



**HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2002**  
OF THE CONDITION AND AFFAIRS OF THE  
**QCC INSURANCE COMPANY**

NAIC Group Code 0936 0936 NAIC Company Code 93688 Employer's ID Number 23-2184623  
(Current Period) (Prior Period)

Organized under the Laws of Pennsylvania, State of Domicile or Port of Entry Pennsylvania  
Country of Domicile United States of America

Licensed as business type: Life, Accident & Health [  ] Property/Casualty [  ] Dental Service Corporation [  ]  
Vision Service Corporation [  ] Other [  ] Health Maintenance Organization [  ]  
Hospital, Medical & Dental Service or Indemnity [  ] Is HMO, Federally Qualified? Yes [  ] No [  ]  
Incorporated 05/13/1981 Commenced Business 12/21/1981

Statutory Home Office 1901 MARKET STREET, PHILADELPHIA, PA 19103-1480  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1901 MARKET STREET  
(Street and Number) PHILADELPHIA, PA 19103-1480  
(City or Town, State and Zip Code) 215-241-2400  
(Area Code) (Telephone Number)

Mail Address 1901 MARKET STREET, PHILADELPHIA, PA 19103-1480  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1901 MARKET STREET  
(Street and Number) PHILADELPHIA, PA 19103-1480  
(City or Town, State and Zip Code) 215-241-2529  
(Area Code) (Telephone Number)

Internet Website Address www.ibx.com

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Policyowner Relations Contact 1901 MARKET STREET  
(Street and Number) PHILADELPHIA, PA 19103-1480  
(City or Town, State and Zip Code) 215-241-2400  
(Area Code) (Telephone Number) (Extension)

**OFFICERS**

President G. Fred DiBona, Jr. Secretary Paul Andrew Tufano  
Treasurer John George Foos

**VICE PRESIDENTS**

<u>Christopher Desmond Butler, C.M.E.</u>	<u>John Christopher Cashman, SR. V.P.</u>	<u>John Allen Daddis, SR. V.P.</u>
<u>Robert Joseph Fascia, SR. V.P.</u>	<u>Joseph Anthony Frick, SR. V.P.</u>	<u>Michael Anthony Green, SR. V.P.</u>
<u>William Frederick Haggett, SR. V.P.</u>	<u>Robert Allan McKeown, SR. V.P.</u>	<u>Richard Joseph Neeson, SR. V.P.</u>
<u>Thomas Francis Pappalardo, SR. V.P.</u>	<u>Rosemary Anne Park, SR. V.P.</u>	<u>Ian Steven Udvarhelyi, M.D., SR. V.P., C.M.O.</u>
<u>John Charles Zamzow, SR. V.P.</u>		

**DIRECTORS OR TRUSTEES**

<u>G. Fred DiBona, Jr.</u>	<u>John Allen Daddis</u>	<u>Robert Joseph Fascia</u>
<u>John George Foos</u>	<u>Joseph Anthony Frick</u>	<u>Richard Joseph Neeson</u>
<u>Daniel John Pedriani</u>		

State of Pennsylvania }  
County of Philadelphia } ss

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

G. Fred DiBona, Jr. Paul Andrew Tufano John George Foos  
President Secretary Treasurer

Subscribed and sworn to before me this  
28 day of February, 2003  
\_\_\_\_\_

Linda J. Pratt  
Senior Administrative Assistant  
03/10/03

- 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

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds .....	450,905,920		450,905,920	376,207,551
2. Stocks:				
2.1 Preferred stocks .....			0	694,125
2.2 Common stocks .....	42,621,349		42,621,349	30,293,705
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			a) 0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....86,344,414 , Schedule E - Part 1) and short-term investments (\$ .....578,360 , Schedule DA - Part 2) .....	86,922,774		86,922,774	35,598,790
6. Other long-term invested assets .....	10,500,000	10,500,000	0	0
7. Receivable for securities .....			0	0
8. Aggregate write-ins for invested assets .....	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8) .....	590,950,043	10,500,000	580,450,043	442,794,171
10. Accident and health premiums due and unpaid .....	73,235,628		73,235,628	68,139,168
11. Health care receivables .....	19,548,765		19,548,765	17,748,092
12. Amounts recoverable from reinsurers .....			0	0
13. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
14. Investment income due and accrued .....	5,135,739		5,135,739	3,868,733
15. Amounts due from parent, subsidiaries and affiliates .....	98,086,627		98,086,627	55,226,925
16. Amounts receivable relating to uninsured accident and health plans .....	45,436,139	2,236,000	43,200,139	60,778,353
17. Furniture and equipment .....			0	0
18. Amounts due from agents .....			0	0
19. Federal and foreign income tax recoverable and interest thereon (including \$ .....54,903,624 net deferred tax asset) .....	54,903,624	36,738,000	18,165,624	19,875,337
20. Electronic data processing equipment and software .....			0	0
21. Other nonadmitted assets .....	215,093	215,093	0	0
22. Aggregate write-ins for other than invested assets .....	113,819,261	0	113,819,261	74,373,923
23. Total assets (Lines 9 plus 10 through 22)	1,001,330,919	49,689,093	951,641,826	742,804,702
<b>DETAILS OF WRITE-INS</b>				
0801. ....				
0802. ....				
0803. ....				
0898. Summary of remaining write-ins for Line 8 from overflow page .....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898)(Line 8 above)	0	0	0	0
2201. Unprocessed claims.....	69,275,343		69,275,343	15,304,220
2202. Intangible assets.....	29,783,959		29,783,959	49,798,087
2203. Assumed reinsurance receivables.....	14,759,959		14,759,959	0
2298. Summary of remaining write-ins for Line 22 from overflow page .....	0	0	0	9,271,616
2299. Totals (Lines 2201 thru 2203 plus 2298)(Line 22 above)	113,819,261	0	113,819,261	74,373,923

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

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	415,533,906		415,533,906	346,404,324
2. Accrued medical incentive pool and bonus payments .....			0	0
3. Unpaid claims adjustment expenses .....	10,940,595		10,940,595	10,060,503
4. Aggregate policy reserves .....	72,424,468		72,424,468	19,476,429
5. Aggregate claim reserves .....	19,272,967		19,272,967	11,039,639
6. Premiums received in advance .....	110,614,712		110,614,712	63,240,931
7. General expenses due or accrued .....	24,279,525		24,279,525	17,188,401
8. Federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) (including \$ ..... net deferred tax liability) .....	11,184,000		11,184,000	6,668,000
9. Amounts withheld or retained for the account of others .....	16,477,082		16,477,082	31,640,914
10. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
11. Amounts due to parent, subsidiaries and affiliates .....			0	0
12. Payable for securities .....			0	0
13. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....			0	0
14. Reinsurance in unauthorized companies .....			0	0
15. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
16. Liability for amounts held under uninsured accident and health plans .....			0	0
17. Aggregate write-ins for other liabilities (including \$ ..... current) .....	0	0	0	5,620,986
18 Total liabilities (Lines 1 to 17).....	680,727,255	0	680,727,255	511,340,127
19. Common capital stock .....	XXX	XXX	2,000,000	2,000,000
20 Preferred capital stock .....	XXX	XXX		0
21. Gross paid in and contributed surplus .....	XXX	XXX	187,518,517	187,518,517
22. Surplus notes .....	XXX	XXX		0
23. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
24. Unassigned funds (surplus) .....	XXX	XXX	81,396,054	41,946,058
25. Less treasury stock, at cost:				
25.1 ..... shares common (value included in Line 19 \$ ..... ) .....	XXX	XXX		0
25.2 ..... shares preferred (value included in Line 20 \$ ..... ) .....	XXX	XXX		0
26. Total capital and surplus (Lines 19 to 24 Less 25) .....	XXX	XXX	270,914,571	231,464,575
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	951,641,826	742,804,702
<b>DETAILS OF WRITE-INS</b>				
1701. Asset valuation reserve.....			0	5,620,986
1702. ....				
1703. ....				
1798. Summary of remaining write-ins for Line 17 from overflow page .....	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	0	0	0	5,620,986
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	9,493,120	0
2. Net premium income .....	XXX	2,303,557,716	2,079,705,941
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	(52,948,039)	(8,245,853)
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Total revenues (Lines 2 to 6) .....	XXX	2,250,609,677	2,071,460,088
<b>Medical and Hospital:</b>			
8. Hospital/medical benefits .....		1,871,511,151	1,683,156,967
9. Other professional services .....			0
10. Outside referrals .....			0
11. Emergency room and out-of-area .....			0
12. Prescription Drugs .....			
13. Aggregate write-ins for other medical and hospital .....	0	0	0
14. Incentive pool and withhold adjustments .....			0
15. Subtotal (Lines 8 to 14) .....	0	1,871,511,151	1,683,156,967
<b>Less:</b>			
16. Net reinsurance recoveries .....		(5,172,974)	(21,166,924)
17. Total medical and hospital (Lines 15 minus 16) .....	0	1,876,684,125	1,704,323,891
18. Claims adjustment expenses .....		125,610,234	4,375,029
19. General administrative expenses .....		140,142,230	270,493,788
20. Increase in reserves for accident and health contracts .....			
21. Total underwriting deductions (Lines 17 through 20) .....	0	2,142,436,589	1,979,192,708
22. Net underwriting gain or (loss) (Lines 7 minus 21) .....	XXX	108,173,088	92,267,380
23. Net investment income earned .....		18,008,441	14,826,349
24. Net realized capital gains or (losses) .....		(23,593,973)	(2,822,508)
25. Net investment gains or (losses) (Lines 23 + 24) .....	0	(5,585,532)	12,003,841
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
27. Aggregate write-ins for other income or expenses .....	0	(2,254,067)	(140,973)
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27) .....	0	100,333,489	104,130,248
29. Federal and foreign income taxes incurred .....	XXX	46,981,000	32,481,000
30. Net income (loss) (Lines 28 minus 29) .....	XXX	53,352,489	71,649,248
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	XXX	0	0
1301. ....			
1302. ....			
1303. ....			
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....	0	0	0
2701. Amortization of interest maintenance reserve.....		(2,254,067)	(140,973)
2702. ....			
2703. ....			
2798. Summary of remaining write-ins for Line 27 from overflow page .....	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above) .....	0	(2,254,067)	(140,973)

