	NAIC Designation (a)	Date Acquired
Banks,Trust and Insurance Companies (Unaffiliated)												
	PLANS LIABILITY INSURANCE	106,500.000	106,500	1.000	106,500	106,500						/ /
6799999 Subtotal - Banks,Trust and Insurance Companies (Unaffiliated)			106,500	XXX	106,500	106,500					XXX	XXX
7099999 Total Common Stocks			106,500	XXX	106,500	106,500					XXX	XXX
7199999 Total Preferred and Common Stocks			106,500	XXX	106,500	106,500					XXX	XXX

(a) For all common stocks bearing the NAIC designation "U" provide: the number of such issues ....., the total $ value (included in Column 6) of all such issues $.....

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
Bonds - Industrial and Miscellaneous (Unaffiliated)							
	HERCULES INC	07/03/2003		XXX	11,750	10,000.00	
	CASE CORP	07/07/2003		XXX	4,925	5,000.00	
	THOMAS & BETTS	07/08/2003		XXX	5,025	5,000.00	
	CASE CORP	07/11/2003		XXX	4,925	5,000.00	
	METHANEZ CORP	07/11/2003		XXX	28,250	25,000.00	
	STARWOOD HOTELS	07/11/2003		XXX	5,500	5,000.00	
	CHESAPEAKE ENERGY CORP	07/18/2003		XXX	100,125	90,000.00	
	HERCULES INC	07/22/2003		XXX	11,712	10,000.00	
	STARWOOD HOTELS	07/24/2003		XXX	5,463	5,000.00	
	ROGERS CABLE INC	07/29/2003		XXX	83,529	85,000.00	
	CASE NH	08/01/2003		XXX	64,104	65,000.00	
	MANDALY RESORT GROUP	08/04/2003		XXX	235,000	235,000.00	
	STARWOOD HOTELS	08/05/2003		XXX	5,325	5,000.00	
	STARWOOD HOTELS	08/05/2003		XXX	5,275	5,000.00	
	WABTEC CORPORATION	08/06/2003		XXX	10,000	10,000.00	
	SHAW COMMUNICATIONS	08/06/2003		XXX	5,400	5,000.00	
	CHESAPEAKE ENERGY CORP	08/11/2003		XXX	46,013	45,000.00	
	CHESAPEAKE ENERGY CORP	08/11/2003		XXX	56,100	55,000.00	
	TENET HEALTH CARE	08/12/2003		XXX	71,906	75,000.00	
	BIO-RAD LABS	08/12/2003		XXX	15,000	15,000.00	
	SHAW COMMUNICATIONS	08/13/2003		XXX	5,287	5,000.00	
	NEVADA POWER CO	08/18/2003		XXX	55,000	55,000.00	
	SHAW COMMUNICATIONS	08/21/2003		XXX	5,250	5,000.00	
	APOGENT TECH	08/29/2003		XXX	4,875	5,000.00	
	STARWOOD HOTELS	08/29/2003		XXX	5,219	5,000.00	
	APOGENT TECH	09/03/2003		XXX	9,850	10,000.00	
	APOGENT TECH	09/05/2003		XXX	4,988	5,000.00	
	APOGENT TECH	09/05/2003		XXX	19,950	20,000.00	
	APOGENT TECH	09/05/2003		XXX	29,850	30,000.00	
	APOGENT TECH	09/10/2003		XXX	9,975	10,000.00	
	APOGENT TECH	09/10/2003		XXX	9,950	10,000.00	
	APOGENT TECH	09/10/2003		XXX	9,975	10,000.00	
	APOGENT TECH	09/10/2003		XXX	4,962	5,000.00	
	STARWOOD HOTELS	09/10/2003		XXX	10,725	10,000.00	
	STARWOOD HOTELS	09/10/2003		XXX	5,363	5,000.00	
	APOGENT TECH	09/12/2003		XXX	14,962	15,000.00	
	STARWOOD HOTELS	09/12/2003		XXX	10,775	10,000.00	
	APOGENT TECH	09/15/2003		XXX	10,000	10,000.00	
	CASE NEW HOLLAND	09/16/2003		XXX	15,938	15,000.00	
	CASE NEW HOLLAND	09/16/2003		XXX	47,812	45,000.00	
	CASE NEW HOLLAND	09/16/2003		XXX	31,875	30,000.00	
	CASE NEW HOLLAND	09/16/2003		XXX	42,600	40,000.00	
	APOGENT TECH	09/17/2003		XXX	35,088	35,000.00	
	STARWOOD HOTELS	09/18/2003		XXX	5,425	5,000.00	
	APOGENT TECH	09/19/2003		XXX	5,050	5,000.00	
	PIONEER NATURAL RESOURCES	09/22/2003		XXX	28,208	25,000.00	
	GEOGIA PACIFIC	09/23/2003		XXX	5,525	5,000.00	
	PIONEER NATURAL RESOURCES	09/23/2003		XXX	28,220	25,000.00	
	APOGENT TECH	09/29/2003		XXX	10,200	10,000.00	
	GEORGIA PACIFIC	09/30/2003		XXX	5,506	5,000.00	
	TOM BROWN INC	09/30/2003		XXX	15,000	15,000.00	
	FMC CORP	04/01/2003		XXX	5,563	5,000.00	
	PEABODY ENERGY	04/02/2003		XXX	5,075	5,000.00	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
	GEORGIA PACIFIC CORP	04/02/2003		XXX	5,288	5,000.00	
	GEORGIA PACIFIC CORP	04/04/2003		XXX	5,300	5,000.00	
	DILLARD DEPT STORES	04/04/2003		XXX	30,375	30,000.00	
	GEORGIA PACIFIC CORP	04/10/2003		XXX	10,600	10,000.00	
	GEORGIA PACIFIC CORP	04/10/2003		XXX	5,325	5,000.00	
	PEABODY ENERGY	04/11/2003		XXX	5,137	5,000.00	
	PEABODY ENERGY	04/14/2003		XXX	5,137	5,000.00	
	TESORO PETROLEUM	04/15/2008		XXX	9,899	10,000.00	
	PEABODY ENERGY	04/17/2003		XXX	5,150	5,000.00	
	CENTERPOINT ENERGY	04/28/2003		XXX	5,595	5,000.00	
	ECHOSTAR DBS CORP	04/28/2003		XXX	231,125	215,000.00	
	CENTERPOINT ENERGY	04/29/2003		XXX	5,704	5,000.00	
	CENTERPOINT ENERGY	04/29/2003		XXX	11,427	10,000.00	
	CENTERPOINT ENERGY	04/29/2003		XXX	22,808	20,000.00	
	NEVADA POWER CO	04/30/2003		XXX	5,313	5,000.00	
	TESORO PETROLEUM CORP	05/01/2003		XXX	5,150	5,000.00	
	CENTERPONT ENERGY	05/08/2003		XXX	23,106	20,000.00	
	HERCULES INC	05/08/2003		XXX	11,500	10,000.00	
	KEY ENERGY SERVICES INC	05/14/2003		XXX	5,000	5,000.00	
	NEVADA POWER CO	05/15/2003		XXX	5,450	5,000.00	
	PEABODY ENERGY	05/21/2003		XXX	5,256	5,000.00	
	SEMCO ENERGY INC.	05/21/2003		XXX	5,000	5,000.00	
	SEMCO ENERGY INC.	05/21/2003		XXX	5,000	5,000.00	
	THOMAS & BETTS CORP	05/27/2003		XXX	5,000	5,000.00	
	STARWOOD HOTELS RESORTS	05/27/2003		XXX	5,275	5,000.00	
	STARWOOD HOTELS RESORTS	05/30/2003		XXX	5,286	5,000.00	
	ECHOSTAR DBS CORP	05/30/2003		XXX	33,075	30,000.00	
	APONGENT TECH	06/02/2003		XXX	10,000	10,000.00	
	PARK PLACE ENTRE	06/02/2003		XXX	52,812	50,000.00	
	PEABODY ENERGY	06/03/2003		XXX	5,218	5,000.00	
	KEY ENERGY SERVICES	06/04/2003		XXX	30,525	30,000.00	
	SANMINA SCI CORP	06/05/2003		XXX	67,200	60,000.00	
	SOLECTRON	06/05/2003		XXX	108,500	100,000.00	
	TESORO PETROLEUM	06/06/2003		XXX	50,686	50,000.00	
	SHAW COMMUNICATIONS	06/13/2003		XXX	5,475	5,000.00	
	SHAW COMMUNICATIONS	06/17/2003		XXX	5,275	5,000.00	
	BOWATER INC.	06/19/2003		XXX	24,902	25,000.00	
	ROGERS CABLE INC	06/19/2003		XXX	15,000	15,000.00	
	PARKPLACE ENTRE	06/23/2003		XXX	33,300	30,000.00	
	JC PENNEY	06/23/2003		XXX	37,275	35,000.00	
	OMNICARE INC	06/24/2003		XXX	15,000	15,000.00	
	BRITISH SKY BROAD	06/25/2003		XXX	173,637	145,000.00	
	ARCH WESTERN	06/25/2003		XXX	35,000	35,000.00	
	PEABODAY ENERGY	06/27/2003		XXX	5,281	5,000.00	
	TENET HEALTH CARE	06/30/2003		XXX	63,856	65,000.00	
	GEORGIA PACIFIC	01/14/2003		XXX	4,925	5,000.00	
	GEORGIA PACIFIC	01/15/2003		XXX	4,950	5,000.00	
	GEORGIA PACIFIC	01/15/2003		XXX	4,936	5,000.00	
	GEORGIA PACIFIC	01/15/2003		XXX	4,963	5,000.00	
	GEORGIA PACIFIC	01/15/2003		XXX	4,962	5,000.00	
	GEORGIA PACIFIC	01/16/2003		XXX	4,834	5,000.00	
	GEORGIA PACIFIC	01/16/2003		XXX	4,850	5,000.00	
	GEORGIA PACIFIC	01/17/2003		XXX	4,844	5,000.00	
	GEORGIA PACIFIC	01/17/2003		XXX	4,825	5,000.00	
	GEORGIA PACIFIC	01/21/2003		XXX	4,800	5,000.00	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
	EL PASO ENERGY CORP	01/22/2003		XXX	93,000	120,000.00	
	GEORGIA PACIFIC	01/22/2003		XXX	4,800	5,000.00	
	GEORGIA PACIFIC	01/22/2003		XXX	4,800	5,000.00	
	GEORGIA PACIFIC	01/30/2003		XXX	29,808	30,000.00	
	EL PASO ENERGY CORP	01/31/2003		XXX	3,894	5,000.00	
	EL PASO ENERGY CORP	02/03/2003		XXX	3,894	5,000.00	
	EL PASO ENERGY CORP	02/03/2003		XXX	3,894	5,000.00	
	EL PASO ENERGY CORP	02/03/2003		XXX	3,900	5,000.00	
	EL PASO ENERGY CORP	02/03/2003		XXX	7,788	10,000.00	
	EL PASO ENERGY CORP	02/03/2003		XXX	7,800	10,000.00	
	CONTELLATION BRANDS	02/06/2003		XXX	31,200	30,000.00	
	PREMCOR REFINING GR	02/11/2003		XXX	5,000	5,000.00	
	PREMCOR REFINING GR	02/11/2003		XXX	4,988	5,000.00	
	PREMCOR REFINING GR	02/11/2003		XXX	65,000	65,000.00	
	ABITIBI CONSOLIDATED	02/19/2003		XXX	82,302	75,000.00	
	AVISTA CORP	02/19/2003		XXX	52,313	50,000.00	
	CUMMINS INC	02/19/2003		XXX	56,925	55,000.00	
	AVISTA CORP	02/21/2003		XXX	31,088	30,000.00	
	GEORGIA PACIFIC CORP	02/21/2003		XXX	15,000	15,000.00	
	OWENS & MINOR INC	02/21/2003		XXX	97,200	90,000.00	
	GEORGIA PACIFIC	02/21/2003		XXX	5,013	5,000.00	
	THE GAP INC	02/24/2003		XXX	44,500	40,000.00	
	GEORGIA PACIFIC	02/24/2003		XXX	10,038	10,000.00	
	BEAZER HOMES USA	02/24/2003		XXX	31,687	30,000.00	
	GEORGIA PACIFIC	02/24/2003		XXX	5,013	5,000.00	
	GEORGIA PACIFIC	02/24/2003		XXX	10,000	10,000.00	
	RYLAND GROUP	02/24/2003		XXX	65,025	60,000.00	
	GEORGIA PACIFIC CORP	02/25/2003		XXX	10,075	10,000.00	
	TYCO INTL GROUP	02/25/2003		XXX	56,925	60,000.00	
	GEORGIA PACIFIC	02/25/2003		XXX	10,025	10,000.00	
	GEORGIA PACIFIC	02/26/2003		XXX	5,044	5,000.00	
	KANSAS CITY SOUTHERN	02/26/2003		XXX	55,062	50,000.00	
	CUMMINS INC	02/26/2003		XXX	58,438	55,000.00	
	GEORGIA PACIFIC	02/27/2003		XXX	10,075	10,000.00	
	PREMCOR REFINING GR	02/27/2003		XXX	77,812	75,000.00	
	GEORGIA PACIFIC	02/28/2003		XXX	10,025	10,000.00	
	GEORGIA PACIFIC	03/03/2003		XXX	5,038	5,000.00	
	GEORGIA PACIFIC	03/03/2003		XXX	5,050	5,000.00	
	KANSAS CITY SOUTHERN	03/03/2003		XXX	11,012	10,000.00	
	TEMBEC INDUSTRIES	03/03/2003		XXX	100,250	100,000.00	
	GEORGIA PACIFIC	03/04/2003		XXX	5,050	5,000.00	
	GEORGIA PACIFIC	03/05/2003		XXX	5,056	5,000.00	
	RYLAND GROUP	03/05/2003		XXX	59,813	55,000.00	
	SEARS ROEBUCK ACCEPT	03/05/2003		XXX	4,950	5,000.00	
	SEARS ROEBUCK ACCEPT	03/05/2003		XXX	24,688	25,000.00	
	GEORGIA PACIFIC	03/05/2003		XXX	5,063	5,000.00	
	GEORGIA PACIFIC	03/06/2003		XXX	5,075	5,000.00	
	GEORGIA PACIFIC	03/18/2003		XXX	10,163	10,000.00	
	PEABODY ENERGY	03/21/2003		XXX	15,000	15,000.00	
	FMC CORP	03/28/2003		XXX	5,550	5,000.00	
	GEORGIA PACIFIC	03/28/2003		XXX	5,138	5,000.00	
	HASBRO INC	03/28/2003		XXX	63,900	60,000.00	
	PEABODY ENERGY	03/28/2003		XXX	5,038	5,000.00	
	APOGENT TECH	10/10/2003		XXX	20,650	20,000.00	
	APOGENT TECH	10/20/2003		XXX	10,300	10,000.00	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
	APOGENT TECH	10/21/2003		XXX	10,312	10,000.00	
	APOGENTTECH	10/21/2003		XXX	10,313	10,000.00	
	APOGENT TECH	10/28/2003		XXX	36,356	35,000.00	
	BOISE CASCADE	10/21/2003		XXX	15,000	15,000.00	
	BOISE CASCADE	10/22/2003		XXX	5,025	5,000.00	
	BOISE CASCADE	10/22/2003		XXX	5,025	5,000.00	
	BOISE CASCADE	10/22/2003		XXX	5,019	5,000.00	
	BOISE CASCADE	10/24/2003		XXX	5,056	5,000.00	
	CONSTELLATION BRANDS	10/24/2003		XXX	5,512	5,000.00	
	CONSTELLATION BRANDS	10/27/2003		XXX	5,544	5,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	4,994	5,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	4,994	5,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	9,987	10,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	4,950	5,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	45,000	45,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	4,994	5,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	4,975	5,000.00	
	ECHOSTART DBS CORP	10/02/2003		XXX	4,975	5,000.00	
	ECHOSTART COMMUN	10/02/2003		XXX	4,962	5,000.00	
	GEORGIA PACIFIC	10/02/2003		XXX	20,000	20,000.00	
	GEORGIA PACIFIC	10/17/2003		XXX	5,487	5,000.00	
	MILLENIUM AMERICA	10/16/2003		XXX	11,088	10,000.00	
	MILLENIUM AMERICA	10/16/2003		XXX	5,225	5,000.00	
	PEABODY ENERGY CORP	10/10/2003		XXX	5,200	5,000.00	
	SHAW COMMUNICATIONS	10/27/2003		XXX	5,237	5,000.00	
	STARWOOD HOTELS RESORTS	10/16/2003		XXX	5,538	5,000.00	
	STARWOOD HOTELS RESORTS	10/16/2003		XXX	5,500	5,000.00	
	STARWOOD HOTELS RESORTS	10/22/2003		XXX	5,500	5,000.00	
	STARWOOD HOTELS RESORTS	10/22/2003		XXX	5,525	5,000.00	
	THORNBURG MOTGAGE	10/03/2003		XXX	11,050	10,000.00	
	THORNBURG MORTGAGE	10/10/2003		XXX	5,213	5,000.00	
	TIMKEN CO	10/20/2003		XXX	5,212	5,000.00	
	TIMKEN CO	10/24/2003		XXX	4,861	5,000.00	
	ABITIBI-CONSOLIDATED	11/20/2003		XXX	4,909	5,000.00	
	CASE NEW HOLLAND	11/17/2003		XXX	27,395	25,000.00	
	ECHOSTART DBS CORP	11/12/2003		XXX	55,625	50,000.00	
	ECHOSTART DBS CORP	11/13/2003		XXX	4,988	5,000.00	
	ECHOSTART DBS CORP	11/13/2003		XXX	4,981	5,000.00	
	ECHOSTART DBS CORP	11/17/2003		XXX	4,981	5,000.00	
	MILLENIUM AMERICA INC	11/18/2003		XXX	4,944	5,000.00	
	NORSKE SKOG CANADA	11/17/2003		XXX	5,325	5,000.00	
	STARWOOD HOTELS	11/04/2003		XXX	51,500	50,000.00	
	STARWOOD HOTELS	11/05/2003		XXX	5,550	5,000.00	
	STARWOOD HOTELS	11/07/2003		XXX	5,550	5,000.00	
	STARWOOD HOTELS	11/07/2003		XXX	5,550	5,000.00	
	STARWOOD HOTELS	11/07/2003		XXX	5,550	5,000.00	
	STARWOOD HOTELS	11/17/2003		XXX	5,544	5,000.00	
	STARWOOD HOTELS	11/17/2003		XXX	5,512	5,000.00	
	THORNBURG MORTGAGE	11/03/2003		XXX	11,062	10,000.00	
	THORNBURG MORTGAGE	11/04/2003		XXX	5,312	5,000.00	
	TEMBEC INC	11/17/2003		XXX	10,575	10,000.00	
	TIMKEN CO	11/06/2003		XXX	74,000	80,000.00	
	TIMKEN CO	11/18/2003		XXX	4,928	5,000.00	
	CHEVY CHASE BANK	12/02/2003		XXX	9,900	10,000.00	
				XXX	15,000	15,000.00	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
	ECHOSTART DBS CORP	12/29/2003		XXX	5,150	5,000.00	
	FAIRFAX FINANCIAL HLDGS	12/24/2003		XXX	10,050	10,000.00	
	ISTAR FINANCIAL INC	12/05/2003		XXX	11,250	10,000.00	
	ISTAR FINANCIAL INC	12/05/2003		XXX	11,250	10,000.00	
	ISTAR FINANCIAL INC	12/12/2003		XXX	84,521	85,000.00	
	NORSKE SKOG CANADA	12/11/2003		XXX	10,338	10,000.00	
	SEMCO ENERGY INC	12/17/2003		XXX	140,738	135,000.00	
	SEMCO ENERGY INC	12/18/2003		XXX	140,737	135,000.00	
	SHAW COMMUNICATIONS	12/09/2003		XXX	5,637	5,000.00	
	STARWOOD HOTELS	12/26/2003		XXX	73,694	65,000.00	
	TOM BROWN	12/23/2003		XXX	21,200	20,000.00	
	VISTEON CORP	12/29/2003		XXX	28,031	25,000.00	
	VISTEON CORP	12/30/2003		XXX	28,031	25,000.00	
	WABTEC CORPORATION	12/26/2003		XXX	57,475	55,000.00	
	WINN-DIXIE STORES	12/04/2003		XXX	30,000	30,000.00	
	YUM BRANDS	12/26/2003		XXX	34,575	30,000.00	
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					5,306,602	5,115,000.00	
6099997 Subtotal - Bonds - Part 3					5,306,602	5,115,000.00	
6099998 Summary item from Part 5 for Bonds							
6099999 Subtotal - Bonds					5,306,602	5,115,000.00	
6599998 Summary Item from Part 5 for Preferred Stocks						XXX	
7099998 Summary Item from Part 5 for Common Stocks						XXX	
7199999 Subtotal - Preferred and Common Stocks						XXX	
7299999 Totals					5,306,602	XXX	

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
Bonds - U.S. Governments															
	UST NOTES	02/27/2003		XXX	114,643	100,000.00	105,753						8,682	207	XXX
0399999 Subtotal - Bonds - U.S. Governments					114,643	100,000.00	105,753						8,682	207	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)															
	CROSS TIMBER OIL	05/19/2003		XXX	104,375	100,000.00	104,368						7		XXX
	ROGERS COMMUNICATION	07/17/2003		XXX	138,993	133,500.00	138,559						435		XXX
	CIRCUS CIRCUS ENTPRS	07/22/2003		XXX	209,250	200,000.00	202,663						6,587		XXX
	CASE CORP	08/01/2003		XXX	24,812	25,000.00	22,963						1,850		XXX
	WASTE MANAGEMENT	08/04/2003		XXX	43,811	40,000.00	38,496						4,700	614	XXX
	WASTE MANAGEMENT	08/04/2003		XXX	170,197	150,000.00	143,961						23,057	3,179	XXX
	WASTE MANAGEMENT	08/12/2003		XXX	14,392	10,000.00	8,775						2,279	3,338	XXX
	NAVISTAR INTL CORP	08/18/2003		XXX	98,378	100,000.00	96,234						1,766	378	XXX
	GOODYEAR TIRE & RUBBER	08/26/2003		XXX	18,160	20,000.00	19,839						(2,439)	760	XXX
	WASTE MANAGEMENT	09/03/2003		XXX	16,668	15,000.00	13,163						3,196	308	XXX
	SOVEREIGN BANCORP	09/15/2003		XXX	67,375	55,000.00	55,041						10,409	1,925	XXX
	ECHOSTAR DBS	09/26/2003		XXX	108,313	100,000.00	108,087						(1,156)	1,361	XXX
	D.R. HORTON	09/30/2003		XXX	88,449	80,000.00	73,560						13,840	1,049	XXX
	SEARS ROEBUCK ACCEPTANCE	04/01/2003		XXX	15,475	15,000.00	14,827						473	175	XXX
	CNA FINANCIAL CORP	04/28/2003		XXX	20,512	20,000.00	19,063						1,261	188	XXX
	EL PASO CORP	04/23/2003		XXX	18,102	25,000.00	19,563						(2,965)	1,483	XXX
	NORTHWEST AIRLINES	04/17/2003		XXX	82,393	150,000.00	149,060						(71,660)	4,993	XXX
	EL PASO ENERGY	04/23/2003		XXX	39,220	45,000.00	35,538						2,937	745	XXX
	EL PASO ENERGY	05/02/2003		XXX	4,449	5,000.00	3,963						337	149	XXX
	EL PASO ENERGY	05/02/2003		XXX	9,003	10,000.00	7,865						810	328	XXX
	AES CORP	05/06/2003		XXX	129,488	125,000.00	123,885						490	5,113	XXX
	AES CORP	05/06/2003		XXX	44,436	45,000.00	45,000						(1,463)	899	XXX
	ATIBI CONSOLIDATED	05/27/2003		XXX	52,697	45,000.00	48,392						3,065	1,240	XXX
	TEMBEC INDUSTRIES INC.	05/30/2003		XXX	55,170	55,000.00	55,449						(1,824)	1,545	XXX
	BOISE CASCADE	06/06/2003		XXX	39,344	35,000.00	34,972						3,461	911	XXX
	BOISE CASCADE	06/11/2003		XXX	206,397	170,000.00	182,321						22,389	1,857	XXX
	MIGRANT AMERICAS	06/23/2003		XXX	80,561	125,000.00	113,178						(34,115)	1,499	XXX
	ROGERS COMM	06/27/2003		XXX	107,244	100,000.00	93,354						9,896	3,994	XXX
	WESTERN OIL SANDS	01/17/2003		XXX	10,302	10,000.00	10,000						125	177	XXX
	WESTERN OIL SANDS	01/17/2003		XXX	5,151	5,000.00	5,000						63	88	XXX
	INT'L GAME TECHNOLOGY	01/28/2003		XXX	201,597	175,000.00	168,008						30,617	2,972	XXX
	AT&T WIRELESS GLOBAL	02/04/2003		XXX	53,114	50,000.00	37,995						13,449	1,670	XXX
	COMCAST CABLE COM	02/12/2003		XXX	52,036	50,000.00	46,580						5,343	113	XXX
	CROWN CORK & SEAL	02/18/2003		XXX	252,544	250,000.00	241,796						8,829	1,919	XXX
	WORLD COLOR PRESS	02/19/2003		XXX	127,920	125,000.00	117,185						10,626	108	XXX
	LEAR CORPORATION	02/20/2003		XXX	137,675	125,000.00	118,445						16,553	2,675	XXX
	BECKMAN INSTRUMENTS	02/20/2003		XXX	236,411	200,000.00	190,731						38,809	6,871	XXX
	AOL TIME WARNER	02/26/2003		XXX	53,006	50,000.00	46,260						5,648	1,395	XXX
	EL PASO ENERGY CORP	03/10/2003		XXX	53,450	70,000.00	54,347						(2,384)	1,485	XXX
	ROGERS COMMUNICATION	03/05/2003		XXX	75,362	75,000.00	66,454						5,984	824	XXX
	CNA FINANCIAL CORP	03/14/2003		XXX	5,131	5,000.00	4,334						715	82	XXX
	CNA FINANCIAL CORP	03/18/2003		XXX	51,334	50,000.00	46,312						3,865	1,158	XXX
	HEALTHSOUTH CORP	03/26/2003		XXX	925	5,000.00	5,259						(4,595)	361	XXX
	EL PASO CORP	03/31/2003		XXX	4,020	5,000.00	3,915						(28)	132	XXX
	SEARS ROEBUCK ACCEPTANCE	03/31/2003		XXX	15,400	15,000.00	14,813						413	175	XXX
	HEALTHSOUTH CORP	03/26/2003		XXX	22,884	50,000.00	41,139						(19,473)	1,218	XXX

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
	BRITISH SKY BROAD	10/03/2003		XXX	6,004	5,000.00	5,163						753	89	XXX
	CALPINE CORP	10/10/2003		XXX	168,227	225,000.00	217,759						(58,009)	8,477	XXX
	CALPINE CORP	10/15/2003		XXX	96,307	130,000.00	126,479						(32,029)	1,857	XXX
	CALPINE CORP	10/14/2004		XXX	33,421	45,000.00	42,909						(10,116)	627	XXX
	CENTURY ALUMINIUM	10/17/2003		XXX	33,522	30,000.00	29,474						2,676	1,372	XXX
	NAVISTAR INTL	10/28/2003		XXX	82,747	80,000.00	77,044						4,156	1,547	XXX
	UNISYS CORP	10/31/2003		XXX	104,781	100,000.00	97,040						7,085	656	XXX
	BRITISH SKY BROAD CST	11/25/2003		XXX	12,120	10,000.00	11,656						169	296	XXX
	CMS ENERGY	11/18/2003		XXX	92,607	90,000.00	85,176						6,412	1,020	XXX
	DELTA AIR LINES	11/20/2003		XXX	59,216	70,000.00	63,634						(6,709)	2,291	XXX
	ECHOSTAR DBS	11/17/2003		XXX	21,679	20,000.00	20,697						447	535	XXX
	SOVEREIGN BANCORP	11/20/2003		XXX	97,015	80,000.00	80,063						14,337	2,615	XXX
	AK STEEL CORP	12/04/2003		XXX	217,153	300,000.00	283,035						(73,035)	7,153	XXX
	BRITISH SKY BROAD	12/01/2003		XXX	12,133	10,000.00	12,358						(535)	310	XXX
	CLARK R&M INC	12/12/2003		XXX	15,314	15,000.00	13,462						1,852		XXX
	DELTA AIR LINES	12/12/2003		XXX	8,388	10,000.00	9,255						(1,255)	388	XXX
	HASBRO	12/29/2003		XXX	131,458	114,000.00	117,054						11,766	2,638	XXX
	SOVEREIGN BANCORP	12/05/2003		XXX	35,575	30,000.00	30,062						5,338	175	XXX
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					4,593,593	4,677,500.00	4,515,054						(14,515)	93,055	XXX
6099997 Subtotal - Bonds - Part 4					4,708,236	4,777,500.00	4,620,807						(5,833)	93,262	XXX
6099998 Summary Item from Part 5 for Bonds															XXX
6099999 Subtotal - Bonds					4,708,236	4,777,500.00	4,620,807						(5,833)	93,262	XXX
6599998 Summary Item from Part 5 for Preferred Stocks						XXX								XXX	
7099998 Summary Item from Part 5 for Common Stocks						XXX								XXX	
7199999 Subtotal - Preferred and Common Stocks						XXX								XXX	
7299999 Totals					4,708,236	XXX	4,620,807						(5,833)	93,262	

E13 Schedule D - Part 5 LT Bonds/Stocks Aquired/Disp - . . . . . NONE

E14 Schedule D - Part 6 Sn 1 - . . . . . NONE

E14 Schedule D - Part 6 Sn 2 - . . . . . NONE

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENT Owned December 31, of Current Year

1	2	3	4	Interest 5	Interest 6	7	8	9	10	11	12	Interest 13	Interest 14	15	16	17
CUSIP Identification	Description	Date Acquired	Name of Vendor	Rate Of	How Paid	Maturity Date	Book/Adjusted Carrying Value	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Par Value	Actual Cost	Amount Due and Accrued Dec. 31, of Current Year on Bond Not in Default	Gross Amount Received	Paid for Accrued Interest	NAIC Designation	Effective Rate of Interest
U.S. Governments - Issuer Obligations																
	CERTIFICATE OF DEPOSIT		RG PREMIER BANK	1.500		01/28/2004	603,794									
	CERTIFICATE OF DEPOSIT		BANCO SANTANDER	1.340		03/31/2004	50,000									
	CERTIFICATE OF DEPOSIT		RG PREMIER BANK	2.600		07/12/2004	353,422									
	CERTIFICATE OF DEPOSIT		DORAL BANK	2.500		10/09/2004	1,506,274									
0199999 Subtotal - U.S. Governments - Issuer Obligations							2,513,490									
0399999 Subtotal - U.S. Government Bonds							2,513,490								XXX	XXX
5499999 Subtotal - Issuer Obligations							2,513,490								XXX	XXX
6099999 Subtotal - Bonds							2,513,490								XXX	XXX
7599999 Subtotal - Parent, Subsidiaries and Affiliates										XXX					XXX	XXX
8099999 Total Short-term Investments							2,513,490			XXX					XXX	XXX

(a) Includes $_____ other than accrual of discount and amortization of premium.

E16 Schedule DB - Part A Sn 1 Opt/Cap/Floor Owned - . . . . . NONE

E16 Schedule DB - Part A Sn 2 Opt/Cap/Floor Aquired - . . . . . NONE

E17 Schedule DB - Part A Sn 3 Opt/Cap/Floor Term - . . . . . NONE

E17 Schedule DB - Part B Sn 1 Opt/Cap/Floor In-force - . . . . . NONE

E18 Schedule DB - Part B Sn 2 Opt/Cap/Floor Written - . . . . . NONE

E18 Schedule DB - Part B Sn 3 Opt/Cap/Floor Term - . . . . . NONE

E19 Schedule DB - Part C Sn 1 Col/Swap/Frwrd Open - . . . . . NONE

E19 Schedule DB - Part C Sn 2 Col/Swap/Frwrd Opened - . . . . . NONE

E20 Schedule DB - Part C Sn 3 Col/Swap/Frwrd Term - . . . . . NONE

E20 Schedule DB - Part D Sn 1 Futures Contracts Open - . . . . . NONE

E21 Schedule DB - Part D Sn 2 Futures Contracts Opened - . . . . . NONE

E21 Schedule DB - Part D Sn 3 Futures Contracts Term - . . . . . NONE

E22 Schedule DB - Part E Sn 1 Counterparty Exposure - . . . . . NONE

E23 Schedule DM - . . . . . NONE

SCHEDULE E - PART 1 - CASH

1 Depository			2 Rate of Interest	3 Amount of Interest Received During Year	4 Amount of Interest Accrued December 31 of Current Year	5 Balance	6
open depositories							
BANCO SANTANDER	MEDICAL DIRECTORY					9,750,450	XXX
BANCO SANTANDER	CLAIMS					(2,562,078)	XXX
BANCO SANTANDER	ADMINISTRATIVE					(1,956,985)	XXX
BANCO SANTANDER	SUSCRIBERS					(66,260)	XXX
BANCO POPULAR	PAYROLL					(34,113)	XXX
BANCO POPULAR	POS					8,215	XXX
BANCO POPULAR	TELEPAGO					10,776	XXX
BANCO SANTANDER	PLAN INVESTMENT FUND					849,000	XXX
SANTANDER SECURITIES	MONEY MARKET					144,384	XXX
SANTANDER TRUST	FEDERATED GOVERNMENT OBLIGATIONS					623,188	XXX
SANTANDER TRUST	FEDERATED GOVERNMENT OBLIGATIONS					55,505	XXX
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			XXX				XXX
0199999 Totals - Open Depositories			XXX			6,822,082	XXX
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			XXX				XXX
0299999 Totals - Suspended Depositories			XXX				XXX
0399999 Total Cash On Deposit			XXX			6,822,082	XXX
0499999 Cash In Company's Office			XXX	XXX	XXX	1,750	XXX
0599999 Total Cash			XXX			6,823,832	XXX

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January		4. April		7. July		10. October	
2. February		5. May		8. August		11. November	
3. March		6. June		9. September		12. December	

E25 Schedule E - Part 2 Cash Equivalents - ..... NONE

E26 Schedule E - Part 3 Special Deposits - ..... NONE

MEDICARE SUPPLEMENT INSURANCE EXPERIENCE EXHIBIT
FOR THE STATE OF PUERTO RICO

53546200336054000 2003 Document Code: 360

NAIC Group Code: 0000 NAIC Company Code: 53546

Address (City, State and Zip Code): San Juan, PR 000927

Person Completing This Exhibit:

Title: Telephone:

1	2	3	4	5	6	7	8	9	10	Policies Issued Through 2000				Policies Issued in 2001, 2002, 2003			
										11	Incurred Claims		14	15	Incurred Claims		18
											12	13			16	17	
Compliance with OBRA	Policy Form Number	Standardized Medicare Supplement Benefit Plan	Medicare Select	Plan Characteristics	Date Approved	Date Approval Withdrawn	Date Last Amended	Date Closed	Policy Marketing Trade Name	Premiums Earned	Amount	Percent of Premiums Earned	Number of Covered Lives	Premiums Earned	Amount	Percent of Premiums Earned	Number of Covered Lives
0299999 Total Experience on Group Policies																	

NONE

GENERAL INTERROGATORIES

1. If response in Column 1 is no, give full and complete details:
2. Claims address and contact person provided to the Secretary of Health and Human Services as required by 42 U.S.C. 1395ss(c)(3)(E) for this state.
   2.1 Address:
   2.2 Contact Person and Phone Number:
3. Billing address and contact person for user fees established under 42 U.S.C. 1395u(h)(3)(B)
   3.1 Address:
   3.2 Contact Person and Phone Number:
4. Explain any policies identified above as policy type "O":

SIS-1 SIS Title - ..... NONE

SIS-2 SIS Financial Reporting - ..... NONE

SIS-3 SIS Inform. - Management and Directors - ..... NONE

SIS-4 Statement Beneficial Ownership - ..... NONE

53546200347000100 2003 Document Code 470

SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with making all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for provisionally exempt securities and new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.

