



**HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2004  
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 215-241-2400  
(City or Town, State and Zip Code) (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 215-241-2529  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.ibx.com

Statutory Statement Contact Kevin Deal 215-241-2529  
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Policyowner Relations Contact 1901 MARKET STREET  
(Street and Number)  
PHILADELPHIA, PA 19103-1480 215-241-2400  
(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

**OFFICERS**

Name	Title	Name	Title
<u>Joseph Anthony Frick #</u>	<u>President</u>	<u>Paul Andrew Tufano</u>	<u>Secretary</u>
<u>John George Foos</u>	<u>Treasurer</u>		

**OTHER OFFICERS**

<u>Christopher Desmond Butler</u>	<u>SR. V.P.</u>	<u>John Christopher Cashman</u>	<u>SR. V.P.</u>
<u>John Allan Daddis</u>	<u>SR. V.P.</u>	<u>Robert Joseph Fascia</u>	<u>SR. V.P.</u>
<u>Michael Anthony Green</u>	<u>SR. V.P.</u>	<u>Karen Goldsmith Lessin #</u>	<u>SR. V.P.</u>
<u>Daniel Coombs Lyons, M.D.</u>	<u>SR. V.P.</u>	<u>Robert Allan McKeown</u>	<u>SR. V.P.</u>
<u>Donna O'Leary Moore #</u>	<u>SR. V.P.</u>	<u>Richard Joseph Neeson</u>	<u>SR. V.P.</u>
<u>Thomas Francis Pappalardo</u>	<u>SR. V.P.</u>	<u>Rosemary Anne Park</u>	<u>SR. V.P.</u>
<u>Ian Steven Udvarhelyi, M.D.</u>	<u>SR. V.P.</u>		

**DIRECTORS OR TRUSTEES**

<u>Christopher Desmond Butler</u>	<u>John Allan Daddis</u>	<u>Robert Joseph Fascia</u>	<u>John George Foos</u>
<u>Joseph Anthony Frick</u>	<u>William Frederick Haggett</u>	<u>Rosemary Anne Park</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. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Joseph Anthony Frick  
President

Paul Andrew Tufano  
Secretary

John George Foos  
Treasurer

Subscribed and sworn to before me this  
25 day of February, 2005

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

Linda J. Pratt  
Senior Administrative Assistant  
03/10/07

Changes in Senior Executive took place in January upon the death of G. Fred DiBona, Jr., Esq.

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	551,800,810		551,800,810	563,137,944
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	45,316,836		45,316,836	0
2.2 Common stocks .....	261,660,807	10,500,000	251,160,807	102,938,186
3. Mortgage loans on real estate (Schedule B):				
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).....			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 (\$ .....(42,728,198) , Schedule E, Part 1), cash equivalents (\$ .....0 , Schedule E, Part 2) and short-term investments (\$ .....26,669,926 , Schedule DA).....	(16,058,272)		(16,058,272)	146,075,900
6. Contract loans, (including \$ .....premium notes)			0	0
7. Other invested assets (Schedule BA) .....	0	0	0	0
8. Receivable for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	842,720,181	10,500,000	832,220,181	812,152,030
11. Investment income due and accrued .....	6,507,894		6,507,894	5,759,558
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection .....	63,109,090	9,655,384	53,453,706	45,146,543
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premium).....			0	0
12.3 Accrued retrospective premium.....			0	0
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers .....			0	0
13.2 Funds held by or deposited with reinsured companies .....			0	0
13.3 Other amounts receivable under reinsurance contracts .....			0	0
14. Amounts receivable relating to uninsured plans .....	124,786,067	8,950,243	115,835,824	107,345,886
15.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
15.2 Net deferred tax asset.....	49,545,049	15,892,000	33,653,049	24,874,168
16. Guaranty funds receivable or on deposit .....			0	0
17. Electronic data processing equipment and software.....			0	0
18. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
19. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
20. Receivables from parent, subsidiaries and affiliates .....	630,913		630,913	23,917,872
21. Health care (\$ .....23,387,351 ) and other amounts receivable.....	23,387,351		23,387,351	32,434,055
22. Other assets nonadmitted .....	117,624	117,624	0	0
23. Aggregate write-ins for other than invested assets .....	38,726,801	0	38,726,801	24,905,521
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	1,149,530,970	45,115,251	1,104,415,719	1,076,535,633
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	1,149,530,970	45,115,251	1,104,415,719	1,076,535,633
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Unprocessed claims.....	30,971,747		30,971,747	5,496,750
2302. Intangible assets.....	6,545,585		6,545,585	18,164,831
2303. Assumed reinsurance receivables.....	1,209,469		1,209,469	1,243,940
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	38,726,801	0	38,726,801	24,905,521