**CAPITAL AND SURPLUS ACCOUNT**

	1 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
31. Capital and surplus prior reporting year .....	231,464,575	182,554,296
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>		
32. Net income or (loss) from Line 30 .....	53,352,489	71,649,248
33. Change in valuation basis of aggregate policy and claim reserve .....		0
34. Net unrealized capital gains and losses .....	(16,117,664)	(26,775,320)
35. Change in net unrealized foreign exchange capital gain or (loss) .....		0
36. Change in net deferred income tax .....	15,018,279	26,454,965
37. Change in nonadmitted assets .....	(18,424,094)	(20,193,165)
38. Change in unauthorized reinsurance .....	0	0
39. Change in treasury stock .....		0
40. Change in surplus notes .....	0	0
41. Cumulative effect of changes in accounting principles .....		0
42. Capital Changes:		
42.1 Paid in .....		0
42.2 Transferred from surplus (Stock Dividend) .....		0
42.3 Transferred to surplus .....		0
43. Surplus adjustments:		
43.1 Paid in .....		0
43.2 Transferred to capital (Stock Dividend) .....		0
43.3 Transferred from capital .....		0
44. Dividends to stockholders .....		0
45. Aggregate write-ins for gains or (losses) in surplus .....	5,620,986	(2,225,449)
46. Net change in capital & surplus (Lines 32 to 45) .....	39,449,996	48,910,279
47. Capital and surplus end of reporting year (Line 31 plus 46)	270,914,571	231,464,575
<b>DETAILS OF WRITE-INS</b>		
4501. Change in asset valuation reserve.....	5,620,986	(2,225,449)
4502. ....		
4503. ....		
4598. Summary of remaining write-ins for Line 45 from overflow page .....	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	5,620,986	(2,225,449)

## CASH FLOW

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums and revenues collected net of reinsurance .....	2,298,461,256	2,113,125,397
2. Claims and claims adjustment expenses .....	1,943,791,710	1,639,442,897
3. General administrative expenses paid .....	96,150,575	271,287,261
4. Other underwriting income (expenses) .....	0	(975,227)
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4) .....	258,518,971	201,420,012
6. Net investment income .....	17,219,782	14,224,301
7. Other income (expenses) .....	0	0
8. Federal and foreign income taxes (paid) recovered .....	(42,465,000)	(29,283,000)
9. Net cash from operations (Lines 5 to 8) .....	233,273,753	186,361,313
<b>Cash from Investments</b>		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds .....	276,840,926	64,728,082
10.2 Stocks .....	43,613,841	27,722,890
10.3 Mortgage loans .....	0	0
10.4 Real estate .....	0	0
10.5 Other invested assets .....	0	0
10.6 Net gains or (losses) on cash and short-term investments .....	0	0
10.7 Miscellaneous proceeds .....	0	0
10.8 Total investment proceeds (Lines 10.1 to 10.7) .....	320,454,767	92,450,972
11. Cost of investments acquired (long-term only):		
11.1 Bonds .....	358,753,317	256,754,742
11.2 Stocks .....	60,941,288	28,143,675
11.3 Mortgage loans .....	0	0
11.4 Real estate .....	0	0
11.5 Other invested assets .....	10,500,000	0
11.6 Miscellaneous applications .....	0	0
11.7 Total investments acquired (Lines 11.1 to 11.6) .....	430,194,605	284,898,417
12. Net Cash from investments (Line 10.8 minus Line 11.7) .....	(109,739,838)	(192,447,445)
<b>Cash from Financing and Miscellaneous Sources</b>		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in .....	0	0
13.2 Net transfers from affiliates .....	0	0
13.3 Borrowed funds received .....	0	0
13.4 Other cash provided .....	47,373,781	53,245,027
13.5 Total (Lines 13.1 to 13.4) .....	47,373,781	53,245,027
14. Cash applied:		
14.1 Dividends to stockholders paid .....	0	0
14.2 Net transfers to affiliates .....	42,859,702	0
14.3 Borrowed funds repaid .....	0	0
14.4 Other applications .....	76,724,010	4,711,690
14.5 Total (Lines 14.1 to 14.4) .....	119,583,712	4,711,690
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5) .....	(72,209,931)	48,533,337
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15) .....	51,323,984	42,447,205
17. Cash and short-term investments:		
17.1 Beginning of year .....	35,598,790	(6,848,415)
17.2 End of year (Line 16 plus Line 17.1) .....	86,922,774	35,598,790

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)**

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other
1. Net premium income .....	2,303,557,716	2,070,816,478				328,562		191,191,417		6,504,211			34,717,048
2. Change in unearned premium reserves and reserve for rate credit .....	(52,948,039)	(36,407,066)						(4,000,000)					(12,540,973)
3. Fee-for-service (net of \$ medical expenses) .....	0												
4. Risk revenue .....	0												
5. Aggregate write-ins for other health care related revenues .....	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5) .....	2,250,609,677	2,034,409,412	0	0	0	328,562	0	187,191,417	0	6,504,211	0	0	22,176,075
7. Medical/hospital benefits .....	1,871,511,151	1,669,471,257				211,910		177,828,033		23,999,951			
8. Other professional services .....	0												
9. Outside referrals .....	0												
10. Emergency room and out-of-area .....	0												
11. Prescription Drugs .....	0												
12. Aggregate write-ins for other medical and hospital .....	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Incentive pool and withhold adjustments .....	0												
14. Subtotal (Lines 7 to 13) .....	1,871,511,151	1,669,471,257	0	0	0	211,910	0	177,828,033	0	23,999,951	0	0	0
15. Net reinsurance recoveries .....	(5,172,974)									18,609,100			(23,782,074)
16. Total medical and hospital (Lines 14 minus 15) .....	1,876,684,125	1,669,471,257	0	0	0	211,910	0	177,828,033	0	5,390,851	0	0	23,782,074
17. Claims adjustment expenses .....	125,610,234	112,919,134				17,916		10,425,438		354,667			1,893,079
18. General administrative expenses .....	140,142,230	125,982,882				19,989		11,631,569		395,699			2,112,091
19. Increase in reserves for accident and health contracts .....	0												
20. Total underwriting deductions (Lines 16 to 19) .....	2,142,436,589	1,908,373,273	0	0	0	249,815	0	199,885,040	0	6,141,217	0	0	27,787,244
21. Total underwriting gain or (loss) (Line 6 minus Line 20) .....	108,173,088	126,036,139	0	0	0	78,747	0	(12,693,623)	0	362,994	0	0	(5,611,169)
<b>DETAILS OF WRITE-INS</b>													
0501. ....													
0502. ....													
0503. ....													
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0	0	0	0	0
1201. ....													
1202. ....													
1203. ....													
1298. Summary of remaining write-ins for Line 12 from overflow page .....	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Totals (Lines 1201 thru 1203 plus 1298) (Line 12 above) .....	0	0	0	0	0	0	0	0	0	0	0	0	0