2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.

3. All necessary information on securities that have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.

4. All material issuer events (as defined below) have been reported to the SVO."

   A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware that, by its nature, would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

   As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

   a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;

   b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;

   c. Any change in the maturity of a security;

   d. Changes in the lender's collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;

   e. Events of a like character or of a like effect, which would be considered material to an investment professional.

   f. Exceptions_____

Name of Investment Officer

Signature of Investment Officer

Title of Signatory

Date

53546200349000000 2003 Document Code 450

Trusteed Surplus Statement

AFFIDAVIT OF U.S. MANAGERS, GENERAL AGENTS, OR TRUSTEES

_____ being duly sworn, says that he/she is the _____ of the LA CRUZ AZUL DE PUERTO RICO, INC a corporation organized under the laws of _____ entered to transact business in the United States through the State of _____, that this trusteed surplus statement together with its related schedules appended hereto is a true statement of the trusteed surplus of said corporation, that the several items of assets, as hereinafter enumerated, are the absolute property of said corporation, free and clear from any liens or claims thereon, except as hereinafter stated, and that each and all of the hereinafter mentioned assets are held in the United States by Insurance Departments and Officers of the various States of the United States and Trustees as hereinafter indicated, and that the assets, liabilities and deductions therefrom reported in this statement are in accordance with the instructions accompanying this statement.

Subscribed and sworn to before me this _____ day of _____ A.D., 2004

AFFIDAVIT OF TRUSTEE - SCHEDULE B

_____ being sworn, say that it is the Trustee of the _____ a corporation organized under the laws of _____ entered to transact business in the United States through the State of _____, located at _____. That the assets listed in Schedule B of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this _____ day of _____ A.D., 2004

NONE

AFFIDAVIT OF TRUSTEE - SCHEDULE C

_____ being sworn, say that it is the Trustee of the _____ a corporation organized under the laws of _____ entered to transact business in the United States through the State of _____, located at _____. That the assets listed in Schedule C of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this _____ day of _____ A.D., 2004

AFFIDAVIT OF TRUSTEE - SCHEDULE D

_____ being sworn, say that it is the Trustee of the _____ a corporation organized under the laws of _____ entered to transact business in the United States through the State of _____, located at _____. That the assets listed in Schedule D of the following statement are held by it as such Trustee within the United States, and that the said assets are subject to no other claims than those of policyholders and creditors within the United States.

Subscribed and sworn to before me this _____ day of _____ A.D., 2004

TRUSTEED SURPLUS STATEMENT (continued)

ASSETS

SCHEDULE A - DEPOSITS WITH STATE OFFICERS (EXCLUDING SPECIAL DEPOSITS)

1 Line Number	2 Description	3 Admitted Asset Value	4 Par Value	5 Fair Value
01.98	Accrued Investment Income		XXX	XXX
01.99	Totals			

SCHEDULE B - DEPOSITS WITH UNITED STATES TRUSTEE

1 Line Number	2 Description	3 Admitted Asset Value	4 Par Value	5 Fair Value
2.01	Cash			
2.02	Bonds			
2.03	Preferred Stock			
2.04	Common Stock			
2.05	Mortgage Loans on Real Estate			
2.06	Real Estate			
2.07	Short-Term Investments			
2.08	Other Invested Assets			
2.09	Miscellaneous Assets not included in any of the above categories			
2.98	Accrued Investment Income		XXX	XXX
2.99	TOTALS			

SCHEDULE C - DEPOSITS WITH UNITED STATES TRUSTEE

1 Line Number	2 Description	3 Admitted Asset Value	4 Par Value	5 Fair Value
3.01	Cash			
3.02	Bonds			
3.03	Preferred Stock			
3.04	Common Stock			
3.05	Mortgage Loans on Real Estate			
3.06	Real Estate			
3.07	Short-Term Investments			
3.08	Other Invested Assets			
3.09	Miscellaneous Assets not included in any of the above categories			
3.98	Accrued Investment Income		XXX	XXX
3.99	TOTALS			

SCHEDULE D - DEPOSITS WITH UNITED STATES TRUSTEE

1 Line Number	2 Description	3 Admitted Asset Value	4 Par Value	5 Fair Value
4.01	Cash			
4.02	Bonds			
4.03	Preferred Stock			
4.04	Common Stock			
4.05	Mortgage Loans on Real Estate			
4.06	Real Estate			
4.07	Short-Term Investments			
4.08	Other Invested Assets			
4.09	Miscellaneous Assets not included in any of the above categories			
4.98	Accrued Investment Income		XXX	XXX
4.99	TOTALS			

TRUSTEED SURPLUS STATEMENT (Continued)

LIABILITIES AND TRUSTEED SURPLUS	1 Current Year
1. TOTAL Liabilities	49,876,905
ADDITIONS TO LIABILITIES:	
2. Aggregate write-ins for additions to liabilities	
3. TOTAL (Lines 1 + 2)	49,876,905
DEDUCTIONS FROM LIABILITIES:	
4. Amounts Recoverable from Reinsurers:	
4.1 Authorized Companies	
4.2 Unauthorized Companies	
5. Special State Deposits, not exceeding net liabilities carried:	
5.1 Special State Deposits (submit schedule)	
5.2 Accrued interest on special state deposits	
6. Life insurance premiums and annuity considerations deferred and uncollected	
7. Accident and health premiums due and unpaid	
8. Policy loans and premium notes:	
8.1 Policy loans not exceeding reserves carried on such policies	
8.2 Premium notes	
8.3 Interest due and accrued on policy loans and premium notes	
9. Aggregate write-ins for other deductions from liabilities	
10. TOTAL Deductions (Lines 4.1 thru 9)	
11. TOTAL Adjusted Liabilities (Line 3 minus Line 10)	49,876,905
12. Trusteed Surplus	
13. TOTAL	49,876,905
DETAILS OF WRITE-INS	
0201	
0202	
0203	
0298. Summary of remaining write-ins for Line 2 from overflow page	
0299. TOTALS (Lines 0201 through 0203 plus 0298) (Line 2 above)	
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)	

GENERAL INTERROGATORIES (to be completed by Fraternal Organizations only)

1.1 Have there been any changes made to any of the trust indentures during the period? Yes[ ] No[ ] N/A[X]
1.2 If yes, has the domiciliary or entry state approved the change? Yes[ ] No[ ] N/A[X]

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE O SUPPLEMENT

Due March 1

For the Year Ended December 31, 2003
Of the LA CRUZ AZUL DE PUERTO RICO, INC.
Address (City, State, Zip Code): San Juan, PR 000927
NAIC Group Code: 0000 NAIC Company Code: 53546 Employer's ID Number: 660195325

SUPPLEMENTAL SCHEDULE O - PART 1

Development of Incurred Losses

Section A - Group and Accident and Health

Year in Which Losses Were Incurred	Net Amounts Paid Policyholders				
	1 1999	2 2000	3 2001	4 2002	5 2003(a)
1. Prior	32,226,563	1,496,173	17,301		
2. 1999	278,112,090	50,232,232	5,892,380		
3. 2000	XXX	403,539,929	69,753,753	5,387,135	1,923,992
4. 2001	XXX	XXX	408,800,611	31,963,255	2,032,294
5. 2002	XXX	XXX	XXX	112,545,864	15,076,722
6. 2003	XXX	XXX	XXX	XXX	68,350,218

Section B - Other Accident and Health

1. Prior					
2. 1999					
3. 2000	XXX				
4. 2001	XXX	XXX			
5. 2002	XXX	XXX	XXX		
6. 2003	XXX	XXX	XXX	XXX	

Section C - Credit Accident and Health

1. Prior					
2. 1999					
3. 2000	XXX				
4. 2001	XXX	XXX			
5. 2002	XXX	XXX	XXX		
6. 2003	XXX	XXX	XXX	XXX	

(a) See Paragraph 9 of the Annual Audited Financial Reports in the General section of the annual statement instructions.

SCHEDULE O SUPPLEMENT (Continued)

SUPPLEMENTAL SCHEDULE O - PART 2

Development of Incurred Losses

Section A - Group and Accident and Health

Year in Which Losses Were Incurred	Sum of Net Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. 1999	321,601,890	55,432,232	6,102,185	XXX	XXX
2. 2000	XXX	453,139,929	77,253,753	9,177,242	XXX
3. 2001	XXX	XXX	443,300,611	34,551,644	6,963,023
4. 2002	XXX	XXX	XXX	124,667,368	16,430,267
5. 2003	XXX	XXX	XXX	XXX	88,689,936

Section B - Other Accident and Health

1. 1999				XXX	XXX
2. 2000	XXX				XXX
3. 2001	XXX	XXX			
4. 2002	XXX	XXX	XXX		
5. 2003	XXX	XXX	XXX	XXX	

Section C - Credit Accident and Health

1. 1999				XXX	XXX
2. 2000	XXX				XXX
3. 2001	XXX	XXX			
4. 2002	XXX	XXX	XXX		
5. 2003	XXX	XXX	XXX	XXX	

SCHEDULE O - PART 3

Reserve and Liability Methodology - Exhibits 6 and 8

Line of Business	1 Methodology	2 Amount
1. Industrial life		
2. Ordinary life		
3. Individual annuity		
4. Supplementary contracts		
5. Credit life		
6. Group life		
7. Group accident and health	Other	24,700,000
8. Credit accident and health		
9. Other accident and health		
10. Total		24,700,000

WC-1 Workers Comp. Carve-Out Supp. Pt 1 Prem Earned ..... NONE

WC-1 Workers Comp. Carve-Out Supp. Pt 2 Prem Written ..... NONE

WC-1 Workers Comp. Carve-Out Supp. Pt 3 Losses Paid ..... NONE

WC-1 Workers Comp. Carve-Out Supp. Pt 4 Unpaid Losses ..... NONE

WC-2 Workers Comp. Carve-Out Supp. Sch F - Pt 1 ..... NONE

WC-2 Workers Comp. Carve-Out Supp. Sch F - Pt 2 ..... NONE

WC-3 Workers Comp. Carve-Out Supp. Sch P - Pt 1 ..... NONE

WC-4 Workers Comp. Carve-Out Supp. Sch P - Pt 2 ..... NONE

WC-4 Workers Comp. Carve-Out Supp. Sch P - Pt 3 ..... NONE

WC-5 Workers Comp. Carve-Out Supp. Sch P - Pt 4 ..... NONE

WC-5 Workers Comp. Carve-Out Supp. Sch P - Pt 5 Sn1 ..... NONE

WC-5 Workers Comp. Carve-Out Supp. Sch P - Pt 5 Sn2 ..... NONE

WC-5 Workers Comp. Carve-Out Supp. Sch P - Pt 5 Sn3 ..... NONE

WC-6 Workers Comp. Carve-Out Supp. Sch P - Pt 6 Sn1 ..... NONE

WC-6 Workers Comp. Carve-Out Supp. Sch P - Pt 6 Sn2 ..... NONE

A&H-1 A H Policy Experience Exhibit ..... NONE

A&H-2 A H Policy Experience Exhibit - Part 1 ..... NONE

A&H-2 A H Policy Experience Exhibit - Part 2 ..... NONE

CREDIT INSURANCE EXPERIENCE EXHIBIT

TO BE FILED ON OR BEFORE APRIL 1

FOR THE YE NONE 31, 2003

OF THE LA CRUZ AZUL DE PUERTO RICO, INC.

Address (City, State and Zip Code) San Juan, PR, 000927

NAIC Group Code: 0000 NAIC Company Code: 53546 Employer's ID Number: 660195325

Direct Business in the state of: Grand Total

Does the company have Credit Insurance in this State? Yes[ ] No[X]

PART 1A - CREDIT LIFE INSURANCE

Monthly Outstanding Balance (MOB)

		Open-End		Closed-End	
		1 Single	2 Joint	3 Single	4 Joint
1.	Earned Premiums:				
1.1	Gross written premiums				
1.2	Refunds on terminations				
1.3	Net written premiums (1.1 - 1.2)				
1.4	Premium reserves, start of period				
1.5	Premium reserves, end of period				
1.6	Actual earned premiums (1.3 + 1.4 - 1.5)				
1.7	Earned premiums at prima facie rates				
2.	Incurred Claims:				
2.1	Claims paid				
2.2	Unreported claim reserve, start of period				
2.3	Unreported claim reserve, end of period				
2.4	Claim reserves, start of period				
2.5	Claim reserves, end of period				
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)				
3.	Incurred Compensation:				
3.1	Commissions and Service Fees Incurred				
3.2	Other Incurred Compensation				
3.3	Total Incurred Compensation (3.1 + 3.2)				
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)				
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)				
4.	Loss Percentage:				
4.1	Actual loss percentage (2.6 / 1.6)				
4.2	Loss percentage at prima facie rates (2.6 / 1.7)				
5.	Mean insurance in force				
6.	Losses per $1,000 mean insurance in force [(1,000 x 2.6)/Line 5]				

NONE

PART 1B - CREDIT LIFE INSURANCE

Single Premium (SP) and Total

1 Single SP	2 Joint SP	3 Total SP + MOB

CIEE-2 Grand Total

PART 2A - CREDIT ACCIDENT AND HEALTH INSURANCE

Single Premium - Closed-End

	1 7 Day Retro	2 14 Day Retro	3 14 Day Non-Retro	4 30 Day Retro	5 30 Day Non-Retro	6 Other (a)	7 Total
1. Earned Premiums:							
1.1 Gross written premiums							
1.2 Refunds on terminations							
1.3 Net written premiums (1.1 - 1.2)							
1.4 Premium reserves, start of period							
1.5 Premium reserves, end of period							
1.6 Actual earned premiums (1.3 + 1.4 - 1.5)							
1.7 Earned premiums at prima facie rates							
2. Incurred Claims:							
2.1 Claims paid							
2.2 Unreported claim reserve, start of period							
2.3 Unreported claim reserve, end of period							
2.4 Claim reserves, start of period							
2.5 Claim reserves, end of period							
2.6 Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)							
3. Incurred Compensation:							
3.1 Commissions and Service Fees Incurred							
3.2 Other Incurred Compensation							
3.3 Total Incurred Compensation (3.1 + 3.2)							
3.4 Commissions / Service Fee Percentage (3.1 / 1.3)							
3.5 Other Incurred Compensation Percentage (3.2 / 1.6)							
4. Loss Percentage:							
4.1 Actual loss percentage (2.6 / 1.6)							
4.2 Loss percentage at prima facie rates (2.6 / 1.7)							

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 6):

CIEE-3 Grand Total

PART 2B - CREDIT ACCIDENT AND HEALTH INSURANCE

Monthly Outstanding Balance - Closed-End

	1 7 Day Retro	2 14 Day Retro	3 14 Day Non-Retro	4 30 Day Retro	5 30 Day Non-Retro	6 Other (a)	7 Total
1. Earned Premiums:							
1.1 Gross written premiums							
1.2 Refunds on terminations							
1.3 Net written premiums (1.1 - 1.2)							
1.4 Premium reserves, start of period							
1.5 Premium reserves, end of period							
1.6 Actual earned premium (1.3 + 1.4 - 1.5)							
1.7 Earned premiums at prima facie rates							
2. Incurred Claims:							
2.1 Claims paid							
2.2 Unreported claim reserve, start of period							
2.3 Unreported claim reserve, end of period							
2.4 Claim reserves, start of period							
2.5 Claim reserves, end of period							
2.6 Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)							
3. Incurred Compensation:							
3.1 Commissions and Service Fees Incurred							
3.2 Other Incurred Compensation							
3.3 Total Incurred Compensation (3.1 + 3.2)							
3.4 Commissions / Service Fee Percentage (3.1 / 1.3)							
3.5 Other Incurred Compensation Percentage (3.2 / 1.6)							
4. Loss Percentage:							
4.1 Actual loss percentage (2.6 / 1.6)							
4.2 Loss percentage at prima facie rates (2.6 / 1.7)							

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 6):

CIEE-4 Grand Total

PART 2C - CREDIT ACCIDENT AND HEALTH INSURANCE

Monthly Outstanding Balance–Open-End

	1 7 Day Retro	2 14 Day Retro	3 14 Day Non-Retro	4 30 Day Retro	5 30 Day Non-Retro	6 Other (a)	7 Total
1. Earned Premiums:							
1.1 Gross written premiums							
1.2 Refunds on terminations							
1.3 Net written premiums (1.1 - 1.2)							
1.4 Premium reserves, start of period							
1.5 Premium reserves, end of period							
1.6 Actual earned premiums (1.3 + 1.4 - 1.5)							
1.7 Earned premiums at prima facie rates							
2. Incurred Claims:							
2.1 Claims paid							
2.2 Unreported claim reserve, start of period							
2.3 Unreported claim reserve, end of period							
2.4 Claim reserves, start of period							
2.5 Claim reserves, end of period							
2.6 Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)							
3. Incurred Compensation:							
3.1 Commissions and Service Fees Incurred							
3.2 Other Incurred Compensation							
3.3 Total Incurred Compensation (3.1 + 3.2)							
3.4 Commissions / Service Fee Percentage (3.1 / 1.3)							
3.5 Other Incurred Compensation Percentage (3.2 / 1.6)							
4. Loss Percentage:							
4.1 Actual loss percentage (2.6 / 1.6)							
4.2 Loss percentage at prima facie rates (2.6 / 1.7)							

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 6):
(b) Provide a description of "other" coverages (including their percent of 1.6, Column 1):

PART 2D - CREDIT ACCIDENT AND HEALTH INSURANCE

1 All Other (b)	2 Total - Parts 2A, 2B, 2C and 2D

CIEE-5 Grand Total

PART 3A - CREDIT UNEMPLOYMENT INSURANCE

		1 30 Day Retro - SP	2 30 Day Non-Retro - SP	3 30 Day Retro - MOB
1.	Earned Premiums:			
1.1	Gross written premiums			
1.2	Refunds on terminations			
1.3	Net written premiums (1.1 - 1.2)			
1.4	Premium reserves, start of period			
1.5	Premium reserves, end of period			
1.6	Actual earned premiums (1.3 + 1.4 - 1.5)			
1.7	Earned premiums at prima facie rates			
2.	Incurred Claims:			
2.1	Claims paid			
2.2	Unreported claim reserve, start of period			
2.3	Unreported claim reserve, end of period			
2.4	Claim reserves, start of period			
2.5	Claim reserves, end of period			
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)			
3.	Incurred Compensation:			
3.1	Commissions and Service Fees Incurred			
3.2	Other Incurred Compensation			
3.3	Total Incurred Compensation (3.1 + 3.2)			
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)			
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)			
4.	Loss Percentage:			
4.1	Actual loss percentage (2.6 / 1.6)			
4.2	Loss percentage at prima facie rates (2.6 / 1.7)			

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 2):

PART 3B - CREDIT UNEMPLOYMENT INSURANCE

1 30 Day Non-Retro-MOB	2 Other (a)	3 Total

CIEE-6 Grand Total

PART 4 - CREDIT PROPERTY INSURANCE

		1 Fire and Extended Coverage	2 Auto Physical Damage	3 Forced Placement	4 Other (a)	5 Total
1.	Earned Premiums:					
1.1	Gross written premiums					
1.2	Refunds on terminations					
1.3	Net written premiums (1.1 - 1.2)					
1.4	Premium reserves, start of period					
1.5	Premium reserves, end of period					
1.6	Actual earned premium (1.3 + 1.4 - 1.5)					
1.7	Earned premiums at prima facie rates					
2.	Incurred Claims:					
2.1	Claims paid					
2.2	Unreported claim reserve, start of period					
2.3	Unreported claim reserve, end of period					
2.4	Claim reserves, start of period					
2.5	Claim reserves, end of period					
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)					
3.	Incurred Compensation:					
3.1	Commissions and Service Fees Incurred					
3.2	Other Incurred Compensation					
3.3	Total Incurred Compensation (3.1 + 3.2)					
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)					
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)					
4.	Loss Percentage:					
4.1	Actual loss percentage (2.6 / 1.6)					
4.2	Loss percentage at prima facie rates (2.6 / 1.7)					

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 4):
(b) Describe the types of coverages and benefits provided for the experience shown above (including their percent of 1.6, Column 1):

PART 5-OTHER CREDIT INSURANCE

1 Other (b)

53546200323054000 2003 Document Code 233

CREDIT INSURANCE EXPERIENCE EXHIBIT

TO BE FILED ON OR BEFORE APRIL 1

FOR THE YE NONE 31, 2003

OF THE LA CRUZ AZUL DE PUERTO RICO, INC.

Address (City, State and Zip Code) San Juan, PR, 000927

NAIC Group Code: 0000 NAIC Company Code: 53546 Employer's ID Number: 660195325

Direct Business in the state of: Puerto Rico

Does the company have Credit Insurance in this State? Yes[ ] No[X]

PART 1A - CREDIT LIFE INSURANCE

Monthly Outstanding Balance (MOB)

		Open-End		Closed-End	
		1 Single	2 Joint	3 Single	4 Joint
1.	Earned Premiums:				
1.1	Gross written premiums				
1.2	Refunds on terminations				
1.3	Net written premiums (1.1 - 1.2)				
1.4	Premium reserves, start of period				
1.5	Premium reserves, end of period				
1.6	Actual earned premiums (1.3 + 1.4 - 1.5)				
1.7	Earned premiums at prima facie rates				
2.	Incurred Claims:				
2.1	Claims paid				
2.2	Unreported claim reserve, start of period				
2.3	Unreported claim reserve, end of period				
2.4	Claim reserves, start of period				
2.5	Claim reserves, end of period				
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)				
3.	Incurred Compensation:				
3.1	Commissions and Service Fees Incurred				
3.2	Other Incurred Compensation				
3.3	Total Incurred Compensation (3.1 + 3.2)				
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)				
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)				
4.	Loss Percentage:				
4.1	Actual loss percentage (2.6 / 1.6)				
4.2	Loss percentage at prima facie rates (2.6 / 1.7)				
5.	Mean insurance in force				
6.	Losses per $1,000 mean insurance in force [(1,000 x 2.6)/Line 5]				

NONE

PART 1B - CREDIT LIFE INSURANCE

Single Premium (SP) and Total

1 Single SP	2 Joint SP	3 Total SP + MOB

CIEE-2 Puerto Rico

IBC 00279

PART 2A - CREDIT ACCIDENT AND HEALTH INSURANCE

Single Premium - Closed-End

	1 7 Day Retro	2 14 Day Retro	3 14 Day Non-Retro	4 30 Day Retro	5 30 Day Non-Retro	6 Other (a)	7 Total
1. Earned Premiums:							
1.1 Gross written premiums							
1.2 Refunds on terminations							
1.3 Net written premiums (1.1 - 1.2)							
1.4 Premium reserves, start of period							
1.5 Premium reserves, end of period							
1.6 Actual earned premiums (1.3 + 1.4 - 1.5)							
1.7 Earned premiums at prima facie rates							
2. Incurred Claims:							
2.1 Claims paid							
2.2 Unreported claim reserve, start of period							
2.3 Unreported claim reserve, end of period							
2.4 Claim reserves, start of period							
2.5 Claim reserves, end of period							
2.6 Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)							
3. Incurred Compensation:							
3.1 Commissions and Service Fees Incurred							
3.2 Other Incurred Compensation							
3.3 Total Incurred Compensation (3.1 + 3.2)							
3.4 Commissions / Service Fee Percentage (3.1 / 1.3)							
3.5 Other Incurred Compensation Percentage (3.2 / 1.6)							
4. Loss Percentage:							
4.1 Actual loss percentage (2.6 / 1.6)							
4.2 Loss percentage at prima facie rates (2.6 / 1.7)							

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 6):

PART 2B - CREDIT ACCIDENT AND HEALTH INSURANCE

Monthly Outstanding Balance - Closed-End

	1 7 Day Retro	2 14 Day Retro	3 14 Day Non-Retro	4 30 Day Retro	5 30 Day Non-Retro	6 Other (a)	7 Total
1. Earned Premiums:							
1.1 Gross written premiums							
1.2 Refunds on terminations							
1.3 Net written premiums (1.1 - 1.2)							
1.4 Premium reserves, start of period							
1.5 Premium reserves, end of period							
1.6 Actual earned premium (1.3 + 1.4 - 1.5)							
1.7 Earned premiums at prima facie rates							
2. Incurred Claims:							
2.1 Claims paid							
2.2 Unreported claim reserve, start of period							
2.3 Unreported claim reserve, end of period							
2.4 Claim reserves, start of period							
2.5 Claim reserves, end of period							
2.6 Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)							
3. Incurred Compensation:							
3.1 Commissions and Service Fees Incurred							
3.2 Other Incurred Compensation							
3.3 Total Incurred Compensation (3.1 + 3.2)							
3.4 Commissions / Service Fee Percentage (3.1 / 1.3)							
3.5 Other Incurred Compensation Percentage (3.2 / 1.6)							
4. Loss Percentage:							
4.1 Actual loss percentage (2.6 / 1.6)							
4.2 Loss percentage at prima facie rates (2.6 / 1.7)							

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 6):

PART 2C - CREDIT ACCIDENT AND HEALTH INSURANCE

Monthly Outstanding Balance—Open-End

		1 7 Day Retro	2 14 Day Retro	3 14 Day Non-Retro	4 30 Day Retro	5 30 Day Non-Retro	6 Other (a)	7 Total
1.	Earned Premiums:							
1.1	Gross written premiums							
1.2	Refunds on terminations							
1.3	Net written premiums (1.1 - 1.2)							
1.4	Premium reserves, start of period							
1.5	Premium reserves, end of period							
1.6	Actual earned premiums (1.3 + 1.4 - 1.5)							
1.7	Earned premiums at prima facie rates							
2.	Incurred Claims:							
2.1	Claims paid							
2.2	Unreported claim reserve, start of period							
2.3	Unreported claim reserve, end of period							
2.4	Claim reserves, start of period							
2.5	Claim reserves, end of period							
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)							
3.	Incurred Compensation:							
3.1	Commissions and Service Fees Incurred							
3.2	Other Incurred Compensation							
3.3	Total Incurred Compensation (3.1 + 3.2)							
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)							
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)							
4.	Loss Percentage:							
4.1	Actual loss percentage (2.6 / 1.6)							
4.2	Loss percentage at prima facie rates (2.6 / 1.7)							

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 6):
(b) Provide a description of "other" coverages (including their percent of 1.6, Column 1):

PART 2D - CREDIT ACCIDENT AND HEALTH INSURANCE

1 All Other (b)	2 Total - Parts 2A, 2B, 2C and 2D

PART 3A - CREDIT UNEMPLOYMENT INSURANCE

		1 30 Day Retro - SP	2 30 Day Non-Retro - SP	3 30 Day Retro - MOB
1.	Earned Premiums:			
1.1	Gross written premiums			
1.2	Refunds on terminations			
1.3	Net written premiums (1.1 - 1.2)			
1.4	Premium reserves, start of period			
1.5	Premium reserves, end of period			
1.6	Actual earned premiums (1.3 + 1.4 - 1.5)			
1.7	Earned premiums at prima facie rates			
2.	Incurred Claims:			
2.1	Claims paid			
2.2	Unreported claim reserve, start of period			
2.3	Unreported claim reserve, end of period			
2.4	Claim reserves, start of period			
2.5	Claim reserves, end of period			
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)			
3.	Incurred Compensation:			
3.1	Commissions and Service Fees Incurred			
3.2	Other Incurred Compensation			
3.3	Total Incurred Compensation (3.1 + 3.2)			
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)			
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)			
4.	Loss Percentage:			
4.1	Actual loss percentage (2.6 / 1.6)			
4.2	Loss percentage at prima facie rates (2.6 / 1.7)			

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 2):

PART 3B - CREDIT UNEMPLOYMENT INSURANCE

1 30 Day Non-Retro-MOB	2 Other (a)	3 Total

PART 4 - CREDIT PROPERTY INSURANCE

		1 Fire and Extended Coverage	2 Auto Physical Damage	3 Forced Placement	4 Other (a)	5 Total
1.	Earned Premiums:					
1.1	Gross written premiums					
1.2	Refunds on terminations					
1.3	Net written premiums (1.1 - 1.2)					
1.4	Premium reserves, start of period					
1.5	Premium reserves, end of period					
1.6	Actual earned premium (1.3 + 1.4 - 1.5)					
1.7	Earned premiums at prima facie rates					
2.	Incurred Claims:					
2.1	Claims paid					
2.2	Unreported claim reserve, start of period					
2.3	Unreported claim reserve, end of period					
2.4	Claim reserves, start of period					
2.5	Claim reserves, end of period					
2.6	Incurred claims (2.1 - 2.2 + 2.3 - 2.4 + 2.5)					
3.	Incurred Compensation:					
3.1	Commissions and Service Fees Incurred					
3.2	Other Incurred Compensation					
3.3	Total Incurred Compensation (3.1 + 3.2)					
3.4	Commissions / Service Fee Percentage (3.1 / 1.3)					
3.5	Other Incurred Compensation Percentage (3.2 / 1.6)					
4.	Loss Percentage:					
4.1	Actual loss percentage (2.6 / 1.6)					
4.2	Loss percentage at prima facie rates (2.6 / 1.7)					

NONE

(a) Provide a description of "other" coverages (including their percent of 1.6, Column 4):
(b) Describe the types of coverages and benefits provided for the experience shown above (including their percent of 1.6, Column 1):

PART 5-OTHER CREDIT INSURANCE

1 Other (b)

ISL-1 Int. Sen. Lines Title Page - ..... NONE

ISL-2 Int. Sen. Lines Bus. - ..... NONE

ISL-3 Int. Sen. Res. & Dep. - ..... NONE

OVERFLOW PAGE FOR WRITE-INS

53546200329998100 2003 Document Code 290

LIFE, HEALTH & ANNUITY GUARANTY ASSOCIATION MODEL ACT ASSESSMENT BASE RECONCILIATION EXHIBIT

FOR THE YEAR ENDED DECEMBER 31, 2003

OF THE: LA CRUZ AZUL DE PUERTO RICO, INC.

NAIC COMPANY CODE: 53546

(To Be Filed Not Later Than April 1)

Direct Business in the State of GRAND TOTAL

	PREMIUMS, CONSIDERATIONS AND DEPOSITS	1 Life Insurance Premiums	2 Annuity Considerations	3 A & H Premiums	4 Deposit-Type Contract Funds and Other Considerations
1.	Premiums, considerations and deposits from Schedule T			115,181,068	
2.	Premiums, considerations and deposits NOT reported in Schedule T, including investment contract receipts credited to liability account				
3.	Amounts, if applicable, that were deducted prior to determining amounts included in Lines 1 or 2 which are in the following categories:				
	3.1 Transfers to guaranteed separate accounts				
	3.2 Roll over of GIC's or annuities into other companies				
	3.3 Surrenders or other benefits paid out				
	3.4 Excess interest credited to accounts				
	3.5 Aggregate write-ins for other amounts deducted prior to determining amounts included in Lines 1 or 2				
	3.99 Total (Lines 3.1 through 3.5)				
4.	Transfers:				
	4.1 Enter in Column 2, as a negative number, and Column 4, as a positive number, the total of all amounts received to fund contracts established under Section 403(b) of the U.S. Internal Revenue Code, that are included in Column 2, Lines 1, 2 and 3.99				
	4.2 Enter in Column 2, as a positive number, and Column 4 as a negative number, any amounts reported in Column 4, Lines 1, 2 and 3.99 that are allocated. (Note: Amounts received to fund contracts established under Section 403(b) of the U.S. Internal Revenue Code should not be included in Line 4.2)				
	4.3 Enter in Column 4, as a positive number, and Column 2 as a negative number, any amounts reported in Column 2, Lines 1, 2 and 3.99 that are unallocated				
	4.99 Total (Lines 4.1 + 4.2 + 4.3)				
5.	Total (Lines 1 + 2 + 3.99 + 4.99)			115,181,068	
	DEVELOPMENT OF AMOUNTS INCLUDED IN LINES 1 THROUGH 5 THAT SHOULD BE DEDUCTED IN DETERMINING THE BASE				
	Do not include any amounts more than once in Lines 6 through 9				
6.	Aggregate write-ins for amounts where the insurer is not subject to risk. Premiums for portions of policies or contracts NOT guaranteed or under which the entire investment risk is borne by the policyholder. (Please specify such deductions and indicate where such amounts were reported in the Annual Statement)				
7.	Amounts NOT allocated to individuals or individual certificate holders or amounts received for such contracts in excess of limits:				
	7.1 Unallocated funding obligations that do NOT fund government lotteries or employee, union, or association of natural persons benefit plans	XXX	XXX	XXX	
	7.2 Unallocated funding obligations that fund any employee, union or association of natural persons benefit plans protected by the Federal Pension Benefit Guaranty Corporation	XXX	XXX	XXX	
	7.3 Unallocated funding obligations that fund governmental lotteries or employee, union, or association of natural persons benefit plans in excess of $5 million per contract which are NOT: (a) government retirement plans established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation	XXX	XXX	XXX	
	7.4 Total (Lines 7.1 + 7.2 + 7.3)	XXX	XXX	XXX	
8.	Dividends/Experience rating credits paid or credited, but only if NOT guaranteed in advance (include only amounts NOT already deducted in determining Lines 1 and 2)				
9.	Aggregate write-ins for Other Deductions				
10.	Total (Lines 6 + 7.4 + 8 + 9)				
	MODEL ACT BASE (Line 5 minus Line 10)				
11.	Current Year			115,181,068	
	DETAILS OF WRITE-INS				
03.501					
03.502					
03.503					
03.598.	Summary of remaining write-ins for Line 3.5 from overflow page				
03.599.	Totals (Lines 3.501 through 3.503 plus 3.598) (Line 3.5 above)				
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)				
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)				

LHAG Grand Total

53546200330058100 2003 Document Code XO

ADJUSTMENTS TO THE LIFE, HEALTH & ANNUITY GUARANTY ASSOCIATION MODEL ACT ASSESSMENT BASE RECONCILIATION EXHIBIT

FOR THE YEAR ENDED DECEMBER 31, 2003

OF THE: LA CRUZ AZUL DE PUERTO RICO, INC.