**ANNUAL STATEMENT FOR THE YEAR 2004 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)	367,113,019		367,113,019	410,069,700
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	9,113,611		9,113,611	9,930,194
4. Aggregate health policy reserves	52,818,402		52,818,402	47,367,427
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves	12,786,938		12,786,938	21,518,469
8. Premiums received in advance	157,261,010		157,261,010	134,637,035
9. General expenses due or accrued	22,482,705		22,482,705	24,676,566
10.1 Current federal and foreign income tax payable and interest thereon (including				
\$ ..... on realized capital gains (losses))	18,623,000		18,623,000	11,003,000
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others	15,212,939		15,212,939	25,598,591
13. Remittance and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	10,916,358		10,916,358	34,456,424
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	0	0	0	0
22. Total liabilities (Lines 1 to 21)	666,327,982	0	666,327,982	719,257,406
23. Common capital stock	XXX	XXX	2,000,000	2,000,000
24. Preferred capital stock	XXX	XXX		0
25. Gross paid in and contributed surplus	XXX	XXX	187,518,517	187,518,517
26. Surplus notes	XXX	XXX		0
27. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
28. Unassigned funds (surplus)	XXX	XXX	248,569,220	167,759,710
29. Less treasury stock, at cost:				
29.1 ..... shares common (value included in Line 23 \$ ..... )	XXX	XXX		0
29.2 ..... shares preferred (value included in Line 24 \$ ..... )	XXX	XXX		0
30. Total capital and surplus (Lines 23 to 28 Less 29)	XXX	XXX	438,087,737	357,278,227
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	1,104,415,719	1,076,535,633
<b>DETAILS OF WRITE-INS</b>				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2701. ....	XXX	XXX		
2702. ....	XXX	XXX		
2703. ....	XXX	XXX		
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	XXX	XXX	0	0

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	8,972,579	9,197,710
2. Net premium income (including .....(62,927) non-health premium income).....	XXX	2,652,186,337	2,489,713,571
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	2,087,025	25,057,041
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. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	2,654,273,362	2,514,770,612
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		2,245,609,406	2,065,404,364
10. Other professional services .....			0
11. Outside referrals .....			0
12. Emergency room and out-of-area .....			0
13. Prescription drugs .....			0
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15) .....	0	2,245,609,406	2,065,404,364
<b>Less:</b>			
17. Net reinsurance recoveries .....		(2,946,954)	(5,550,248)
18. Total hospital and medical (Lines 16 minus 17) .....	0	2,248,556,360	2,070,954,612
19. Non-health claims .....		2,891,138	19,770,326
20. Claims adjustment expenses, including \$ .....60,451,583 cost containment expenses.....		139,578,474	146,342,601
21. General administrative expenses.....		177,437,826	157,326,525
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		7,538,000	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	2,576,001,798	2,394,394,064
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	78,271,564	120,376,548
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		19,306,731	15,083,998
26. Net realized capital gains (losses) .....	0	1,782,336	5,280,084
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	21,089,067	20,364,082
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
29. Aggregate write-ins for other income or expenses .....	0	0	0
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	99,360,631	140,740,630
31. Federal and foreign income taxes incurred .....	XXX	37,772,000	41,532,000
32. Net income (loss) (Lines 30 minus 31) .....	XXX	61,588,631	99,208,630
<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
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above) .....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above) .....	0	0	0
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above) .....	0	0	0

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**CAPITAL AND SURPLUS ACCOUNT**

	1 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>		
33. Capital and surplus prior-reporting period .....	357,278,227	270,914,571
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>		
34. Net income or (loss) from Line 32 .....	61,588,631	99,208,630
35. Change in valuation basis of aggregate policy and claim reserves .....	0	0
36. Net unrealized capital gains and losses .....	6,596,960	4,557,414
37. Change in net unrealized foreign exchange capital gain or (loss) .....	0	0
38. Change in net deferred income tax .....	(704,274)	1,351,963
39. Change in nonadmitted assets .....	23,328,193	(18,754,351)
40. Change in unauthorized reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....	0	0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend) .....	0	0
44.3 Transferred to surplus .....	0	0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	0	0
46. Dividends to stockholders .....	(10,000,000)	0
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0
48. Net change in capital & surplus (Lines 34 to 47) .....	80,809,510	86,363,656
49. Capital and surplus end of reporting period (Line 33 plus 48)	438,087,737	357,278,227
<b>DETAILS OF WRITE-INS</b>		
4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