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (medical and hospital) .....	2,070,816,478			2,070,816,478
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....	328,562			328,562
5. Federal Employees Health Benefits Plan Premiums .....				.0
6. Title XVIII - Medicare .....	191,191,417			191,191,417
7. Title XIX - Medicaid.....				.0
8. Other .....	1,965,992	42,468,091	3,212,824	41,221,259
9. Totals	2,264,302,449	42,468,091	3,212,824	2,303,557,716

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - Claims Incurred During the Year**

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct .....	1,781,932,780	1,609,591,790			211,910		162,873,570		9,255,510
1.2 Reinsurance assumed .....	17,668,228							296,828	17,371,400
1.3 Reinsurance ceded .....	279,791								279,791
1.4 Net .....	1,799,321,217	1,609,591,790	.0	.0	211,910	.0	162,873,570	296,828	26,347,119
2. Paid medical incentive pools and bonuses .....	.0								
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct .....	409,178,678	349,159,417	.0	.0	.0	.0	45,274,820	.0	14,744,441
3.3 Reinsurance assumed .....	6,355,228	.0	.0	.0	.0	.0	.0	.0	6,355,228
3.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net .....	415,533,906	349,159,417	.0	.0	.0	.0	45,274,820	.0	21,099,669
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct .....	.0								19,272,967
4.2 Reinsurance assumed .....	19,272,967								
4.3 Reinsurance ceded .....	.0								
4.4 Net .....	19,272,967	.0	.0	.0	.0	.0	.0	.0	19,272,967
5. Accrued medical incentive pools and bonuses, current year .....	.0								
6. Amounts recoverable from reinsurers December 31, current year .....	.0								
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct .....	319,600,306	289,279,949	.0	.0	.0	.0	30,320,357	.0	.0
7.2 Reinsurance assumed .....	27,083,810	.0	.0	.0	.0	.0	.0	296,828	26,786,982
7.3 Reinsurance ceded .....	279,791	.0	.0	.0	.0	.0	.0	.0	279,791
7.4 Net .....	346,404,325	289,279,949	.0	.0	.0	.0	30,320,357	296,828	26,507,191
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.2 Reinsurance assumed .....	11,039,639	.0	.0	.0	.0	.0	.0	.0	11,039,639
8.3 Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net .....	11,039,639	.0	.0	.0	.0	.0	.0	.0	11,039,639
9. Accrued medical incentive pools and bonuses, prior year .....	.0								
10. Amounts recoverable from reinsurers December 31, prior year .....	0								
11. Incurred Benefits:									
11.1 Direct .....	1,871,511,152	1,669,471,258	.0	.0	211,910	.0	177,828,033	.0	23,999,951
11.2 Reinsurance assumed .....	5,172,974	.0	.0	.0	.0	.0	.0	.0	5,172,974
11.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0
11.4 Net .....	1,876,684,126	1,669,471,258	0	0	211,910	0	177,828,033	0	29,172,925
12. Incurred medical incentive pools and bonuses .....	0	0	0	0	0	0	0	0	0

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

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

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1. Direct .....	.0								
1.2. Reinsurance assumed .....	.0								
1.3. Reinsurance ceded .....	.0								
1.4. Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. Incurred but Unreported:									
2.1. Direct .....	409,178,678	349,159,417					45,274,820		14,744,441
2.2. Reinsurance assumed .....	6,355,228								6,355,228
2.3. Reinsurance ceded .....	.0								
2.4. Net .....	415,533,906	349,159,417	.0	.0	.0	.0	45,274,820	.0	21,099,669
3. Amounts Withheld from Paid Claims and Capitations:									
3.1. Direct .....	.0								
3.2. Reinsurance assumed .....	.0								
3.3. Reinsurance ceded .....	.0								
3.4. Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:									
4.1. Direct .....	409,178,678	349,159,417	.0	.0	.0	.0	45,274,820	.0	14,744,441
4.2. Reinsurance assumed .....	6,355,228	.0	.0	.0	.0	.0	.0	.0	6,355,228
4.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4. Net .....	415,533,906	349,159,417	0	0	0	0	45,274,820	0	21,099,669

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (medical and hospital) .....	170,182,103	1,439,409,687	22,973,004	326,186,413	193,155,107	289,279,949
2. Medicare Supplement .....					0	0
3. Dental Only.....					0	0
4. Vision Only.....		211,910			0	0
5. Federal Employees Health Benefits Plan Premiums .....					0	0
6. Title XVIII - Medicare .....	17,491,028	145,382,542	1,990,915	43,283,905	19,481,943	30,320,357
7. Title XIX - Medicaid.....	296,828				296,828	296,828
8. Other .....	18,259,871	8,087,248	12,558,591	27,814,045	30,818,462	37,546,830
9. Subtotal .....	206,229,830	1,593,091,387	37,522,510	397,284,363	243,752,340	357,443,964
10. Medical incentive pools, accruals and disbursements .....					0	0
11. Totals	206,229,830	1,593,091,387	37,522,510	397,284,363	243,752,340	357,443,964

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

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

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	1,439,410

**Section B - Incurred Claims- Hospital and Medical**

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	1,765,596

**Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Hospital and Medical**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				0.0	.0	0.0			.0	0.0
3. 1999.....				0.0	.0	0.0			.0	0.0
4. 2000.....				0.0	.0	0.0			.0	0.0
5. 2001.....				0.0	.0	0.0	22,973	539	23,512	0.0
6. 2002.....	2,034,409	1,439,410	112,727	7.8	1,552,137	76.3	326,186	9,092	1,887,415	92.8
7. Total (Lines 1 through 6)	XXX	1,439,410	112,727	XXX	1,552,137	XXX	349,159	9,631	1,910,927	XXX
8. Total (Lines 2 through 6)	2,034,409	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**Section A - Paid Claims - Vision Only**

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	212

**Section B - Incurred Claims- Vision Only**

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	212

**Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Vision Only**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				0.0	.0	0.0			.0	0.0
3. 1999.....				0.0	.0	0.0			.0	0.0
4. 2000.....				0.0	.0	0.0			.0	0.0
5. 2001.....				0.0	.0	0.0			.0	0.0
6. 2002.....	329	212	18	8.5	230	69.9			230	69.9
7. Total (Lines 1 through 6)	XXX	212	18	XXX	230	XXX	0	0	230	XXX
8. Total (Lines 2 through 6)	329	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**Section A - Paid Claims - Medicare**

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	145,383

**Section B - Incurred Claims- Medicare**

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	188,666

**Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Medicare**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				0.0	.0	0.0			.0	0.0
3. 1999.....				0.0	.0	0.0			.0	0.0
4. 2000.....				0.0	.0	0.0			.0	0.0
5. 2001.....				0.0	.0	0.0	1,991	42	2,033	0.0
6. 2002.....	187,191	145,383	10,372	7.1	155,755	83.2	43,284	1,289	200,328	107.0
7. Total (Lines 1 through 6)	XXX	145,383	10,372	XXX	155,755	XXX	45,275	1,331	202,361	XXX
8. Total (Lines 2 through 6)	187,191	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**Section A - Paid Claims - Other**

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	8,087

**Section B - Incurred Claims- Other**

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	
2. 1998 .....	.0	.0	.0	.0	
3. 1999 .....	XXX	.0	.0	.0	
4. 2000 .....	XXX	XXX	.0	.0	
5. 2001 .....	XXX	XXX	XXX	.0	
6. 2002 .....	XXX	XXX	XXX	XXX	35,901

**Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Other**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998 .....	XXX			XXX	.0	XXX			.0	XXX
2. 1998 .....				.0	.0	.0			.0	.0
3. 1999 .....				.0	.0	.0			.0	.0
4. 2000 .....				.0	.0	.0			.0	.0
5. 2001 .....				.0	.0	.0	2,474		2,474	.0
6. 2002 .....	28,680	8,087	1,589	19.6	9,676	33.7	18,626		28,302	98.7
7. Total (Lines 1 through 6)	XXX	8,087	1,589	XXX	9,676	XXX	21,100	0	30,776	XXX
8. Total (Lines 2 through 6)	28,680	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**Section A - Paid Claims- Grand Total**