NAIC COMPANY CODE: 53546

(To Be Filed Not Later Than April 1)

Direct Business in the State of GRAND TOTAL

	1 Life Insurance Premium	2 Allocated Annuity and Other Allocated Fund Deposits	3 Accident & Health Premium	4 Unallocated Annuity & Other Unallocated Fund Deposits
1. MODEL ACT BASE (Line 11 of the Reconciliation Exhibit)			115,404,070	
AMOUNTS REQUIRED TO DETERMINE THIS STATE'S ASSESSMENT BASE				
2. Enter in Column 2, as a positive number, and Column 4, as a negative number, the total of all amounts received to fund allocated contracts established under Section 403(b) of the U.S. Internal Revenue Code that are included in Column 4, Line 1 above	XXX		XXX	
3. Unallocated funding obligations that do NOT fund government lotteries or employee, union, or association of natural persons benefit plans:				
3.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	
3.2 All Amounts	XXX	XXX	XXX	
4. Unallocated funding obligations issued to fund government lotteries or employee, union, or association of natural persons benefit plans which are NOT: (a) governmental retirement plans established under Sections 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation				
4.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	
4.2 Amounts in excess of $1 million but NOT in excess of $5 million per contract	XXX	XXX	XXX	
4.3 Amounts in excess of $5 million per contract	XXX	XXX	XXX	
4.4 Total (Lines 4.1 + 4.2 + 4.3)	XXX	XXX	XXX	
4.5 Amounts up to $7.5 million, per contract (Minnesota only)	XXX	XXX	XXX	
5. Unallocated funding obligations issued to fund governmental retirement plans established under Sections 401 and 457 of the U.S. Internal Revenue Code:				
5.1 Amounts in excess of $1 million per contract	XXX	XXX	XXX	
5.2 All amounts	XXX	XXX	XXX	
5.3 Amounts in excess of $2 million per contract (New Jersey Only)	XXX	XXX	XXX	
5.4 Amounts not in excess of $7.5 million per contract (Minnesota only)	XXX	XXX	XXX	
6. Unallocated funding obligations issued to fund governmental retirement plans established under Section 403(b) of the U.S Internal Revenue Code:				
6.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	
6.2 Amounts in excess of $1 million per contract	XXX	XXX	XXX	
6.3 Total (Lines 6.1 + 6.2)	XXX	XXX	XXX	
6.4 Amounts in excess of $2 million per contract (New Jersey Only)	XXX	XXX	XXX	
6.5 Amounts not in excess of $7.5 million per contract (Minnesota only)	XXX	XXX	XXX	
7. Unallocated funding obligations that fund employee, union, or association of natural persons benefit plans protected by the Federal Pension Benefit Guaranty Corporation:				
7.1 Amounts NOT in excess of $1 million per contract	XXX	XXX	XXX	
7.2 All amounts	XXX	XXX	XXX	
7.3 Amounts NOT in excess of $2 million per contract (New Jersey Only)	XXX	XXX	XXX	
8. Unallocated funding obligations issued to fund government lotteries NOT in excess of $5 million per contractholder (New Jersey Only)	XXX	XXX	XXX	
9. Unallocated funding obligations that fund employee or association of natural persons benefit plans in excess of $2 million but NOT in excess of $5 million per contract. (New Jersey Only)	XXX	XXX	XXX	
10. Aggregate write-ins for other deductions				
BASE				
11. Current Year (2003)			115,404,070	
DETAILS OF WRITE-INS				
1001				
1002				
1003				
1098. Summary of remaining write-ins for Line 10 from overflow page				
1099. Totals (Lines 1001 through 1003 plus 1098) (Line 10 above)				

LHAGA Grand Total

53546200328058100 2003 Document Code: 240

LIFE, HEALTH & ANNUITY GUARANTY ASSOCIATION MODEL ACT ASSESSMENT BASE RECONCILIATION EXHIBIT

FOR THE YEAR ENDED DECEMBER 31, 2003

OF THE: LA CRUZ AZUL DE PUERTO RICO, INC.

NAIC COMPANY CODE: 53546

(To Be Filed Not Later Than April 1)

Direct Business in the State of GRAND TOTAL

	PREMIUMS, CONSIDERATIONS AND DEPOSITS	1 Life Insurance Premiums	2 Annuity Considerations	3 A & H Premiums	4 Deposit-Type Contract Funds and Other Considerations
1.	Premiums, considerations and deposits from Schedule T			115,404,070	
2.	Premiums, considerations and deposits NOT reported in Schedule T, including investment contract receipts credited to liability account				
3.	*Amounts, if applicable, that were deducted prior to determining amounts included in Lines 1 or 2 which are in the following categories:*				
	3.1 Transfers to guaranteed separate accounts				
	3.2 Roll over of GIC's or annuities into other companies				
	3.3 Surrenders or other benefits paid out				
	3.4 Excess interest credited to accounts				
	3.5 Aggregate write-ins for other amounts deducted prior to determining amounts included in Lines 1 or 2				
	3.99 Total (Lines 3.1 through 3.5)				
4.	Transfers:				
	4.1 Enter in Column 2, as a negative number, and Column 4, as a positive number, the total of all amounts received to fund contracts established under Section 403(b) of the U.S. Internal Revenue Code, that are included in Column 2, Lines 1, 2 and 3.99				
	4.2 Enter in Column 2, as a positive number, and Column 4 as a negative number, any amounts reported in Column 4, Lines 1, 2 and 3.99 that are allocated. (Note: Amounts received to fund contracts established under Section 403(b) of the U.S. Internal Revenue Code should not be included in Line 4.2)				
	4.3 Enter in Column 4, as a positive number, and Column 2 as a negative number, any amounts reported in Column 2, Lines 1, 2 and 3.99 that are unallocated				
	4.99 Total (Lines 4.1 + 4.2 + 4.3)				
5.	Total (Lines 1 + 2 + 3.99 + 4.99)			115,404,070	
	DEVELOPMENT OF AMOUNTS INCLUDED IN LINES 1 THROUGH 5 THAT SHOULD BE DEDUCTED IN DETERMINING THE BASE				
	Do not include any amounts more than once in Lines 6 through 9				
6.	Aggregate write-ins for amounts where the insurer is not subject to risk. Premiums for portions of policies or contracts NOT guaranteed or under which the entire investment risk is borne by the policyholder. (Please specify such deductions and indicate where such amounts were reported in the Annual Statement)				
7.	Amounts NOT allocated to individuals or individual certificate holders or amounts received for such contracts in excess of limits:				
	7.1 Unallocated funding obligations that do NOT fund government lotteries or employee, union, or association of natural persons benefit plans	XXX	XXX	XXX	
	7.2 Unallocated funding obligations that fund any employee, union or association of natural persons benefit plans protected by the Federal Pension Benefit Guaranty Corporation	XXX	XXX	XXX	
	7.3 Unallocated funding obligations that fund governmental lotteries or employee, union, or association of natural persons benefit plans in excess of $5 million per contract which are NOT: (a) government retirement plans established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation	XXX	XXX	XXX	
	7.4 Total (Lines 7.1 + 7.2 + 7.3)	XXX	XXX	XXX	
8.	Dividends/Experience rating credits paid or credited, but only if NOT guaranteed in advance (Include only amounts NOT already deducted in determining Lines 1 and 2)				
9.	Aggregate write-ins for Other Deductions				
10.	Total (Lines 6 + 7.4 + 8 + 9)				
	MODEL ACT BASE (Line 5 minus Line 10)				
11.	Current Year			115,404,070	
	DETAILS OF WRITE-INS				
03.501					
03.502					
03.503					
03.598.	Summary of remaining write-ins for Line 3.5 from overflow page				
03.599.	Totals (Lines 3.501 through 3.503 plus 3.598) (Line 3.5 above)				
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)				
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)				

53546700329054100 2003 Document Code 290

LIFE, HEALTH & ANNUITY GUARANTY ASSOCIATION MODEL ACT ASSESSMENT BASE RECONCILIATION EXHIBIT

FOR THE YEAR ENDED DECEMBER 31, 2003

OF THE: LA CRUZ AZUL DE PUERTO RICO, INC.

NAIC COMPANY CODE: 53546

Direct Business in the State of PUERTO RICO

(To Be Filed Not Later Than April 1)

	PREMIUMS, CONSIDERATIONS AND DEPOSITS	1 Life Insurance Premiums	2 Annuity Considerations	3 A & H Premiums	4 Deposit-Type Contract Funds and Other Considerations
1.	Premiums, considerations and deposits from Schedule T			115,404,070	
2.	Premiums, considerations and deposits NOT reported in Schedule T, including investment contract receipts credited to liability account				
3.	Amounts, if applicable, that were deducted prior to determining amounts included in Lines 1 or 2 which are in the following categories:				
	3.1 Transfers to guaranteed separate accounts				
	3.2 Roll over of GIC's or annuities into other companies				
	3.3 Surrenders or other benefits paid out				
	3.4 Excess interest credited to accounts				
	3.5 Aggregate write-ins for other amounts deducted prior to determining amounts included in Lines 1 or 2				
	3.99 Total (Lines 3.1 through 3.5)				
4.	Transfers:				
	4.1 Enter in Column 2, as a negative number, and Column 4, as a positive number, the total of all amounts received to fund contracts established under Section 403(b) of the U.S. Internal Revenue Code, that are included in Column 2, Lines 1, 2 and 3.99				
	4.2 Enter in Column 2, as a positive number, and Column 4 as a negative number, any amounts reported in Column 4, Lines 1, 2 and 3.99 that are allocated. (Note: Amounts received to fund contracts established under Section 403(b) of the U.S. Internal Revenue Code should not be included in Line 4.2)				
	4.3 Enter in Column 4, as a positive number, and Column 2 as a negative number, any amounts reported in Column 2, Lines 1, 2 and 3.99 that are unallocated				
	4.99 Total (Lines 4.1 + 4.2 + 4.3)				
5.	Total (Lines 1 + 2 + 3.99 + 4.99)			115,404,070	
	DEVELOPMENT OF AMOUNTS INCLUDED IN LINES 1 THROUGH 5 THAT SHOULD BE DEDUCTED IN DETERMINING THE BASE				
	Do not include any amounts more than once in Lines 6 through 9				
6.	Aggregate write-ins for amounts where the insurer is not subject to risk. Premiums for portions of policies or contracts NOT guaranteed or under which the entire investment risk is borne by the policyholder. (Please specify such deductions and indicate where such amounts were reported in the Annual Statement)				
7.	Amounts NOT allocated to individuals or individual certificate holders or amounts received for such contracts in excess of limits:				
	7.1 Unallocated funding obligations that do NOT fund government lotteries or employee, union, or association of natural persons benefit plans	XXX	XXX	XXX	
	7.2 Unallocated funding obligations that fund any employee, union or association of natural persons benefit plans protected by the Federal Pension Benefit Guaranty Corporation	XXX	XXX	XXX	
	7.3 Unallocated funding obligations that fund governmental lotteries or employee, union, or association of natural persons benefit plans in excess of $5 million per contract which are NOT: (a) government retirement plans established under Section 401, 403(b) or 457 of the U.S. Internal Revenue Code, or (b) protected by the Federal Pension Benefit Guaranty Corporation	XXX	XXX	XXX	
	7.4 Total (Lines 7.1 + 7.2 + 7.3)	XXX	XXX	XXX	
8.	Dividends/Experience rating credits paid or credited, but only if NOT guaranteed in advance (Include only amounts NOT already deducted in determining Lines 1 and 2)				
9.	Aggregate write-ins for Other Deductions				
10.	Total (Lines 6 + 7.4 + 8 + 9)				
	MODEL ACT BASE (Line 5 minus Line 10)				
11.	Current Year			115,404,070	
	DETAILS OF WRITE-INS				
03.501					
03.502					
03.503					
03.598.	Summary of remaining write-ins for Line 3.5 from overflow page				
03.599.	Totals (Lines 3.501 through 3.503 plus 3.598) (Line 3.5 above)				
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)				
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)				

OVERFLOW PAGE FOR WRITE-INS

LTCA-2	Long Term Care Form A - Part 2	NONE
LTCA-2	Long Term Care Form A - Part 3	NONE
LTCB	Long Term Care Form B Summary	NONE
MD&A	Management's Discussion and Analysis	NONE
SIR-1	Supp. Inv. Risk Interr. Pt A	NONE
SIR-2	Supp. Inv. Risk Interr. Pt B	NONE
SIR-3	Supp. Inv. Risk Interr. Pt C	NONE
SIR-4	Supp. Inv. Risk Interr. Pt D	NONE
SIR-5	Supp. Inv. Risk Interr. Pt E	NONE
SIR-6	Supp. Inv. Risk Interr. Pt F	NONE
AFR	Audited Financial Report	NONE

LTCA-2, LTCB, MD&A, SIR-1, SIR-2, SIR-3, SIR-4, SIR-5, SIR-6, AFR

LIFE IRIS RATIOS - 2003

		Amount
Ratio 1	Net Change In Capital and Surplus	
	A. Capital & Surplus Current Year - Page 3, Column 1, Line 38	11,175,509
	B. Change In Surplus Notes - Page 4, Column 1, Line 48	(35,493,420)
	C. Capital Changes Paid-In - Page 4, Column 1, Line 50.1	
	D. Surplus Adjustments Paid-In - Page 4, Column 1, Line 51.1	35,493,420
	E. Capital & Surplus Prior Year - Prior Year: Page 3, Column 1, Line 38	12,249,200
	Result = 100 x (A - B - C - D - E) / E (Round to nearest whole percent)	(9)%
	If A is zero or negative, result is -99	
	If E is zero or negative and A is positive, result is 999	
	If commenced business date is current year, no result is calculated (NR)	
Ratio 2	Gross Change In Capital and Surplus	
	A. Capital & Surplus Current Year - Page 3, Column 1, Line 38	11,175,509
	B. Capital & Surplus Prior Year - Prior Year: Page 3, Column 1, Line 38	12,249,200
	Result = 100 x (A - B) / B (Round to nearest whole percent)	(9)%
	If A is zero or negative, result is -99	
	If B is zero or negative and A is positive, result is 999	
	If commenced business date is current year, no result is calculated (NR)	
Ratio 3	Net Income to Total Income (Including Realized Capital Gains and Losses)	
	A. Net Income - Page 4, Column 1, Line 35	(260,754)
	B. Total Income - Page 4, Column 1, Line 9	116,388,256
	C. Realized Capital Gains/Losses - Page 4, Column 1, Line 34	(15,105)
	Result = 100 x A / (B + C) (Round to the nearest whole percent)	0%
	If B + C is zero or negative and A is positive, no result is calculated (NR)	
	If B + C is zero or negative and A is zero or negative, result is automatically considered unusual	
Ratio 5	Adequacy of Investment Income	
	A. Net Investment Income - Page 4, Column 1, Line 3	425,362
	B. Tabular Interest Involving Life or Disability Contingencies - Page 7, Column 1, Line 4	
	C. Tabular Fund Interest on A&H Contracts - Page 14, Exhibit 6, Column 1, Line 18	
	D. Investment Earnings Credited to Deposit-Type Contract Accounts - Page 15, Exhibit 7, Column 1, Line 3	
	Result = 100 x A / (B + C + D) (Round to nearest whole percent)	999%
	If B + C + D is zero, result is 999	
	If Company has no beginning or ending reserves per Page 7 and Item B is zero, no result is calculated.	
Ratio 6	Non-Admitted to Admitted Assets	
	A. Non-Admitted Assets - Page 2, Column 2, Line 28	5,427,914
	B. Admitted Assets - Page 2, Column 3, Line 26	61,052,414
	Result = 100 x A / B (Round to nearest whole percent)	9%
	If B is zero or negative and A is positive, result is 999	
	If A and B are both zero or negative, result is zero	
Ratio 7	Total Real Estate and Total Mortgage Loans to Cash and Invested Assets	
	A. Mortgage Loans - First Liens - Page 2, Column 3, Line 3.1	
	B. Mortgage Loans - Other - Page 2, Column 3, Line 3.2	
	C. Real Estate - Properties Occupied by the Company - Page 2, Column 3, Line 4.1	
	D. Real Estate - Properties Held for the Production of Income - Page 2, Column 3, Line 4.2	
	E. Real Estate - Properties Held for Sale - Page 2, Column 3, Line 4.3	
	F. Schedule BA - Mortgage Loans - Page E06, Column 8, Line 0599999	
	G. Schedule BA - Real Estate - Page E06, Column 8, Line 0999999	
	H. Cash and Invested Assets minus Payable for Securities - Page 2, Column 3, Line 10 - Page 3, Column 1, Line 24.8	22,164,279
	Result = 100 x [(A + B + C + D + E + F + G) / H] (Round to nearest whole percent)	%
	If H is zero or negative and (A + B + C + D+ E + F + G) is positive, result is 999	
	If (A + B + C + D + E + F + G) and H are both zero or negative, result is zero	
Ratio 8	Total Affiliated Investments to Capital and Surplus	
	A. Receivable from Parent, Subsidiary & Affiliates - Page 2, Column 3, Line 20	
	B. Investments in Parent, Subsidiary & Affiliates - Page 29, Column 1, Line 49	
	C. Capital & Surplus - Page 3, Column 1, Line 38	11,175,509
	Result = 100 x (A + B) / C (Round to nearest whole percent)	%
	If C is zero or negative and A + B is positive, result is 999	
	If A + B, and C are zero or negative, result is zero	
Ratio 9	Surplus Relief	
	A. Commissions and Expense Allowances on Reinsurance Ceded - Page 6, Column 1, Line 6	
	B. Commissions and Expense Allowances on Reinsurance Assumed - Page 6, Column 1, Line 22	
	C. Change in Surplus as a Result of Reinsurance - Page 4, Column 1, Line 51.4	
	D. Capital and Surplus - Page 3, Column 1, Line 38	11,175,509
	Result = 100 x (A - B + C) / D (Round to nearest whole percent)	%
	If D is zero or negative, result is 999	

LIFE IRIS RATIOS - 2003

	Amount
Ratio 10 Change In Premium	
A. Premiums & Annuity Considerations - Page 67, Column 2, 3, 4, 5, 6, Line 99	115,404,070
B. Premiums & Annuity Considerations - Prior Year: Page 68, Column 2, 3, 4, 5, 6, Line 99	156,966,386
Result = 100 x (A - B) / B (Round to nearest whole percent)	(26)%
If A and B are both zero or negative, result is zero	
If B is zero or negative and A is positive, result is 999	
If commenced business date is current year, no result is calculated (NR)	

Ratio 11: Change In Product Mix

Premiums & Annuity Considerations	Current Year Amount (1)	Current Year % of Total (2)	Prior Year Amount (3)	Prior Year % of Total (4)	Column 2 % Less Column 4 % (5)
Page 6, Line 1					
A. Industrial Life, Column 2					
B. Ordinary Life Insurance, Column 3					
C. Individual Annuities, Column 4					
D. Credit Life, Column 6					
E. Group Life, Column 7					
F. Group Annuities, Column 8					
G. Group A&H, Column 9	114,877,070	100	156,966,386	100	
H. Credit A&H, Column 10					
I. Other A&H, Column 11					
J. Total	114,877,070		156,966,386		
K. Total of Ratio Column 5 Disregarding Sign					
Result = K / 9 (Round to nearest tenth of a percent)					%
If J for either current or prior year is zero or negative, no result is calculated (NR)					

Ratio 12: Change In Asset Mix

Assets	Current Year Amount (1)	Current Year % of Total (2)	Prior Year Amount (3)	Prior Year % of Total (4)	Column 2 % Less Column 4 % (5)
Current Year: Page 2, Column 3					
A. Bonds, Line 1	12,720,457	57	11,453,967	36	21
B. Preferred Stocks, Line 2.1					
C. Common Stocks, Line 2.2	106,500	0	106,500	0	0
D. Mortgage Loans, First Liens, Line 3.1					
E. Mortgage Loans, Other, Line 3.2					
F. RE, Prop. Occupied by Co., Line 4.1			11,101,038	35	(35)
G. RE, Prop. Held for the Prod. of Inc., Line 4.2					
H. Prop. Held for Sale, Line 4.3					
I. Policy Loans, Line 6 - IA 1, (PY: Line 5)					
J. Premium Notes, Line 6 IA 1, (PY: Line 6)					
K. Cash & Short Term Investments, Line 5, (PY: Line 7)	9,337,322	42	8,739,449	28	14
L. Other Invested Assets, Line 7, (PY: Line 8)					
M. Rec. for Secur., Line 8 (PY: Line 9) Less Pay. For Secur., Page 3, Col 1, Line 24.8					
N. Agg. Write-Ins for Invested Assets, Line 9, (PY: Line 10)					
O. Total	22,164,279		31,400,954		
P. Total of Ratio Column 5 Disregarding Sign					71
Result = P / 14 (Round to nearest tenth of a percent)					5.050%
If O for either current or prior year is zero or negative, result is automatically considered unusual (U)					

Ratio 13: Change In Reserving Ratio

	Current Year	Prior Year
A. Increase In Agg. Reserved, Industrial Life, Page 6, Column 2, Line 19		
B. Increase In Agg. Reserves, Ordinary Life Insurance, Page 6, Column 3, Line 19		
C. Net Single Premiums, Industrial Life, Page 9, Column 2, Line 10.4		
D. Net Renewable Premiums, Industrial Life, Page 9, Column 2, Line 19.4		
E. Net Single Premiums, Ordinary Life Insurance, Page 9, Column 3, Line 10.4		
F. Net Renewable Premiums, Ordinary Life Insurance, Page 9, Column 3, Line 19.4		
Result = 100 * [(A + B) / (C + D + E + F)CY - (A + B) / (C + D + E + F)PY] (Round to nearest whole percent)		%
If (A+B) and (C+D+E+F) for current or prior year are both zero or negative, (A+B)/(C+D+E+F) = 0 for that year		
If (A+B) is positive and (C+D+E+F) is zero or negative for current or prior year, (A+B)/(C+D+E+F) = 100% for that year		

LIFE IRIS RATIOS - 2003

Ratio	Financial Ratio Results	Over	Under	Amount
1.	Net Change in Capital and Surplus	50	-10	(9)
2.	Gross Change in Capital and Surplus	50	-10	(9)
3.	Net Income to Total Income (Including Realized Capital Gains and Losses)	XXX		0
4.	Commissions and Expenses to Premiums and Deposits (Discontinued)			
5.	Adequacy of Investment Income	900	125	999
6.	Non-Admitted to Admitted Assets	10	XXX	9
7.	Total Real Estate and Total Mortgage Loans to Cash and Invested Assets	30	XXX	
8.	Total Affiliated Investments to Capital and Surplus	100	XXX	
9.	Surplus Relief			
	(Over $5 Million Capital and Surplus)	30	-99	
	($5 Million or Less Capital and Surplus)	10	-10	
10.	Change in Premium	50	-10	(20)
11.	Change in Product Mix	5.0	XXX	
12.	Change in Asset Mix	5.0	XXX	5.050
13.	Change in Reserving Ratio	20	-20	

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ANNUAL D ETTE TRANSMITTAL FORM AND CE IFICATION
(LIFE)

Name of Insurer: LA CRUZ AZUL DE PUERTO RICO, INC.

Date: _____ FEIN: 660195325

NAIC Group #: 0000 NAIC Company #: 53546

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY HELP TO IDENTIFY DISKETTE CONTENT

	March	April	June	Sep. Accts.
1. Is this the first time you've submitted this filing? (Y/N)	N/A	N/A	N/A	N/A
2. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N)	N/A	N/A	N/A	N/A
3. Is this being re-filed due to changes to the data originally filed? (Y/N) (IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)	N/A	N/A	N/A	N/A
4. Other? (Y/N) (If "yes" attach an explanation.)	N/A	N/A	N/A	N/A

). Additional comments if necessary for clarification:

). Diskette Contact Person:
Phone:
Address:

). Software Vendor:
Version:

E. Have material validation failures been addressed in the explanation file? Yes[ ] No[X]

F. The undersigned hereby certifies that, according to the best of his/her knowledge and belief, that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that annual statement information required to be contained on diskette is identical to the information in the 2003 Annual Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes submitted have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

Signed) _____

Type Name and Title:

53546200320900100 2003 Document Code 2/6

NAIC Company Code 53546
NAIC Group Code 0000

Reporting Entity Name LA CRUZ AZUL DE PUERTO RICO, INC.
Domiciled In Puerto Rico (State)
Mailing Address: PO BOX 366068, San Juan, PR 00936
Annual Statement Contact: Jose A. Rodriguez (787)272-7879- jose.rodriguez@cruzazul.com
(Name) Telephone No. E-mail Address

In the Matter of the Annual Statement
(Annual/Quarterly)
Filing Required for the Period Ending on the
31st day of December, 2003
Mailing Date:

AFFIDAVIT OF FILING AND FINANCIAL STATEMENT ATTESTATION

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity's domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity's domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the 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 on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature) (Signature) (Signature)
(Printed Name) (Printed Name) (Printed Name)

(Signature)
(Printed Name)

Subscribed and sworn to before me this

_____ day of _____, 2004

(Notary Signature)
My Commission Expires:

Amended Statement Cove

NONE

MERGER HISTORY

	Description	1 Amount
1.	Bonds (2002: Page 2, Column 3, Line 1)	
2.	Preferred stocks (2002: Page 2, Column 3, Line 2.1)	
3.	Common stocks (2002: Page 2, Column 3, Line 2.2)	
4.	Mortgage loans on real estate - first liens (2002: Page 2, Column 3, Line 3.1)	
5.	Mortgage loans on real estate - other than first liens (2002: Page 2, Column 3, Line 3.2)	
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10.	Premium notes (2002: Page 2, Column 3, Line 6)	
11.	Cash and short-term investments (2002: Page 2, Column 3, Line 7)	
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13.	Receivable for securities (2002: Page 2, Column 3, Line 9)	
14.	Aggregate write-ins for invested assets (2002: Page 2, Column 3, Line 10)	
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16.	Capital & surplus (2002: Page 3, Column 1, Line 38	
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20.	Increase in aggregate reserves - ordinary life (2002: Page 6, Column 3, Line 19)	
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25.	Premiums and annuity considerations - group accident & health (2002: Page 6, Column 9, Line 1)	
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NONE

MH

ANNUAL STATEMENT

OF THE

AmeriHealth Casualty Insurance Company

of

Wilmington

in the state of

Delaware

2003

TO THE

Insurance Department

OF THE STATE OF

Delaware

FOR THE YEAR ENDED
DECEMBER 31, 2003

PROPERTY AND CASUALTY

2003

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ROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

10975200320100100 2003 Document Code: 201

ANNUAL STATEMENT

For the Year Ended December 31, 2003
OF THE CONDITION AND AFFAIRS OF THE

AmeriHealth Casualty Insurance Company

IC Group Code 0936 (Current Period), 0936 (Prior Period) NAIC Company Code 10975 Employer's ID Number 06-1505051

ganized under the Laws of Delaware, State of Domicile or Port of Entry Delaware

untry of Domicile United States of America

corporated 11/12/1997 Commenced Business 04/19/1999

atutory Home Office Corporation Trust Center, 1209 Orange Street (Street and Number), Wilmington, DE 19801 (City, or Town, State and Zip Code)

ain Administrative Office 1880 John F. Kennedy Boulevard, 8th Floor (Street and Number)
Philadelphia, PA 19103 (City or Town, State and Zip Code) (215)587-1980 (Area Code) (Telephone Number)

ail Address 1880 John F. Kennedy Boulevard, 8th Floor (Street and Number or P.O. Box), Philadelphia, PA 19103 (City, or Town, State and Zip Code)

imary Location of Books and Records 1880 John F. Kennedy Boulevard, 8th Floor (Street and Number)
Philadelphia, PA 19103 (City, or Town, State and Zip Code) (215)587-1980 (Area Code) (Telephone Number)

ernet Website Address

atutory Statement Contact Kevin Deal (Name) (215)241-2529 (Area Code)(Telephone Number)(Extension)
kevin.deal@ibx.com (E-Mail Address) (215)241-0406 (Fax Number)

licyowner Relations Contact 1880 John F. Kennedy Boulevard, 8th Floor (Street and Number)
Philadelphia, PA 19103 (City, or Town, State and Zip Code) (215)587-1980 (Area Code) (Telephone Number)(Extension)

OFFICERS

Chairman	G. Fred DiBona , Jr.
Vice Chairman	Robert Joseph Fascia
President	Donald John Liskay
Chief Financial Officer and Treasurer	John George Foos
SRVP, Human Resources and Admin	Joseph Anthony Frick #
Chief Marketing Executive	Christopher Desmond Butler
SVP, General Counsel and Corporate Secretary	Paul Andrew Tufano

VICE PRESIDENTS

Robert Mark Adams
Joseph Christopher Santore , Jr.

DIRECTORS OR TRUSTEES

G. Fred DiBona , Jr.
Christopher Desmond Butler #
Robert Joseph Fascia

te of Pennsylvania
unty of Philadelphia ss

e 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 sets 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 planations 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, d 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 nual 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 ir information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Donald John Liskay	Paul Andrew Tufano	John George Foos
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

a. Is this an original filing? Yes[X] No[ ]
b. If no, 1. State the amendment number 0
2. Date filed
3. Number of pages attached 0

Subscribed and sworn to before me this
27th day of February 2004

(Notary Signature)

Notarial Seal
Linda J. Pratt, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Mar. 10, 2007
Member, Pennsylvania Association Of Notaries

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	1,306,075		1,306,075	1,195,909
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks	10,317,116		10,317,116	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..... encumbrances)				
4.2 Properties held for the production of income (less $..... encumbrances)				
4.3 Properties held for sale (less $..... encumbrances)				
5. Cash ($.....210,768 Schedule E Part 1), cash equivalents ($..... Schedule E Part 2) and short-term investments ($.....19,816,449 Schedule DA)	20,027,217		20,027,217	2,625,171
6. Contract loans (including $..... premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	31,650,408		31,650,408	3,821,080
11. Investment income due and accrued	94,566		94,566	30,165
12. Premiums and considerations				
12.1 Uncollected premiums and agents' balances in the course of collection	20,387,264		20,387,264	14,064,402
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..... earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	14,018		14,018	8,278
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans	27,426		27,426	
15.1 Current federal and foreign income tax recoverable and interest thereon				22,000
15.2 Net deferred tax asset	1,587,000		1,587,000	16,000
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software				
18. Furniture and equipment, including health care delivery assets ($.....)				
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	4,198,192		4,198,192	3,360,170
21. Health care ($.....) and other amounts receivable				
22. Other assets nonadmitted	1,317,704	1,317,704		
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	59,276,578	1,317,704	57,958,874	21,322,095
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	59,276,578	1,317,704	57,958,874	21,322,095
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)				
2301				
2302				
2303				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 34, Column 8)	10,369,071	1,033,575
2.	Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3.	Loss adjustment expenses (Part 2A, Line 34, Column 9)	714,000	50,000
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	395,656	50,000
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1	Current federal and foreign income taxes (including $.....135,000 on realized capital gains (losses))	174,000	
7.2	Net deferred tax liability		
8.	Borrowed money $..... and interest thereon $.....		
9.	Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of $.....454,064 and including warranty reserves of $.....)	19,933,200	225,213
10.	Advance premiums		
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)		
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	2,385,619	17,225,752
20.	Payable for securities		
21.	Liability for amounts held under uninsured accident and health plans		
22.	Capital notes $..... and interest thereon $.....		
23.	Aggregate write-ins for liabilities		
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	33,971,546	18,584,540
25.	Protected cell liabilities		
26.	Total Liabilities (Lines 24 and 25)	33,971,546	18,584,540
27.	Aggregate write-ins for special surplus funds		
28.	Common capital stock	1,500,000	750,000
29.	Preferred capital stock		
30.	Aggregate write-ins for other than special surplus funds		
31.	Surplus notes		
32.	Gross paid in and contributed surplus	22,725,000	2,725,000
33.	Unassigned funds (surplus)	(237,672)	(737,445)
34.	Less treasury stock, at cost:		
	34.1 ..... shares common (value included in Line 28 $.....)		
	34.2 ..... shares preferred (value included in Line 29 $.....)		
35.	Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 38)	23,987,328	2,737,555
36.	TOTALS (Page 2, Line 26, Column 3)	57,958,874	21,322,095
DETAILS OF WRITE-INS			
2301			
2302			
2303			
2398.	Summary of remaining write-ins for Line 23 from overflow page		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)		
2701			
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)		
3001			
3002			
3003			
3098.	Summary of remaining write-ins for Line 30 from overflow page		
3099.	TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)		

UNDERWRITING AND INVESTMENT EXHIBIT

		1 Current Year	2 Prior Year
	STATEMENT OF INCOME		
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 34, Column 4)	17,290,715	5,071,655
	DEDUCTIONS		
2.	Losses incurred (Part 2, Line 34, Column 7)	11,326,062	245,358
3.	Loss expenses incurred (Part 3, Line 25, Column 1)	811,371	16,454
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	5,405,260	5,564,186
5.	Aggregate write-ins for underwriting deductions		
6.	Total underwriting deductions (Lines 2 through 5)	17,542,693	5,825,998
7.	Net income of protected cells		
8.	Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	(251,978)	(754,343)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	742,987	70,009
10.	Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	525,119	
11.	Net investment gain or (loss) (Lines 9 + 10)	1,268,106	70,009
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $..... amount charged off $.....)		
13.	Finance and service charges not included in premiums		
14.	Aggregate write-ins for miscellaneous income		
15.	Total other income (Lines 12 through 14)		
16.	Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 +11 + 15)	1,016,128	(684,334)
17.	Dividends to policyholders		
18.	Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	1,016,128	(684,334)
19.	Federal and foreign income taxes incurred	1,822,000	(212,000)
20.	Net income (Line 18 minus Line 19) (to Line 22)	(805,872)	(472,334)
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	2,737,555	943,889
	GAINS AND (LOSSES) IN SURPLUS		
22.	Net income (from Line 20)	(805,872)	(472,334)
23.	Change in net unrealized capital gains or (losses)	684,349	
24.	Change in net unrealized foreign exchange capital gain (loss)		
25.	Change in net deferred income tax	1,927,000	28,000
26.	Change in nonadmitted assets (Exhibit 1, Line 5, Column 3)	(1,305,704)	(12,000)
27.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
28.	Change in surplus notes		
29.	Surplus (contributed to) withdrawn from protected cells		
30.	Cumulative effect of changes in accounting principles		
31.	Capital changes:		
	31.1 Paid in	750,000	
	31.2 Transferred from surplus (Stock Dividend)		
	31.3 Transferred to surplus		
32.	Surplus adjustments:		
	32.1 Paid in	20,000,000	2,250,000
	32.2 Transferred to capital (Stock Dividend)		
	32.3 Transferred from capital		
33.	Net remittances from or (to) Home Office		
34.	Dividends to stockholders		
35.	Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1)		
36.	Aggregate write-ins for gains and losses in surplus		
37.	Change in surplus as regards policyholders for the year (Lines 22 through 36)	21,249,773	1,793,666
38.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35)	23,987,328	2,737,555
	DETAILS OF WRITE-INS		
0501			
0502			
0503			
0598.	Summary of remaining write-ins for Line 5 from overflow page		
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)		
1401			
1402			
1403			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		
3601			
3602			
3603			
3698.	Summary of remaining write-ins for Line 36 from overflow page		
3699.	TOTALS (Lines 3601 through 3603 plus 3698) (Lines 36 above)		

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	17,290,715	5,071,655
2.	Net investment income	700,755	59,360
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	17,991,470	5,131,015
5.	Benefit and loss related payments	1,996,305	47,781
6.	Net transfers to Separate, Segregated and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	6,552,105	5,514,186
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) $.....49,000 net tax on capital gains (losses)	1,626,000	(426,000)
10.	Total (Lines 5 through 9)	10,174,410	5,135,967
11.	Net cash from operations (Lines 4 minus 10)	7,817,060	(4,952)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds		
	12.2 Stocks	20,927,087	
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains or (losses) on cash and short-term investments		
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	20,927,087	
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	132,334	1,212,925
	13.2 Stocks	29,666,737	
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		
	13.7 Total investments acquired (Lines 13.1 to 13.6)	29,799,071	1,212,925
14.	Net increase (or decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(8,871,984)	(1,212,925)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock	20,750,000	2,250,000
	16.3 Borrowed funds received		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	(2,293,030)	(545,349)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	18,456,970	1,704,651
	RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18.	Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17)	17,402,046	486,774
19.	Cash and short-term investments:		
	19.1 Beginning of year	2,625,171	2,138,397
	19.2 End of year (Line 18 plus Line 19.1)	20,027,217	2,625,171

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Line of Business	1 Net Premiums Written Per Column 6, Part 1B	2 Unearned Premiums Dec.31 Prior Year - per Column 3, Last Year's Part 1	3 Unearned Premiums Dec.31 Current Year - per Column 5, Part 1A	4 Premiums Earned During Year (Columns 1 + 2 - 3)
1.	Fire				
2.	Allied lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril				
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine				
10.	Financial guaranty				
11.1	Medical malpractice - occurrence				
11.2	Medical malpractice - claims-made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health (group and individual)				
15.	Other accident and health				
16.	Workers' compensation	36,998,702	225,213	19,933,200	17,290,715
17.1	Other liability - occurrence				
17.2	Other liability - claims-made				
18.1	Products liability - occurrence				
18.2	Products liability - claims-made				
19.1	19.2 Private passenger auto liability				
19.3	19.4 Commercial auto liability				
21.	Auto physical damage				
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Reinsurance-Nonproportional Assumed Property				
31.	Reinsurance-Nonproportional Assumed Liability				
32.	Reinsurance-Nonproportional Assumed Financial Lines				
33.	Aggregate write-ins for other lines of business				
34.	TOTALS	36,998,702	225,213	19,933,200	17,290,715
DETAILS OF WRITE-INS					
3301					
3302					
3303					
3398.	Summary of remaining write-ins for Line 33 from overflow page				
3399.	TOTALS (Lines 3301 through 3303 + 3398) (Line 33 above)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience, viz:

Line of Business	1 Amount Unearned (Running One Year or Less From Date of Policy) (b)	2 Amount Unearned (Running More Than One Year From Date of Policy) (b)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve For Unearned Premiums Columns 1 + 2 + 3 + 4
1. Fire					
2. Allied lines					
3. Farmowners multiple peril					
4. Homeowners multiple peril					
5. Commercial multiple peril					
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine					
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake					
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	19,933,200				19,933,200
17.1 Other liability - occurrence					
17.2 Other liability - claims-made					
18.1 Products liability - occurrence					
18.2 Products liability - claims-made					
19.1 19.2 Private passenger auto liability					
19.3 19.4 Commercial auto liability					
21. Auto physical damage					
22. Aircraft (all perils)					
23. Fidelity					
24. Surety					
26. Burglary and theft					
27. Boiler and machinery					
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	19,933,200				19,933,200
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					
37. Balance (Line 34 through Line 36)					19,933,200
DETAILS OF WRITE-INS					
3301					
3302					
3303					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. TOTALS (Lines 3301 through 3303 plus 3398) (Line 33 above)					

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force. Are they so returned in this statement? Yes[ ] No[X]
(b) State here basis of computation used in each case:

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees Written and Renewed During Year

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Columns 1+2+3-4-5
1. Fire						
2. Allied lines						
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	5,217,289		49,868,433	17,908,524	178,496	36,998,702
17.1 Other liability - occurrence						
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1 19.2 Private passenger auto liability						
19.3 19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	XXX					
31. Reinsurance-Nonproportional Assumed Liability	XXX					
32. Reinsurance-Nonproportional Assumed Financial Lines	XXX					
33. Aggregate write-ins for other lines of business						
34. TOTALS	5,217,289		49,868,433	17,908,524	178,496	36,998,702
DETAILS OF WRITE-INS						
3301						
3302						
3303						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. TOTALS (Lines 3301 through 3303 plus 3398) (Line 33 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes[ ] No[X]
If yes, (1) The amount of such installment premiums $.....
(2) Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $.....