**CASH FLOW**

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	2,675,508,236	2,523,164,508
2. Net investment income.....	20,425,097	14,597,011
3. Miscellaneous income.....	0	0
4. Total (Lines 1 to 3).....	2,695,933,333	2,537,761,519
5. Benefits and loss related payments.....	2,294,404,179	2,093,943,642
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	327,335,296	376,323,862
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) \$ ..... net of tax on capital gains (losses)	30,152,000	41,713,000
10. Total (Lines 5 through 9).....	2,651,891,475	2,511,980,504
11. Net cash from operations (Line 4 minus Line 10).....	44,041,858	25,781,015
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	937,356,270	725,204,837
12.2 Stocks.....	53,803,104	7,714,437
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	10,500,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	991,159,374	743,419,274
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	924,604,495	828,700,009
13.2 Stocks.....	227,137,928	64,237,527
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,151,742,423	892,937,536
14. Net increase (or decrease) in policy loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(160,583,049)	(149,518,262)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	10,000,000	0
16.6 Other cash provided (applied).....	(35,592,981)	182,890,373
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6).....	(45,592,981)	182,890,373
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17).....	(162,134,172)	59,153,126
19. Cash and short-term investments:		
19.1 Beginning of year.....	146,075,900	86,922,774
19.2 End of period (Line 18 plus Line 19.1).....	(16,058,272)	146,075,900

**ANNUAL STATEMENT FOR THE YEAR 2004 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)	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 Health	Other Non-Health
1. Net premium income	2,652,186,337	2,402,838,836	0	0	469,935	0	243,460,643	0	5,479,850	0	0	0	(62,927)
2. Change in unearned premium reserves and reserve for rate credit	2,087,025	4,857,048					(3,224,087)						454,064
3. Fee-for-service (net of \$ medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	2,654,273,362	2,407,695,884	0	0	469,935	0	240,236,556	0	5,479,850	0	0	0	391,137
8. Hospital/medical/ benefits	2,245,609,406	2,009,995,230			327,942		234,449,779		836,455				XXX
9. Other professional services	0												XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	0												XXX
12. Prescription Drugs	0												XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0												XXX
15. Subtotal (Lines 8 to 14)	2,245,609,406	2,009,995,230	0	0	327,942	0	234,449,779	0	836,455	0	0	0	XXX
16. Net reinsurance recoveries	(2,946,954)								(2,946,954)				XXX
17. Total medical and hospital (Lines 15 minus 16)	2,248,556,360	2,009,995,230	0	0	327,942	0	234,449,779	0	3,783,409	0	0	0	XXX
18. Non-health claims (net)	2,891,138	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,891,138
19. Claims adjustment expenses including \$ 60,451,583 cost containment expenses	139,578,474	126,458,097			27,916		12,813,304		279,157				
20. General administrative expenses	177,437,826	160,758,672			35,487		16,288,792		354,875				
21. Increase in reserves for accident and health contracts	7,538,000	17,038,000					(9,500,000)						XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	2,576,001,798	2,314,249,999	0	0	391,345	0	254,051,875	0	4,417,441	0	0	0	2,891,138
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	78,271,564	93,445,885	0	0	78,590	0	(13,815,319)	0	1,062,409	0	0	0	(2,500,001)
<b>DETAILS OF WRITE-INS</b>													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

7

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 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 (hospital and medical) .....	2,402,838,836			2,402,838,836
2. Medicare Supplement .....				.0
3. Dental Only .....				.0
4. Vision Only .....	469,935			469,935
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare .....	243,460,643			243,460,643
7. Title XIX - Medicaid .....				.0
8. Stop Loss .....	859,503	4,620,347		5,479,850
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health .....				.0
12. Health subtotal (Lines 1 through 11) .....	2,647,628,917	4,620,347		2,652,249,264
13. Life .....				.0
14. Property/Casualty .....		(7,625)	55,302	(62,927)
15. Totals (Lines 12 to 14) .....	2,647,628,917	4,612,722	55,302	2,652,186,337