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.0
2. 1998 .....	.0	.0	.0	.0	.0
3. 1999 .....	XXX	.0	.0	.0	.0
4. 2000 .....	XXX	XXX	.0	.0	.0
5. 2001 .....	XXX	XXX	XXX	.0	.0
6. 2002 .....	XXX	XXX	XXX	XXX	1,593,092

**Section B - Incurred Claims - Grand Total**

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.0
2. 1998 .....	.0	.0	.0	.0	.0
3. 1999 .....	XXX	.0	.0	.0	.0
4. 2000 .....	XXX	XXX	.0	.0	.0
5. 2001 .....	XXX	XXX	XXX	.0	.0
6. 2002 .....	XXX	XXX	XXX	XXX	1,990,375

**Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Grand Total**

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998 .....	XXX	.0	.0	XXX	.0	XXX	.0	.0	.0	XXX
2. 1998 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 1999 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2000 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2001 .....	.0	.0	.0	.0	.0	.0	27,438	581	28,019	.0
6. 2002 .....	2,250,609	1,593,092	124,706	7.8	1,717,798	76.3	388,096	10,381	2,116,275	94.0
7. Total (Lines 1 through 6)	XXX	1,593,092	124,706	XXX	1,717,798	XXX	415,534	10,962	2,144,294	XXX
8. Total (Lines 2 through 6)	2,250,609	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS**

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
<b>POLICY RESERVE</b>									
1. Unearned premium reserves .....	22,083,225	8,244,036							13,839,189
2. Additional policy reserves (a) .....	7,000,000						7,000,000		
3. Reserve for future contingent benefits .....	0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....	43,341,243	43,341,243							
5. Aggregate write-ins for other policy reserves .....	0	0	0	0	0	0	0	0	0
6. Totals (Gross) .....	72,424,468	51,585,279	0	0	0	0	7,000,000	0	13,839,189
7. Reinsurance ceded .....	0								
8. Totals (Net)(Page 3, Line 4)	72,424,468	51,585,279	0	0	0	0	7,000,000	0	13,839,189
<b>CLAIM RESERVE</b>									
9. Present value of amounts not yet due on claims .....	19,272,967								19,272,967
10. Reserve for future contingent benefits .....	0								
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0
12. Totals (Gross) .....	19,272,967	0	0	0	0	0	0	0	19,272,967
13. Reinsurance ceded .....	0								
14. Totals (Net)(Page 3, Line 5)	19,272,967	0	0	0	0	0	0	0	19,272,967
<b>DETAILS OF WRITE-INS</b>									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0	0	0	0	0	0
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ .....7,000,000 premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administration Expenses	3 Investment Expenses	4 Total
1. Rent (\$ ..... for occupancy of own building).....	10,432,348	7,199,697		17,632,045
2. Salaries, wages and other benefits.....	105,916,764	57,493,610		163,410,374
3. Commissions (less \$ ..... ceded plus \$ ..... assumed).....		62,477,662		62,477,662
4. Legal fees and expenses.....	14,006	1,970,292		1,984,298
5. Certifications and accreditation fees.....				0
6. Auditing, actuarial and other consulting services.....	1,496,715	4,728,946		6,225,661
7. Traveling expenses.....	437,546	941,424		1,378,970
8. Marketing and advertising.....	432,825	8,150,560		8,583,385
9. Postage, express and telephone.....	4,667,536	3,121,540		7,789,076
10. Printing and office supplies.....	1,343,797	2,767,929		4,111,726
11. Occupancy, depreciation and amortization.....	11,413	78,927		90,340
12. Equipment.....	11,701,068	12,833,292		24,534,360
13. Cost or depreciation of EDP equipment and software.....	456,005	1,612,639		2,068,644
14. Outsourced services including EDP, claims, and other services.....	34,234,508	17,838,062		52,072,570
15. Boards, bureaus and association fees.....		917,281		917,281
16. Insurance, except on real estate.....	4,036,946	180,238		4,217,184
17. Collection and bank service charges.....	7,131	560,918	866,989	1,435,038
18. Group service and administration fees.....	17,594,092			17,594,092
19. Reimbursements by uninsured accident and health plans.....	(75,430,731)	(97,973,248)		(173,403,979)
20. Reimbursements from fiscal intermediaries.....				0
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....	402,645	3,880,042		4,282,687
23.2 State premium taxes.....		43,852,740		43,852,740
23.3 Regulatory authority licenses and fees.....				0
23.4 Payroll taxes.....	5,885,815	3,590,978		9,476,793
23.5 Other (excluding federal income and real estate taxes).....				0
24. Investment expenses not included elsewhere.....				0
25. Aggregate write-ins for expenses.....	1,969,805	3,918,701	0	5,888,506
26. Total expenses incurred (Lines 1 to 25).....	125,610,234	140,142,230	866,989	266,619,453
27. Add expenses unpaid December 31, prior year.....	10,060,503	17,188,401		27,248,904
28. Less expenses unpaid December 31, current year.....	10,964,964	24,279,525		35,244,489
29. Amounts receivable related to uninsured accident and health plans, prior year.....		62,571,950		62,571,950
30. Amounts receivable related to uninsured accident and health plans, current year.....	19,764,720	25,671,419		45,436,139
31. Total expenses paid (Lines 26 + 27 - 28 - 29 + 30)	144,470,493	96,150,575	866,989	241,488,057
<b>DETAIL OF WRITE-INS</b>				
2501. Miscellaneous expenses.....	0	3,918,701		3,918,701
2502. Other claims adjustment expenses.....	1,969,805			1,969,805
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	1,969,805	3,918,701	0	5,888,506

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

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,423,860	2,660,218
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 17,148,778	18,160,693
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 12,775	12,775
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	515,475	516,571
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e) 1,660,194	1,677,831
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	9,039	9,039
10. Total gross investment income	21,770,121	23,037,127
11. Investment expenses		(g) 866,989
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 4,161,697
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		5,028,686
17. Net Investment Income - (Line 10 minus Line 16)		18,008,441
<b>DETAILS OF WRITE-INS</b>		
0901. Interest on supplemental advances	9,039	9,039
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	9,039	9,039
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 115,172 accrual of discount less \$ 593,519 amortization of premium and less \$ 1,633,975 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 excludes \$ 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	54,722				54,722
1.1 Bonds exempt from U.S. tax					0
1.2 Other bonds (unaffiliated)	(2,398,802)				(2,398,802)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)	37,375				37,375
2.11 Preferred stocks of affiliates		2,500,000			2,500,000
2.2 Common stocks (unaffiliated)	(2,345,619)	(21,411,147)			(23,756,766)
2.21 Common stocks of affiliates					0
3. Mortgage loans					0
4. Real estate					0
5. Contract loans					0
6. Cash/Short-term investments					0
7. Derivative instruments					0
8. Other invested assets					0
9. Aggregate write-ins for capital gains (losses)	(30,502)	0	0	0	(30,502)
10. Total capital gains (losses)	(4,682,826)	(18,911,147)	0	0	(23,593,973)
<b>DETAILS OF WRITE-INS</b>					
0901. Adjustment for prior period disposal	(30,502)				(30,502)
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	(30,502)	0	0	0	(30,502)

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

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 10 to 13 and 15 to 20, Column 2 .....	38,974,000	18,510,932	(20,463,068)
2. Other Non-Admitted Assets:			
2.1 Bills receivable.....		0	0
2.2 Leasehold improvements.....		0	0
2.3 Cash advanced to or in hands of officers and agents.....		0	0
2.4 Loans on personal security, endorsed or not.....			0
2.5 Commuted commissions.....			0
3. Total (Lines 2.1 to 2.5) .....	0	0	0
4. Aggregate write-ins for other assets.....	215,093	2,254,067	2,038,974
5. Total (Line 1 plus Lines 3 and Line 4)	39,189,093	20,764,999	(18,424,094)
0401. Interest maintenance reserve.....		2,254,067	2,254,067
0402. Prepaid expenses.....	215,093	0	(215,093)
0403. ....			
0498. Summary of remaining write-ins for Line 4 from overflow page .....	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	215,093	2,254,067	2,038,974

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	788,004	788,802	781,611	780,675	775,537	9,408,909
4. Point of Service.....	.0					
5. Indemnity Only.....	.24	.24	.22	.6	.6	.184
6. Aggregate write-ins for other lines of business	7,045	7,121	7,327	6,839	6,746	84,027
7. Total	795,073	795,947	788,960	787,520	782,289	9,493,120
<b>DETAILS OF WRITE-INS</b>						
0601. Vision only.....	7,045	7,121	7,327	6,839	6,746	84,027
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	7,045	7,121	7,327	6,839	6,746	84,027

## NOTES TO FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Practices

## A. Accounting Practices

The financial statements of QCC Insurance Company are presented on the basis of accounting practices prescribed or permitted by the Pennsylvania Insurance Department.