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Column 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Columns 4 + 5 - 6)	8 Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
1. Fire								
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril								
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	418,381	20,563,404	18,991,219	1,990,566	10,369,071	1,033,575	11,326,062	65.50
17.1 Other liability - occurrence								
17.2 Other liability - claims-made								
18.1 Products liability - occurrence								
18.2 Products liability - claims made								
19.1 19.2 Private passenger auto liability								
19.3 19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	XXX							
31. Reinsurance-Nonproportional Assumed Liability	XXX							
32. Reinsurance-Nonproportional Assumed Financial Lines	XXX							
33. Aggregate write-ins for other lines of business								
34. TOTALS	418,381	20,563,404	18,991,219	1,990,566	10,369,071	1,033,575	11,326,062	65.50
DETAILS OF WRITE-INS								
3301								
3302								
3303								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. TOTALS (Lines 3301 through 3303 plus 3398) (Line 33 above)								

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Columns 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1. Fire									
2. Allied Lines									
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine									
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims-made									
12. Earthquake									
13. Group accident & health								(a)	
14. Credit accident & health (group & individual)									
15. Other accident & health								(a)	
16. Workers' compensation	1,414,520	17,989,264	15,105,618	4,298,166	951,075	15,511,868	10,392,038	10,369,071	714,000
17.1 Other liability - occurrence									
17.2 Other liability - claims-made									
18.1 Products liability - occurrence									
18.2 Products liability - claims-made									
19.1 19.2 Private passenger auto liability									
19.3 19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
31. Reinsurance-Nonproportional Assumed Liability	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
33. Aggregate write-ins for other lines of business									
34. TOTALS	1,414,520	17,989,264	15,105,618	4,298,166	951,075	15,511,868	10,392,038	10,369,071	714,000
DETAILS OF WRITE-INS									
3301									
3302									
3303									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. TOTALS (Lines 3301 through 3303 plus 3398) (Line 33 above)									

(a) Including $..... for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	125,766			125,766
1.2 Reinsurance assumed	2,907,234			2,907,234
1.3 Reinsurance ceded	2,369,000			2,369,000
1.4 Net claim adjustment services (1.1 +1.2 - 1.3)	664,000			664,000
2. Commission and brokerage:				
2.1 Direct excluding contingent				
2.2 Reinsurance assumed excluding contingent		17,481,168		17,481,168
2.3 Reinsurance ceded excluding contingent		12,968,987		12,968,987
2.4 Contingent - direct				
2.5 Contingent - reinsurance assumed				
2.6 Contingent - reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		4,512,181		4,512,181
3. Allowances to manager and agents				
4. Advertising				
5. Boards, bureaus and associations			54,018	54,018
6. Surveys and underwriting reports				
7. Audit of assureds' records		25,058		25,058
8. Salary and related items:				
8.1 Salaries	70,738	226,361		297,099
8.2 Payroll taxes	7,369	23,579		30,948
9. Employee relations and welfare	26,527	84,885		111,412
10. Insurance	2,947	9,432		12,379
11. Directors' fees				
12. Travel and travel items	2,947	9,432		12,379
13. Rent and rent items	11,790	37,727		49,517
14. Equipment	7,369	23,579		30,948
15. Cost or depreciation of EDP equipment and software	5,895	21,880		27,775
16. Printing and stationery	2,947	9,432		12,379
17. Postage, telephone and telegraph, exchange and express	5,895	18,863		24,758
18. Legal and auditing	2,947	110,060		113,007
19. TOTALS (Lines 3 to 18)	147,371	600,288	54,018	801,677
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $.....		287,592		287,592
20.2 Insurance department licenses and fees		5,199		5,199
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		292,791		292,791
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses				
25. TOTAL expenses incurred	811,371	5,405,260	54,018	(a) 6,270,649
26. Less unpaid expenses - current year	714,000	395,656		1,109,656
27. Add unpaid expenses - prior year	50,000	50,000		100,000
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	147,371	5,059,604	54,018	5,260,993
DETAILS OF WRITE-INS				
2401.				
2402				
2403				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above)				

(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) 69,600	47,521
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)	632,541	694,253
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term Investments	(e) 53,141	55,231
7.	Derivative Instruments	(f)	
8.	Other Invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	755,282	797,005
11.	Investment expenses		(g) 54,018
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)		54,018
17.	Net Investment income (Line 10 minus Line 16)		742,987
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 $.....22,169 amortization of premium and less $.....511 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 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	5 Total
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)	525,119				525,119
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)	525,119				525,119
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 12 to 20, Column 2		12,000	12,000
2. Other Nonadmitted Assets:			
2.1 Bills receivable			
2.2 Leasehold improvements			
2.3 Loans on personal security, endorsed or not			
3. Total (Lines 2.1 to 2.3)			
4. Aggregate write-ins for other assets	1,317,704		(1,317,704)
5. TOTAL (Line 1 plus Lines 3 and 4)	1,317,704	12,000	(1,305,704)
DETAILS OF WRITE-INS			
0401. Prepaid Expenses	1,317,704		(1,317,704)
0402			
0403			
0498. Summary of remaining write-ins for Line 4 from overflow page			
0499. TOTALS (Line 0401 through 0403 plus 0498) (Line 4, above)	1,317,704		(1,317,704)

Notes to Financial Statement

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of the Company are presented on the basis of accounting practices prescribed by the Delaware Insurance Department.

The Delaware Insurance Department recognizes only statutory practices prescribed or permitted by the state of Delaware for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Delaware Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Delaware, subject to any deviations prescribed or permitted by the State of Delaware Insurance Commissioner.

In 2003, the Company received written approval of a permitted practice from the Delaware Insurance Department to record discounted liabilities for unpaid losses and defense and cost containment expenses for Workers' Compensation. This treatment differs from prescribed statutory accounting practices.

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

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

C. Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct and assumed business.

Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

(1) Short-term investments are stated at amortized cost.
(2) Bonds are stated at amortized cost.
(3) Common stocks are stated at market value.
(4) Preferred stocks – None.
(5) Mortgage loans – None.
(6) Loan-backed securities – None.
(7) Investments in subsidiaries, controlled and affiliated companies – None.
(8) Joint ventures, partnerships and limited liability companies – None.
(9) Derivatives – None.
(10) Anticipated investment income as a factor in the premium deficiency calculation – None.
(11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Note 2 - Accounting Changes and Corrections of Errors - None

Note 3 - Business Combinations and Goodwill - None

Note 4 - Discontinued Operations - None

Note 5 - Investments - None

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies - None

Note 7 - Investment Income - None

Note 8 - Derivative Instruments - None

Note 9 - Income Taxes

A. The components of the Company's net deferred tax asset (liability) are as follows:

	2003	2002
(1) Total of all deferred tax assets (admitted and non-admitted)	$1,955,000	$ 28,000
(2) Total of all deferred tax liabilities	(368,000)	0
Net deferred tax asset	$1,587,000	$ 28,000
(3) Total deferred tax assets non-admitted in accordance with SSAP NO. 10, Income Taxes	$ 0	$(12,000)
(4) Total of all deferred tax assets (net admitted)	$1,587,000	$ 16,000
(5) Increase (decrease) in deferred tax assets non-admitted	$ (12,000)	$ 12,000

B. (1), (2), (3), and (4) Deferred tax liabilities are not recognized for the following amounts: None

Notes to Financial Statement

C. The components of incurred income tax expense and the change in DTA's and DTL's are as follows:

(1) The components of current income tax expense are as follows:

	2003	2002
Federal	$1,822,000	$(212,000)
Foreign	0	0
Total Federal and Foreign income taxes	$1,822,000	$(212,000)

(2) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets:	2003	2002	Change
Discounting of unpaid losses	$ 98,000	$ 12,000	$ 86,000
Change in unearned premium reserve	1,396,000	16,000	1,380,000
Non-admitted assets	461,000	0	461,000
Total deferred tax assets (admitted and non-admitted)	$1,955,000	$ 28,000	$1,927,000
Total deferred tax assets non-admitted	0	(12,000)	12,000
Total admitted deferred tax assets	$1,955,000	$16,000	$1,939,000
Deferred tax liabilities:			
Unrealized capital gains	(368,000)	0	(368,000)
Total deferred tax liabilities	(368,000)	0	(368,000)
Net admitted deferred tax asset	$1,587,000	$16,000	$1,571,000

(3) The change in net deferred income taxes is composed of the following:

	2003	2002	Change
Total deferred tax assets (admitted and non-admitted)	$1,955,000	$28,000	$1,466,000
Total deferred tax liabilities	(368,000)	0	(368,000)
Net deferred tax asset	$1,587,000	$28,000	$1,559,000
Tax effect of unrealized gains (losses)			368,000
Change in net deferred income taxes			$1,927,000

(3) Investment tax credits: None
(4) Benefits of operating loss carryforward: None
(5) Adjustments of DTA or DTL for enacted changes in tax laws or rates: None

D. The provision for federal and foreign income taxes 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:

	2003	2002
Provision computed at statutory rate	$ 356,000	$(240,000)
Change in DTA on non-admits	(461,000)	0
Travel and entertainment	0	0
Other	0	0
Total	$ (105,000)	$(240,000)
Federal and foreign income taxes	$ 1,822,000	$(212,000)
Change in net deferred income taxes	(1,927,000)	(28,000)
Total statutory income taxes	$ (105,000)	$(240,000)

E. (1) As of December 31, the Company had operating loss carry forwards that will expire as follows:

2002 (earliest year)	$0
2003	$0

(2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

2003 (current year)	$1,822,000
2002 (current year-1)	$ 0

Notes to Financial Statement

F. (1) The Company's federal income tax is consolidated with the following entities and includes the following companies:

AmeriHealth Administrators, Inc.
AmeriHealth Health Plan, Inc.
AmeriHealth HMO, Inc.
AmeriHealth, Inc.
AmeriHealth Insurance Company of New Jersey
AmeriHealth Integrated Benefits, Inc.
AmeriHealth Integrated Case Management, Inc.
AmeriHealth Integrated Worker's Comp Case Management, Inc.
AmeriHealth of Florida, Inc.
AmeriHealth Services, Inc.
CompServices, Inc.
Corcell, Inc.
CSI Services, Inc.
HCDV, Inc.
HCS, Inc.
Healthcare Delaware, Inc.
Independence Blue Cross
Independence Healthcare Management, Inc.
Independence Holdings, Inc.
Independence Insurance, Inc.
Keystone Health Plan East, Inc.
Keystone Health Systems, Inc.
Keystone Benefits, Inc.
New Seasons Assisted Living Communities, Inc.
QCC Insurance Company
The AmeriHealth Agency, Inc.
Vista Health Plan, Inc.

(2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled monthly.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is a 100% wholly owned subsidiary of AmeriHealth, Inc. domiciled in the state of Pennsylvania. AmeriHealth, Inc. is in turn a wholly owned subsidiary of Independence Blue Cross, a non-stock non-member hospital plan corporation domiciled in the state of Pennsylvania.
B. The Company received a capital contribution of $20,000,000 on January 2, 2003 from its parent company, AmeriHealth, Inc. This contribution of capital better positions the Company to directly underwrite risk. In addition, the Company negotiated an arrangement where its fronted business will now be placed with Companion Property and Casualty of South Carolina. The Company will now retain the reinsurance risk assumed and will no longer cede to a third party reinsurer.
Effective March 1, 2002 through February 28, 2003, the Company had a reinsurance agreement with ACE-USA. The Company assumed 100% of the premium written in the Company's worker's compensation program for which ACE-USA was the primary insurer. The Company also entered into a reinsurance agreement with its affiliate QCC Insurance Company pursuant to which the Company ceded 99% and retained 1% of the assumed premium. Contractual expenses for brokerage and third party administrative services were 21% of premium. In addition, effective January 1, 2001 through February 28, 2002, the Company participated in a reinsurance agreement with ACE-USA where the Company assumed 100% of the premium written in the Company's worker's compensation program for which ACE-USA was the primary insurer. The Company also entered into a reinsurance agreement with its affiliate QCC Insurance Company in which the Company ceded 81% and retained 19% of the assumed premium. Contractual expenses for brokerage and third party administrative services were 21% of premium. The Company also retained 1% of premium for Employer's Liability coverage.

C. The Company has ceded earned premium of $31,293,649 and $32,330,069 to QCC Insurance Company in 2003 and 2002, respectively.
D. The ceded premium to QCC Insurance Company is settled on a monthly basis and the year-end balance of $1,742,925 consists of the December activity, which was settled in January 2004.
E. None
F. As described above in Note 9, the Company has a service agreement for the payment of federal income taxes with its parent company AmeriHealth, Inc.
G. None
H. None
I. None
J. None

Note 11 - Debt - None

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absenses and Other Postretirement Benefit Plans - None

Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

(1) The Company has 20,000 shares authorized, 15,000 shares issued and 15,000 shares outstanding. All shares are Class A shares.
(2) None
(3) None
(4) None
(5) None
(6) None
(7) None
(8) None
(9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a. unrealized gains and losses:	$ 676,513
b. nonadmitted asset values:	$ (1,415,704)
c. separate account business:	$ 0
d. asset valuation reserves:	$ 0
e. provision for reinsurance:	$ 0

Notes to Financial Statement

Note 14 - Contingencies - None

Note 15 - Leases - None

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk - None

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - None

Note 18 - Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans - None

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators - None

Note 20 – September 11 Events - None

Note 21 - Other Items - None

Note 22 - Events Subsequent - None

Note 23 - Reinsurance
A. None
B. None
C. The maximum amount of return commission that would have been due the Company if all reinsurance had been cancelled as of December 31, 2003 with return of the unearned premium reserve is $5,485,897. The maximum amount of return commission due to the Company's reinsurer if all reinsurance had been cancelled as of December 31, 2003 with return of the unearned premium reserve is $186,393.
D. None
E. None
F. None

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination - None

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributable to events of prior years has decreased by $218,000 from $1,124,000 to $906,000 in 2003 as a result of reestimation of unpaid losses and loss adjustment expenses. This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates increased or decreased as additional information became known regarding original claims.

Note 26 - Intercompany Pooling Arrangements - None

Note 27 - Structured Settlements - None

Note 28 – Health Care Receivables - None

Note 29 – Participating Policies – None

Note 30 – Premium Deficiency Reserves - None

Note 31 – High Deductibles

As of December 31, 2003, the amount of reserve credit recorded for high deductibles on unpaid claims was $741,093 and the amount billed and recoverable on paid claims was $27,426.

Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company discounts the liabilities for unpaid losses and defense and cost containment expenses for Workers' Compensation. Reserves have been discounted on a non-tabular basis using a 3.5% rate as specifically permitted by the Delaware Insurance Department. The amount of discount as of December 31, 2003 is as follows:

Loss case reserves -	$356,000
Loss IBNR -	$523,000
Defense and cost containment expense -	$ 55,000
Adjusting and other expense -	$ 0

The Company did not discount its liabilities as of December 31, 2002.

Note 33 – Asbestos/Environmental Reserves – None

Note 34 – Subscriber Savings Accounts – None

Note 35 – Multiple Peril Crop Insurance - None

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	1,306,075	4.127	1,306,075	4.127
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	10,317,116	32.597	10,317,116	32.597
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				
4.6 Mezzanine real estate 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	20,027,217	63.276	20,027,217	63.276
9. Other invested assets				
10. Total invested assets	31,650,408	100.000	31,650,408	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? .....Delaware.....

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[X] No[ ]

2.2 If yes, date of change: .....09/30/2003.....
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. .....12/31/2001.....

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?
Delaware Insurance Department

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 0.000%
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)

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[ ] No[X]
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[ ] No[X]
8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche, LLP 1700 Market Street Philadelphia, PA 19103

10. 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?
Arthur I. Cohen, Senior Consulting Actuary, Ernst & Young, LLP 2001 Market Street, Suite 4000 Philadelphia, PA 19103

11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? Yes[ ] No[X]
11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[ ] No[X]
11.3 Have there been any changes made to any of the trust indentures during the year? Yes[ ] No[ ] N/A[X]
11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

BOARD OF DIRECTORS

12. 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[ ]

13. 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[ ]

14. 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

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans): $
15.11 To directors or other officers $0
15.12 To stockholders not officers $
15.13 Trustees, supreme or grand (Fraternal only) $
15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans): $
15.21 To directors or other officers $
15.22 To stockholders not officers $
15.23 Trustees, supreme or grand (Fraternal only) $

16.1 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]
16.2 If yes, state the amount thereof at December 31 of the current year: $
16.21 Rented from others $
16.22 Borrowed from others $
16.23 Leased from others $
16.24 Other $
Disclose in Notes to Financial the nature of each obligation.

17.1 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]
17.2 If answer is yes: $
17.21 Amount paid as losses or risk adjustment $
17.22 Amount paid as expenses $
17.23 Other amounts paid $

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
1. Preferred					Yes[ ] No[ ] N/A[X]	Yes[ ] No[ ] N/A[X]
2. Common	20,000,000	15,000,000	100.000	XXX	XXX	XXX

19.1 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 3 - Special Deposits? Yes[X] No[ ]

19.2 If no, give full and complete information, relating thereto:

20.1 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 3 - 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 16.1). Yes[ ] No[X]

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

20.21 Loaned to others $
20.22 Subject to repurchase agreements $
20.23 Subject to reverse repurchase agreements $
20.24 Subject to dollar repurchase agreements $
20.25 Subject to reverse dollar repurchase agreements $
20.26 Pledged as collateral $
20.27 Placed under option agreements $
20.28 Letter stock or securities restricted as to sale $
20.29 Other $

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

20.31
20.32
20.33
20.34
20.35
20.36
20.37
20.38
20.39

For categories (20.21) and (20.23) 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.

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

21.2 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.

22.1 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]

22.2 If yes, state the amount thereof at December 31 of the current year. $

GENERAL INTERROGATORIES (continued)

INVESTMENT

23. 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[ ]

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

1 Name of Custodian(s)	2 Custodian's Address
Wachovia Bank	123 South Broad Street Philadelphia, PA 19109

23.02 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)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes[ ] No[X]

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

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

23.05 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

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[ ] No[X]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
24.2999 Total		0

24.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		0	

GENERAL INTERROGATORIES (Continued)

OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $ 5,294

25.2 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
Pennsylvania Compensation Rating Bureau	3,690
NCCI Holdings, Inc.	1,354
Delaware Compensation Rating Bureau	250

26.1 Amount of payments for legal expenses, if any? $ 10,531

26.2 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
Morgan, Lewis and Bocklus, LLP	3,051
Akin, Gump, Strauss, Hauer and Feld, LLP	2,923

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? $ 0

27.2 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
	0

GENERAL INTERROGATORIES (continued)

PART 2 - PROPERTY & CASUALTY 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.	$ 0
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	$ 0
	1.31 Reason for excluding:	
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	$ 0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	$ 0
1.6	Individual policies	
	Most current three years:	
	1.61 Total premium earned	$ 0
	1.62 Total incurred claims	$ 0
	1.63 Number of covered lives	$ 0
	All years prior to most current three years:	
	1.64 Total premium earned	$ 0
	1.65 Total incurred claims	$ 0
	1.66 Number of covered lives	$ 0
1.7	Group policies	
	Most current three years:	
	1.71 Total premium earned	$ 0
	1.72 Total incurred claims	$ 0
	1.73 Number of covered lives	$ 0
	All years prior to most current three years:	
	1.74 Total premium earned	$ 0
	1.75 Total incurred claims	$ 0
	1.76 Number of covered lives	$ 0

2. Health Test

		1 Current Year	2 Prior Year
2.1	Premium Numerator	0	0
2.2	Premium Denominator	0	0
2.3	Premium Ratio (2.1 / 2.2)	0.000	0.000
2.4	Reserve Numerator	0	0
2.5	Reserve Denominator	0	0
2.6	Reserve Ratio (2.4 / 2.5)	0.000	0.000

3.1	Does the reporting entity issue both participating and non-participating policies?	Yes[ ] No[X]
3.2	If yes, state the amount of calendar year premiums written on:	
	3.21 Participating	$ 0
	3.22 Non-participating policies	$ 0

4.	For Mutual Reporting Entities and Reciprocal Exchange only:	
4.1	Does the reporting entity issue assessable policies?	Yes[ ] No[X] N/A[ ]
4.2	Does the reporting entity issue non-assessable policies?	Yes[ ] No[X] N/A[ ]
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?	0%
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	$ 0

5.	For Reciprocal Exchanges Only:	
5.1	Does the exchange appoint local agents?	Yes[ ] No[X] N/A[ ]
5.2	If yes, is the commission paid:	
	5.21 Out of Attorney's-in-fact compensation	Yes[ ] No[X] N/A[ ]
	5.22 As a direct expense of the exchange	Yes[ ] No[X] N/A[ ]
5.3	What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?	
5.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions been deferred?	Yes[ ] No[X] N/A[ ]
5.5	If yes, give full information:	

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES (Continued)

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:
The company has reinsurance contracts that limit the company's liability to a maximum of $1,000,000 per occurrence.

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising the probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The company estimates the likelihood of a loss to our maximum of $1,000,000 per occurrence.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposure comprising its probable maximum property insurance loss:
N/A

6.4 Does the reporting entity carry catastrophic reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes[X] No[ ]

6.5 If no, describe arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes[ ] No[X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes[ ] No[X]

8.2 If yes, give full information.

9. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes[X] No[ ] N/A[ ]

10.1 Has the reporting entity guaranteed policies issued by any other entity an now in force? Yes[ ] No[X]

10.2 If yes, give full information:

11.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 12.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
11.11 Unpaid losses $..... 0
11.12 Unpaid underwriting expenses (including loss adjustment expenses) $..... 0

11.2 Of the amount on Line 12.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds? $..... 0

11.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation are premium or promissory notes accepted from its reinsureds covering unpaid premiums and/or unpaid losses? Yes[ ] No[X] N/A[ ]

11.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
11.41 From 0.000%
11.42 To 0.000%

11.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by a reporting entity, or to secure any of the reporting entity's direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes[ ] No[X]

11.6 If yes, state the amount thereof at December 31 of current year:
11.61 Letters of Credit $..... 0
11.62 Collateral and other funds $..... 0

12.1 What amount of installment notes is owned and now held by the reporting entity? $..... 0

12.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? Yes[ ] No[X]

12.3 If yes, what amount? $..... 0

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $..... 0

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes[ ] No[X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 0

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES (Continued)

4.1 Has the reporting entity guaranteed any financial premium accounts? Yes[ ] No[X]
4.2 If yes, give full information:

5.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[ ] No[X]
15.11 Name of real estate holding company
15.12 Number of parcels involved 0
15.13 Total book/adjusted carrying value $..... 0
5.2 If yes, provide explanation:

6.1 Does the reporting entity write any warranty business? Yes[ ] No[X]
If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	0	0	0	0	0
16.12 Products	0	0	0	0	0
16.13 Automobile	0	0	0	0	0
16.14 Other *	0	0	0	0	0

* Disclose type of coverage:

FIVE - YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6

		1 2003	2 2002	3 2001	4 2000	5 1999
	Gross Premiums Written (Page 8, Part 1B, Columns 1, 2 & 3)					
1.	Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2, & 19.3, 19.4)	55,085,722	41,308,961	30,882,532	1,607,585	
2.	Property Lines (Lines 1, 2, 9, 12, 21, & 26)					
3.	Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
4.	All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, & 33)					
5.	Nonproportional Reinsurance Lines (Lines 30, 31, & 32)					
6.	TOTAL (Line 34)	55,085,722	41,308,961	30,882,532	1,607,585	
	Net Premiums Written (Page 8, Part 1B, Column 6)					
7.	Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	36,998,702	3,367,007	6,430,631	577,927	
8.	Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
9.	Property and Liability Combined Lines (Lines 3, 4, 5, 8, 22 & 27)					
10.	All Other Lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11.	Non-proportional Reinsurance Lines (Lines 30, 31 & 32)					
12.	TOTAL (Line 34)	36,998,702	3,367,007	6,430,631	577,927	
	Statement of Income (Page 4)					
13.	Net Underwriting Gain or (loss) (Line 8)	(251,978)	(754,343)	(645,713)	(3,690)	(4,605)
14.	Net Investment Gain or (loss) (Line 11)	1,268,106	70,009	51,023	79,086	47,707
15.	Total Other Income (Line 15)					
16.	Dividends to Policyholders (Line 17)					
17.	Federal and Foreign Income Taxes Incurred (Line 19)	1,822,000	(212,000)	(208,000)	26,000	15,000
18.	Net Income (Line 20)	(805,872)	(472,334)	(386,690)	49,396	28,102
	Balance Sheet Lines (Pages 2 and 3)					
19.	TOTAL admitted assets excluding Protected Cell business (Page 2, Line 24, Column 3)	57,958,874	21,322,095	19,782,102	1,783,928	1,315,788
	Premiums and considerations (Page 2, Column 3)					
	20.1 In Course of Collection (Line 12.1)	20,387,264	14,064,402	10,157,165		
	20.2 Deferred and Not Yet Due (Line 12.2)					
	20.3 Accrued Retrospective Premiums (Line 12.3)					
21.	TOTAL Liabilities excluding Protected Cell business (Page 3, Line 24)	33,971,546	18,584,540	18,838,213	453,349	34,605
22.	Losses (Page 3, Lines 1 and 2)	10,369,071	1,033,575	5,647,720		
23.	Loss Adjustment Expenses (Page 3, Line 3)	714,000	50,000	33,546		
24.	Unearned premiums (Page 3, Line 9)	19,933,200	225,213	1,929,861		
25.	Capital Paid Up (Page 3, Lines 28 & 29)	1,500,000	750,000	750,000	750,000	750,000
26.	Surplus as Regards Policyholders (Page 3, Line 35)	23,987,328	2,737,555	943,889	1,330,579	1,281,183
	Risk-Based Capital Analysis					
27.	TOTAL adjusted capital	23,053,328	2,737,555	943,889	1,330,579	1,281,183
28.	Authorized control level risk-based capital	1,972,634	2,628,553	2,211,672		
	Percentage Distribution of Cash and Invested Assets (Page 2, Column 3) (Item divided by Page 2, Line 10, Column 3) x 100.0					
29.	Bonds (Line 1)	4.1	31.3			
30.	Stocks (Lines 2.1 & 2.2)	32.6				
31.	Mortgage Loans on Real Estate (Lines 3.1 and 3.2)					
32.	Real Estate (Lines 4.1, 4.2 & 4.3)					
33.	Cash and Short-Term Investments (Line 5)	63.3	68.7	100.0	100.0	
34.	Contract loans (Line 6)		XXX	XXX	XXX	XXX
35.	Other Invested Assets (Line 7)					
36.	Receivable for Securities (Line 8)					
37.	Aggregate Write-ins for Invested Assets (Line 9)					
38.	Cash and Invested Assets (Line 10)	100.0	100.0	100.0	100.0	100.0
	Investments in Parent, Subsidiaries and Affiliates					
39.	Affiliated Bonds, (Schedule D, Summary, Line 25, Column 1)					
40.	Affiliated Preferred Stocks (Schedule D, Summary, Line 39, Column 1)					
41.	Affiliated Common Stocks (Schedule D, Summary, Line 53, Column 2)					
42.	Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Column 5, Line 11)					
43.	Affiliated mortgage loans on real estate					
44.	All other affiliated					
45.	TOTAL of above Lines 39 to 44					
46.	Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Column 1, Line 35 x 100.0)					

FIVE - YEAR HISTORICAL DATA (Continued)

	1 2003	2 2002	3 2001	4 2000	5 1999
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains or (Losses) (Line 23)	684,349				
48. Dividends to stockholders (Line 34)					
49. Change in surplus as regards policyholders for the year (Line 37)	21,249,773	1,793,666	(386,690)	49,396	253,102
Gross Losses Paid (Page 9, Part 2, Columns 1 and 2)					
50. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	20,981,785	14,204,186	4,819,811		
51. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27)					
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. TOTAL (Line 34)	20,981,785	14,204,186	4,819,811		
Net Losses Paid (Page 9, Part 2, Column 4)					
56. Liability Lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,990,566	39,503			
57. Property Lines (Lines 1, 2, 9, 12, 21 & 26)					
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22, & 27)					
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, & 33)					
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. TOTAL (Line 34)	1,990,566	39,503			
Operating Percentages (Page 4)					
(Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	65.5	4.8	15.9		
64. Loss expenses incurred (Line 3)	4.7	0.3	0.6		
65. Other underwriting expenses incurred (Line 4)	31.3	109.7	95.9	100.6	
66. Net underwriting gain (loss) (Line 8)	(1.5)	(14.9)	(12.4)	(0.6)	
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Column 6, Line 34 x 100.0)	14.6	165.3	77.6		
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	70.2	5.2	16.5		
69. Net premiums written to policyholders' surplus (Page 8 Part 1B, Column 6, Line 34 divided by Page 3, Line 35, Column 1 x 100.0)	154.2	123.0	681.3		
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Column 11)	(105)		695		
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Column 1 x 100.0)	(3.8)		52.2		
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Column 12)	(19)	695	695		
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Column 2 x 100.0)	(2.0)	52.2	54.2		

EXHIBIT OF PREMIUMS AND LOSSES

(Statutory Page 14)

NAIC Group Code: 0936

DIRECT BUSINESS IN THE STATE OF **DELAWARE** DURING THE YEAR

NAIC Company Code: 10975

	Line of Business	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies not Taken		3	4	5	6	7	8	9	10	11	12
		1 Direct Premiums Written	2 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Unearned Premium Reserves	Direct Losses Paid (deducting salvage)	Direct Losses Incurred	Direct Losses Unpaid	Direct Defense and Cost Containment Expense Paid	Direct Defense and Cost Containment Expense Incurred	Direct Defense and Cost Containment Expense Unpaid	Commissions and Brokerage Expenses	Taxes, Licenses and Fees
1.	Fire												
2.1	Allied lines												
2.2	Multiple peril crop												
2.3	Federal Flood												
3.	Farmowners multiple peril												
4.	Homeowners multiple peril												
5.1	Commercial multiple peril (non - liability portion)												
5.2	Commercial multiple peril (liability portion)												
6.	Mortgage guaranty												
8.	Ocean marine												
9.	Inland marine												
10.	Financial guaranty												
11.	Medical malpractice												
12.	Earthquake												
13.	Group accident and health (b)												
14.	Credit A & H (group and individual)												
15.1	Collectively renewable A & H (b)												
15.2	Non-cancelable A & H (b)												
15.3	Guaranteed renewable A & H (b)												
15.4	Non-renewable for stated reasons only (b)												
15.5	Other accident only												
15.6	All other A & H (b)												
15.7	Federal employees health benefits program premium (b)												
16.	Workers' compensation												
17.	Other liability	170,500	94,869		75,631	5,778	62,387	56,609					198,120
18.	Products liability												
19.1	Private passenger auto no-fault (personal injury protection)												
19.2	Other private passenger auto liability												
19.3	Commercial auto no-fault (personal injury protection)												
19.4	Other commercial auto liability												
21.1	Private passenger auto physical damage												
21.2	Commercial auto physical damage												
22.	Aircraft (all perils)												
23.	Fidelity												
24.	Surety												
26.	Burglary and theft												
27.	Boiler and machinery												
28.	Credit												
33.	Aggregate write-ins for other lines of business												
34.	TOTALS (a)	170,500	94,869		75,631	5,778	62,387	56,609					198,120
	DETAILS OF WRITE-INS												
3301													
3302													
3303													
3398.	Summary of remaining write-ins for Line 33 from overflow page												
3399.	TOTALS (Lines 3101 through 3303 plus 3398) (Line 33 above)												

(a) Finance and service charges not included in Lines 1 to 34 $.....