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 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	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non- Health
1. Payments during the year:													
1.1 Direct .....	2,286,369,876	2,047,701,522			327,942		231,488,968		6,851,444				
1.2 Reinsurance assumed .....	16,765,833	0							1,676,802				15,089,031
1.3 Reinsurance ceded .....	0												
1.4 Net .....	2,303,135,709	2,047,701,522	0	0	327,942	0	231,488,968	0	8,528,246	0	0	0	15,089,031
2. Paid medical incentive pools and bonuses .....	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct .....	364,094,099	307,926,443	0	0	0	0	45,164,647	0	11,003,009	0	0	0	0
3.3 Reinsurance assumed .....	3,018,919	0	0	0	0	0	0	0	2,373,723	0	0	0	645,196
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	367,113,018	307,926,443	0	0	0	0	45,164,647	0	13,376,732	0	0	0	645,196
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct .....	0												
4.2 Reinsurance assumed .....	12,786,938												12,786,938
4.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net .....	12,786,938	0	0	0	0	0	0	0	0	0	0	0	12,786,938
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 .....	404,854,570	345,632,736	0	0	0	0	42,203,836	0	17,017,998	0	0	0	0
7.2 Reinsurance assumed .....	5,215,129	0	0	0	0	0	0	0	1,103,571	0	0	0	4,111,558
7.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
7.4 Net .....	410,069,699	345,632,736	0	0	0	0	42,203,836	0	18,121,569	0	0	0	4,111,558
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct .....	0	0	0	0	0	0	0	0	0	0	0	0	0
8.2 Reinsurance assumed .....	21,518,469	0	0	0	0	0	0	0	0	0	0	0	21,518,469
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net .....	21,518,469	0	0	0	0	0	0	0	0	0	0	0	21,518,469
9. Accrued medical incentive pools and bonuses, prior year .....	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Amounts recoverable from reinsurers December 31, prior year .....	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Incurred Benefits:													
11.1 Direct .....	2,245,609,405	2,009,995,229	0	0	327,942	0	234,449,779	0	836,455	0	0	0	0
11.2 Reinsurance assumed .....	5,838,092	0	0	0	0	0	0	0	2,946,954	0	0	0	2,891,138
11.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
11.4 Net .....	2,251,447,497	2,009,995,229	0	0	327,942	0	234,449,779	0	3,783,409	0	0	0	2,891,138
12. Incurred medical incentive pools and bonuses .....	0	0	0	0	0	0	0	0	0	0	0	0	0

6

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 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	10	11	12	13
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct .....	14,574,192	12,321,674					2,252,518						
1.2. Reinsurance assumed .....	0												
1.3. Reinsurance ceded .....	0												
1.4. Net .....	14,574,192	12,321,674	0	0	0	0	2,252,518	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct .....	349,519,907	295,604,769					42,912,129		11,003,009				
2.2. Reinsurance assumed .....	3,018,919								2,373,723				645,196
2.3. Reinsurance ceded .....	0												
2.4. Net .....	352,538,826	295,604,769	0	0	0	0	42,912,129	0	13,376,732	0	0	0	645,196
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	0	0	0	0
4. TOTALS:													
4.1. Direct .....	364,094,099	307,926,443	0	0	0	0	45,164,647	0	11,003,009	0	0	0	0
4.2. Reinsurance assumed .....	3,018,919	0	0	0	0	0	0	0	2,373,723	0	0	0	645,196
4.3. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net .....	367,113,018	307,926,443	0	0	0	0	45,164,647	0	13,376,732	0	0	0	645,196

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 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 (hospital and medical) .....	252,671,564	1,795,029,959	10,552,658	297,373,786	263,224,222	345,632,736
2. Medicare Supplement .....					0	0
3. Dental Only.....					0	0
4. Vision Only.....		327,942			0	0
5. Federal Employees Health Benefits Plan Premiums .....					0	0
6. Title XVIII - Medicare .....	32,535,457	198,953,511	962,728	44,201,918	33,498,185	42,203,836
7. Title XIX - Medicaid.....					0	0
8. Other health .....	8,259,114	269,132	5,166,554	8,210,178	13,425,668	18,121,569
9. Health subtotal (Lines 1 to 8).....	293,466,135	1,994,580,544	16,681,940	349,785,882	310,148,075	405,958,141
10. Other non-health.....	14,948,874	140,157	13,407,759	24,376	28,356,633	25,630,027
11. Medical incentive pools, and bonus amounts .....					0	0
12. Totals (Lines 9 to 11)	308,415,009	1,994,720,701	30,089,699	349,810,258	338,504,708	431,588,168