The Pennsylvania Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Pennsylvania for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Pennsylvania Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, version as of March 1, 2002, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Pennsylvania, subject to any deviations prescribed or permitted by the State of Pennsylvania Insurance Commissioner.

	<u>2002</u>	<u>2001</u>
<b>Net Income, Pennsylvania basis</b>	\$53,352,489	\$71,649,248
State Prescribed Practices:	-0-	-0-
State Permitted Practices:	-0-	-0-
Net Income, NAIC SAP	53,352,489	71,649,248
<b>Statutory Surplus, Pennsylvania basis</b>	\$270,914,571	\$231,464,575
State Prescribed Practices:	-0-	-0-
State Permitted Practices:		
Goodwill, net	21,793,000	39,998,000
Statutory Surplus, NAIC SAP	249,121,571	191,466,575

## 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 expense during the period. Actual results could differ from those estimates.

## C. Accounting Policy

Asset values are generally stated as follows:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds excluding loan-backed and structured securities that are designated highest-quality and high-quality (NAIC designations 1 and 2 respectively) are reported at amortized cost; with all other bonds (NAIC designations 3 to 6) are reported at the lower of amortized cost or fair value.
- (3) Common Stocks are stated at market value.
- (4) Preferred Stocks are stated at lower of amortized cost, or market value depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions.
- (5) Mortgage loans on real estate - None
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities where the yield had become negative, that are valued using the prospective method.
- (7) Investments in Subsidiary, Controlled or Affiliated entities are recorded based on the underlying statutory equity of the respective entity's financial statements, adjusted for unamortized goodwill.
- (8) Investment in 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) Estimates of outstanding claim liabilities and claim adjustment expenses are based on analysis of prior experience. The methods are continually reviewed and adjustments to prior period estimates are reflected in the current period. Such estimates are necessarily based on assumptions. While management believes the reported amount is adequate, the ultimate liability may be greater or less than the amount provided for.

## 2. Accounting Changes and Corrections of Errors

A. Material changes in accounting principle and/or correction of errors - None.

B. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Pennsylvania. The Company received written approval from the Pennsylvania Insurance Department to early adopt codification for the 1998 statutory basis financial statements.

## 3. Business Combinations and Goodwill

A. Statutory Purchase Method - None

B. Statutory Merger - None

C. Impairment Loss recognized on Business Combinations and Goodwill - None

## 4. Discontinued Operations - None

## 5. Investments

A. Mortgage Loans including Mezzanine Real Estate Loans – None

B. Debt Restructuring - None

C. Reverse Mortgages - None

D. Loan-Backed Securities

The Company's loan-backed securities are reported at amortized cost using the prospective approach methodology.

E. Repurchase Agreements - None

## NOTES TO FINANCIAL STATEMENTS

6. Joint Ventures, Partnerships and Limited Liability Companies  
Joint ventures, partnerships or limited liability companies that exceed 10% of admitted assets – None.
7. Investment Income  
A. All investment income due and accrued with amounts that are 90 days past due are excluded (nonadmitted) from surplus.  
B. The total amount excluded from surplus in the current period was \$ -0-.

8. Derivative Instruments - None

9. Income Taxes

- A. The components of the Company's net deferred tax asset/(liability) are as follows: in 000's

	2002	2001
(1) Total of all deferred tax assets (admitted and nonadmitted)	\$ 54,904	\$ 36,592
(2) Total of all deferred tax liabilities	-0-	-0-
(3) Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	36,738	16,717
(4) Total of deferred tax assets (admitted)	18,166	19,875
(5) The net change during the year in the total deferred tax assets nonadmitted	20,021	16,717

- B. Deferred tax liabilities are not recognized for the following amounts:

- (1) N/A  
(2) N/A  
(3) N/A

- C. The components of incurred income tax expense and the change in DTAs and DTLs are as follows:  
In 000's

	2002	2001
(1) Current income tax expense (benefit)	\$ 46,981	\$ 34,810
Federal income tax on net capital gains		(2,329)
Federal income taxes	46,981	32,481

- (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:

	2002	2001	Change	
Deferred tax assets:				
Discounting of unpaid losses	\$ 4,183	\$ 4,535	\$(352)	
Change in unearned premium reserve	8,532	4,451	4,081	
Bad debt	176	154	22	
Other – Investment in common stock		351	351	-0-
General insurance expense and prepaids	377	397	(20)	
Goodwill	22,388	18,884	3,504	
Impairment Loss	7,494	-0-	7,494	
Net Capital Loss Carryforward	764	-0-	764	
Net Capital Loss Carryforward	875	-0-	875	
Unrealized capital losses	6,106	7,192	(1,086)	
Nonadmitted assets	3,658	628	3,030	
Total deferred tax assets (admitted and nonadmitted)	54,904	36,592	18,312	
Total deferred tax assets nonadmitted	(36,738)	(16,717)	(20,021)	
Admitted deferred tax assets	18,166	19,875	( 1,709)	
Deferred tax liabilities:				
Other	-0-	-0-	-0-	
Total deferred tax liabilities	-0-	-0-	-0-	
Net admitted deferred tax asset	18,166	19,875	( 1,709)	

- (3) The change in net deferred income taxes is composed of the following:

	2002	2001	Change
Total deferred tax assets (admitted and nonadmitted)	\$ 54,904	\$ 36,592	\$ 18,312
Total deferred tax liabilities	-0-	-0-	-0-
Net deferred tax asset	54,904	36,592	18,312
Tax effect of unrealized gains (losses)		(3,293)	
Change in net deferred income taxes			15,019

- (4) Investment tax credits - N/A  
(5) Benefits of operating loss carryforward - N/A  
(6) Adjustments of DTA or DTL for enacted changes in tax laws or rates - N/A

- D. The Company's income tax expense and change in DTA/DTL, differs from the amount obtained, by applying the federal statutory rate of 35% to Net Gain from Operations After Dividends to Policyholders due primarily to the following reasons:

	2002	2001
(1) Expected federal income tax expense(at statutory rate)	\$35,117	\$36,446
(2) IMR adjustment	663	(1,292)
(3) Capital Loss Disallowance	-0-	-0-
(4) Goodwill	(3,500)	-0-

## NOTES TO FINANCIAL STATEMENTS

(5) Change in DTA on nonadmits	(3,030)	(429)
(6) Travel & Entertainment	105	90
(7) Other – worthless stock	2,800	-0-
(8) Other	(193)	6
TOTAL	31,962	34,821
Federal income taxes	46,981	32,481
Change in net deferred income taxes	(15,019)	2,340
Total statutory income taxes	31,962	34,821

E. (1) As of December 31, 2002 the Company operating loss carry forwards that will expire as follows:

1999 (earliest year)	\$	-0-
2000		-0-
2001		-0-
2002		-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:

2002 (current year)	\$ 44,181,000
2001 (current year-1)	32,481,000
2000 (current year – 2)	10,856,000
1999 (current year – 3)	-0-

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

(1)