(b) For health business on indicated lines report: Number of persons insured under PPO managed care products ..... and number of persons insured under indemnity only products .....

EXHIBIT OF PREMIUMS AND LOSSES

(Statutory Page 14)

NAIC Group Code: 0936

DIRECT BUSINESS IN THE STATE OF PENNSYLVANIA DURING THE YEAR

NAIC Company Code: 10975

Line of Business	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies not Taken		3	4	5	6	7	8	9	10	11	12
	1 Direct Premiums Written	2 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Unearned Premium Reserves	Direct Losses Paid (deducting salvage)	Direct Losses Incurred	Direct Losses Unpaid	Direct Defense and Cost Containment Expense Paid	Direct Defense and Cost Containment Expense Incurred	Direct Defense and Cost Containment Expense Unpaid	Commissions and Brokerage Expenses	Taxes, Licenses and Fees
1. Fire												
2.1 Allied lines												
2.2 Multiple peril crop												
2.3 Federal Flood												
3. Farmowners multiple peril												
4. Homeowners multiple peril												
5.1 Commercial multiple peril (non - liability portion)												
5.2 Commercial multiple peril (liability portion)												
6. Mortgage guaranty												
8. Ocean marine												
9. Inland marine												
10. Financial guaranty												
11. Medical malpractice												
12. Earthquake												
13. Group accident and health (b)												
14. Credit A & H (group and individual)												
15.1 Collectively renewable A & H (b)												
15.2 Non-cancelable A & H (b)												
15.3 Guaranteed renewable A & H (b)												
15.4 Non-renewable for stated reasons only (b)												
15.5 Other accident only												
15.6 All other A & H (b)												
15.7 Federal employees health benefits program premium (b)												
16. Workers' compensation	5,046,789	2,852,544		2,194,245	412,603	1,856,851	2,308,986					99,998
17. Other liability												
18. Products liability												
19.1 Private passenger auto no-fault (personal injury protection)												
19.2 Other private passenger auto liability												
19.3 Commercial auto no-fault (personal injury protection)												
19.4 Other commercial auto liability												
21.1 Private passenger auto physical damage												
21.2 Commercial auto physical damage												
22. Aircraft (all perils)												
23. Fidelity												
24. Surety												
26. Burglary and theft												
27. Boiler and machinery												
28. Credit												
33. Aggregate write-ins for other lines of business												
34. TOTALS (a)	5,046,789	2,852,544		2,194,245	412,603	1,856,851	2,308,986					99,998
DETAILS OF WRITE-INS												
3301												
3302												
3303												
3398. Summary of remaining write-ins for Line 33 from overflow page												
3399. TOTALS (Lines 3101 through 3303 plus 3398) (Line 33 above)												

(a) Finance and service charges not included in Lines 1 to 34 $.....

(b) For health business on indicated lines report: Number of persons insured under PPO managed care products ..... and number of persons insured under indemnity only products .....

EXHIBIT OF PREMIUMS AND LOSSES

(Statutory Page 14)

NAIC Group Code: 0936

DIRECT BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR

NAIC Company Code: 10975

	Line of Business	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies not Taken		3	4	5	6	7	8	9	10	11	12
		1 Direct Premiums Written	2 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Unearned Premium Reserves	Direct Losses Paid (deducting salvage)	Direct Losses Incurred	Direct Losses Unpaid	Direct Defense and Cost Containment Expense Paid	Direct Defense and Cost Containment Expense Incurred	Direct Defense and Cost Containment Expense Unpaid	Commissions and Brokerage Expenses	Taxes, Licenses and Fees
1.	Fire												
2.1	Allied lines												
2.2	Multiple peril crop												
2.3	Federal Flood												
3.	Farmowners multiple peril												
4.	Homeowners multiple peril												
5.1	Commercial multiple peril (non - liability portion)												
5.2	Commercial multiple peril (liability portion)												
6.	Mortgage guaranty												
8.	Ocean marine												
9.	Inland marine												
10.	Financial guaranty												
11.	Medical malpractice												
12.	Earthquake												
13.	Group accident and health (b)												
14.	Credit A & H (group and individual)												
15.1	Collectively renewable A & H (b)												
15.2	Non-cancelable A & H (b)												
15.3	Guaranteed renewable A & H (b)												
15.4	Non-renewable for stated reasons only (b)												
15.5	Other accident only												
15.6	All other A & H (b)												
15.7	Federal employees health benefits program premium (b)												
16.	Workers' compensation												
17.	Other liability	5,217,289	2,947,413		2,269,876	418,381	1,919,238	2,365,595					
18.	Products liability												298,118
19.1	Private passenger auto no-fault (personal injury protection)												
19.2	Other private passenger auto liability												
19.3	Commercial auto no-fault (personal injury protection)												
19.4	Other commercial auto liability												
21.1	Private passenger auto physical damage												
21.2	Commercial auto physical damage												
22.	Aircraft (all perils)												
23.	Fidelity												
24.	Surety												
26.	Burglary and theft												
27.	Boiler and machinery												
28.	Credit												
33.	Aggregate write-ins for other lines of business												
34.	TOTALS (a)	5,217,289	2,947,413		2,269,876	418,381	1,919,238	2,365,595					298,118
	DETAILS OF WRITE-INS												
3301													
3302													
3303													
3398.	Summary of remaining write-ins for Line 33 from overflow page												
3399.	TOTALS (Lines 3101 through 3303 plus 3398) (Line 33 above)												

(a) Finance and service charges not included in Lines 1 to 34 $_____

(b) For health business on indicated lines report: Number of persons insured under PPO managed care products _____ and number of persons insured under indemnity only products _____

26 Grand Total

SCHEDULE A - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)	
2.	Increase (decrease) by adjustment:	
	2.1 Totals, Part 1, Column 10	
	2.2 Totals, Part 3, Column 7	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
	4.1 Totals, Part 1, Column 13	
	4.2 Totals, Part 3, Column 9	
5.	Total profit (loss) on sales, Part 3, Column 14	
6.	Increase (decrease) by foreign exchange adjustment:	
	6.1 Totals, Part 1, Column 11	
	6.2 Totals, Part 3, Column 8	
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12	
8.	Book/adjusted carrying value at the end of current period	
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, current period)	

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year		
2.	Amount loaned during year:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the year		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period		

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during year:		
	2.1 Actual cost at time of acquisitions		
	2.2 Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the year		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period		

NONE

SCHEDULE D - SUMMARY BY COUNTRY

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

Description			1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	1,306,075	1,322,833	1,345,259	1,285,000
	2.	Canada				
	3.	Other Countries				
	4.	Totals	1,306,075	1,322,833	1,345,259	1,285,000
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	1,306,075	1,322,833	1,345,259	1,285,000
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	57,882	57,882	61,534	
	42.	Canada				
	43.	Other Countries				
	44.	Totals	57,882	57,882	61,534	
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States	1,220,430	1,220,430	1,012,160	
	46.	Canada				
	47.	Other Countries				
	48.	Totals	1,220,430	1,220,430	1,012,160	
Industrial and Miscellaneous (unaffiliated)	49.	United States	9,038,804	9,038,804	8,191,074	
	50.	Canada				
	51.	Other Countries				
	52.	Totals	9,038,804	9,038,804	8,191,074	
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks	10,317,116	10,317,116	9,264,768	
	55.	Total Stocks	10,317,116	10,317,116	9,264,768	
	56.	Total Bonds and Stocks	11,623,191	11,639,949	10,610,027	

(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. 1,195,909
2. Cost of bonds and stocks acquired, Column 6, Part 3 29,799,071
3. Increase (decrease) by adjustment:
   - 3.1 Column 16, Part 1 (22,169)
   - 3.2 Column 12, Part 2, Section 1
   - 3.3 Column 10, Part 2, Section 2 1,052,348
   - 3.4 Column 10, Part 4 1,030,179
4. Total gain (loss), Column 14, Part 4 525,119
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 20,927,087
6. Foreign Exchange Adjustment
   - 6.1 Column 17, Part 1
   - 6.2 Column 13, Part 2, Section 1
   - 6.3 Column 11, Part 2, Section 2
   - 6.4 Column 11, Part 4
7. Book/adjusted carrying value at end of current period 11,623,191
8. Total valuation allowance
9. Subtotal (Lines 7 plus 8) 11,623,191
10. Total nonadmitted assets
11. Statement value of bonds and stocks, current period 11,623,191

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Government, Schedules D & DA (Group 1)											
1.1 Class 1	1,173,807	132,268				1,306,075	6.18	1,195,909	81.68	1,306,075	
1.2 Class 2											
1.3 Class 3											
1.4 Class 4											
1.5 Class 5											
1.6 Class 6											
1.7 TOTALS	1,173,807	132,268				1,306,075	6.18	1,195,909	81.68	1,306,075	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1											
2.2 Class 2											
2.3 Class 3											
2.4 Class 4											
2.5 Class 5											
2.6 Class 6											
2.7 TOTALS											
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1											
3.2 Class 2											
3.3 Class 3											
3.4 Class 4											
3.5 Class 5											
3.6 Class 6											
3.7 TOTALS											
4. Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1											
4.2 Class 2											
4.3 Class 3											
4.4 Class 4											
4.5 Class 5											
4.6 Class 6											
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1											
5.2 Class 2											
5.3 Class 3											
5.4 Class 4											
5.5 Class 5											
5.6 Class 6											
5.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1											
6.2 Class 2											
6.3 Class 3											
6.4 Class 4											
6.5 Class 5											
6.6 Class 6											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1	19,816,449					19,816,449	93.82	268,213	18.32	19,816,449	
7.2 Class 2											
7.3 Class 3											
7.4 Class 4											
7.5 Class 5											
7.6 Class 6											
7.7 TOTALS	19,816,449					19,816,449	93.82	268,213	18.32	19,816,449	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1											
8.2 Class 2											
8.3 Class 3											
8.4 Class 4											
8.5 Class 5											
8.6 Class 6											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1											
9.2 Class 2											
9.3 Class 3											
9.4 Class 4											
9.5 Class 5											
9.6 Class 6											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1	20,990,256	132,268				21,122,524	100.00	XXX	XXX	21,122,524	
10.2 Class 2								XXX	XXX		
10.3 Class 3								XXX	XXX		
10.4 Class 4								XXX	XXX		
10.5 Class 5						(c)		XXX	XXX		
10.6 Class 6						(c)		XXX	XXX		
10.7 TOTALS	20,990,256	132,268				(b) 21,122,524	100.00	XXX	XXX	21,122,524	
10.8 Line 10.7 as a % of Column 6	99.37	0.63				100.00	XXX	XXX	XXX	100.00	
11. Total Bonds Prior Year											
11.1 Class 1	268,213	1,195,909				XXX	XXX	1,464,122	100.00	1,464,122	
11.2 Class 2						XXX	XXX				
11.3 Class 3						XXX	XXX				
11.4 Class 4						XXX	XXX				
11.5 Class 5						XXX	XXX	(c)			
11.6 Class 6						XXX	XXX	(c)			
11.7 TOTALS	268,213	1,195,909				XXX	XXX	(b) 1,464,122	100.00	1,464,122	
11.8 Line 11.7 as a % of Col. 8	18.32	81.68				XXX	XXX	100.00	XXX	100.00	
12. Total Publicly Traded Bonds											
12.1 Class 1	19,816,449	1,306,075				21,122,524	100.00	1,464,122	100.00	21,122,524	XXX
12.2 Class 2											XXX
12.3 Class 3											XXX
12.4 Class 4											XXX
12.5 Class 5											XXX
12.6 Class 6											XXX
12.7 TOTALS	19,816,449	1,306,075				21,122,524	100.00	1,464,122	100.00	21,122,524	XXX
12.8 Line 12.7 as a % of Col. 6	93.82	6.18				100.00	XXX	XXX	XXX	100.00	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	93.82	6.18				100.00	XXX	XXX	XXX	100.00	XXX
13. Total Privately Placed Bonds											
13.1 Class 1										XXX	
13.2 Class 2										XXX	
13.3 Class 3										XXX	
13.4 Class 4										XXX	
13.5 Class 5										XXX	
13.6 Class 6										XXX	
13.7 TOTALS										XXX	
13.8 Line 13.7 as a % of Col. 6							XXX	XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10							XXX	XXX	XXX	XXX	

(a) Includes $..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes $..... current year, $..... prior year of bonds with Z designations and $..... current year, $..... prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes $..... current year, $..... prior year of bonds with 5* designations and $..... current year, $..... prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations	1,173,807	132,268				1,306,075	6.18	1,195,909	81.68	1,306,075	
1.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
1.7 TOTALS	1,173,807	132,268				1,306,075	6.18	1,195,909	81.68	1,306,075	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations											
2.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined											
2.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5 Defined											
2.6 Other											
2.7 TOTALS											
3. States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations											
3.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined											
3.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5 Defined											
3.6 Other											
3.7 TOTALS											
4. Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations											
4.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined											
4.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5 Defined											
4.6 Other											
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5)											
5.1 Issuer Obligations											
5.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined											
5.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5 Defined											
5.6 Other											
5.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	19,816,449					19,816,449	93.82	268,213	18.32	19,816,449	
7.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS	19,816,449					19,816,449	93.82	268,213	18.32	19,816,449	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations	20,990,256	132,268				21,122,524	100.00	XXX	XXX	21,122,524	
10.2 Single Class Mortgage-Backed/Asset-Backed Securities								XXX	XXX		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								XXX	XXX		
10.4 Other								XXX	XXX		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								XXX	XXX		
10.6 Other								XXX	XXX		
10.7 TOTALS	20,990,256	132,268				21,122,524	100.00	XXX	XXX	21,122,524	
10.8 Line 10.7 as a % of Column 6	99.37	0.63				100.00	XXX	XXX	XXX	100.00	
11. Total Bonds Prior Year											
11.1 Issuer Obligations	268,213	1,195,909				XXX	XXX	1,464,122	100.00	1,464,122	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities						XXX	XXX				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						XXX	XXX				
11.4 Other						XXX	XXX				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						XXX	XXX				
11.6 Other						XXX	XXX				
11.7 TOTALS	268,213	1,195,909				XXX	XXX	1,464,122	100.00	1,464,122	
11.8 Line 11.7 as a % of Column 8	18.32	81.68				XXX	XXX	100.00	XXX	100.00	
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	19,816,449	1,306,075				21,122,524	100.00	1,464,122	100.00	21,122,524	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities											XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											XXX
12.4 Other											XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											XXX
12.6 Other											XXX
12.7 TOTALS	19,816,449	1,306,075				21,122,524	100.00	1,464,122	100.00	21,122,524	XXX
12.8 Line 12.7 as a % of Column 6	93.82	6.18				100.00	XXX	XXX	XXX	100.00	XXX
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10	93.82	6.18				100.00	XXX	XXX	XXX	100.00	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations										XXX	
13.2 Single Class Mortgage-Backed/Asset-Backed Securities										XXX	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										XXX	
13.4 Other										XXX	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										XXX	
13.6 Other										XXX	
13.7 TOTALS										XXX	
13.8 Line 13.7 as a % of Column 6							XXX	XXX	XXX	XXX	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10							XXX	XXX	XXX	XXX	

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years

		1 Total	2 Bonds	3 Mortgage Loans	4 Other Short-term Investment Assets (a)	5 Investments in Parent, Subsidiaries and Affiliates
1.	Book/adjusted carrying value, prior year	268,213			268,213	
2.	Cost of short-term investments acquired	258,108,061			258,108,061	
3.	Increase (decrease) by adjustment					
4.	Increase (decrease) by foreign exchange adjustment					
5.	Total profit (loss) on disposal of short-term investments					
6.	Consideration received on disposal of short-term investments	238,559,825			238,559,825	
7.	Book/adjusted carrying value, current year	19,816,449			19,816,449	
8.	Total valuation allowance					
9.	Subtotal (Lines 7 plus 8)	19,816,449			19,816,449	
10.	Total nonadmitted amounts					
11.	Statement value (Lines 9 minus 10)	19,816,449			19,816,449	
12.	Income collected during year	51,650			51,650	
13.	Income earned during year	53,740			53,740	

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment

36 Schedule DB Part A Verification - . . . . . NONE

36 Schedule DB Part B Verification - . . . . . NONE

37 Schedule DB Part C Verification - . . . . . NONE

37 Schedule DB Part D Verification - . . . . . NONE

37 Schedule DB Part E Verification - . . . . . NONE

38 Schedule DB Part F Sn 1 - Sum Replicated Assets - . . . . . NONE

39 Schedule DB Part F Sn 2 - Recon Replicated Assets - . . . . . NONE

SCHEDULE F - PART 1

Assumed Reinsurance as of December 31, Current Year (000 Omitted)

1	2	3	4	5	Reinsurance On			9	10	11	12	13	14
					6	7	8						
Federal ID Number	NAIC Company Code	Name of Reinsured	Domiciliary Jurisdiction	Assumed Premium	Paid Losses and Loss Adjustment Expenses	Known Case Losses and LAE	Columns 6 + 7	Contingent Commissions Payable	Assumed Premiums Receivable	Unearned Premium	Funds Held By or Deposited With Reinsured Companies	Letters of Credit Posted	Amount of Assets Pledged or Compensating Balances to Secure Letters of Credit
Other U.S. Unaffiliated Insurers													
06-6032187	20702	ACE Fire Underwriters Insurance Company	Pennsylvania	18,011					458	458			
57-0768836	12157	COMPANION PROP & CAS INS CO	South Carolina	31,857					17,659	17,659			
0599998 Total - Other U.S. Unaffiliated Insurers - Reinsurance for which the total of Column 8 is less than 100,000													
0599999 Total - Other U.S. Unaffiliated Insurers				49,868					18,117	18,117			
0699998 Total - Pools and Associations - Reinsurance for which the total of Column 8 is less than 100,000 - Mandatory													
0699999 Total - Pools, Associations or Other Similar Facilities - Mandatory Pools													
0799998 Total - Pools and Associations - Reinsurance for which the total of Column 8 is less than 100,000 - Voluntary													
0799999 Total - Pools, Associations or Other Similar Facilities - Voluntary Pools													
0899999 Total - Pools and Associations													
0999998 Total - Other Non-U.S. Insurers - Reinsurance for which the total of Column 8 is less than 100,000													
0999999 Total - Other Non-U.S. Insurers													
9999999 Totals				49,868					18,117	18,117			

SCHEDULE F - PART 2

Premium Portfolio Reinsurance Effected or (Canceled) during Current Year

1 Federal ID Number	2 NAIC Company Code	3 Name of Company	4 Date of Contract	5 Original Premium	6 Reinsurance Premium
		NONE			
0299999 Total Reinsurance Assumed By Portfolio					

SCHEDULE F - PART 3

Ceded Reinsurance as of December 31, Current Year (000 Omitted)

1	2	3	4	5	6	Reinsurance Recoverable On									Reinsurance Payable		18	19
						7	8	9	10	11	12	13	14	15	16	17		
Federal ID Number	NAIC Co. Code	Name of Reinsurer	Domiciliary Jurisdiction	Reinsurance Contracts Ceding 75% or More of Direct Premiums Written	Reinsurance Premiums Ceded	Paid Losses	Paid LAE	Known Case Loss Reserves	Known Case LAE Reserves	IBNR Loss Reserves	IBNR LAE Reserves	Unearned Premiums	Contingent Commissions	Columns 7 thru 14 Totals	Ceded Balances Payable	Other Amounts Due to Reinsurers	Net Amount Recoverable From Reinsurers Cols. 15-[16 + 17]	Funds Held By Company Under Reinsurance Treaties
Authorized - Affiliates - U.S. Intercompany Pooling																		
23-2184623	93688	QCC Ins Co	Pennsylvania		17,909			14,873	1,737	10,329	1,196	454		28,589			28,589	
0199999 Total - Authorized - Affiliates - U.S. Intercompany Pooling					17,909			14,873	1,737	10,329	1,196	454		28,589			28,589	
0499999 Total - Authorized - Affiliates					17,909			14,873	1,737	10,329	1,196	454		28,589			28,589	
Authorized - Other U.S. Unaffiliated Insurers																		
39-1341459	26042	WAUSAU UNDERWRITERS INS CO	Pennsylvania			14		232		63				309			309	
31-1169435	23612	MIDWEST EMPLOYERS CAS CO	Delaware		147													
23-2153760	39675	PMA CAPITAL INS CO	Pennsylvania		13													
74-0484030	60739	AMERICAN NATL INS CO	Pennsylvania		12													
0599998 Total - Authorized - Other U.S. Unaffiliated Insurers (Under $100,000)																		
0599999 Total - Authorized - Other U.S. Unaffiliated Insurers					172	14		232		63				309			309	
Authorized - Other Non-U.S. Insurers																		
AA-1127400	00000	LLOYD'S SYNDICATE NUMBER 1400	Copenhagen, DK		6													
0899998 Total - Authorized - Other Non-U.S. Insurers (Under $100,000)																		
0899999 Total - Authorized - Other Non-U.S. Insurers					6													
0999999 Total - Authorized					18,087	14		15,105	1,737	10,392	1,196	454		28,898			28,898	
1499998 Total - Unauthorized - Other U.S. Unaffiliated Insurers (Under $100,000)																		
1499999 Total - Unauthorized - Other U.S. Unaffiliated Insurers																		
1799998 Total - Unauthorized - Other Non-U.S. Insurers (Under $100,000)																		
1799999 Total - Unauthorized - Other Non-U.S. Insurers																		
1899999 Total - Unauthorized																		
1999999 Total - Authorized and Unauthorized					18,087	14		15,105	1,737	10,392	1,196	454		28,898			28,898	
2099999 Total - Protected Cells																		
9999999 Totals					18,087	14		15,105	1,737	10,392	1,196	454		28,898			28,898	

NOTE: Report the five largest provisional commission rates included in the cedant's reinsurance treaties. The commission rate to be reported is by contract with ceded premium in excess of $50,000:

	1 Name of Company	2 Commission Rate	3 Ceded Premium
1)			
2)			
3)			
4)			
5)			

SCHEDULE F - PART 4

Aging of Ceded Reinsurance as of December 31, Current Year (000 Omitted)

1	2	3	4	Reinsurance Recoverable on Paid Losses and Paid Loss Adjustment Expenses							12	13
				5	Overdue					11		
Federal ID Number	NAIC Co. Code	Name of Reinsurer	Domiciliary Jurisdiction	Current	6 1 - 29 Days	7 30-90 Days	8 91-120 Days	9 Over 120 Days	10 Total Overdue Columns 6 + 7 + 8 + 9	Total Due Cols. 5 + 10	Percentage Overdue Col. 10/Col. 11	Percentage More Than 120 Days Overdue Col. 9/Col. 11
Authorized - Other U.S. Unaffiliated Insurers												
39-1341459	26042	WAUSAU UNDERWRITERS INS CO	Wisconsin	14						14		
0599999 Total - Authorized - Other U.S. Unaffiliated Insurers				14						14		
0999999 Total - Authorized				14						14		
1999999 Total - Authorized and Unauthorized				14						14		
2099999 Total - Protected Cells										14		
9999999 Totals				14						14		

44 Schedule F Part 5 Unauthorized Reinsurance ..... NONE

45 Schedule F Part 6 Overdue Authorized Reins ..... NONE

46 Schedule F Part 7 Overdue Reinsurance ..... NONE

SCHEDULE F - PART 8

Restatement of Balance Sheet to Identify Net Credit for Reinsurance

	1 As Reported (Net of Ceded)	2 Restatement Adjustments	3 Restated (Gross of Ceded)
ASSETS (Page 2, Column 3)			
1. Cash and invested assets (Line 9)	31,650,408		31,650,408
2. Premiums and considerations (Line 12)	20,387,264		20,387,264
3. Reinsurance recoverable on loss and loss adjustment expense payments (Line 13.1)	14,018		14,018
4. Funds held by or deposited with reinsured companies (Line 13.2)			
5. Other assets			
6. Net amount recoverable from reinsurers		28,821,339	28,821,339
7. TOTALS (Line 26)	57,958,874	28,821,339	86,780,213
LIABILITIES (Page 3)			
8. Losses and loss adjustment expenses (Lines 1 through 3)	11,083,071	28,367,275	39,450,346
9. Taxes, expenses, and other obligations (Lines 4 through 8)	569,656		569,656
10. Unearned premiums (Line 9)	19,933,200	454,064	20,387,264
11. Advance premiums (Line 10)			
12. Dividends declared and unpaid (Line 11.1 and 11.2)			
13. Ceded reinsurance premiums payable (net of ceded commissions) (Line 12)			
14. Funds held by company under reinsurance treaties (Line 13)			
15. Amounts withheld or retained by company for account of others (Line 14)			
16. Provision for reinsurance (Line 16)			
17. Other liabilities (Lines 15 and 17 through 23)	2,385,619		2,385,619
18. TOTAL Liabilities excluding protected cell business (Line 26 minus Line 25)	33,971,546	28,821,339	62,792,885
19. Surplus as regards policyholders (Line 35)	23,987,328	XXX	23,987,328
20. TOTALS (Line 36)	57,958,874	28,821,339	86,780,213

Note: Is the restatement of this exhibit the result of grossing up balances ceded to affiliates under 100 percent reinsurance or pooling arrangements? Yes[ ] No[X]

If yes, give full explanation:

48 Schedule H Part 1 A & H Exhibit - ..... NONE

49 Schedule H Parts 2, 3 & 4 - A & H Exh Cont - ..... NONE

50 Schedule H Part 5 Health Claims - ..... NONE

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

($000 omitted)

Years In Which Premiums Were Earned and Losses Were Incurred	Premiums Earned 1 Direct and Assumed	2 Ceded	3 Net (Columns 1 - 2)	Loss and Loss Expense Payments: Loss Payments 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported - Direct and Assumed
1. Prior	XXX	XXX	XXX	52							52	XXX
2. 1994												XXX
3. 1995												XXX
4. 1996												XXX
5. 1997												XXX
6. 1998												XXX
7. 1999												XXX
8. 2000	1,608	1,302	306	902	902	126	126					XXX
9. 2001	24,447	19,239	5,208	14,665	14,665	1,302	1,302					XXX
10. 2002	37,402	32,330	5,072	10,937	10,937	998	998					XXX
11. 2003	48,763	31,472	17,291	6,948	5,082	267	209	147				XXX
12. Totals	XXX	XXX	XXX	33,504	31,588	2,693	2,635	147			2,071	XXX

	Losses Unpaid: Case Basis 13 Direct and Assumed	14 Ceded	Bulk + IBNR 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis 17 Direct and Assumed	18 Ceded	Bulk + IBNR 19 Direct and Assumed	20 Ceded	Adjusting and Other Expenses Unpaid 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
1. Prior	701	232	251	117	7		3	1				612	XXX
2. 1994													XXX
3. 1995													XXX
4. 1996													XXX
5. 1997													XXX
6. 1998													XXX
7. 1999													XXX
8. 2000	74	74	44	23	15	15	9	8					XXX
9. 2001	2,301	2,301	1,119	1,008	289	289	141	136				22	XXX
10. 2002	5,619	5,619	3,450	3,280	756	756	464	457				116	XXX
11. 2003	10,708	6,879	14,294	7,780	954	677	1,274	804				177	XXX
12. Totals	19,403	15,105	19,158	12,208	2,021	1,737	1,891	1,406				11,090	XXX
												12,017	XXX

	Total Losses and Loss Expenses Incurred: 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned): 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount: 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount: 35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	93	1	XXX	510	8
2. 1994											
3. 1995											
4. 1996											
5. 1997											
6. 1998											
7. 1999											
8. 2000	1,170	1,148	22	72.761	88.172	7.190	1				
9. 2001	19,817	19,701	116	81.061	102.401	2.227	7			20	1
10. 2002	22,224	22,047	177	59.419	68.194	3.490	10	1		104	5
11. 2003	34,592	21,431	13,161	70.939	68.095	76.115	768	53		160	6
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	879	55	XXX	9,575	694
										10,369	714

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 One Year	12 Two Year
1. Prior								695	695	704	9	9
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				22	22	22
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	166	166	116	(50)	(50)
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	263	177	(86)	XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,014	XXX	XXX
12. TOTALS											(105)	(19)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003		
1. Prior	000								40	92	XXX	XXX
2. 1994											XXX	XXX
3. 1995	XXX										XXX	XXX
4. 1996	XXX	XXX									XXX	XXX
5. 1997	XXX	XXX	XXX								XXX	XXX
6. 1998	XXX	XXX	XXX	XXX							XXX	XXX
7. 1999	XXX	XXX	XXX	XXX	XXX						XXX	XXX
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX	XXX
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,924	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003
1. Prior										136
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				22
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	166	166	116
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	263	177
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,964

53 Schedule P - Part 1A - . . . . . NONE

54 Schedule P - Part 1B - . . . . . NONE

55 Schedule P - Part 1C - . . . . . NONE

SCHEDULE P - PART 1D

WORKER'S COMPENSATION

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
				Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Columns 1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Columns 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX	52							52	XXX
2. 1994												
3. 1995												
4. 1996												
5. 1997												
6. 1998												
7. 1999												
8. 2000	1,608	1,302	306	902	902	126	126					336
9. 2001	24,447	19,239	5,208	14,665	14,665	1,302	1,302					3,573
10. 2002	37,402	32,330	5,072	10,937	10,937	998	998					4,162
11. 2003	48,763	31,472	17,291	6,948	5,082	267	209	147			2,071	4,550
12. Totals	XXX	XXX	XXX	33,504	31,586	2,693	2,635	147			2,123	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Expenses Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	701	232	251	117	7		3	1				612	6
2. 1994													
3. 1995													
4. 1996													
5. 1997													
6. 1998													
7. 1999													
8. 2000	74	74	44	23	15	15	9	8				22	4
9. 2001	2,301	2,301	1,119	1,008	289	289	141	136				116	71
10. 2002	5,619	5,619	3,450	3,280	756	756	464	457				177	163
11. 2003	10,708	6,879	14,294	7,780	954	677	1,274	804				11,090	694
12. Totals	19,403	15,105	19,158	12,208	2,021	1,737	1,891	1,406				12,017	938

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX	93	1	XXX	510	8
2. 1994											
3. 1995											
4. 1996											
5. 1997											
6. 1998											
7. 1999											
8. 2000	1,170	1,148	22	72.761	88.172	7.190	1			20	1
9. 2001	19,817	19,701	116	81.061	102.401	2.227	7			104	5
10. 2002	22,224	22,047	177	59.419	68.194	3.490	10	1		160	6
11. 2003	34,592	21,431	13,161	70.939	68.095	76.115	768	53		9,575	694
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	879	55	XXX	10,369	714

57 Schedule P - Part 1E - ..... NONE

58 Schedule P - Part 1F Sn 1 - ..... NONE

59 Schedule P - Part 1F Sn 2 - ..... NONE

60 Schedule P - Part 1G - ..... NONE

61 Schedule P - Part 1H Sn 1 - ..... NONE

62 Schedule P - Part 1H Sn 2 - ..... NONE

63 Schedule P - Part 1I - ..... NONE

64 Schedule P - Part 1J - ..... NONE

65 Schedule P - Part 1K - ..... NONE

66 Schedule P - Part 1L - ..... NONE

67 Schedule P - Part 1M - ..... NONE

68 Schedule P - Part 1N - ..... NONE

69 Schedule P - Part 1O - ..... NONE

70 Schedule P - Part 1P - ..... NONE

71 Schedule P - Part 1R Sn 1 - ..... NONE

72 Schedule P - Part 1R Sn 2 - ..... NONE

73 Schedule P - Part 1S - ..... NONE

SCHEDULE P - PART 2A

HOMEOWNERS/FARMOWNERS

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 One Year	12 Two Year
1. Prior												
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX								
8. 2000	XXX	XXX	XXX	XXX								
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
12. TOTALS												

NONE

SCHEDULE P - PART 2B

PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

1. Prior												
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX								
8. 2000	XXX	XXX	XXX	XXX								
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
12. TOTALS												

NONE

SCHEDULE P - PART 2C

COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

1. Prior												
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX								
8. 2000	XXX	XXX	XXX	XXX								
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
12. TOTALS												

NONE

SCHEDULE P - PART 2D

WORKERS' COMPENSATION

1. Prior								695	695	704	9	9
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				22	22	22
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	166	166	116	(50)	(50)
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	263	177	(86)	XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,014	XXX	XXX
12. TOTALS											(105)	(19)

SCHEDULE P - PART 2E

COMMERCIAL MULTIPLE PERIL

1. Prior												
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX								
8. 2000	XXX	XXX	XXX	XXX								
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				XXX
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX	XXX
12. TOTALS												

NONE

75 Schedule P - Part 2F Sn 1 - ..... NONE

75 Schedule P - Part 2F Sn 2 - ..... NONE

75 Schedule P - Part 2G - ..... NONE

75 Schedule P - Part 2H Sn 1 - ..... NONE

75 Schedule P - Part 2H Sn 2 - ..... NONE

76 Schedule P - Part 2I - ..... NONE

76 Schedule P - Part 2J - ..... NONE

76 Schedule P - Part 2K - ..... NONE

76 Schedule P - Part 2L - ..... NONE

76 Schedule P - Part 2M - ..... NONE

77 Schedule P - Part 2N - ..... NONE

77 Schedule P - Part 2O - ..... NONE

77 Schedule P - Part 2P - ..... NONE

78 Schedule P - Part 2R Sn 1 - ..... NONE

78 Schedule P - Part 2R Sn 2 - ..... NONE

78 Schedule P - Part 2S - ..... NONE

SCHEDULE P - PART 3A

HOMEOWNERS/FARMOWNERS

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED) 1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
1. Prior	000											
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			

NONE

SCHEDULE P - PART 3B

PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

1. Prior	000											
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			

NONE

SCHEDULE P - PART 3C

COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

1. Prior	000											
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			

NONE

SCHEDULE P - PART 3D

WORKERS' COMPENSATION

1. Prior	000								40	92		
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX					224	108
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX				2,767	735
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			3,068	911
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,924	3,083	733