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	.0
2. 2000 .....	.0	.0	.0	.0	.0
3. 2001 .....	XXX	.0	.0	.0	.0
4. 2002 .....	XXX	XXX	1,439,410	1,688,840	1,699,041
5. 2003 .....	XXX	XXX	XXX	1,608,928	1,851,398
6. 2004 .....	XXX	XXX	XXX	XXX	1,795,030

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	.0
2. 2000 .....	.0	.0	.0	.0	.0
3. 2001 .....	XXX	.0	.0	.0	.0
4. 2002 .....	XXX	XXX	1,765,596	1,713,655	1,699,041
5. 2003 .....	XXX	XXX	XXX	1,929,745	1,861,950
6. 2004 .....	XXX	XXX	XXX	XXX	2,092,404

**Section C – Incurred Year Health 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. 2000 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. 2001 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2002 .....	2,034,409	1,699,041	112,727	6.6	1,811,768	89.1	.0	.0	1,811,768	89.1
4. 2003 .....	2,265,653	1,851,398	164,272	8.9	2,015,670	89.0	10,553	255	2,026,478	89.4
5. 2004 .....	2,407,696	1,795,030	127,733	7.1	1,922,763	79.9	297,374	7,585	2,227,722	92.5

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	
2. 2000 .....	.0	.0	.0	.0	
3. 2001 .....	XXX	.0	.0	.0	
4. 2002 .....	XXX	XXX	212	212	212
5. 2003 .....	XXX	XXX	XXX	383	383
6. 2004 .....	XXX	XXX	XXX	XXX	328

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	
2. 2000 .....	.0	.0	.0	.0	
3. 2001 .....	XXX	.0	.0	.0	
4. 2002 .....	XXX	XXX	212	212	212
5. 2003 .....	XXX	XXX	XXX	383	383
6. 2004 .....	XXX	XXX	XXX	XXX	328

**Section C – Incurred Year Health 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. 2000 .....	.0	.0		.0	.0	.0			.0	.0
2. 2001 .....	.0	.0		.0	.0	.0			.0	.0
3. 2002 .....	329	212	18	8.5	230	69.9			230	69.9
4. 2003 .....	395	383	36	9.4	419	106.1			419	106.1
5. 2004 .....	470	328	28	8.5	356	75.7			356	75.7

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

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

**Section A - Paid Health Claims - Medicare**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	
2. 2000 .....	.0	.0	.0	.0	
3. 2001 .....	XXX	.0	.0	.0	
4. 2002 .....	XXX	XXX	145,383	174,226	174,825
5. 2003 .....	XXX	XXX	XXX	168,557	200,494
6. 2004 .....	XXX	XXX	XXX	XXX	198,954

**Section B - Incurred Health Claims - Medicare**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	
2. 2000 .....	.0	.0	.0	.0	
3. 2001 .....	XXX	.0	.0	.0	
4. 2002 .....	XXX	XXX	188,666	175,194	174,825
5. 2003 .....	XXX	XXX	XXX	209,793	201,456
6. 2004 .....	XXX	XXX	XXX	XXX	243,155

**Section C – Incurred Year Health 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. 2000 .....	.0	.0		0.0	.0	0.0			.0	0.0
2. 2001 .....	.0	.0		0.0	.0	0.0			.0	0.0
3. 2002 .....	187,191	174,825	10,372	5.9	185,197	98.9	.0	.0	185,197	98.9
4. 2003 .....	214,186	200,494	15,524	7.7	216,018	100.9	963	27	217,008	101.3
5. 2004 .....	240,236	198,954	12,942	6.5	211,896	88.2	44,202	1,247	257,345	107.1

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

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

**Section A - Paid Health Claims - Other**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	.0
2. 2000 .....	.0	.0	.0	.0	.0
3. 2001 .....	XXX	.0	.0	.0	.0
4. 2002 .....	XXX	XXX	8,087	2,934	7,551
5. 2003 .....	XXX	XXX	XXX	4,749	8,391
6. 2004 .....	XXX	XXX	XXX	XXX	269