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

#### 10. Information Concerning Parent, Subsidiaries and Affiliates

- A. QCC Insurance Company is a stock life insurance company, which is organized pursuant to the laws of the Commonwealth of Pennsylvania and is a wholly owned subsidiary of AmeriHealth, Inc. AmeriHealth, Inc. is a Pennsylvania Corporation and a wholly owned subsidiary of Independence Blue Cross.
- B. In September of 2000, QCC Insurance Company entered into a Quota Share Reinsurance Agreement with its affiliate, AmeriHealth Casualty Insurance Company ("ACIC"). ACIC is a Delaware domiciled property casualty insurer engaged in marketing workers compensation insurance products in Pennsylvania and Delaware. Under the terms of the agreement, QCC reinsures the medical indemnity and loss adjustment expense portion of the workers compensation business written by ACIC, with the exception of Employer's Liability coverage retained by ACIC. QCC's liability under the terms of the agreement is limited to \$500,000 per occurrence.
- C. Organizational Structure and transactions between parent company and subsidiaries are reflected in Schedule Y, Part 2.
- D. Amounts due from/to related parties are reflected on Exhibit 6 and Exhibit 7 respectively. The terms of the settlement require that these amounts are generally settled within 30 days but in no case beyond 90 days.
- E. Parental Guarantees – None
- F. The Company has a service agreement with Independence Blue Cross and its affiliates for performance of direct services such as claims processing, enrollment, customer service, patient care management and certain finance services for the Company. Independence Blue Cross and its affiliates are compensated at actual cost. The Company also has agreements with its affiliates for the use of its and their provider networks.
- G. All outstanding shares of The Company are owned by AmeriHealth, Inc., an insurance holding company domiciled in the State of Pennsylvania. AmeriHealth Inc., is a wholly owned subsidiary of Independence Blue Cross, a non-stock, non-member hospital plan corporation domiciled in the State of Pennsylvania.
- H. Amounts deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity. - None
- I. Investments in a Subsidiary, Controlled or Affiliated entity that exceed 10% of admitted assets – None
- J. Write-downs for impaired investments in Subsidiary, Controlled or Affiliated entities  
In 2001, the Company recorded an impairment of eight million dollars, \$8,000,000, of the investment of preferred stock in La Cruz Azul. In 2002 the preferred stock was converted to a surplus note. For statutory purposes the surplus note is nonadmitted.

#### 11. Debt

NOTES TO FINANCIAL STATEMENTS

- A. Capital Notes - None
- B. All Other Debt – None.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plans – None
- B. Defined Contribution Plan - None
- C. Multiemployer Plans - None
- D. Consolidated/Holding Company Plans - None
- E. Postemployment Benefits and Compensated Absences - None

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) The Company has 200,000 shares authorized, 200,000 shares issued and 200,000 shares outstanding.
- (2) Preferred stock outstanding - None
- (3) Dividend Restrictions - None
- (4) The portion of the Company's profits that may be paid as ordinary dividends to stockholders. By Pennsylvania statute, a dividend that does not exceed the greater of 10% of surplus or net income is considered an ordinary dividend. There are no other restrictions.
- (5) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- (6) The total amount of advances to surplus not repaid is \$-0-.
- (7) The amounts of stock held by the Company, including stock of affiliated companies, for special purposes is:
  - a. For conversion of preferred stock: -0- shares
  - b. For employee stock options: -0- shares
  - c. For stock purchase warrants: -0- shares
- (8) There are no special surplus funds.
- (9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
  - a. gross unrealized gains and losses: \$ 17,444,986
  - b. nonadmitted asset values: \$ 49,689,093
  - c. separate account business: \$ -0-
  - d. asset valuation reserves: \$ -0-
  - e. provision for reinsurance: \$ -0-
- (10) Surplus debentures or similar obligations - None
- (11&12) Effective date and financial impact of a quasi-reorganization – None.

14. Contingencies

- A. Contingent Commitments - None
- B. Assessments  
The Company is not aware of any assessments that could have a material adverse effect on the Company's financial condition.
- C. Gain Contingencies - None
- D. All Other 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. The Company has attached a complete listing of litigation pending as of 12/31/2002.

15. Leases

- A. Lessee Operating Lease - None
- B. Lessor Leases/Leveraged Leases - None

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk – None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales - None
- B. Transfer and Servicing of Financial Assets - None
- C. Wash Sales - None

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans

The gain from operations from uninsured accident and health plans and the uninsured portion of partially insured plans was as follows during 2002:

	(1)	(2)	(3)
	<u>ASO</u>	<u>Uninsured</u>	
	<u>Uninsured</u>	<u>Portion of</u>	
	<u>Plans</u>	<u>Partially Insured</u>	<u>Total</u>
		<u>Plans</u>	<u>ASO</u>
a. Net reimbursement for administrative Expenses (including administrative fees)			

NOTES TO FINANCIAL STATEMENTS

In excess of actual expenses	\$ 87,857,727	\$ -0-	\$ 87,857,727
b. Total net other income or expenses (including interest paid to or received from plans)	-0-	-0-	-0-
c. Net gain or (loss) from operations	87,857,727	-0-	87,857,727
d. Total claim payment volume	592,995,617	-0-	592,995,617

B. ASC Plans - None

C. Medicare or Similarly Structured Cost Based Reimbursement Contract - None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators during 2002 – None.

20. Other Items

A. Extraordinary Items - None

B. Troubled Debt Restructuring: Debtors - None.

C. Other Disclosures

The Company elected to use rounding in reporting amounts in this statement. Certain pages of this Annual Statement were prepared by a process which cannot print (+) symbols and (-) symbols, therefore, it is indicated by a bracket around the number, e.g. (45,678), and (+) symbol is intended when there is not a bracket.

D. An allowance is established for premiums receivable which may be uncollectible. Premiums receivable are reported net of this allowance.

E. Reinsurance Accounted for as a Deposit – None

F. Multiple Peril Crop Insurance - None

G. Mezzanine Real Estate Loans – None

H. Health Care Receivables

(1) Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported	Pharmacy Rebates as Invoiced/Confirmed	Actual Collected Within 90 days of Invoicing/Confirmation	Actual Collected Within 91 to 180 Days of Invoicing/Confirmation	Actual Collected More than 180 Days After Invoicing/Confirmation
12/31/2002	-0-	-0-	-0-	-0-	-0-
09/30/2002	-0-	-0-	-0-	-0-	-0-
06/30/2002	-0-	-0-	-0-	-0-	-0-
03/31/2002	1,989,932	1,989,932	1,989,932	-0-	-0-
12/31/2001	-0-	-0-	-0-	-0-	-0-
09/30/2001	1,641,539	1,641,539	1,641,539	-0-	-0-
06/30/2001	1,779,380	1,779,380	1,779,380	-0-	-0-
03/31/2001	1,792,101	1,791,101	1,792,101	-0-	-0-

(2) Risk Sharing Receivables - None

I. September 11, 2001 Impact on Recognized Losses and Contingencies - None

J. Real Estate - None

K. Participating Policies - None

L. Premium Deficiency Reserves

As of December 31, 2002, the Company had liabilities of \$7,000,000 related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.

M. Intercompany Pooling Arrangements - None

N. Business Combinations and Goodwill – Assumption Reinsurance - None

O. Noncash Transactions - None

21. Events Subsequent

The Company is not aware of any events that have occurred with respect to conditions that existed at the date of the balance sheet, nor did it have any events occur subsequent to the date of the balance sheet, which would have a material effect on the financial condition of the Company.

22. Reinsurance

A. Unsecured Reinsurance Recoverables - None

B. Reinsurance Recoverable in Dispute - None

C. Maximum Amount of Return Commissions on Reinsurance Assumed and Ceded – None

D. Uncollectible Reinsurance - None

E. Commutation of Ceded Reinsurance - None

F. Retroactive Reinsurance –The Company has no contracts of reinsurance covering losses that have occurred prior to the inception of the contract.

## NOTES TO FINANCIAL STATEMENTS

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination
- A. Accrued retrospective premium adjustments for group health insurance business are estimated through a mathematical approach using an algorithm of the Company's underwriting rules and experience rating practices.
- B. The amount of net premium earned during 2002 which was subject to retrospective rating features was \$294 million, which represented approximately 13% of earned net premium.
24. Salvage and Subrogation  
Recoveries from salvage and subrogation are implicitly accounted for in the estimation of claim liabilities. The amount of such recoveries is de minimis.
25. Change in Incurred Losses and Loss Adjustment Expenses  
The estimated claim liabilities and reserves for claims incurred in prior years decreased from \$ 357.4 million on 12/31/01 to \$ 243.8 million on 12/31/02. The decrease is generally the result of ongoing analysis of recent claim development trends. To the extent that incurred claim estimates on retrospectively rated policies changed, there was a concomitant revision to premium.
26. Organization and Operation  
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 for IBC. The Company provides comprehensive major medical and preferred provider network (Personal Choice) coverages in the State of Delaware, the five-county Philadelphia area, and the U.S. Virgin Islands. In 2000, the Company decided not to renew its Personal Choice coverage in Florida and Texas. The Company also assumes reinsurance for workers' compensation business from AmeriHealth Casualty Insurance Company, an affiliate.
27. Minimum Net Worth  
Under the laws of the State of Pennsylvania, the Plan is required to provide a minimum net worth of \$1,650,000 but does not require maximum net worth.