SCHEDULE P - PART 3E

COMMERCIAL MULTIPLE PERIL

1. Prior	000											
2. 1994												
3. 1995	XXX											
4. 1996	XXX	XXX										
5. 1997	XXX	XXX	XXX									
6. 1998	XXX	XXX	XXX	XXX								
7. 1999	XXX	XXX	XXX	XXX	XXX							
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX						
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX					
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			

NONE

80 Schedule P - Part 3F Sn 1 ..... NONE

80 Schedule P - Part 3F Sn 2 ..... NONE

80 Schedule P - Part 3G ..... NONE

80 Schedule P - Part 3H Sn 1 ..... NONE

80 Schedule P - Part 3H Sn 2 ..... NONE

81 Schedule P - Part 3I ..... NONE

81 Schedule P - Part 3J ..... NONE

81 Schedule P - Part 3K ..... NONE

81 Schedule P - Part 3L ..... NONE

81 Schedule P - Part 3M ..... NONE

82 Schedule P - Part 3N ..... NONE

82 Schedule P - Part 3O ..... NONE

82 Schedule P - Part 3P ..... NONE

83 Schedule P - Part 3R Sn 1 ..... NONE

83 Schedule P - Part 3R Sn 2 ..... NONE

83 Schedule P - Part 3S ..... NONE

SCHEDULE P - PART 4A

HOMEOWERS/FARMOWNERS

Years In Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003
1. Prior										
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

SCHEDULE P - PART 4B

PRIVATE PASSENGER AUTO LIABILITY/MEDICAL

1. Prior										
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

SCHEDULE P - PART 4C

COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

1. Prior										
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

SCHEDULE P - PART 4D

WORKERS' COMPENSATION

1. Prior										136
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				22
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	166	166	116
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	263	177
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,984

SCHEDULE P - PART 4E

COMMERCIAL MULTIPLE PERIL

1. Prior										
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX				
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

85 Schedule P - Part 4F Sn 1 ..... NONE

85 Schedule P - Part 4F Sn 2 ..... NONE

85 Schedule P - Part 4G ..... NONE

85 Schedule P - Part 4H Sn 1 ..... NONE

85 Schedule P - Part 4H Sn 2 ..... NONE

86 Schedule P - Part 4I ..... NONE

86 Schedule P - Part 4J ..... NONE

86 Schedule P - Part 4K ..... NONE

86 Schedule P - Part 4L ..... NONE

86 Schedule P - Part 4M ..... NONE

87 Schedule P - Part 4N ..... NONE

87 Schedule P - Part 4O ..... NONE

87 Schedule P - Part 4P ..... NONE

88 Schedule P - Part 4R Sn 1 ..... NONE

88 Schedule P - Part 4R Sn 2 ..... NONE

88 Schedule P - Part 4S ..... NONE

89 Schedule P - Part 5A Sn 1 ..... NONE

89 Schedule P - Part 5A Sn 2 ..... NONE

89 Schedule P - Part 5A Sn 3 ..... NONE

90 Schedule P - Part 5B Sn 1 ..... NONE

90 Schedule P - Part 5B Sn 2 ..... NONE

90 Schedule P - Part 5B Sn 3 ..... NONE

91 Schedule P - Part 5C Sn 1 ..... NONE

91 Schedule P - Part 5C Sn 2 ..... NONE

91 Schedule P - Part 5C Sn 3 ..... NONE

SCHEDULE P - PART 5D

WORKERS' COMPENSATION

SECTION 1

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE NUMBER OF CLAIMS CLOSED WITH LOSS PAYMENT DIRECT AND ASSUMED AT YEAR END									
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003
1. Prior										
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX	72	194	217	224
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,723	2,662	2,767
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,293	3,088
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,083

SECTION 2

Years in Which Premiums Were Earned and Losses Were Incurred	NUMBER OF CLAIMS OUTSTANDING DIRECT AND ASSUMED AT YEAR END									
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003
1. Prior										6
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX	105	16	7	4
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	641	128	71
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	461	163
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	694

SECTION 3

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE NUMBER OF CLAIMS REPORTED DIRECT AND ASSUMED AT YEAR END									
	1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003
1. Prior										
2. 1994										
3. 1995	XXX									
4. 1996	XXX	XXX								
5. 1997	XXX	XXX	XXX							
6. 1998	XXX	XXX	XXX	XXX						
7. 1999	XXX	XXX	XXX	XXX	XXX					
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX	211	320	336	336
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,275	3,552	3,573
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,905	4,162
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,550

93 Schedule P - Part 5E Sn 1 - ..... NONE

93 Schedule P - Part 5E Sn 2 - ..... NONE

93 Schedule P - Part 5E Sn 3 - ..... NONE

94 Schedule P - Part 5F Sn 1A - ..... NONE

94 Schedule P - Part 5F Sn 2A - ..... NONE

94 Schedule P - Part 5F Sn 3A - ..... NONE

95 Schedule P - Part 5F Sn 1B - ..... NONE

95 Schedule P - Part 5F Sn 2B - ..... NONE

95 Schedule P - Part 5F Sn 3B - ..... NONE

96 Schedule P - Part 5H Sn 1A - ..... NONE

96 Schedule P - Part 5H Sn 2A - ..... NONE

96 Schedule P - Part 5H Sn 3A - ..... NONE

97 Schedule P - Part 5H Sn 1B - ..... NONE

97 Schedule P - Part 5H Sn 2B - ..... NONE

97 Schedule P - Part 5H Sn 3B - ..... NONE

98 Schedule P - Part 5R Sn 1A - ..... NONE

98 Schedule P - Part 5R Sn 2A - ..... NONE

98 Schedule P - Part 5R Sn 3A - ..... NONE

99 Schedule P - Part 5R Sn 1B - ..... NONE

99 Schedule P - Part 5R Sn 2B - ..... NONE

99 Schedule P - Part 5R Sn 3B - ..... NONE

SCHEDULE P - PART 6C

COMMERCIAL AUTO/TRUCK LIABILITY/MEDICAL

SECTION 1

Years in Which Premiums Were Earned and Losses Were Incurred	CUMMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END ($000 OMITTED) 1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 Current Year Premiums Earned
1. Prior											
2. 1994											
3. 1995	XXX										
4. 1996	XXX	XXX									
5. 1997	XXX	XXX	XXX								
6. 1998	XXX	XXX	XXX	XXX							
7. 1999	XXX	XXX	XXX	XXX	XXX						
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX					
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
12. TOTAL	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
13. Earned Premiums (Sch. P-Part 1)											XXX

NONE

SECTION 2

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED CEDED AT YEAR END ($000 OMITTED) 1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 Current Year Premiums Earned
1. Prior											
2. 1994											
3. 1995	XXX										
4. 1996	XXX	XXX									
5. 1997	XXX	XXX	XXX								
6. 1998	XXX	XXX	XXX	XXX							
7. 1999	XXX	XXX	XXX	XXX	XXX						
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX					
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX				
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
12. TOTAL	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
13. Earned Premiums (Sch. P-Part 1)											XXX

NONE

SCHEDULE P - PART 6D

WORKERS' COMPENSATION

SECTION 1

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END ($000 OMITTED) 1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 Current Year Premiums Earned
1. Prior											
2. 1994											
3. 1995	XXX										
4. 1996	XXX	XXX									
5. 1997	XXX	XXX	XXX								
6. 1998	XXX	XXX	XXX	XXX							
7. 1999	XXX	XXX	XXX	XXX	XXX						
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX	1,608	6,367	6,556	6,537	(19)
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	19,688	31,679	31,183	(496)
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	25,222	42,335	17,113
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,165	32,165
12. TOTAL	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	48,763
13. Earned Premiums (Sch. P-Part 1)							1,608	24,447	37,402	48,763	XXX

SECTION 2

Years in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED CEDED AT YEAR END ($000 OMITTED) 1 1994	2 1995	3 1996	4 1997	5 1998	6 1999	7 2000	8 2001	9 2002	10 2003	11 Current Year Premiums Earned
1. Prior											
2. 1994											
3. 1995	XXX										
4. 1996	XXX	XXX									
5. 1997	XXX	XXX	XXX								
6. 1998	XXX	XXX	XXX	XXX							
7. 1999	XXX	XXX	XXX	XXX	XXX						
8. 2000	XXX	XXX	XXX	XXX	XXX	XXX	1,302	5,157	5,310	5,295	(15)
9. 2001	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,384	25,097	24,695	(402)
10. 2002	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	22,465	39,307	16,842
11. 2003	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,047	15,047
12. TOTAL	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	31,472
13. Earned Premiums (Sch. P-Part 1)							1,302	19,239	32,330	31,472	XXX

101 Schedule P - Part 6E Sn 1 - ..... NONE

101 Schedule P - Part 6E Sn 2 - ..... NONE

101 Schedule P - Part 6H Sn 1A - ..... NONE

101 Schedule P - Part 6H Sn 2A - ..... NONE

102 Schedule P - Part 6H Sn 1B - ..... NONE

102 Schedule P - Part 6H Sn 2B - ..... NONE

102 Schedule P - Part 6M Sn 1 - ..... NONE

102 Schedule P - Part 6M Sn 2 - ..... NONE

103 Schedule P - Part 6N Sn 1 - ..... NONE

103 Schedule P - Part 6N Sn 2 - ..... NONE

103 Schedule P - Part 6O Sn 1 - ..... NONE

103 Schedule P - Part 6O Sn 2 - ..... NONE

104 Schedule P - Part 6R Sn 1A - ..... NONE

104 Schedule P - Part 6R Sn 2A - ..... NONE

104 Schedule P - Part 6R Sn 1B - ..... NONE

104 Schedule P - Part 6R Sn 2B - ..... NONE

105 Schedule P - Part 7A Sn 1 - ..... NONE

105 Schedule P - Part 7A Sn 2 - ..... NONE

105 Schedule P - Part 7A Sn 3 - ..... NONE

106 Schedule P - Part 7A Sn 4 - ..... NONE

106 Schedule P - Part 7A Sn 5 - ..... NONE

107 Schedule P - Part 7B Sn 1 - ..... NONE

107 Schedule P - Part 7B Sn 2 - ..... NONE

107 Schedule P - Part 7B Sn 3 - ..... NONE

108 Schedule P - Part 7B Sn 4 - ..... NONE

108 Schedule P - Part 7B Sn 5 - ..... NONE

108 Schedule P - Part 7B Sn 6 - ..... NONE

108 Schedule P - Part 7B Sn 7 - ..... NONE

SCHEDULE P INTERROGATORIES

1. What is the extended loss and expense reserve - direct and assumed - for the following classes? An example of an extended loss and expense reserve is the actuarial reserve for the free - tail coverage arising upon death, disability or retirement in most medical malpractice policies. Such a liability is to be reported here even if it was not reported elsewhere in Schedule P, but otherwise reported as a liability item on Page 3. Show the full reserve amount, not just the change during the current year.

Years in which premiums were earned and losses were incurred	1 Medical Malpractice	2 Other Liability	3 Products Liability
1.01 Prior	0	0	0
1.02 1994	0	0	0
1.03 1995	0	0	0
1.04 1996	0	0	0
1.05 1997	0	0	0
1.06 1998	0	0	0
1.07 1999	0	0	0
1.08 2000	0	0	0
1.09 2001	0	0	0
1.10 2002	0	0	0
1.11 2003	0	0	0
1.12 Totals	0	0	0

2. The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses (now reported as "Defense and Cost Containment" and "Adjusting and Other") reported in compliance with these definitions in this statement? Yes[X] No[ ]

3. The Adjusting and Other expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating Adjusting and Other expense between companies in a group or a pool, the Adjusting and Other expense should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, Adjusting and Other expense assumed should be reported according to the reinsurance contract. For Adjusting and Other expense incurred by reinsurers, or in those situations where suitable claim count information is not available, Adjusting and Other expense should be allocated by a reasonable method determined by the company and described in Interrogatory 7, below. Are they so reported in this Statement? Yes[ ] No[X]

4. Do any lines in Schedule P include reserves that are reported gross of any discount to present value of future payments, and that are reported net of such discounts on page 10? Yes[X] No[ ]
If Yes, proper reporting must be made in the Notes to Financial Statements, as specified in the Instructions. Also, the discounts must be reported in Schedule P - Part 1, Columns 32 and 33.
Schedule P must be completed gross of non-tabular discounting. Work papers relating to discount calculations must be available for examination upon request.
Discounting is allowed only if expressly permitted by the state insurance department to which this Annual Statement is being filed.

5. What were the net premiums in force at the end of the year for: (in thousands of dollars)

5.1 Fidelity	$ 0
5.2 Surety	$ 0

6. Claim count information is reported (check one).

6.1 per claim	
6.2 per claimant	✓

If not the same in all years, explain in Interrogatory 7.

7.1 The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes which have occurred which must be considered when making such analyses? Yes[X] No[ ]
7.2 An extended statement may be attached.
3 - The Adjusting and Other expense payments are fees paid to a third party administrator based on a percentage of earned premium. These fees are allocated to the years in which the premiums were earned. 7.1 - Prior to March 1, 2003, the company retained only the first $500,000 per occurrence of Employer's Liability coverage. Effective March 1, 2003, the company retains the first $1,000,000 per occurrence on all worker's compensation coverage.

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

1	1a	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
States, Etc.	Is Insurer Licensed? (Yes or No)	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Column 2)
1. Alabama (AL)	No								
2. Alaska (AK)	No								
3. Arizona (AZ)	No								
4. Arkansas (AR)	No								
5. California (CA)	No								
6. Colorado (CO)	No								
7. Connecticut (CT)	No								
8. Delaware (DE)	Yes	170,500	94,869		5,778	52,387	56,609		
9. District of Columbia (DC)	No								
10. Florida (FL)	No								
11. Georgia (GA)	No								
12. Hawaii (HI)	No								
13. Idaho (ID)	No								
14. Illinois (IL)	No								
15. Indiana (IN)	No								
16. Iowa (IA)	No								
17. Kansas (KS)	No								
18. Kentucky (KY)	No								
19. Louisiana (LA)	No								
20. Maine (ME)	No								
21. Maryland (MD)	No								
22. Massachusetts (MA)	No								
23. Michigan (MI)	No								
24. Minnesota (MN)	No								
25. Mississippi (MS)	No								
26. Missouri (MO)	No								
27. Montana (MT)	No								
28. Nebraska (NE)	No								
29. Nevada (NV)	No								
30. New Hampshire (NH)	No								
31. New Jersey (NJ)	No								
32. New Mexico (NM)	No								
33. New York (NY)	No								
34. North Carolina (NC)	No								
35. North Dakota (ND)	No								
36. Ohio (OH)	No								
37. Oklahoma (OK)	No								
38. Oregon (OR)	No								
39. Pennsylvania (PA)	Yes	5,046,789	2,852,544		412,603	1,856,851	2,308,986		
40. Rhode Island (RI)	No								
41. South Carolina (SC)	Yes								
42. South Dakota (SD)	No								
43. Tennessee (TN)	No								
44. Texas (TX)	No								
45. Utah (UT)	No								
46. Vermont (VT)	No								
47. Virginia (VA)	No								
48. Washington (WA)	No								
49. West Virginia (WV)	No								
50. Wisconsin (WI)	No								
51. Wyoming (WY)	No								
52. American Samoa (AS)	No								
53. Guam (GU)	No								
54. Puerto Rico (PR)	No								
55. U.S. Virgin Islands (VI)	No								
56. Canada (CN)	No								
57. Aggregate other alien (OT)	XXX								
58. TOTALS	(a) 3	5,217,289	2,947,413		418,381	1,919,238	2,365,595		
DETAILS OF WRITE-INS									
5701	XXX								
5702	XXX								
5703	XXX								
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX								
5799. TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	XXX								

(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

	Organizational Structure	State of Incorporation	Employer ID	NAIC Code
1.	Independence Blue Cross	PA	23-0370270	54704
2.	Vista Health Plan, Inc.	PA	23-2408039	96660
3.	IBC/PBS Caring Foundation For Children (50%)	PA	22-2724721	
4.	Inter-County Hospitalization Plan, Inc. (50%)	PA	23-0724427	54763
5.	Preferred Health Systems, Incorporated	PA	23-2219720	
6.	Inter County Health Plan, Inc. (50%)	PA	23-2063810	53252
7.	AmeriHealth, Inc.	PA	23-2425461	
8.	AmeriHealth Insurance Company of New Jersey	NJ	22-3338404	60061
9.	Healthcare Delaware, Inc.	DE	51-0296135	95794
10.	AmeriHealth Integrated Workers Compensation Management, Inc.	PA	23-2723299	
11.	Independence Healthcare Management, Inc.	PA	23-2671650	
12.	AmeriHealth Integrated Case Management, Inc.	PA	23-2754696	
13.	The AmeriHealth Agency, Inc.	PA	23-2800586	
14.	AmeriHealth Administrators	PA	23-2521508	
15.	QCC Insurance Company	PA	23-2184623	93688
16.	AmeriHealth Health Plan, Inc. *	NY	13-3870615	95768
17.	AmeriHealth Casualty Insurance Company	DE	06-1505051	10975
18.	Independence Insurance, Inc.	DE	23-2865349	60254
19.	AmeriHealth Services, Inc.	PA	23-2795357	
20.	New Seasons Assisted Living Communities, Inc.	PA	23-2824200	
21.	CompServices, Inc.	PA	25-1686685	
22.	CSI Services, Inc.	PA	25-1765486	
23.	AmeriHealth Integrated Benefits, Inc.	DE	23-2317715	
24.	AmeriHealth HMO, Inc.	PA	23-2314460	95044
25.	Keystone Health Plan East, Inc.	PA	23-2405376	95056
26.	Keystone Health Systems, Inc.	PA	23-2773183	
27.	Keystone Benefits, Inc.	PA	23-2864737	
28.	Independence Holdings, Inc.	PA	23-2982367	
29.	La Cruz Azul de Puerto Rico	PR	66-0195325	53546

On 12-31-2003, AmeriHealth, Inc. sold AmeriHealth Health Plan, Inc. to ConnectiCare.

SCHEDULE Y (continued)

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1 NAIC Company Code	2 Federal ID Number	3 Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	7 Income/(Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	8 Management Agreements and Service Contracts	9 Income/ (Disbursements) Incurred Under Reinsurance Agreements	10 *	11 Any Other Material Activity not in the Ordinary Course of the Insurer's Business	12 Totals	13 Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
54704	23-0370270	Independence Blue Cross	46,749,150	(20,000,000)			501,020,631	1,130,538		20,383,000	549,283,319	(11,613,840)
93688	23-2184623	QCC Insurance Company			27,856,351		(305,642,366)	(2,687,172)			(280,473,187)	(22,926,355)
	23-2425461	AmeriHealth, Inc.	1,263,966	(2,263,966)			(5,592,695)			1,250,000	(5,342,695)	
95056	23-2405376	Keystone Health Plan East, Inc.	(35,000,000)		15,506,610		(253,611,858)			62,848,000	(210,257,248)	
60061	22-3338404	AmeriHealth Insurance Company of NJ					(10,484,150)	7,658,726			(2,825,424)	
95044	23-2314460	AmeriHealth HMO, Inc. (NJ Division)			(43,362,961)		(33,215,803)	(7,658,726)		(5,316,000)	(89,553,490)	
95794	51-0296135	AmeriHealth HMO, Inc. (DE Division)					(4,797,847)				(4,797,847)	
95262	74-2439056	AmeriHealth of Florida, Inc.					(17,000)				(17,000)	
95768	13-3870615	AmeriHealth Health Plan, Inc.	(513,966)	1,513,966			6,000				1,006,000	
	23-2800586	AmeriHealth Agency, Inc.					(333,616)				(333,616)	
	23-2521508	AmeriHealth Administrators	(11,749,150)				(17,240,119)				(28,989,269)	
	23-2795357	AmeriHealth Services, Inc.					(5,407,230)			(2,044,000)	(7,451,230)	
	23-2317715	AmeriHealth Integrated Benefits					3,000			(4,000)	(1,000)	
10975	06-1505051	AmeriHealth Casualty Insurance Company		20,750,000			(1,822,000)	1,192,879			20,120,879	22,756,195
	23-2754696	AmeriHealth Integrated Case Management, Inc.					(957,962)			(891,000)	(1,848,962)	
	25-1686685	CompServices, Inc.	(750,000)				(117,149)				(867,149)	
95794	51-0296135	Healthcare Delaware, Inc.					(21,000)				(21,000)	
	23-2671650	Independence Healthcare Management, Inc.					152,671,772			(23,205,000)	129,466,772	
60254	23-2865349	Independence Insurance, Inc.					(52,306)				(52,306)	
	23-2982367	Independence Holdings, Inc.					(9,578,727)			(45,383,000)	(54,961,727)	
	23-2864737	Keystone Benefits					(4,246,856)			(6,134,000)	(10,380,856)	
	23-2773183	Keystone Health Systems, Inc.					(11,000)				(11,000)	
96660	23-2408039	Vista Health Plan, Inc.					(7,000)				(7,000)	
	23-2723299	AmeriHealth Integrated Workers Comp Mgmt, Inc.					2,000			(4,000)	(2,000)	
54763	23-0724427	Inter-County Hospitalization Plan, Inc.						363,755			363,755	11,784,000
53546	66-0195325	La Cruz Azul de Puerto Rico					124,451			(1,500,000)	(1,375,549)	
	25-1765486	CSI Services, Inc					(824,170)				(824,170)	
	23-2824442	Corcell, Inc.					153,000				153,000	
9999999 Totals									XXX			

Schedule Y Part 2 Explanation:

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

	Response
MARCH FILING	
1. Will Supplement A to Schedule T (Medical Malpractice Supplement) be filed by March 1?	No
2. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?	No
3. Will the Financial Guaranty Insurance Exhibit be filed by March 1?	No
4. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	No
5. Will an actuarial opinion be file by March 1?	Yes
6. Will the SVO Compliance Certification be filed by March 1?	Yes
7. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC by March 1?	No
8. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	No
9. Will the Risk-based Capital Report be filed with the NAIC by March 1?	Yes
10. Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?	Yes
11. Will the Premiums Attributed to Protected Cells Exhibit be filed by March 1?	No
APRIL FILING	
12. Will the Insurance Expense Exhibit be filed with the state of domicile and the NAIC by April 1?	Yes
13. Will Management's Discussion and Analysis be filed by April 1?	Yes
14. Will the Credit Insurance Experience Exhibit be filed with the state of domicile and the NAIC by April 1?	No
15. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?	No
16. Will the Accident and Health Policy Experience Exhibit be filed by April 1?	No
17. Will the Investment Risk Interrogatories be filed by April 1?	Yes
MAY FILING	
18. Will this company be included in a combined annual statement which is file with the NAIC by May 1?	No
JUNE FILING	
19. Will an audited financial report be filed by June 1?	Yes

Explanations:

Bar Codes:

Supplement A to Schedule T
10975200345000000 2003 Document Code: 450

Schedule SIS
10975200342000000 2003 Document Code: 420

Financial Guaranty Insurance Exhibit
10975200324000000 2003 Document Code: 240

Medicare Supplement Insurance Experience Exhibit
10975200336000000 2003 Document Code: 360

Trusteed Surplus Statement
10975200349000000 2003 Document Code: 490

Supplemental Compensation Exhibit
10975200346000000 2003 Document Code: 460

Premiums Attributed to Protected Cells Exhibit
10975200338500000 2003 Document Code: 385

Credit Insurance Exhibit
10975200323000000 2003 Document Code: 230

LTC Experience Reporting Form C
10975200333000000 2003 Document Code: 330

Accident and Health Policy Experience Exhibit
10975200321000000 2003 Document Code: 210

Statement (Annual, quarterly and combined)
10975200320100000 2003 Document Code: 201

E01 Schedule A - Part 1 Real Estate Owned - . . . . . NONE

E02 Schedule A - Part 2 Real Estate Aquired - . . . . . NONE

E03 Schedule A - Part 3 Real Estate Sold - . . . . . NONE

E04 Schedule B - Part 1 Mortgage Loans Owned - . . . . . NONE

E05 Schedule B - Part 2 Mortgage Loans Sold - . . . . . NONE

E06 Schedule BA - Part 1 Invested Assets Owned - . . . . . NONE

E07 Schedule BA - Part 2 Invested Assets Sold - . . . . . NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

1	2	3	Interest 4	Interest 5	6	7	8	9	10	11	12	13	Interest 14	Interest 15	16	17	18	19	20	21
CUSIP Identification	Description	*	Rate of	How Paid	Maturity Date	Option Date	Option Call Price	Book/ Adjusted Carrying Value	Par Value	Rate Used to Obtain Fair Value	Fair Value	Actual Cost	Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	NAIC Desig-nation	Date Acquired	Effective Rate of Interest
U.S. Governments - Issuer Obligations																				
9128275M0	United States Treasury Note		6.000	semi	08/15/2004			1,173,807	1,160,000		1,190,450	1,212,925	26,315	69,600	(22,103)			1	03/25/2002	4.000
912828AC4	United States Treasury Note		4.375	semi	05/15/2007			132,268	125,000		132,383	132,334	90		(66)			1	12/19/2003	4.100
0199999 Subtotal - U.S. Governments - Issuer Obligations								1,306,075	1,285,000	XXX	1,322,833	1,345,259	26,405	69,600	(22,169)			XXX	XXX	XXX
0399999 Subtotal - U.S. Governments								1,306,075	1,285,000	XXX	1,322,833	1,345,259	26,405	69,600	(22,169)			XXX	XXX	XXX
5499999 Subtotals - Issuer Obligations								1,306,075	1,285,000	XXX	1,322,833	1,345,259	26,405	69,600	(22,169)			XXX	XXX	XXX
6099999 Grand Total - Bonds								1,306,075	1,285,000	XXX	1,322,833	1,345,259	26,405	69,600	(22,169)			XXX	XXX	XXX

SCHEDULE D - PART 2 - SECTION 1

Showing all PREFERRED STOCKS Owned December 31, Current Year

1	2	3	4	5	6	7	8	9	Dividends		12	13	14	15
									10	11				
Cusip Identification	Description	Number of Shares	Par Value Per Share	Rate Per Share	Book/Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared but Unpaid	Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	NAIC Desig-nation	Date Acquired
					NONE									
6599999 Total Preferred Stocks						XXX							XXX	XXX

E09

IBC 00372

SCHEDULE D - PART 2 - SECTION 2

Showing All COMMON STOCKS Owned December 31 of Current Year

1	2	3	4	5	6	7	Dividends		10	11	12	13
							8	9				
CUSIP Identification	Description	Number of Shares	Book/Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared But Unpaid	Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	NAIC Designation (a)	Date Acquired
Public Utilities (Unaffiliated)												
92343V104	Verizon Communications	1,650.000	57,882	35.080	57,882	61,534		1,906	(3,652)		L	02/24/2003
6699999 Subtotal - Public Utilities (Unaffiliated)			57,882	XXX	57,882	61,534		1,906	(3,652)		XXX	XXX
Banks,Trust and Insurance Companies (Unaffiliated)												
025816109	American Express Company	3,350.000	161,571	48.230	161,571	127,959		642	33,612		L	12/16/2003
026874107	American Int'l Group Inc.	1,700.000	112,676	66.280	112,676	89,894		319	22,782		L	12/16/2003
172967101	CitiGroup Inc.	3,500.000	169,890	48.540	169,890	127,624		2,532	42,266		L	12/19/2003
524908100	Lehman Brothers Holdings Inc.	2,950.000	227,799	77.220	227,799	209,078		198	18,721		L	12/23/2003
534187109	Lincoln National Corp.	2,050.000	82,758	40.370	82,758	80,776			1,982		L	12/16/2003
55262L100	MBNA Corporation	5,250.000	130,462	24.850	130,462	111,220		572	19,242		L	12/12/2003
902973304	US Bancorp	7,600.000	226,328	29.780	226,328	170,927		2,419	55,401		L	12/15/2003
949746101	Wells Fargo & Company	1,850.000	108,946	58.890	108,946	94,682		1,702	14,264		L	12/19/2003
6799999 Subtotal - Banks,Trust and Insurance Companies (Unaffiliated)			1,220,430	XXX	1,220,430	1,012,160		8,384	208,270		XXX	XXX
Industrial and Miscellaneous (Unaffiliated)												
00724F101	Adobe Systems Inc.	3,300.000	128,964	39.080	128,964	124,044		18	4,920		L	12/16/2003
009158106	Air Products and Chemicals	2,300.000	121,509	52.830	121,509	119,505			2,004		L	12/18/2003
031162100	Amgen Inc.	1,700.000	105,043	61.790	105,043	103,006			2,037		L	12/29/2003
032654105	Analog Devices Inc.	2,650.000	120,973	45.650	120,973	115,534		88	5,439		L	12/18/2003
166764100	Chevron Texaco Corp.	3,150.000	272,129	86.390	272,129	233,473		1,296	38,656		L	12/16/2003
17275R102	Cisco System Inc.	4,950.000	119,939	24.230	119,939	79,208			40,731		L	12/04/2003
184502102	Clear Channel Communications	2,750.000	128,783	46.830	128,783	111,179		180	17,604		L	12/16/2003
216640102	Cooper Cameron Corporation	800.000	37,280	46.600	37,280	39,384			(2,104)		L	02/13/2003
244199105	Deere and Company	2,100.000	136,605	65.050	136,605	120,264		308	16,341		L	12/16/2003
247025109	Dell Inc.	2,200.000	74,756	33.980	74,756	60,804			13,952		L	12/16/2003
263534109	Du Pont E I De Nemours & Co.	3,700.000	169,793	45.890	169,793	149,433		1,715	20,360		L	12/12/2003
299908798	Evergreen Select High Yield Bond Fund	435,473.475	4,175,962	9.589	4,175,962	4,003,914		178,914	172,048		L	12/10/2003
307000109	Family Dollar Stores Inc.	3,300.000	118,404	35.880	118,404	101,704		596	16,700		L	12/02/2003
311900104	Fastenal Company	2,100.000	104,475	49.750	104,475	83,948		234	20,527		L	12/16/2003
319963104	First Data Corp.	2,200.000	90,398	41.090	90,398	76,407		119	13,991		L	12/16/2003
369604103	General Electric Corp.	5,450.000	168,841	30.980	168,841	131,493		2,584	37,348		L	12/19/2003
464287200	I Shares S&P 500 Index Fund	500.000	55,610	111.220	55,610	49,895		1,310	5,715		L	08/28/2003
458140100	Intel Corporation	3,300.000	105,765	32.050	105,765	59,853		180	45,912		L	12/04/2003
459200101	Int'l Business Machines	1,050.000	97,314	92.680	97,314	85,179		152	12,135		L	12/16/2003
450911102	ITT Industries Inc.	1,425.000	105,749	74.210	105,749	85,944		448	19,805		L	12/12/2003
478366107	Johnson Controls	1,050.000	121,926	116.120	121,926	107,619		198	14,307		L	12/16/2003
580645109	McGraw Hill Companies	1,300.000	90,896	69.920	90,896	78,496		796	12,400		L	12/11/2003
585055106	Medtronic Inc.	2,050.000	99,650	48.610	99,650	90,400		436	9,250		L	12/16/2003
594918104	MicroSoft Corporation	5,850.000	160,114	27.370	160,114	142,194		1,248	17,920		L	12/29/2003
681919106	OmniCom Group	1,600.000	139,728	87.330	139,728	106,887		600	32,841		L	12/17/2003
713448108	Pepsi Co. Inc.	2,200.000	102,564	46.620	102,564	98,471		423	4,093		L	12/18/2003
717081103	Pfizer Inc.	7,650.000	270,274	35.330	270,274	242,881		1,950	27,393		L	12/12/2003
724479100	Pitney Bowes Inc.	2,400.000	97,488	40.620	97,488	82,342		1,785	15,146		L	12/15/2003
742718109	Proctor and Gamble Co.	1,300.000	129,844	99.880	129,844	115,641		1,263	14,203		L	12/12/2003
747525103	Qualcomm Inc.	2,600.000	140,218	53.930	140,218	116,028		154	24,190		L	12/04/2003
758110100	Reebok Int'l	1,900.000	74,708	39.320	74,708	74,221			487		L	12/15/2003
855030102	Staples Inc.	4,550.000	124,215	27.300	124,215	112,015			12,200		L	12/16/2003
863667101	Stryker Corporation	1,650.000	140,266	85.010	140,266	120,255			20,011		L	12/16/2003
871829107	Sysco Corporation	3,850.000	143,336	37.230	143,336	122,668		638	20,668		L	12/11/2003
74144T108	T. Rowe Price Group Inc.	2,750.000	130,378	47.410	130,378	103,711		638	26,667		L	12/16/2003

SCHEDULE D - PART 2 - SECTION 2

Showing All COMMON STOCKS Owned December 31 of Current Year

1	2	3	4	5	6	7	Dividends		10	11	12	13
							8	9				
CUSIP Identification	Description	Number of Shares	Book/Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared But Unpaid	Amount Received During Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	NAIC Designation (a)	Date Acquired
913017109	United Technologies Corp.	1,950.000	184,802	94.770	184,802	147,879		1,078	36,923		L	12/18/2003
925524308	Viacom Inc.	2,100.000	93,198	44.380	93,198	78,950		108	14,248		L	12/11/2003
931142103	Walmart Stores Inc.	2,400.000	127,320	53.050	127,320	114,464		675	12,856		L	03/06/2003
942683103	Watson Pharmaceuticals Inc.	2,250.000	103,500	46.000	103,500	96,326			7,174		L	12/16/2003
94973H108	WellPoint Health Networks Inc.	1,300.000	126,087	96.990	126,087	105,455			20,632		L	10/24/2003
6899999 Subtotal - Industrial and Miscellaneous (Unaffiliated)			9,038,804	XXX	9,038,804	8,191,074		200,132	847,730		XXX	XXX
7099999 Total Common Stocks			10,317,116	XXX	10,317,116	9,264,768		210,422	1,052,348		XXX	XXX
7199999 Total Preferred and Common Stocks			10,317,116	XXX	10,317,116	9,264,768		210,422	1,052,348		XXX	XXX

(a) For all common stocks bearing the NAIC designation "U" provide: the number of such issues ....., the total $ value (included in Column 6) of all such issues $.....