**Section B – Incurred Health Claims - Other**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	.0
2. 2000 .....	.0	.0	.0	.0	.0
3. 2001 .....	XXX	.0	.0	.0	.0
4. 2002 .....	XXX	XXX	35,901	11,302	7,551
5. 2003 .....	XXX	XXX	XXX	14,502	13,557
6. 2004 .....	XXX	XXX	XXX	XXX	8,479

**Section C – Incurred Year Health 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. 2000 .....	.0	.0		0.0	.0	0.0			.0	0.0
2. 2001 .....	.0	.0		0.0	.0	0.0			.0	0.0
3. 2002 .....	28,680	7,551	1,589	21.0	9,140	31.9			9,140	31.9
4. 2003 .....	6,671	8,391	469	5.6	8,860	132.8	5,167		14,027	210.3
5. 2004 .....	5,480	269	282	104.8	551	10.1	8,210		8,761	159.9

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

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

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

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	.0
2. 2000 .....	.0	.0	.0	.0	.0
3. 2001 .....	XXX	.0	.0	.0	.0
4. 2002 .....	XXX	XXX	1,593,092	1,866,212	1,881,629
5. 2003 .....	XXX	XXX	XXX	1,782,617	2,060,665
6. 2004 .....	XXX	XXX	XXX	XXX	1,994,581

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

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior .....	.0	.0	.0	.0	.0
2. 2000 .....	.0	.0	.0	.0	.0
3. 2001 .....	XXX	.0	.0	.0	.0
4. 2002 .....	XXX	XXX	1,990,375	1,900,363	1,881,629
5. 2003 .....	XXX	XXX	XXX	2,154,423	2,077,347
6. 2004 .....	XXX	XXX	XXX	XXX	2,344,366

**Section C - Incurred Year Health 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. 2000 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
2. 2001 .....	.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
3. 2002 .....	2,250,609	1,881,629	124,706	6.6	2,006,335	89.1	.0	.0	2,006,335	89.1
4. 2003 .....	2,486,905	2,060,665	180,301	8.7	2,240,966	90.1	16,683	282	2,257,931	90.8
5. 2004 .....	2,653,882	1,994,581	140,985	7.1	2,135,566	80.5	349,786	8,832	2,494,184	94.0

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**UNDERWRITING AND INVESTMENT EXHIBIT**