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities .....	47,797,267	7.914	47,797,267	8.235
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....		0.000		0.000
1.22 Issued by U.S. government sponsored agencies .....		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....		0.000		0.000
1.44 Industrial development and similar obligations .....		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....	38,598,168	6.391	38,598,168	6.650
1.512 Issued by FNMA and FHLMC .....	6,076,649	1.006	6,076,649	1.047
1.513 Privately issued .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....	1,653,219	0.274	1,653,219	0.285
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....		0.000		0.000
1.523 All other privately issued .....	20,481,649	3.391	20,481,649	3.529
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	336,298,968	55.682	336,298,968	57.938
2.2 Unaffiliated foreign securities .....		0.000		0.000
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....	55,638,237	9.212	42,621,349	7.343
3.4 Other equity securities:				
3.41 Affiliated .....		0.000		0.000
3.42 Unaffiliated .....	10,500,000	1.739	0	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....		0.000		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....		0.000		0.000
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company .....		0.000	0	0.000
5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Policy loans .....		0.000		0.000
7. Receivables for securities .....		0.000	0	0.000
8. Cash and short-term investments .....	86,922,774	14.392	86,922,774	14.975
9. Other invested assets .....		0.000		0.000
10. Total invested assets	603,966,931	100.000	580,450,043	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 [ ] NA [ ]
- 1.3 State Regulating? ..... Pennsylvania.....
- 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. ....12/31/2001
- 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. ....12/31/1996
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....10/21/1999
- 3.4 By what department or departments? Pennsylvania 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; .....
- 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 or government, manager or attorney in fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....

## GENERAL INTERROGATORIES

(continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Deloitte & Touche, LLP Twenty-Second Floor 1700 Market Street Philadelphia, PA 19103-3984.....
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 John F. Douglas, Vice President Actuarial Services, 39th Floor, 1901 Market Street, Philadelphia, PA 19103-1480.....
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 10.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

### BOARD OF DIRECTORS

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

### FINANCIAL

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

**GENERAL INTERROGATORIES**

(continued)  
**INVESTMENT**

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

Class	1	2	3	4	5		6	
	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price if Callable	Is Dividend Rate Limited?		Are Dividends Cumulative?	
					Yes	No	Yes	No
Preferred	0	0			[ ]	[ ]	[ ]	[ ]
Common	200,000	200,000	10.000	XXX	XXX	XXX	XXX	XXX

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

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

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

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

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

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

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

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

19.4 For category (19.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....	.....	.....

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

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

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

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

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?..... Yes [ X ] No [ ]

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

1	2
Name of Custodian(s)	Custodian's Address
First Union National Bank.....	123 S. Broad Street, Philadelphia, PA 19109.....
SEI.....	One Freedom Valley Drive, Oaks, PA 19456.....

## GENERAL INTERROGATORIES

(continued)  
INVESTMENT

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

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

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

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

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

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
113859.....	Cooke & Bieler, L.P.....	1700 Market Street, Suite 3222, Philadelphia, PA 19103.....
105390.....	Delaware Investments.....	2005 Market Street, Philadelphia, PA 19103-7094.....
105098.....	Weaver C. Barksdale & Associates.....	10 Cadillac Drive, Suite 4550, Brentwood, TN 37027.....
EXEMPT.....	Emerald Venture Capital.....	500 N. Gulph Road, Suite 401, King of Prussia, PA 19406.....
104594.....	Evergreen Investments.....	55 Valley Stream Parkway, Malvern, PA 19355.....
109367.....	Gartmore Global Investments.....	1200 River Road, Conshohocken, PA 19428.....
113789.....	SEI.....	One Freedom Valley Drive, Oaks, PA 19456.....
106595.....	Wellington Management Co., LLP.....	75 State Street, Boston, MA 02109.....
111092.....	OFFITBANK.....	520 Madison Avenue, New York, NY 10022-4213.....

### OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....917,281

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

1 Name	2 Amount Paid
Blue Cross Blue Shield Association.....	\$.....854,603
	\$.....
	\$.....

24.1 Amount of payments for legal expenses, if any?..... \$.....1,984,298

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

1 Name	2 Amount Paid
Morgan, Lewis and Bockius.....	\$.....524,505
	\$.....

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

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

1 Name	2 Amount Paid

**GENERAL INTERROGATORIES**

(continued)

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] 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? ..... \$ .....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
- 2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? ..... Yes [ ] No [ X ]
- 2.2 If yes, give particulars: .....
- 3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? ..... Yes [ X ] No [ ]
- 3.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? ..... Yes [ ] No [ ]
- 4.1 Does the reporting entity have stop-loss reinsurance? ..... Yes [ ] No [ X ]
- 4.2 If no, explain: .....
- Stop-loss reinsurance is not required
- 4.3 Maximum retained risk (see instructions)
  - 4.31 Comprehensive Medical ..... \$ .....
  - 4.32 Medical Only ..... \$ .....
  - 4.33 Medicare Supplement ..... \$ .....
  - 4.34 Dental ..... \$ .....
  - 4.35 Other Limited Benefit Plan ..... \$ .....
  - 4.36 Other ..... \$ .....
- 5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
  - To protect members against insolvency, provider contracts contain hold harmless provisions, as well as provisions that require the continued rendering of services in the event of termination for any reason. In addition, the Plan maintains the required statutory reserves on deposit in the state.
- 6.1 Does the reporting entity set up its claim liability for provider services on a service data base? ..... Yes [ X ] No [ ]
- 6.2 If no, give details: .....
- 7. Provide the following Information regarding participating providers:
  - 7.1 Number of providers at start of reporting year ..... 15,000
  - 7.2 Number of providers at end of reporting year ..... 15,000
- 8.1 Does the reporting entity have business subject to premium rate guarantees? ..... Yes [ X ] No [ ]
- 8.2 If yes, direct premium earned:
  - 8.21 Business with rate guarantees between 15-36 months .....40,660,934 .....
  - 8.22 Business with rate guarantees over 36 months .....0 .....
- 9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contract? ..... Yes [ ] No [ X ]
- 9.2 If yes:
  - 9.21 Maximum amount payable bonuses ..... \$ .....
  - 9.22 Amount actually paid for year bonuses ..... \$ .....
  - 9.23 Maximum amount payable withholds ..... \$ .....
  - 9.24 Amount actually paid for year withholds ..... \$ .....
- 10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
State of Arizona.....
State of Colorado.....
State of Delaware.....
District of Columbia.....
State of Florida.....
State of Georgia.....
State of Indiana.....
State of Kansas.....
State of Massachusetts.....
State of Mississippi.....
State of Montana.....
State of Nebraska.....
State of Nevada.....

# GENERAL INTERROGATORIES

(continued)

## PART 2 - HEALTH INTERROGATORIES

1 Name of Service Area
State of New Mexico.....
State of North Dakota.....
State of Ohio.....
State of Oklahoma.....
State of Pennsylvania.....
State of South Carolina.....
State of South Dakota.....
State of Tennessee.....
State of Texas.....
State of Utah.....
State of Washington.....
State of West Virginia.....
US Virgin Islands.....