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
Bonds - U.S. Governments							
912828AC4	United States Treasury Note	12/19/2003	Wachovia Bank, N.A.	XXX	132,334	125,000.00	511
0399999 Subtotal - Bonds - U.S. Governments					132,334	125,000.00	511
6099997 Subtotal - Bonds - Part 3					132,334	125,000.00	511
6099998 Summary item from Part 5 for Bonds							
6099999 Subtotal - Bonds					132,334	125,000.00	511
6599998 Summary item from Part 5 for Preferred Stocks						XXX	
Common Stocks - Public Utilities (Unaffiliated)							
92343V104	Verizon Communications	02/06/2003	The Swarthmore Group	500.000	19,395	XXX	
92343V104	Verizon Communications	02/14/2003	The Swarthmore Group	500.000	18,570	XXX	
92343V104	Verizon Communications	02/24/2003	The Swarthmore Group	650.000	23,569	XXX	
6699999 Subtotal - Common Stocks - Public Utilities (Unaffiliated)					61,534	XXX	
Common Stocks - Banks, Trust and Insurance Companies (Unaffiliated)							
172967101	CitiGroup Inc.	02/07/2003	The Swarthmore Group	900.000	30,318	XXX	
55262L100	MBNA Corp.	02/10/2003	The Swarthmore Group	1,200.000	20,039	XXX	
949746101	Wells Fargo & Co.	02/10/2003	The Swarthmore Group	250.000	12,373	XXX	
025816109	American Express Co.	02/13/2003	The Swarthmore Group	600.000	20,148	XXX	
172967101	CitiGroup Inc.	02/13/2003	The Swarthmore Group	600.000	19,650	XXX	
55262L100	MBNA Corp.	02/13/2003	The Swarthmore Group	1,000.000	16,610	XXX	
902973304	US Bancorp	02/14/2003	The Swarthmore Group	1,000.000	20,210	XXX	
026874107	American Int'l Group Inc.	02/21/2003	The Swarthmore Group	100.000	5,338	XXX	
172967101	CitiGroup Inc.	02/24/2003	The Swarthmore Group	600.000	19,878	XXX	
902973304	US Bancorp	02/24/2003	The Swarthmore Group	1,350.000	27,878	XXX	
025816109	American Express Co.	02/27/2003	The Swarthmore Group	600.000	19,884	XXX	
949746101	Wells Fargo & Co.	02/27/2003	The Swarthmore Group	500.000	22,725	XXX	
026874107	American Int'l Group Inc.	02/28/2003	The Swarthmore Group	400.000	19,916	XXX	
172967101	CitiGroup Inc.	02/28/2003	The Swarthmore Group	300.000	9,663	XXX	
902973304	US Bancorp	03/03/2003	The Swarthmore Group	1,150.000	23,368	XXX	
026874107	American Int'l Group Inc.	03/04/2003	The Swarthmore Group	400.000	20,120	XXX	
172967101	CitiGroup Inc.	03/04/2003	The Swarthmore Group	250.000	8,203	XXX	
026874107	American Int'l Group Inc.	03/05/2003	The Swarthmore Group	400.000	19,944	XXX	
949746101	Wells Fargo & Co.	03/06/2003	The Swarthmore Group	250.000	11,433	XXX	
025816109	American Express Co.	03/20/2003	The Swarthmore Group	700.000	23,786	XXX	
902973304	US Bancorp	03/20/2003	The Swarthmore Group	300.000	5,847	XXX	
902973304	US Bancorp	04/21/2003	The Swarthmore Group	200.000	4,182	XXX	
025816109	American Express Co.	05/01/2003	The Swarthmore Group	200.000	7,484	XXX	
025816109	American Express Company	07/28/2003	The Swarthmore Group	350.000	15,699	XXX	
025816109	American Express Company	09/08/2003	The Swarthmore Group	200.000	9,162	XXX	
172967101	CitiGroup Inc.	09/08/2003	The Swarthmore Group	250.000	11,165	XXX	
025816109	American Express Company	09/23/2003	The Swarthmore Group	150.000	6,960	XXX	
524908100	Lehman Bros. Holdings Inc.	09/29/2003	The Swarthmore Group	300.000	20,798	XXX	
524908100	Lehman Bros. Holdings Inc.	09/30/2003	The Swarthmore Group	300.000	20,808	XXX	
524908100	Lehman Bros. Holdings Inc.	10/01/2003	The Swarthmore Group	200.000	13,674	XXX	
524908100	Lehman Bros. Holdings Inc.	10/02/2003	The Swarthmore Group	300.000	20,616	XXX	
902973304	US Bancorp Co.	10/02/2003	The Swarthmore Group	3,150.000	76,941	XXX	
524908100	Lehman Bros. Holdings Inc.	10/03/2003	The Swarthmore Group	350.000	24,212	XXX	
524908100	Lehman Bros. Holdings Inc.	10/07/2003	The Swarthmore Group	200.000	14,168	XXX	
55262L100	MBNA Corporation	11/25/2003	The Swarthmore Group	1,000.000	24,569	XXX	
55262L100	MBNA Corporation	11/26/2003	The Swarthmore Group	1,050.000	25,337	XXX	
949746101	Wells Fargo & Co.	11/26/2003	The Swarthmore Group	250.000	14,140	XXX	
025816109	American Express Co.	11/28/2003	The Swarthmore Group	300.000	13,529	XXX	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
524908100	Lehman Bros. Holdings Inc.	11/28/2003	The Swarthmore Group	150.000	11,004	XXX	
949746101	Wells Fargo & Co.	11/28/2003	The Swarthmore Group	200.000	11,402	XXX	
55262L100	MBNA Corporation	12/01/2003	The Swarthmore Group	300.000	7,256	XXX	
534187109	Lincoln National Corp.	12/02/2003	The Swarthmore Group	1,500.000	58,521	XXX	
949746101	Wells Fargo & Co.	12/02/2003	The Swarthmore Group	100.000	5,728	XXX	
524908100	Lehman Bros. Holdings Inc.	12/11/2003	The Swarthmore Group	150.000	10,757	XXX	
55262L100	MBNA Corporation	12/12/2003	The Swarthmore Group	700.000	17,409	XXX	
534187109	Lincoln National Corp.	12/15/2003	The Swarthmore Group	250.000	10,198	XXX	
902973304	US Bancorp Co.	12/15/2003	The Swarthmore Group	450.000	12,501	XXX	
949746101	Wells Fargo & Co.	12/15/2003	The Swarthmore Group	200.000	11,178	XXX	
025816109	American Express Co.	12/16/2003	The Swarthmore Group	250.000	11,305	XXX	
026874107	American Int'l Group Inc.	12/16/2003	The Swarthmore Group	200.000	12,132	XXX	
172967101	CitiGroup Inc.	12/16/2003	The Swarthmore Group	350.000	16,765	XXX	
524908100	Lehman Bros. Holdings Inc.	12/16/2003	The Swarthmore Group	150.000	10,832	XXX	
534187109	Lincoln National Corp.	12/16/2003	The Swarthmore Group	300.000	12,057	XXX	
026874107	American Int'l Group Inc.	12/17/2003	The Swarthmore Group	200.000	12,444	XXX	
172967101	CitiGroup Inc.	12/19/2003	The Swarthmore Group	250.000	11,983	XXX	
949746101	Wells Fargo & Co.	12/19/2003	The Swarthmore Group	100.000	5,704	XXX	
524908100	Lehman Bros. Holdings Inc.	12/22/2003	The Swarthmore Group	450.000	33,046	XXX	
524908100	Lehman Bros. Holdings Inc.	12/23/2003	The Swarthmore Group	400.000	29,165	XXX	
6799999 Subtotal - Common Stocks - Banks, Trust and Insurance Companies (Unaffiliated)					1,012,162	XXX	
Common Stocks - Industrial and Miscellaneous (Unaffiliated)							
299908798	Evergreen High Yield	02/03/2003	The Swarthmore Group	221,483.942	2,000,000	XXX	
299908798	Evergreen High Yield	02/05/2003	The Swarthmore Group	23.576	212	XXX	
216640102	Cooper Cameron Corporation	02/06/2003	The Swarthmore Group	400.000	19,379	XXX	
247025109	Dell Computer Corporation	02/06/2003	The Swarthmore Group	550.000	13,203	XXX	
311900104	Fastenal Company	02/06/2003	The Swarthmore Group	600.000	19,945	XXX	
594918104	MicroSoft Corporation	02/06/2003	The Swarthmore Group	1,000.000	24,566	XXX	
681919106	OmniCom Group	02/06/2003	The Swarthmore Group	450.000	26,960	XXX	
717081103	Pfizer Inc.	02/06/2003	The Swarthmore Group	600.000	19,277	XXX	
17275R102	Cisco Systems Inc.	02/06/2003	The Swarthmore Group	1,550.000	20,383	XXX	
247025109	Dell Computer Corporation	02/07/2003	The Swarthmore Group	600.000	14,322	XXX	
311900104	Fastenal Company	02/07/2003	The Swarthmore Group	300.000	9,756	XXX	
580645109	McGraw Hill Cos. Inc.	02/07/2003	The Swarthmore Group	350.000	20,118	XXX	
681919106	OmniCom Group	02/07/2003	The Swarthmore Group	200.000	11,428	XXX	
717081103	Pfizer Inc.	02/07/2003	The Swarthmore Group	700.000	20,839	XXX	
724479100	Pitney Bowes Inc.	02/07/2003	The Swarthmore Group	500.000	16,275	XXX	
925524308	Viacom Inc.	02/07/2003	The Swarthmore Group	550.000	20,394	XXX	
585055106	Medtronic Inc.	02/07/2003	The Swarthmore Group	600.000	26,444	XXX	
594918104	MicroSoft Corporation	02/10/2003	The Swarthmore Group	1,800.000	42,993	XXX	
713448108	Pepsi Co.Inc.	02/10/2003	The Swarthmore Group	500.000	20,730	XXX	
71713U102	Pharmacia Corporation	02/10/2003	The Swarthmore Group	500.000	20,510	XXX	
863667101	Stryker Corporation	02/10/2003	The Swarthmore Group	300.000	18,711	XXX	
931142103	Walmart Stores Inc.	02/10/2003	The Swarthmore Group	750.000	35,404	XXX	
319963104	First Data Corporation	02/10/2003	The Swarthmore Group	800.000	27,248	XXX	
459200101	Int'l Business Machines Inc.	02/11/2003	The Swarthmore Group	300.000	23,386	XXX	
742718109	Proctor and Gamble Co.	02/11/2003	The Swarthmore Group	250.000	21,720	XXX	
871829107	Sysco Corporation	02/11/2003	The Swarthmore Group	650.000	19,149	XXX	
913017109	United Technologies Corp.	02/11/2003	The Swarthmore Group	400.000	25,920	XXX	
216640102	Cooper Cameron Corporation	02/11/2003	The Swarthmore Group	400.000	20,004	XXX	
263534109	Du Pont E I De Nemours & Co.	02/13/2003	The Swarthmore Group	500.000	18,440	XXX	
307000109	Family Dollar Stores Inc.	02/13/2003	The Swarthmore Group	900.000	26,504	XXX	
450911102	ITT Industries Inc.	02/13/2003	The Swarthmore Group	350.000	19,613	XXX	
913017109	United Technologies Corp.	02/13/2003	The Swarthmore Group	300.000	19,008	XXX	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
713448108	Pepsi Co.Inc.	02/14/2003	The Swarthmore Group	400.000	15,639	XXX	
263534109	Du Pont E I De Nemours & Co.	02/19/2003	The Swarthmore Group	500.000	18,270	XXX	
585055106	Medtronic Inc.	02/19/2003	The Swarthmore Group	900.000	38,763	XXX	
871829107	Sysco Corporation	02/19/2003	The Swarthmore Group	1,050.000	29,645	XXX	
594918104	MicroSoft Corporation	02/20/2003	The Swarthmore Group	1,000.000	23,580	XXX	
724479100	Pitney Bowes Inc.	02/20/2003	The Swarthmore Group	500.000	16,030	XXX	
247025109	Dell Computer Corporation	02/21/2003	The Swarthmore Group	300.000	7,770	XXX	
319963104	First Data Corporation	02/21/2003	The Swarthmore Group	800.000	27,456	XXX	
459200101	Int'l Business Machines Inc.	02/21/2003	The Swarthmore Group	400.000	31,660	XXX	
450911102	ITT Industries Inc.	02/21/2003	The Swarthmore Group	350.000	20,059	XXX	
863667101	Stryker Corporation	02/21/2003	The Swarthmore Group	300.000	18,816	XXX	
311900104	Fastenal Company	02/24/2003	The Swarthmore Group	250.000	8,123	XXX	
369604103	General Electric Company	02/24/2003	The Swarthmore Group	1,750.000	40,408	XXX	
594918104	MicroSoft Corporation	02/24/2003	The Swarthmore Group	800.000	19,512	XXX	
717081103	Pfizer Inc.	02/24/2003	The Swarthmore Group	700.000	20,496	XXX	
724479100	Pitney Bowes Inc.	02/24/2003	The Swarthmore Group	400.000	12,844	XXX	
742718109	Proctor and Gamble Co.	02/24/2003	The Swarthmore Group	250.000	20,968	XXX	
166764100	Chevron Texaco Corp.	02/25/2003	The Swarthmore Group	300.000	19,200	XXX	
307000109	Family Dollar Stores Inc.	02/25/2003	The Swarthmore Group	900.000	25,720	XXX	
369604103	General Electric Company	02/25/2003	The Swarthmore Group	1,750.000	41,055	XXX	
71713U102	Pharmacia Corporation	02/25/2003	The Swarthmore Group	500.000	19,710	XXX	
913017109	United Technologies Corp.	02/25/2003	The Swarthmore Group	200.000	12,152	XXX	
17275R102	Cisco System Inc.	02/27/2003	The Swarthmore Group	1,100.000	16,005	XXX	
594918104	MicroSoft Corporation	02/27/2003	The Swarthmore Group	800.000	19,288	XXX	
717081103	Pfizer Inc.	02/27/2003	The Swarthmore Group	700.000	20,013	XXX	
742718109	Proctor and Gamble Co.	02/27/2003	The Swarthmore Group	200.000	16,632	XXX	
166764100	Chevron Texaco Corp.	02/28/2003	The Swarthmore Group	300.000	19,482	XXX	
17275R102	Cisco System Inc.	02/28/2003	The Swarthmore Group	850.000	11,815	XXX	
585055106	Medtronic Inc.	02/28/2003	The Swarthmore Group	300.000	13,188	XXX	
681919106	OmniCom Group	02/28/2003	The Swarthmore Group	350.000	19,506	XXX	
931142103	Walmart Stores Inc.	02/28/2003	The Swarthmore Group	900.000	43,002	XXX	
319963104	First Data Corporation	03/03/2003	The Swarthmore Group	250.000	8,538	XXX	
369604103	General Electric Company	03/03/2003	The Swarthmore Group	700.000	16,450	XXX	
458140100	Intel Corporation	03/03/2003	The Swarthmore Group	1,200.000	19,488	XXX	
580645109	McGraw Hill Cos. Inc.	03/03/2003	The Swarthmore Group	350.000	19,299	XXX	
724479100	Pitney Bowes Inc.	03/03/2003	The Swarthmore Group	250.000	7,725	XXX	
925524308	Viacom Inc.	03/03/2003	The Swarthmore Group	550.000	19,923	XXX	
299908798	Evergreen High Yield	03/04/2003	The Swarthmore Group	1,294.872	11,731	XXX	
307000109	Family Dollar Stores Inc.	03/04/2003	The Swarthmore Group	850.000	24,463	XXX	
369604103	General Electric Company	03/04/2003	The Swarthmore Group	400.000	9,580	XXX	
458140100	Intel Corporation	03/04/2003	The Swarthmore Group	1,200.000	20,040	XXX	
580645109	McGraw Hill Cos. Inc.	03/04/2003	The Swarthmore Group	150.000	8,334	XXX	
931142103	Wal-mart Stores Inc.	03/04/2003	The Swarthmore Group	500.000	24,030	XXX	
925524308	Viacom Inc.	03/05/2003	The Swarthmore Group	600.000	22,278	XXX	
17275R102	Cisco Systems Inc.	03/06/2003	The Swarthmore Group	250.000	3,485	XXX	
931142103	Wal-mart Stores Inc.	03/06/2003	The Swarthmore Group	250.000	12,028	XXX	
458140100	Intel Corporation	03/11/2003	The Swarthmore Group	600.000	10,122	XXX	
459200101	Int'l Business Machines Inc.	03/11/2003	The Swarthmore Group	150.000	11,612	XXX	
742718109	Proctor and Gamble Co.	03/14/2003	The Swarthmore Group	100.000	8,043	XXX	
263534109	Du Pont E I De Nemours & Co.	03/20/2003	The Swarthmore Group	100.000	3,775	XXX	
263534109	Du Pont E I De Nemours & Co.	03/24/2003	The Swarthmore Group	250.000	9,878	XXX	
863667101	Stryker Corporation	03/31/2003	The Swarthmore Group	100.000	6,820	XXX	
299908798	Evergreen High Yield	04/02/2003	The Swarthmore Group	1,366.736	12,491	XXX	
369604103	General Electric Co.	04/04/2003	The Swarthmore Group	450.000	11,669	XXX	
319963104	First Data Corporation	04/07/2003	The Swarthmore Group	200.000	6,736	XXX	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
031162100	Amgen Inc.	04/21/2003	The Swarthmore Group	150.000	8,924	XXX	
031162100	Amgen Inc.	04/21/2003	The Swarthmore Group	250.000	14,935	XXX	
031162100	Amgen Inc.	04/24/2003	The Swarthmore Group	150.000	9,032	XXX	
031162100	Amgen Inc.	04/28/2003	The Swarthmore Group	250.000	15,740	XXX	
184502102	Clear Channel Communications	05/01/2003	The Swarthmore Group	450.000	17,060	XXX	
450911102	ITT Industries Inc.	05/01/2003	The Swarthmore Group	150.000	8,505	XXX	
184502102	Clear Channel Communications	05/02/2003	The Swarthmore Group	150.000	5,637	XXX	
184502102	Clear Channel Communications	05/02/2003	The Swarthmore Group	300.000	11,538	XXX	
299908798	Evergreen High Yield	05/02/2003	The Swarthmore Group	1,353.988	12,659	XXX	
184502102	Clear Channel Communications	05/08/2003	The Swarthmore Group	200.000	7,893	XXX	
184502102	Clear Channel Communications	05/12/2003	The Swarthmore Group	250.000	9,736	XXX	
299908798	Evergreen High Yield	05/16/2003	The Swarthmore Group	107,181.136	1,000,000	XXX	
450911102	ITT Industries Inc.	05/23/2003	The Swarthmore Group	200.000	12,514	XXX	
031162100	Amgen Inc.	06/02/2003	The Swarthmore Group	250.000	15,970	XXX	
74144T108	T. Rowe Price Group Inc.	06/02/2003	The Swarthmore Group	650.000	22,043	XXX	
299908798	Evergreen High Yield	06/04/2003	The Swarthmore Group	1,839.490	17,014	XXX	
74144T108	T. Rowe Price Group Inc.	06/04/2003	The Swarthmore Group	250.000	8,805	XXX	
74144T108	T. Rowe Price Group Inc.	06/06/2003	The Swarthmore Group	150.000	5,469	XXX	
74144T108	T. Rowe Price Group Inc.	06/11/2003	The Swarthmore Group	350.000	13,531	XXX	
299908798	Evergreen High Yield	07/02/2003	The Swarthmore Group	1,990.849	18,673	XXX	
74144T108	T. Rowe Price Group	07/07/2003	The Swarthmore Group	500.000	18,840	XXX	
00724F101	Adobe Systems Inc.	07/08/2003	The Swarthmore Group	50.000	1,695	XXX	
00724F101	Adobe Systems Inc.	07/08/2003	The Swarthmore Group	800.000	26,842	XXX	
00724F101	Adobe Systems Inc.	07/09/2003	The Swarthmore Group	400.000	13,624	XXX	
942683103	Watson Pharmaceuticals	07/15/2003	The Swarthmore Group	550.000	22,842	XXX	
942683103	Watson Pharmaceuticals	07/16/2003	The Swarthmore Group	350.000	14,522	XXX	
184502102	Clear Channel Communications	07/18/2003	The Swarthmore Group	250.000	10,876	XXX	
925524308	Viacom Inc. Cl B	07/18/2003	The Swarthmore Group	100.000	4,502	XXX	
942683103	Watson Pharmaceuticals	07/18/2003	The Swarthmore Group	350.000	14,329	XXX	
74144T108	T. Rowe Price Group	07/23/2003	The Swarthmore Group	450.000	17,767	XXX	
942683103	Watson Pharmaceuticals	07/30/2003	The Swarthmore Group	200.000	8,138	XXX	
871829107	Sysco Corporation	07/31/2003	The Swarthmore Group	250.000	7,626	XXX	
184502102	Clear Channel Communications	08/04/2003	The Swarthmore Group	200.000	8,090	XXX	
299908798	Evergreen High Yield	08/04/2003	The Swarthmore Group	2,178.488	20,085	XXX	
311900104	Fastenal Company	08/05/2003	The Swarthmore Group	50.000	1,929	XXX	
00724F101	Adobe Systems Inc.	08/11/2003	The Swarthmore Group	150.000	4,766	XXX	
863667101	Stryker Corporation	08/14/2003	The Swarthmore Group	200.000	15,109	XXX	
244199105	Deere & Company	08/18/2003	The Swarthmore Group	250.000	13,756	XXX	
244199105	Deere & Company	08/19/2003	The Swarthmore Group	250.000	13,862	XXX	
244199105	Deere & Company	08/20/2003	The Swarthmore Group	150.000	8,240	XXX	
244199105	Deere & Company	08/21/2003	The Swarthmore Group	250.000	13,995	XXX	
244199105	Deere & Company	08/25/2003	The Swarthmore Group	200.000	11,405	XXX	
299908798	Evergreen High Yield	08/27/2003	The Swarthmore Group	32,644.176	300,000	XXX	
855030102	Staples Inc.	08/27/2003	The Swarthmore Group	950.000	22,833	XXX	
855030102	Staples Inc.	08/27/2003	The Swarthmore Group	650.000	15,317	XXX	
464287200	I Shares S&P 500 Index	08/28/2003	The Swarthmore Group	500.000	49,895	XXX	
299908798	Evergreen High Yield	09/02/2003	The Swarthmore Group	2,312.222	21,341	XXX	
855030102	Staples Inc.	09/05/2003	The Swarthmore Group	600.000	14,785	XXX	
855030102	Staples Inc.	09/08/2003	The Swarthmore Group	(950.000)	(22,833)	XXX	
855030102	Staples Inc.	09/08/2003	The Swarthmore Group	950.000	22,845	XXX	
855030102	Staples Inc.	09/08/2003	The Swarthmore Group	500.000	12,289	XXX	
244199105	Deere & Company	09/09/2003	The Swarthmore Group	300.000	16,563	XXX	
478366107	Johnson Controls Company	09/09/2003	The Swarthmore Group	250.000	24,905	XXX	
478366107	Johnson Controls Company	09/10/2003	The Swarthmore Group	150.000	14,997	XXX	
032654105	Analog Devices Inc.	09/11/2003	The Swarthmore Group	750.000	31,920	XXX	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
263534109	Du Pont E I De Nemours & Co.	09/11/2003	The Swarthmore Group	350.000	15,834	XXX	
478366107	Johnson Controls Company	09/11/2003	The Swarthmore Group	150.000	15,084	XXX	
580645109	Mc Graw Hill Companies Inc.	09/11/2003	The Swarthmore Group	150.000	9,249	XXX	
855030102	Staples Inc.	09/11/2003	The Swarthmore Group	550.000	13,023	XXX	
032654105	Analog Devices Inc.	09/12/2003	The Swarthmore Group	500.000	21,071	XXX	
478366107	Johnson Controls Company	09/15/2003	The Swarthmore Group	150.000	14,835	XXX	
032654105	Analog Devices Inc.	09/17/2003	The Swarthmore Group	250.000	10,170	XXX	
032654105	Analog Devices Inc.	09/24/2003	The Swarthmore Group	400.000	16,572	XXX	
871829107	Sysco Corporation	09/26/2003	The Swarthmore Group	450.000	15,309	XXX	
299908798	Evergreen High Yield	10/01/2003	The Swarthmore Group	2,237.853	20,945	XXX	
94973H108	Wellpoint Health Networks Inc.	10/08/2003	The Swarthmore Group	650.000	52,678	XXX	
94973H108	Wellpoint Health Networks Inc.	10/09/2003	The Swarthmore Group	300.000	23,934	XXX	
747525103	Qualcomm Inc.	10/16/2003	The Swarthmore Group	850.000	37,313	XXX	
747525103	Qualcomm Inc.	10/16/2003	The Swarthmore Group	550.000	24,811	XXX	
913017109	United Technologies Corp.	10/16/2003	The Swarthmore Group	300.000	24,904	XXX	
94973H108	Wellpoint Health Networks Inc.	10/16/2003	The Swarthmore Group	150.000	12,103	XXX	
747525103	Qualcomm Inc.	10/17/2003	The Swarthmore Group	550.000	24,639	XXX	
871829107	Sysco Corporation	10/20/2003	The Swarthmore Group	400.000	13,398	XXX	
747525103	Qualcomm Inc.	10/21/2003	The Swarthmore Group	250.000	11,103	XXX	
17275R102	Cisco System Inc.	10/22/2003	The Swarthmore Group	250.000	5,218	XXX	
244199105	Deere & Co.	10/22/2003	The Swarthmore Group	100.000	5,722	XXX	
863667101	Stryker Corporation	10/22/2003	The Swarthmore Group	150.000	11,913	XXX	
94973H108	Wellpoint Health Networks Inc.	10/24/2003	The Swarthmore Group	200.000	16,740	XXX	
863667101	Stryker Corporation	10/29/2003	The Swarthmore Group	100.000	8,140	XXX	
299908798	Evergreen High Yield	11/03/2003	The Swarthmore Group	2,521.252	23,825	XXX	
758110100	Reebok International	11/03/2003	The Swarthmore Group	550.000	21,469	XXX	
758110100	Reebok International	11/04/2003	The Swarthmore Group	250.000	9,789	XXX	
758110100	Reebok International	11/06/2003	The Swarthmore Group	250.000	9,802	XXX	
758110100	Reebok International	11/07/2003	The Swarthmore Group	300.000	11,837	XXX	
00724F101	Adobe Systems Inc.	11/12/2003	The Swarthmore Group	200.000	9,092	XXX	
244199105	Deere & Co.	11/14/2003	The Swarthmore Group	200.000	12,073	XXX	
580645109	McGraw Hill Companies	11/20/2003	The Swarthmore Group	200.000	13,462	XXX	
855030102	Staples Inc.	11/20/2003	The Swarthmore Group	850.000	21,947	XXX	
478366107	Johnson Controls Co.	11/21/2003	The Swarthmore Group	150.000	15,729	XXX	
742718109	Proctor and Gamble Co.	11/21/2003	The Swarthmore Group	250.000	24,153	XXX	
263534109	Du Pont E I De Nemours	11/24/2003	The Swarthmore Group	500.000	19,805	XXX	
942683103	Watson Pharmaceuticals Inc.	11/24/2003	The Swarthmore Group	450.000	20,369	XXX	
032654105	Analog Devices Inc.	11/26/2003	The Swarthmore Group	300.000	14,098	XXX	
871829107	Sysco Corporation	11/26/2003	The Swarthmore Group	250.000	8,767	XXX	
00724F101	Adobe Systems Inc.	11/28/2003	The Swarthmore Group	650.000	26,559	XXX	
713448108	Pepsi Co. Inc.	11/28/2003	The Swarthmore Group	1,050.000	50,322	XXX	
00724F101	Adobe Systems Inc.	12/01/2003	The Swarthmore Group	300.000	12,306	XXX	
263534109	Du Pont E I De Nemours	12/01/2003	The Swarthmore Group	500.000	20,213	XXX	
299908798	Evergreen High Yield	12/01/2003	The Swarthmore Group	2,126.918	20,141	XXX	
681919106	Omnicom Group	12/01/2003	The Swarthmore Group	300.000	23,896	XXX	
747525103	Qualcomm Inc.	12/01/2003	The Swarthmore Group	200.000	9,062	XXX	
863667101	Stryker Corporation	12/01/2003	The Swarthmore Group	200.000	16,146	XXX	
913017109	United Technologies Corp.	12/01/2003	The Swarthmore Group	250.000	21,320	XXX	
032654105	Analog Devices Inc.	12/02/2003	The Swarthmore Group	200.000	9,801	XXX	
184502102	Clear Channel Communications	12/02/2003	The Swarthmore Group	700.000	29,301	XXX	
244199105	Deere & Co.	12/02/2003	The Swarthmore Group	200.000	12,236	XXX	
247025109	Dell Inc.	12/02/2003	The Swarthmore Group	400.000	13,692	XXX	
307000109	Family Dollar Stores Inc.	12/02/2003	The Swarthmore Group	650.000	25,017	XXX	
311900104	Fastenal Co.	12/02/2003	The Swarthmore Group	300.000	14,863	XXX	
450911102	ITT Industries Inc.	12/02/2003	The Swarthmore Group	200.000	13,167	XXX	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
580645109	McGraw Hill Companies	12/02/2003	The Swarthmore Group	50.000	3,449	XXX	
724479100	Pitney Bowes Inc.	12/02/2003	The Swarthmore Group	450.000	17,828	XXX	
758110100	Reebok International	12/02/2003	The Swarthmore Group	250.000	9,948	XXX	
913017109	United Technologies Corp.	12/02/2003	The Swarthmore Group	150.000	12,821	XXX	
925524308	Viacom Inc.	12/02/2003	The Swarthmore Group	150.000	5,994	XXX	
17275R102	Cisco System Inc.	12/04/2003	The Swarthmore Group	450.000	10,364	XXX	
458140100	Intel Corporation	12/04/2003	The Swarthmore Group	300.000	10,203	XXX	
747525103	Qualcomm Inc.	12/04/2003	The Swarthmore Group	200.000	9,102	XXX	
166764100	Chevron Texaco Corp.	12/05/2003	The Swarthmore Group	2,400.000	182,962	XXX	
263534109	Du Pont E I De Nemours	12/05/2003	The Swarthmore Group	550.000	23,396	XXX	
717081103	Pfizer Inc.	12/08/2003	The Swarthmore Group	2,700.000	92,795	XXX	
299908798	Evergreen High Yield	12/10/2003	The Swarthmore Group	54,917.975	524,790	XXX	
031162100	Amgen Inc.	12/11/2003	The Swarthmore Group	100.000	5,756	XXX	
311900104	Fastenal Co.	12/11/2003	The Swarthmore Group	100.000	4,784	XXX	
580645109	McGraw Hill Companies	12/11/2003	The Swarthmore Group	50.000	4,585	XXX	
742718109	Proctor and Gamble Co.	12/11/2003	The Swarthmore Group	50.000	4,828	XXX	
863667101	Stryker Corporation	12/11/2003	The Swarthmore Group	150.000	12,407	XXX	
871829107	Sysco Corporation	12/11/2003	The Swarthmore Group	300.000	10,841	XXX	
925524308	Viacom Inc.	12/11/2003	The Swarthmore Group	150.000	5,859	XXX	
031162100	Amgen Inc.	12/11/2003	The Swarthmore Group	200.000	11,602	XXX	
263534109	Du Pont E I De Nemours	12/12/2003	The Swarthmore Group	450.000	19,823	XXX	
450911102	ITT Industries Inc.	12/12/2003	The Swarthmore Group	175.000	12,087	XXX	
717081103	Pfizer Inc.	12/12/2003	The Swarthmore Group	850.000	29,240	XXX	
742718109	Proctor and Gamble Co.	12/12/2003	The Swarthmore Group	200.000	19,298	XXX	
871829107	Sysco Corporation	12/12/2003	The Swarthmore Group	500.000	17,934	XXX	
00724F101	Adobe Systems Inc.	12/12/2003	The Swarthmore Group	300.000	11,622	XXX	
184502102	Clear Channel Communications	12/15/2003	The Swarthmore Group	150.000	6,624	XXX	
311900104	Fastenal Co.	12/15/2003	The Swarthmore Group	250.000	12,068	XXX	
478366107	Johnson Controls Co.	12/15/2003	The Swarthmore Group	100.000	11,059	XXX	
681919106	Omnicom Group	12/15/2003	The Swarthmore Group	150.000	12,465	XXX	
724479100	Pitney Bowes Inc.	12/15/2003	The Swarthmore Group	300.000	11,640	XXX	
758110100	Reebok International	12/15/2003	The Swarthmore Group	300.000	11,376	XXX	
913017109	United Technologies Corp.	12/15/2003	The Swarthmore Group	150.000	13,281	XXX	
942683103	Watson Pharmaceuticals Inc.	12/15/2003	The Swarthmore Group	250.000	11,750	XXX	
00724F101	Adobe Systems Inc.	12/15/2003	The Swarthmore Group	450.000	17,537	XXX	
166764100	Chevron Texaco Corp.	12/16/2003	The Swarthmore Group	250.000	11,829	XXX	
184502102	Clear Channel Communications	12/16/2003	The Swarthmore Group	100.000	4,423	XXX	
244199105	Deere & Co.	12/16/2003	The Swarthmore Group	200.000	12,412	XXX	
247025109	Dell Inc.	12/16/2003	The Swarthmore Group	350.000	11,816	XXX	
311900104	Fastenal Co.	12/16/2003	The Swarthmore Group	250.000	12,480	XXX	
319963104	First Data Corp.	12/16/2003	The Swarthmore Group	150.000	6,430	XXX	
459200101	Int'l Business Machines Inc.	12/16/2003	The Swarthmore Group	200.000	18,522	XXX	
478366107	Johnson Controls Co.	12/16/2003	The Swarthmore Group	100.000	11,009	XXX	
585055106	Medtronic Inc.	12/16/2003	The Swarthmore Group	250.000	12,005	XXX	
855030102	Staples Inc.	12/16/2003	The Swarthmore Group	450.000	11,808	XXX	
863667101	Stryker Corporation	12/16/2003	The Swarthmore Group	150.000	12,194	XXX	
74144T108	T Rowe Price Group Inc.	12/16/2003	The Swarthmore Group	400.000	17,256	XXX	
942683103	Watson Pharmaceuticals Inc.	12/16/2003	The Swarthmore Group	100.000	4,376	XXX	
009158106	Air Products & Chemicals Inc.	12/16/2003	The Swarthmore Group	1,150.000	59,596	XXX	
031162100	Amgen Inc.	12/17/2003	The Swarthmore Group	200.000	11,790	XXX	
17275R102	Cisco System Inc.	12/17/2003	The Swarthmore Group	500.000	11,940	XXX	
681919106	Omnicom Group	12/17/2003	The Swarthmore Group	150.000	12,633	XXX	
009158106	Air Products & Chemicals Inc.	12/17/2003	The Swarthmore Group	1,150.000	59,910	XXX	
032654105	Analog Devices Inc.	12/18/2003	The Swarthmore Group	250.000	11,903	XXX	
713448108	Pepsi Co. Inc.	12/18/2003	The Swarthmore Group	250.000	11,780	XXX	

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends
913017109	United Technologies Corp.	12/18/2003	The Swarthmore Group	200.000	18,472	XXX	
369604103	General Electric Co.	12/19/2003	The Swarthmore Group	400.000	12,332	XXX	
031162100	Amgen Inc.	12/29/2003	The Swarthmore Group	150.000	9,257	XXX	
594918104	MicroSoft Corporation	12/29/2003	The Swarthmore Group	450.000	12,252	XXX	
6899999 Subtotal - Common Stocks - Industrial and Miscellaneous (Unaffiliated)					8,191,071	XXX	
7099997 Subtotal - Common Stocks - Part 3					9,264,767	XXX	
7099998 Summary Item from Part 5 for Common Stocks					20,401,970	XXX	
7099999 Subtotal - Common Stocks					29,666,737	XXX	
7199999 Subtotal - Preferred and Common Stocks					29,666,737	XXX	
7299999 Totals					29,799,071	XXX	511