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

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	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
<b>POLICY RESERVE</b>												
1. Unearned premium reserves .....	8,104,431	8,104,431										
2. Additional policy reserves (a) .....	21,900,000	21,900,000										
3. Reserve for future contingent benefits .....	0											
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income) .....	22,813,971	19,589,884					3,224,087					
5. Aggregate write-ins for other policy reserves .....	0	0	0	0	0	0	0	0	0	0	0	0
6. Totals (Gross) .....	52,818,402	49,594,315	0	0	0	0	3,224,087	0	0	0	0	0
7. Reinsurance ceded .....	0											
8. Totals (Net) (Page 3, Line 4) .....	52,818,402	49,594,315	0	0	0	0	3,224,087	0	0	0	0	0
<b>CLAIM RESERVE</b>												
9. Present value of amounts not yet due on claims .....	12,786,938											12,786,938
10. Reserve for future contingent benefits .....	0											
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0	0	0	0
12. Totals (Gross) .....	12,786,938	0	0	0	0	0	0	0	0	0	0	12,786,938
13. Reinsurance ceded .....	0											
14. Totals (Net) (Page 3, Line 7) .....	12,786,938	0	0	0	0	0	0	0	0	0	0	12,786,938
<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
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	0	0	0	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	0	0	0
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above) .....	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$ .....21,900,000 premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ .....for occupancy of own building).....	3,702,356	9,681,440	6,123,089		19,506,885
2. Salaries, wages and other benefits.....	51,424,071	70,403,200	64,129,682		185,956,953
3. Commissions (less \$ .....ceded plus \$ ..... Assumed.....)			53,969,717		53,969,717
4. Legal fees and expenses.....	31,541	105	3,192,422		3,224,068
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	1,620,737	149,937	5,757,043		7,527,717
7. Traveling expenses.....	378,827	171,552	1,085,997		1,636,376
8. Marketing and advertising.....	513,864	118,151	7,950,915		8,582,930
9. Postage, express and telephone.....	2,103,700	2,839,803	3,410,140		8,353,643
10. Printing and office supplies.....	590,802	438,402	2,224,057		3,253,261
11. Occupancy, depreciation and amortization.....	16,980	8,143	248,616		273,739
12. Equipment.....	3,641,549	7,566,729	13,091,085		24,299,363
13. Cost or depreciation of EDP equipment and software.....	1,372,681	1,158,731	6,701,851		9,233,263
14. Outsourced services including EDP, claims, and other services.....	2,275,391	44,421,233	7,204,133		53,900,757
15. Boards, bureaus and association fees.....	2,824		1,323,630		1,326,454
16. Insurance, except on real estate.....	6,061,621	471,272	277,909		6,810,802
17. Collection and bank service charges.....	10,940		906,643	2,816,465	3,734,048
18. Group service and administration fees.....	8,105,995	(1,644,183)	(2,616,558)		3,845,254
19. Reimbursements by uninsured accident and health plans.....	(33,338,898)	(63,548,726)	(58,118,293)		(155,005,917)
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.....	381,004	869	2,713,702		3,095,575
23.2 State premium taxes.....			48,846,919		48,846,919
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....	2,868,895	4,424,246	4,504,278		11,797,419
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....				0	0
25. Aggregate write-ins for expenses.....	8,686,703	2,465,987	4,510,849	0	15,663,539
26. Total expenses incurred (Lines 1 to 25).....	60,451,583	79,126,891	177,437,826	2,816,465 (a)	319,832,765
27. Less expenses unpaid December 31, current year.....	3,918,853	5,194,758	22,482,705		31,596,316
28. Add expenses unpaid December 31, prior year.....	4,269,983	5,660,211	24,676,566		34,606,760
29. Amounts receivable related to uninsured accident and health plans, prior year.....	23,356,055	30,960,353	63,161,107		117,477,515
30. Amounts receivable related to uninsured accident and health plans, current year.....	23,709,353	31,196,517	69,880,197		124,786,067
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	61,156,011	79,828,508	186,350,777	2,816,465	330,151,761
<b>DETAIL OF WRITE-INS</b>					
2501. Miscellaneous cost containment expenses.....	8,686,703				8,686,703
2502. Miscellaneous claim adjustment expenses.....		2,465,987			2,465,987
2503. Miscellaneous general administration expenses.....			4,510,849		4,510,849
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	8,686,703	2,465,987	4,510,849	0	15,663,539

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

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,794,745	1,778,307
1.1 Bonds exempt from U.S. tax	(a) 0	0
1.2 Other bonds (unaffiliated)	(a) 22,120,405	20,617,412
1.3 Bonds of affiliates	(a) 0	0
2.1 Preferred stocks (unaffiliated)	(b) 567,168	569,745
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	4,664,204	6,715,650
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c) 0	0
4. Real estate	(d) 0	0
5. Contract loans	0	0
6. Cash, cash equivalents and short-term investments	(e) 958,941	952,194
7. Derivative instruments	(f) 0	0
8. Other invested assets	0	0
9. Aggregate write-ins for investment income	20,595	20,595
10. Total gross investment income	30,126,058	30,653,903
11. Investment expenses	0	(g) 2,816,465
12. Investment taxes, licenses and fees, excluding federal income taxes	0	(g) 0
13. Interest expense	0	(h) 8,530,707
14. Depreciation on real estate and other invested assets	0	(i) 0
15. Aggregate write-ins for deductions from investment income	0	0
16. Total (Lines 11 through 15)	0	11,347,172
17. Net Investment Income - (Line 10 minus Line 16)	0	19,306,731
<b>DETAILS OF WRITE-INS</b>		
0901. Interest on supplemental advances	20,595	20,595
0902. ....	0	0
0903. ....	0	0
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)	20,595	20,595
1501. ....	0	0
1502. ....	0	0
1503. ....	0	0
1598. Summary of remaining write-ins for Line 15 from overflow page	0	0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)	0	0