**FIVE-YEAR HISTORICAL DATA**

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 23) .....	951,641,826	742,804,702	556,580,778	531,221,264	464,574,334
2. Total liabilities (Page 3, Line 18) .....	680,727,255	511,340,127	374,026,482	353,536,532	285,089,844
3. Statutory surplus .....	0	0	0	0	0
4. Total capital and surplus (Page 3, Line 26) .....	270,914,571	231,464,575	182,554,296	177,684,732	179,484,490
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 7) .....	2,250,609,677	2,071,460,088	1,808,519,539	1,612,612,673	1,277,521,156
6. Total medical and hospital expenses (Line 17) .....	1,876,684,125	1,704,323,891	1,531,243,291	1,367,235,089	1,048,002,531
7. Total administrative expenses (Line 19) .....	140,142,230	270,493,788	248,856,567	245,960,808	197,190,369
8. Net underwriting gain (loss) (Line 22) .....	108,173,088	92,267,380	25,051,694	(4,048,476)	29,391,611
9. Net investment gain (loss) (Line 25) .....	(5,585,532)	12,003,841	12,411,947	10,891,103	9,398,966
10. Total other income (Lines 26 plus 27) .....	(2,254,067)	(140,973)	909,932	(752,901)	14,043,419
11. Net income (loss) (Line 30) .....	53,352,489	71,649,248	25,697,709	7,163,511	15,434,328
<b>RISK - BASED CAPITAL ANALYSIS</b>					
12. Total adjusted capital .....	270,914,571	237,085,561	185,949,833	178,406,974	179,975,475
13. Authorized control level risk-based capital .....	65,240,007	72,095,942	66,536,155	59,277,442	47,967,097
<b>ENROLLMENT (Exhibit 2)</b>					
14. Total members at end of period (Column 5, Line 7) .....	782,289	0	0	0	0
15. Total member months (Column 6, Line 7) .....	9,493,120	0	0	0	0
<b>OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, 3 and 5)</b>					
16. Premiums earned (Line 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17) .....	83.4	82.3	84.7	84.8	82.0
18. Total underwriting deductions (Line 21) .....	95.2	95.5	98.6	100.3	97.7
19. Total underwriting gain (loss) (Line 22) .....	4.8	4.5	1.4	(0.3)	2.3
<b>UNPAID CLAIMS ANALYSIS (U&amp;I Exhibit, Part 2B)</b>					
20. Total claims incurred for prior years (Line 11, Col. 5) .....	243,752,340	236,860,030	256,484,933	202,782,872	144,503,688
21. Estimated liability of unpaid claims – [prior year (Line 11, Col. 6)] .....	357,443,964	290,310,685	281,844,392	213,274,040	156,571,710

**FIVE-YEAR HISTORICAL DATA (Continued)**

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....	0	0	0	0	0
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	0	8,000,000	8,000,000	8,000,000	8,000,000
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	0	0	0	0	0
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....	0	0	0	0	0
26. Affiliated mortgage loans on real estate .....	0	0	0	0	0
27. All other affiliated .....	10,500,000	0	0	0	0
28. Total of above Lines 22 to 27	10,500,000	8,000,000	8,000,000	8,000,000	8,000,000

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**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
<b>BONDS</b>				
1. United States	86,395,435	89,107,306	86,514,731	84,938,374
Governments (Including all obligations guaranteed by governments)				
2. Canada	0	0	0	0
3. Other Countries	0	0	0	0
4. Totals	86,395,435	89,107,306	86,514,731	84,938,374
States, Territories and Possessions (Direct and guaranteed)				
5. United States	0	0	0	0
6. Canada	0	0	0	0
7. Other Countries	0	0	0	0
8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)				
9. United States	0	0	0	0
10. Canada	0	0	0	0
11. Other Countries	0	0	0	0
12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions				
13. United States	7,729,868	7,823,086	7,732,977	7,507,359
14. Canada	0	0	0	0
15. Other Countries	0	0	0	0
16. Totals	7,729,868	7,823,086	7,732,977	7,507,359
Public Utilities (unaffiliated)				
17. United States	941,165	956,000	1,266,205	1,375,000
18. Canada	0	0	0	0
19. Other Countries	0	0	0	0
20. Totals	941,165	956,000	1,266,205	1,375,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)				
21. United States	355,839,452	359,426,295	360,529,037	1,037,540,861
22. Canada	0	0	0	0
23. Other Countries	0	0	0	0
24. Totals	355,839,452	359,426,295	360,529,037	1,037,540,861
Parent, Subsidiaries and Affiliates				
25. Totals	0	0	0	0
26. <b>Total Bonds</b>	450,905,920	457,312,687	456,042,950	1,131,361,594
<b>PREFERRED STOCKS</b>				
Public Utilities (unaffiliated)				
27. United States	0	0	0	0
28. Canada	0	0	0	0
29. Other Countries	0	0	0	0
30. Totals	0	0	0	0
Banks, Trust and Insurance Companies (unaffiliated)				
31. United States	0	0	0	0
32. Canada	0	0	0	0
33. Other Countries	0	0	0	0
34. Totals	0	0	0	0
Industrial and Miscellaneous (unaffiliated)				
35. United States	0	0	0	0
36. Canada	0	0	0	0
37. Other Countries	0	0	0	0
38. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates				
39. Totals	0	0	0	0
40. <b>Total Preferred Stocks</b>	0	0	0	0
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)				
41. United States	6,425	6,425	49,028	0
42. Canada	0	0	0	0
43. Other Countries	0	0	0	0
44. Totals	6,425	6,425	49,028	0
Banks, Trust and Insurance Companies (unaffiliated)				
45. United States	1,093,489	1,093,489	1,419,900	0
46. Canada	0	0	0	0
47. Other Countries	0	0	0	0
48. Totals	1,093,489	1,093,489	1,419,900	0
Industrial and Miscellaneous (unaffiliated)				
49. United States	41,521,440	41,521,440	75,431,103	0
50. Canada	0	0	0	0
51. Other Countries	0	0	0	0
52. Totals	41,521,440	41,521,440	75,431,103	0
Parent, Subsidiaries and Affiliates				
53. Totals	0	0	0	0
54. <b>Total Common Stocks</b>	42,621,354	42,621,354	76,900,031	0
55. <b>Total Stocks</b>	42,621,354	42,621,354	76,900,031	0
56. <b>Total Bonds and Stocks</b>	493,527,274	499,934,041	532,942,981	1,131,361,594

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ 324,071 .

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year	423,954,652	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 6, Part 3	419,694,605	6.1 Column 17, Part 1	0
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Sec. 1	0
3.1 Column 16, Part 1	(4,919,567)	6.3 Column 11, Part 2, Sec. 2	0
3.2 Column 12, Part 2, Sec. 1	0	6.4 Column 11, Part 4	0
3.3 Column 10, Part 2, Sec. 2	(21,261,794)	7. Book/adjusted carrying value at end of current period	493,527,274
3.4 Column 10, Part 4	(1,338,451)	8. Total valuation allowance	0
4. Total gain (loss), Col. 14, Part 4	(27,519,812)	9. Subtotal (Lines 7 plus 8)	493,527,274
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4	(2,147,404)	10. Total nonadmitted amounts	0
	320,454,767	11. Statement value of bonds and stocks, current period	493,527,274

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE QCC INSURANCE COMPANY**

**SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS**

**Allocated by States and Territories**

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only			
			3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums
1. Alabama	AL	No				
2. Alaska	AK	No				
3. Arizona	AZ	Yes				
4. Arkansas	AR	No				
5. California	CA	No				
6. Colorado	CO	Yes				
7. Connecticut	CT	No				
8. Delaware	DE	Yes	5,149,656			
9. District of Columbia	DC	Yes				
10. Florida	FL	Yes				
11. Georgia	GA	Yes				
12. Hawaii	HI	No				
13. Idaho	ID	No				
14. Illinois	IL	No				
15. Indiana	IN	Yes				
16. Iowa	IA	No				
17. Kansas	KS	Yes				
18. Kentucky	KY	No				
19. Louisiana	LA	No				
20. Maine	ME	No				
21. Maryland	MD	No				
22. Massachusetts	MA	Yes				
23. Michigan	MI	No				
24. Minnesota	MN	No				
25. Mississippi	MS	Yes				
26. Missouri	MO	No				
27. Montana	MT	Yes				
28. Nebraska	NE	Yes				
29. Nevada	NV	Yes				
30. New Hampshire	NH	No				
31. New Jersey	NJ	No				
32. New Mexico	NM	Yes				
33. New York	NY	No				
34. North Carolina	NC	No				
35. North Dakota	ND	Yes				
36. Ohio	OH	Yes				
37. Oklahoma	OK	Yes				
38. Oregon	OR	No				
39. Pennsylvania	PA	Yes	2,067,138,802	191,191,417		
40. Rhode Island	RI	No				
41. South Carolina	SC	Yes				
42. South Dakota	SD	Yes				
43. Tennessee	TN	Yes				
44. Texas	TX	Yes	65,473			
45. Utah	UT	Yes				
46. Vermont	VT	No				
47. Virginia	VA	No				
48. Washington	WA	Yes				
49. West Virginia	WV	Yes				
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	Yes	757,101			
56. Canada	CN					
57. Aggregate other alien	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 26	2,073,111,032	191,191,417	0	0
<b>DETAILS OF WRITE-INS</b>						
5701.						
5702.						
5703.						
5798. Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)			0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.:

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

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO 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. Blue Cross of Jamaica	JA		
30. La Cruz Azul de Puerto Rico	PR	66-0195325	53546