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
6099998 Summary Item from Part 5 for Bonds															XXX
6599998 Summary Item from Part 5 for Preferred Stocks						XXX								XXX	
7099998 Summary Item from Part 5 for Common Stocks					20,927,087	XXX	20,401,970	20,401,970				525,119	525,119	XXX	16,06
7199999 Subtotal - Preferred and Common Stocks					20,927,087	XXX	20,401,970	20,401,970				525,119	525,119	XXX	16,06
7299999 Totals					20,927,087	XXX	20,401,970	20,401,970				525,119	525,119		16,06

SCHEDULE D - PART 5

Showing All Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Disposal Date	6 Name of Purchaser	7 Par Value (Bonds) or Number of Shares (Stocks)	8 Actual Cost	9 Consideration	10 Book/Adjusted Carrying Value at Disposal Date	11 Increase (Decrease) by Adjustment	12 Increase (Decrease) by Foreign Exchange Adjustment	13 Foreign Exchange Gain (Loss) on Disposal	14 Realized Gain (Loss) on Disposal	15 Total Gain (Loss) on Disposal	16 Interest and Dividends Received During Year	17 Paid For Accrued Interest and Dividends
Common Stocks - Public Utilities																
172474108	Cinergy Corporation	07/14/2003	The Swarthmore Group	05/08/2003	The Swarthmore Group	50.000	1,556	1,709	1,556				153	153	598	
842587107	Southern Company	02/24/2003	The Swarthmore Group	05/09/2003	The Swarthmore Group	500.000	14,146	14,307	14,146				161	161	685	
842587107	Southern Company	02/27/2003	The Swarthmore Group	07/14/2003	The Swarthmore Group	1,500.000	42,439	44,475	42,439				2,036	2,036		
78387G103	SBC Communications Inc.	02/13/2003	The Swarthmore Group	08/25/2003	The Swarthmore Group	1,750.000	41,549	41,683	41,549				134	134		
172474108	Cinergy Corporation	07/14/2003	The Swarthmore Group	09/11/2003	The Swarthmore Group	500.000	16,654	17,636	16,654				982	982	1,150	
172474108	Cinergy Corp.	02/14/2003	The Swarthmore Group	12/17/2003	The Swarthmore Group	900.000	29,977	33,810	29,977				3,833	3,833	920	
172474108	Cinergy Corp.	02/25/2003	The Swarthmore Group	12/18/2003	The Swarthmore Group	1,100.000	36,639	41,438	36,639				4,799	4,799		
6699999 Subtotal - Common Stocks - Public Utilities							182,960	195,058	182,960				12,098	12,098	3,353	
Common Stocks - Banks, Trust and Insurance Companies																
026874107	American Int'l Group	02/28/2003	The Swarthmore Group	07/07/2003	The Swarthmore Group	300.000	15,074	16,334	15,074				1,260	1,260	85	
060505104	Bank of America Corp.	02/10/2003	The Swarthmore Group	07/21/2003	The Swarthmore Group	100.000	6,884	8,244	6,884				1,360	1,360	840	
172967101	CitiGroup Inc.	02/07/2003	The Swarthmore Group	07/23/2003	The Swarthmore Group	300.000	9,930	13,451	9,930				3,521	3,521	928	
060505104	Bank of America Corp.	02/24/2003	The Swarthmore Group	07/24/2003	The Swarthmore Group	150.000	10,326	12,353	10,326				2,027	2,027		
949746101	Wells Fargo & Co.	02/06/2003	The Swarthmore Group	07/24/2003	The Swarthmore Group	250.000	11,633	12,674	11,633				1,041	1,041	608	
949746101	Wells Fargo & Co.	02/10/2003	The Swarthmore Group	08/22/2003	The Swarthmore Group	250.000	11,633	12,632	11,633				999	999		
060505104	Bank of America Corp.	03/03/2003	The Swarthmore Group	09/12/2003	The Swarthmore Group	50.000	3,442	3,812	3,442				370	370		
060505104	Bank of America Corp.	03/14/2003	The Swarthmore Group	09/15/2003	The Swarthmore Group	100.000	6,884	7,504	6,884				620	620		
949746101	Wells Fargo & Co.	02/28/2003	The Swarthmore Group	09/23/2003	The Swarthmore Group	100.000	4,653	5,093	4,653				440	440		
571748102	Marsh & McLennan Companies	02/25/2003	The Swarthmore Group	09/30/2003	The Swarthmore Group	450.000	19,067	21,783	19,067				2,716	2,716	589	
160903100	Charter One Financial Inc.	07/25/2003	The Swarthmore Group	10/02/2003	The Swarthmore Group	2,400.000	71,272	73,441	71,272				2,169	2,169		
571748102	Marsh & McLennan Co.	02/06/2003	The Swarthmore Group	10/02/2003	The Swarthmore Group	450.000	19,067	21,714	19,067				2,647	2,647		
571748102	Marsh & McLennan Co.	02/06/2003	The Swarthmore Group	10/03/2003	The Swarthmore Group	500.000	21,186	23,871	21,186				2,685	2,685		
571748102	Marsh & McLennan Co.	02/07/2003	The Swarthmore Group	10/06/2003	The Swarthmore Group	500.000	21,186	23,938	21,186				2,752	2,752		
78442P106	SLM Corporation	03/05/2003	The Swarthmore Group	11/21/2003	The Swarthmore Group	1,550.000	56,782	57,273	56,782				491	491		
060505104	Bank of America Corp.	03/14/2003	The Swarthmore Group	11/26/2003	The Swarthmore Group	900.000	61,955	66,453	61,955				4,498	4,498		
032165102	AmSouth Bancorp	03/03/2003	The Swarthmore Group	11/28/2003	The Swarthmore Group	1,350.000	27,632	32,217	27,632				4,585	4,585	552	
032165102	AmSouth Bancorp	03/04/2003	The Swarthmore Group	12/01/2003	The Swarthmore Group	1,050.000	21,492	25,164	21,492				3,672	3,672		
6799999 Subtotal - Common Stocks - Banks, Trust and Insurance Companies							400,098	437,951	400,098				37,853	37,853	3,602	
Common Stocks - Industrial and Miscellaneous																
85590A203	Starwood Hotels and Rsts.	03/03/2003	The Swarthmore Group	04/14/2003	The Swarthmore Group	1,800.000	40,149	44,863	40,149				4,714	4,714		
742718109	Proctor & Gamble Co.	02/10/2003	The Swarthmore Group	04/28/2003	The Swarthmore Group	100.000	8,420	9,058	8,420				638	638	513	
871503108	Symantec Corporation	02/20/2003	The Swarthmore Group	04/30/2003	The Swarthmore Group	150.000	6,534	6,440	6,534				(94)	(94)		
032654105	Analog Devices Inc.	09/11/2003	The Swarthmore Group	05/02/2003	The Swarthmore Group	200.000	4,960	6,648	4,960				1,688	1,688		
459200101	Int'l Business Machines Inc.	02/11/2003	The Swarthmore Group	05/12/2003	The Swarthmore Group	100.000	7,842	8,718	7,842				876	876	152	
580645109	Mc Graw Hill Cos. Inc.	02/07/2003	The Swarthmore Group	05/12/2003	The Swarthmore Group	100.000	5,618	5,667	5,618				49	49	297	
693390700	Pimco Total Return Fund	02/03/2003	The Swarthmore Group	05/16/2003	The Swarthmore Group	91,074.681	972,796	1,000,000	972,796				27,204	27,204		
30231G102	Exxon Mobil Corporation	02/28/2003	The Swarthmore Group	05/23/2003	The Swarthmore Group	250.000	8,531	8,825	8,531				294	294	1,339	
038222105	Applied Materials Inc.	03/20/2003	The Swarthmore Group	05/28/2003	The Swarthmore Group	1,950.000	23,921	26,794	23,921				2,873	2,873		
594918104	MicroSoft Corporation	02/06/2003	The Swarthmore Group	05/28/2003	The Swarthmore Group	700.000	16,844	16,911	16,844				67	67	384	
962166104	Weyerhaeuser Company	02/14/2003	The Swarthmore Group	05/30/2003	The Swarthmore Group	1,050.000	52,122	52,214	52,122				92	92	420	
14149Y108	Cardinal Health Inc.	02/14/2003	The Swarthmore Group	06/02/2003	The Swarthmore Group	250.000	14,253	14,234	14,253				(19)	(19)	35	
742718109	Proctor & Gamble Co.	02/11/2003	The Swarthmore Group	06/11/2003	The Swarthmore Group	150.000	12,631	13,608	12,631				977	977		
032654105	Analog Devices Inc.	09/11/2003	The Swarthmore Group	06/16/2003	The Swarthmore Group	200.000	4,960	7,186	4,960				2,226	2,226		
032654105	Analog Devices Inc.	09/12/2003	The Swarthmore Group	06/18/2003	The Swarthmore Group	1,150.000	28,520	39,771	28,520				11,251	11,251		
871503108	Symantec Corporation	03/04/2003	The Swarthmore Group	06/24/2003	The Swarthmore Group	150.000	6,534	7,123	6,534				589	589		
871503108	Symantec Corp.	02/13/2003	The Swarthmore Group	07/06/2003	The Swarthmore Group	1,000.000	43,560	43,256	43,560				(304)	(304)		
742718109	Proctor & Gamble Co.	02/24/2003	The Swarthmore Group	07/11/2003	The Swarthmore Group	150.000	12,631	13,498	12,631				867	867		
717081103	Pfizer Inc.	02/07/2003	The Swarthmore Group	07/15/2003	The Swarthmore Group	700.000	20,632	23,582	20,632				2,950	2,950	615	

SCHEDULE D - PART 5

Showing All Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Disposal Date	6 Name of Purchaser	7 Par Value (Bonds) or Number of Shares (Stocks)	8 Actual Cost	9 Consideration	10 Book/Adjusted Carrying Value at Disposal Date	11 Increase (Decrease) by Adjustment	12 Increase (Decrease) by Foreign Exchange Adjustment	13 Foreign Exchange Gain (Loss) on Disposal	14 Realized Gain (Loss) on Disposal	15 Total Gain (Loss) on Disposal	16 Interest and Dividends Received During Year	17 Paid For Accrued Interest and Dividends
589331107	Merck & Co. Inc.	02/07/2003	The Swarthmore Group	07/16/2003	The Swarthmore Group	250.000	13,512	15,249	13,512				1,737	1,737		
247025109	Dell Inc.	02/06/2003	The Swarthmore Group	07/17/2003	The Swarthmore Group	300.000	7,303	10,149	7,303				2,846	2,846		
478160104	Johnson & Johnson	02/06/2003	The Swarthmore Group	07/17/2003	The Swarthmore Group	500.000	26,177	26,749	26,177				572	572	360	
460146103	Intl Paper Company	05/23/2003	The Swarthmore Group	07/18/2003	The Swarthmore Group	1,200.000	43,567	43,722	43,567				155	155		
478160104	Johnson & Johnson	02/06/2003	The Swarthmore Group	07/22/2003	The Swarthmore Group	250.000	13,088	13,131	13,088				43	43		
589331107	Merck & Co. Inc.	02/07/2003	The Swarthmore Group	07/29/2003	The Swarthmore Group	150.000	8,107	8,679	8,107				572	572	594	
742718109	Proctor & Gamble Co.	02/27/2003	The Swarthmore Group	07/31/2003	The Swarthmore Group	50.000	4,210	4,420	4,210				210	210	387	
30231G102	Exxon Mobil Corp.	02/10/2003	The Swarthmore Group	08/01/2003	The Swarthmore Group	250.000	8,531	8,835	8,531				304	304	938	
247025109	Dell Inc.	02/07/2003	The Swarthmore Group	08/11/2003	The Swarthmore Group	200.000	4,868	6,266	4,868				1,398	1,398		
594918104	MicroSoft Corp.	02/06/2003	The Swarthmore Group	08/13/2003	The Swarthmore Group	300.000	7,219	7,689	7,219				470	470		
247025109	Dell Inc.	02/21/2003	The Swarthmore Group	08/21/2003	The Swarthmore Group	250.000	6,085	8,070	6,085				1,985	1,985		
22160K105	CostCo Wholesale Corp.	02/14/2003	The Swarthmore Group	08/25/2003	The Swarthmore Group	600.000	17,916	18,365	17,916				449	449		
81369Y407	Consumer Select Spdr Fund	06/09/2003	The Swarthmore Group	08/27/2003	The Swarthmore Group	1,850.000	50,654	52,982	50,654				2,328	2,328		
58405U102	Medco Health Solutions	02/19/2003	The Swarthmore Group	08/27/2003	The Swarthmore Group	150.000	3,623	3,808	3,623				185	185		
22160K105	CostCo Wholesale Corp.	03/04/2003	The Swarthmore Group	09/09/2003	The Swarthmore Group	1,500.000	44,790	48,791	44,790				4,001	4,001		
58405U102	Medco Health Solutions	02/19/2003	The Swarthmore Group	09/10/2003	The Swarthmore Group	0.750	18	18	18							
00724F101	Adobe Systems Inc.	07/09/2003	The Swarthmore Group	09/15/2003	The Swarthmore Group	400.000	13,408	14,531	13,408				1,123	1,123		
30231G102	Exxon Mobil Corp.	02/10/2003	The Swarthmore Group	09/24/2003	The Swarthmore Group	100.000	3,412	3,696	3,412				284	284		
931142103	Wal-Mart Stores Inc.	02/10/2003	The Swarthmore Group	09/26/2003	The Swarthmore Group	150.000	7,154	8,619	7,154				1,465	1,465	230	
464287200	I Shares S&P 500 Index	08/28/2003	The Swarthmore Group	10/02/2003	The Swarthmore Group	500.000	49,895	50,153	49,895				258	258		
14149Y108	Cardinal Health Inc.	02/20/2003	The Swarthmore Group	10/09/2003	The Swarthmore Group	700.000	39,908	40,583	39,908				675	675	35	
14149Y108	Cardinal Health Inc.	03/04/2003	The Swarthmore Group	10/09/2003	The Swarthmore Group	450.000	25,655	26,162	25,655				507	507		
585055106	Medtronic Inc.	02/28/2003	The Swarthmore Group	10/16/2003	The Swarthmore Group	300.000	13,066	13,573	13,066				507	507	152	
68389X105	Oracle Corp.	02/07/2003	The Swarthmore Group	10/16/2003	The Swarthmore Group	5,750.000	69,423	70,525	69,423				1,102	1,102		
057224107	Baker Hughes Inc.	02/21/2003	The Swarthmore Group	10/21/2003	The Swarthmore Group	1,300.000	39,052	39,764	39,052				712	712		
464287200	I Shares S&P 500 Index	08/28/2003	The Swarthmore Group	10/21/2003	The Swarthmore Group	500.000	49,895	52,583	49,895				2,688	2,688		
370334104	General Mills Inc.	02/21/2003	The Swarthmore Group	10/31/2003	The Swarthmore Group	900.000	40,419	40,408	40,419				(11)	(11)	248	
319963104	First Data Corp.	02/11/2003	The Swarthmore Group	11/12/2003	The Swarthmore Group	150.000	5,120	5,391	5,120				271	271	41	
075896100	Bed Bath & Beyond Inc.	05/09/2003	The Swarthmore Group	11/20/2003	The Swarthmore Group	1,000.000	40,632	40,726	40,632				94	94		
075896100	Bed Bath & Beyond Inc.	05/12/2003	The Swarthmore Group	11/21/2003	The Swarthmore Group	400.000	16,253	16,410	16,253				157	157		
464287200	I Shares S&P 500 Index	08/28/2003	The Swarthmore Group	11/21/2003	The Swarthmore Group	500.000	49,895	52,393	49,895				2,498	2,498		
535678106	Linear Technology Corp.	03/25/2003	The Swarthmore Group	11/26/2003	The Swarthmore Group	350.000	11,990	14,094	11,990				2,104	2,104	150	
191216100	Coca Cola Company	02/19/2003	The Swarthmore Group	11/28/2003	The Swarthmore Group	1,400.000	56,303	65,105	56,303				8,802	8,802	308	
404119109	HCA Inc.	03/05/2003	The Swarthmore Group	11/28/2003	The Swarthmore Group	1,150.000	47,411	47,868	47,411				457	457	23	
535678106	Linear Technology Corp.	03/31/2003	The Swarthmore Group	11/28/2003	The Swarthmore Group	650.000	22,268	27,000	22,268				4,732	4,732		
589331107	Merck & Co. Inc.	02/21/2003	The Swarthmore Group	12/01/2003	The Swarthmore Group	1,250.000	63,921	51,110	63,921				(12,811)	(12,811)	463	
631100104	Nasdaq 100 Index Stock	06/19/2003	The Swarthmore Group	12/01/2003	The Swarthmore Group	800.000	25,128	28,127	25,128				2,999	2,999		
369550108	General Dynamics Corp.	02/21/2003	The Swarthmore Group	12/02/2003	The Swarthmore Group	900.000	60,251	71,950	60,251				11,699	11,699	288	
437076102	Home Depot Inc.	10/21/2003	The Swarthmore Group	12/02/2003	The Swarthmore Group	2,300.000	59,373	82,890	59,373				23,517	23,517		
50075N104	Kraft Foods Inc.	02/19/2003	The Swarthmore Group	12/02/2003	The Swarthmore Group	1,750.000	55,150	55,223	55,150				73	73		
631100104	Nasdaq 100 Index Stock	06/20/2003	The Swarthmore Group	12/02/2003	The Swarthmore Group	1,500.000	47,115	52,318	47,115				5,203	5,203		
30231G102	Exxon Mobil Corp.	02/25/2003	The Swarthmore Group	12/05/2003	The Swarthmore Group	3,650.000	124,555	132,695	124,555				8,140	8,140	913	
464287200	I Shares S&P 500 Index	08/28/2003	The Swarthmore Group	12/05/2003	The Swarthmore Group	500.000	49,895	53,842	49,895				3,947	3,947		
478160104	Johnson & Johnson Co.	02/14/2003	The Swarthmore Group	12/08/2003	The Swarthmore Group	1,500.000	78,530	73,677	78,530				(4,853)	(4,853)		
666807102	Northrop Grumman Corp.	06/24/2003	The Swarthmore Group	12/11/2003	The Swarthmore Group	550.000	50,986	51,617	50,986				631	631	220	
693390700	Pimco Total Return Fund	02/03/2003	The Swarthmore Group	12/18/2003	The Swarthmore Group	466,853.408	4,992,919	5,000,000	4,992,919				7,081	7,081		
535678106	Linear Technology Corp.	04/04/2003	The Swarthmore Group	12/22/2003	The Swarthmore Group	1,500.000	51,388	58,434	51,388				7,046	7,046		
693390700	Pimco Total Return Fund	02/04/2003	The Swarthmore Group	12/23/2003	The Swarthmore Group	466,417.910	4,988,261	5,000,000	4,988,261				11,739	11,739		
693390700	Pimco Total Return Fund	02/05/2003	The Swarthmore Group	12/29/2003	The Swarthmore Group	682,879.222	7,019,155	7,327,292	7,019,155				308,139	308,139		
6899999 Subtotal - Common Stocks - Industrial and Miscellaneous							19,818,912	20,294,078	19,818,912				475,168	475,168	9,105	
7099998 Subtotal - Common Stocks							20,401,970	20,927,087	20,401,970				525,119	525,119	16,060	
7199999 Subtotal - Preferred and Common Stocks							20,401,970	20,927,087	20,401,970				525,119	525,119	16,060	

SCHEDULE D - PART 5

Showing All Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Disposal Date	6 Name of Purchaser	7 Par Value (Bonds) or Number of Shares (Stocks)	8 Actual Cost	9 Consideration	10 Book/Adjusted Carrying Value at Disposal Date	11 Increase (Decrease) by Adjustment	12 Increase (Decrease) by Foreign Exchange Adjustment	13 Foreign Exchange Gain (Loss) on Disposal	14 Realized Gain (Loss) on Disposal	15 Total Gain (Loss) on Disposal	16 Interest and Dividends Received During Year	17 Paid For Accrued Interest and Dividends
7299999 Totals							20,401,970	20,927,087	20,401,970				525,119	525,119	16,060	

SCHEDULE D - PART 6 - SECTION 1

Valuation of Shares of Subsidiary, Controlled or Affiliated Companies

1	2	3	4	5	6	7	Stock of Such Company Owned by Insurer on Statement Date	
							8	9
CUSIP Identification	Description Name of Subsidiary, Controlled or Affiliated Company	NAIC Company Code or Alien Insurer Identification Number	NAIC Valuation Method (See SVO Purposes and Procedures manual)	Do Insurer's Admitted Assets Include Intangible Assets connected with Holding of Such Company's Stock?	Total Amount of Such Intangible Assets	Book/Adjusted Carrying Value	Number of Shares	% of Outstanding
NONE								
1999999 Total - Preferred and Common Stocks							XXX	XXX

1. Amount of insurer's capital and surplus from the prior period's statutory statement reduced by any admitted EDP, goodwill and net deferred tax assets included therein: $.....
2. Total amount of intangible assets nonadmitted $.....

SCHEDULE D - PART 6 - SECTION 2

1	2	3	4	Stock in Lower-tier Company Owned Indirectly by Insurer on Statement Date	
				5	6
CUSIP Identification	Name of Lower-tier Company	Name of Company Listed in Section 1 Which Controls Lower-tier Company	Total Amount of Intangible Assets Included in Amount Shown in Column 6, Section 1	Number of Shares	% of Outstanding
NONE					
0399999 Total - Preferred and Common Stocks				XXX	XXX

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENT Owned December 31, of Current Year

1	2	3	4	Interest 5	Interest 6	7	8	9	10	11	12	Interest 13	Interest 14	15	16	17
CUSIP Identification	Description	Date Acquired	Name of Vendor	Rate Of	How Paid	Maturity Date	Book/Adjusted Carrying Value	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Par Value	Actual Cost	Amount Due and Accrued Dec. 31, of Current Year on Bond Not in Default	Gross Amount Received	Paid for Accrued Interest	NAIC Designation	Effective Rate of Interest
6099999 Subtotal - Bonds															XXX	XXX
Class One Money Market Mutual Funds																
300237443	Evergreen Treasury Money Market Fund	12/01/2003	Wachovia Bank, N.A.		Mo.	12/31/2004	107,093	530			107,093	56	518		1	
300237443	Evergreen Treasury Money Market Fund	12/01/2003	Wachovia Bank, N.A.		Mo.	12/31/2004	116,461	799			116,461	61	841		1	
300237443	Evergreen Treasury Money Market Fund	12/01/2003	Wachovia Bank, N.A.		Mo.	12/31/2004	116,461	799			116,461	61	841		1	
300237443	Evergreen Treasury Money Market Fund	12/01/2003	Swarthmore Investments		Mo.	12/31/2004	69,434	3,836			69,434		3,836		1	
300237443	Evergreen Treasury Money Market Fund	12/31/2003	Wachovia Bank, N.A.		Mo.	12/31/2004	19,407,000				19,407,000	4,262	31,578		1	
7899999 Subtotal - Class One Money Market Mutual Funds							19,816,449	5,964		XXX	19,816,449	4,440	37,614		XXX	XXX
8099999 Total Short-term Investments							19,816,449	5,964		XXX	19,816,449	4,440	37,614		XXX	XXX

(a) Includes $..... other than accrual of discount and amortization of premium.

E16 Schedule DB - Part A Sn 1 Opt/Cap/Floor Owned - . . . . . NONE

E16 Schedule DB - Part A Sn 2 Opt/Cap/Floor Aquired - . . . . . NONE

E17 Schedule DB - Part A Sn 3 Opt/Cap/Floor Term - . . . . . NONE

E17 Schedule DB - Part B Sn 1 Opt/Cap/Floor In-force - . . . . . NONE

E18 Schedule DB - Part B Sn 2 Opt/Cap/Floor Written - . . . . . NONE

E18 Schedule DB - Part B Sn 3 Opt/Cap/Floor Term - . . . . . NONE

E19 Schedule DB - Part C Sn 1 Col/Swap/Frwrd Open - . . . . . NONE

E19 Schedule DB - Part C Sn 2 Col/Swap/Frwrd Opened - . . . . . NONE

E20 Schedule DB - Part C Sn 3 Col/Swap/Frwrd Term - . . . . . NONE

E20 Schedule DB - Part D Sn 1 Futures Contracts Open - . . . . . NONE

E21 Schedule DB - Part D Sn 2 Futures Contracts Opened - . . . . . NONE

E21 Schedule DB - Part D Sn 3 Futures Contracts Term - . . . . . NONE

E22 Schedule DB - Part E Sn 1 Counterparty Exposure - . . . . . NONE

SCHEDULE DM

For bonds and preferred stocks owned as of December 31, state the aggregate statement (admitted) value, the aggregate fair value, and the aggregate difference, if any, between them.

	1 Statement (Admitted) Value	2 Fair Value (a)	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
1. Bonds	1,306,075	1,322,833	16,758
2. Preferred Stocks			
3. TOTALS	1,306,075	1,322,833	16,758

(a) Amortized or book values shall not be substituted for fair values. Describe the sources or methods utilized in determining the fair values.: Fair values are determined by Wachovia Bank, N.A.

SCHEDULE E - PART 1 - CASH

1 Depository			2 Rate of Interest	3 Amount of Interest Received During Year	4 Amount of Interest Accrued December 31 of Current Year	5 Balance	6
open depositories							
Wachovia Bank, NA				1,491		188,312	XXX
Wachovia Bank, NA						(13,732)	XXX
Wachovia Bank, NA						(65,901)	XXX
Wachovia Bank, NA						102,089	XXX
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			XXX				XXX
0199999 Totals - Open Depositories			XXX	1,491		210,768	XXX
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			XXX				XXX
0299999 Totals - Suspended Depositories			XXX				XXX
0399999 Total Cash On Deposit			XXX	1,491		210,768	XXX
0499999 Cash in Company's Office			XXX	XXX	XXX		XXX
0599999 Total Cash			XXX	1,491		210,768	XXX

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	650,074	4. April	647,205	7. July	603,981	10. October	12,870
2. February	641,654	5. May	637,744	8. August	103,201	11. November	188,417
3. March	638,941	6. June	631,310	9. September	69,467	12. December	210,768

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments owned December 31 of current year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Rate of Interest	5 Maturity	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Gross Investment Income
	NONE						
0199999 Total Cash Equivalents							

SCHEDULE E - PART 3 - SPECIAL DEPOSITS

1 Line Number	2 Type	3 Description of Deposit	4 Where Deposited and Purpose of Deposit	5 Par or Book Value	6 Statement Value (a)	7 Fair Value
Delaware						
DE00001	B	USTNTS - 6% - due 8/15/2004	Wachovia Bank, N.A. - DE RSD for WC	1,160,000	1,173,807	1,190,450
DE00002	O	Evergreen Treasury Money Market Fund - Class I	Wachovia Bank, N.A. - DE RSD for WC	107,093	107,093	107,093
DE00003	O	Evergreen Treasury Money Market Fund - Class I	Wachovia Bank, N.A. - DE RSD for WC	116,461	116,461	116,461
DE00004	O	Evergreen Treasury Money Market Fund - Class I	Wachovia Bank, N.A. - DE RSD for WC	116,461	116,461	116,461
DE99999	Subtotals - Delaware			1,500,015	1,513,822	1,530,465
Pennsylvania						
PA00001	B					
PA99999	Subtotals - Pennsylvania					
South Carolina						
SC00001	B	USTNTS - 4.375% - due 5/15/2007	Wachovia Bank, N.A. - SC RSD for WC	125,000	132,268	132,383
SC99999	Subtotals - South Carolina			125,000	132,268	132,383
XX99999	Subtotals - Special Deposits Not Held for the Benefit Of All Policyholders, Claimants and Creditors of the Company			1,625,015	1,646,090	1,662,848
9999999	Totals			1,625,015	1,646,090	1,662,848

(a) Including $.....340,015 cash and short-term investments as defined in SSAP No.2 of the NAIC Accounting Practices and Procedures Manual.

SC Supplemental Compensation - Officers - ..... NONE

SC Supplemental Compensation - Directors - ..... NONE

SIS-1 SIS Title - ..... NONE

SIS-2 SIS Financial Reporting Stockholders - ..... NONE

SIS-3 SIS Inform. - Management and Directors - ..... NONE

SIS-4 SIS Beneficial Ownership Securities - ..... NONE

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Board of Directors
AmeriHealth Casualty Insurance Company

Statement of Actuarial Opinion

IDENTIFICATION

I, Arthur I. Cohen, am an Associate of the Casualty Actuarial Society, a member of the American Academy of Actuaries, and a Senior Consulting Actuary in the firm of Ernst & Young LLP. I meet the qualification standards of the American Academy of Actuaries for Statements of Opinion for the Property and Casualty Annual Statement. I have been retained to review the December 31, 2003 statutory-basis loss and loss adjustment expense reserves as summarized below and as included in the 2003 statutory-basis Annual Statement of AmeriHealth Casualty Insurance Company (the "Company") as filed with the respective state insurance departments. I was appointed by the Company's Board of Directors on November 21, 2002 to provide this opinion. Those loss and loss adjustment expense reserves are the responsibility of the Company's management; my responsibility is to express an opinion on those loss and loss adjustment expense reserves based on my review.

SCOPE

My review of the Company's loss and loss adjustment expense reserves, as summarized in the following table, included such tests and reviews of the actuarial assumptions, methods, and calculations as I considered necessary in the circumstances and was conducted in accordance with standards and principles established by the Actuarial Standards Board.

Item	Annual Statement Reference	Amount ($000's)
Reserve for unpaid losses, net	Page 3, Line 1	$10,369
Reserve for unpaid loss adjustment expenses, net	Page 3, Line 3	$ 714
Reserve for unpaid losses - direct and assumed	Sch. P-Part 1, Summary Cols. 13 and 15, Totals	$38,561
Reserve for unpaid loss adjustment expenses - direct and assumed	Sch. P-Part 1, Summary Cols. 17, 19, and 21, Totals	$ 3,912
Extended loss and expense reserve	Sch. P Interrogatory # 1, Total	*
Retroactive reinsurance reserve assumed	Page 3, Line 23	*

* These items were left blank in the Company's 2003 Annual Statement.

The foregoing loss and loss adjustment expense reserves include a provision for the following item which was included in my review:

- Discount for the time value of money, included as a reduction to loss and loss expense reserves as reported in Schedule P and on the Liabilities, Surplus, and Other Funds page, Loss and Loss Adjustment Expense lines: nontabular discount of $934,000 and tabular discount of $0.

The Company's management has informed me that it does not provide for anticipated salvage and subrogation or participate in any underwriting pools or associations. Additionally, according to management, the Company has not historically provided coverage that could reasonably be expected to produce material levels of asbestos or environmental liability claims activity and the Company has no exposure to claims made extended reporting coverage options, such as those relating to death, disability or retirement.

I have been informed by the Company's management that it is not aware of any reinsurance contract that either has been or should have been accounted for as retroactive reinsurance or financial reinsurance.

The foregoing loss and loss adjustment expense reserves represent the estimates made by the Company's management for all unpaid losses and related loss adjustment expenses, as of December 31, 2003, gross and net as to reinsurance ceded; considerable uncertainty and variability are inherent in such estimates, and, accordingly, the subsequent development of those reserves may not conform to the assumptions inherent in their determination and, therefore, may vary from the amounts in the foregoing table.

Prior to 2003, the Company had very limited net retention. Because of a change in the Company's reinsurance program in 2003, resulting in a significant increase in net retention, the uncertainty of the Company's estimates of its loss and loss adjustment expense liabilities is increased.

In my review, I have relied on listings and other relevant data, prepared by Lawrence White, Director of Actuarial Services of the Company. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P-Part 1 of the Company's 2003 Annual Statement.

I have been informed by the Company's management that it is not aware of any significant uncollectible reinsurance. In my review, I have requested information from management on uncollectible reinsurance, reviewed the latest available financial ratings of reinsurers by a recognized rating service, and reviewed Schedule F for indications of regulatory actions or reinsurance recoverables on paid losses over 90 days past due. I express no opinion on the financial condition of the Company's reinsurers.

I have reviewed the Company's calculations of the National Association of Insurance Commissioners' Insurance Regulatory Information System tests that relate to the Company's December 31, 2003 loss and loss adjustment expense reserves (Test 10, One Year Reserve Development to Surplus; Test 11, Two Year Reserve Development to Surplus; and Test 12, Estimated Current Reserve Deficiency to Surplus). No exceptional values were noted with respect to the Company's December 31, 2003 loss and loss adjustment expense reserve tests.

I have not reviewed the Company's unearned premium reserves, nor have I performed any analysis to determine whether a premium deficiency reserve is needed to supplement the unearned premium reserves reported by the Company.

I have not reviewed any of the Company's assets nor have I formed any opinion as to their validity or value; the following opinion is based on the assumption that the Company's December 31, 2003 statutory-basis reserves identified herein are funded by valid assets, with sufficient future investment income to fund the aforementioned discount for the time value of money, that have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

OPINION

In my opinion, based on the foregoing procedures, the Company's December 31, 2003 statutory-basis loss and loss adjustment expense reserves identified herein:

- Make a reasonable provision in the aggregate, before any consideration of the discount for the time value of money, for all unpaid losses and loss adjustment expenses, gross and net as to reinsurance ceded, under the terms of the Company's contracts and agreements.

- Are consistent with reserves computed in accordance with standards and principles established by the Actuarial Standards Board.

- Have been discounted at a 3.5 percent annual rate of interest and in a manner expressly permitted by the Director of the Bureau of Company Examination, Rehabilitation & Guaranty of the Delaware Department of Insurance

- Except for the aforementioned permitted practice, meet the requirements of the insurance laws of Delaware.

RELEVANT COMMENTS

The estimation of unpaid loss and loss adjustment expenses is based on factors existing at the date of estimation. Accordingly, future events or events for which the impact on ultimate loss and loss adjustment expenses cannot be readily determined at the date of

estimation may result in ultimate loss and loss adjustment expenses significantly varying from a reasonable provision as of the date of estimation. In recent years the loss reserves for the insurance industry have been subject to significant variability as a result of such major risk factors as unintended expansion of coverage through judicial interpretation, enactment of legislation effecting changes in tort law, and increases in the numbers and types of class action suits. Major risk factors such as these may expose the Company's ultimate payment of loss and loss adjustment expenses to significant variability relative to reserves at December 31, 2003.

At December 31, 2003, the Company's management has not characterized any type of loss to be subject to greater inherent uncertainty relative to other types of losses that comprise the Company's loss and loss adjustment expense liabilities. The absence of types of losses and risk factors from this paragraph does not imply that additional factors will not be identified in the future as having contributed to significant uncertainty in the Company's reserves.

Policies with Non-Cancelable Extended Periods of Coverage

The Company's management has informed me that the Company does not write policies with coverage periods of thirteen months or greater which are non-cancelable and not subject to premium increase.

* * *

An actuarial report supporting this actuarial opinion is to be provided to the Company to be retained for a period of seven years at its administrative offices and to be available for regulatory examination.

My review related only to those reserves identified herein, and I do not express an opinion on the Company's financial statements taken as a whole.

This opinion was prepared solely for the Company for the purpose of filing with regulatory agencies and is not intended for any other purpose.

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February 27, 2004