- (a) Includes \$ 282,345 accrual of discount less \$ 2,149,047 amortization of premium and less \$ 2,849,978 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	63,734	0	0	63,734
1.1 Bonds exempt from U.S. tax	0	0	0	0
1.2 Other bonds (unaffiliated)	3,966,256	0	0	3,966,256
1.3 Bonds of affiliates	0	0	0	0
2.1 Preferred stocks (unaffiliated)	209,081	0	0	209,081
2.11 Preferred stocks of affiliates	0	0	0	0
2.2 Common stocks (unaffiliated)	(307,047)	(2,151,761)	0	(2,458,808)
2.21 Common stocks of affiliates	0	0	0	0
3. Mortgage loans	0	0	0	0
4. Real estate	0	0	0	0
5. Contract loans	0	0	0	0
6. Cash, cash equivalents and short-term investments	2,072	0	0	2,072
7. Derivative instruments	0	0	0	0
8. Other invested assets	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0
10. Total capital gains (losses)	3,934,096	(2,151,761)	0	1,782,335
<b>DETAILS OF WRITE-INS</b>				
0901. ....	0	0	0	0
0902. ....	0	0	0	0
0903. ....	0	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	10,500,000	10,500,000	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens .....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash, (Schedule E, Part 1), cash equivalents (Schedule E, Part 2) and short-term investments (Schedule DA) .....	0	0	0
6. Contract loans .....	0	0	0
7. Other invested assets (Schedule BA) .....	0	0	0
8. Receivable for securities .....	0	0	0
9. Aggregate write-ins for invested assets .....	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	10,500,000	10,500,000	0
11. Investment income due and accrued .....	0	0	0
12. Premiums and considerations:			
12.1 Uncollected premiums and agents' balances in the course of collection .....	9,655,384	18,660,471	9,005,087
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
12.3 Accrued retrospective premium.....	0	0	0
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers .....	0	0	0
13.2 Funds held by or deposited with reinsured companies .....	0	0	0
13.3 Other amounts receivable under reinsurance contracts .....	0	0	0
14. Amounts receivable relating to uninsured plans .....	8,950,243	10,131,629	1,181,386
15.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
15.2 Net deferred tax asset.....	15,892,000	28,928,000	13,036,000
16. Guaranty funds receivable or on deposit .....	0	0	0
17. Electronic data processing equipment and software.....	0	0	0
18. Furniture and equipment, including health care delivery assets.....	0	0	0
19. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
20. Receivables from parent, subsidiaries and affiliates .....	0	0	0
21. Health care and other amounts receivable.....	0	0	0
22. Other assets nonadmitted .....	117,624	223,344	105,720
23. Aggregate write-ins for other than invested assets .....	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	45,115,251	68,443,444	23,328,193
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	45,115,251	68,443,444	23,328,193
<b>DETAILS OF WRITE-INS</b>			
0901. ....			
0902. ....			
0903. ....			
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. ....			
2302. ....			
2303. ....			
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

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.....	745,150	740,837	736,495	736,026	737,131	8,862,606
4. Point of Service.....	.0					
5. Indemnity Only.....	.1					.5
6. Aggregate write-ins for other lines of business	8,028	8,827	9,025	9,420	9,966	109,968
7. Total	753,179	749,664	745,520	745,446	747,097	8,972,579
<b>DETAILS OF WRITE-INS</b>						
0601. Vision only.....	8,028	8,827	9,025	9,420	9,966	109,968
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)	8,028	8,827	9,025	9,420	9,966	109,968

## 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 2004, (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.

In 2002, QCC received written approval from the Pennsylvania Insurance Department to admit, for statutory purposes, additional goodwill (subject to accelerated amortization) related to the purchase of Pennsylvania Blue Shield's interest in certain managed care lines of business (primarily the Personal Choice line of business), which treatment differs from prescribed statutory accounting practices. Statutory accounting practices prescribed by the Commonwealth of Pennsylvania limit admitted goodwill to 10% of the adjusted capital and surplus of an insurer, as reported in its preceding Annual Statement.

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

	<u>2004</u>	<u>2003</u>
Net Income, Pennsylvania basis	\$61,588,631	\$99,208,630
State Prescribed Practices:	-0-	-0-
State Permitted Practices:	-0-	-0-
Net Income, NAIC SAP	61,588,631	99,208,630
Statutory Surplus, Pennsylvania basis	\$438,087,737	\$357,278,227
State Prescribed Practices:	-0-	-0-
State Permitted Practices: Goodwill, net	-0-	-0-
Statutory Surplus, NAIC SAP	438,087,737	357,278,227

#### 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.
- (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 - All derivatives are stated at fair value.
- (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.
- (12) The Company has not modified its capitalization policy from the prior period.

### 2. Accounting Changes and Corrections of Errors

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

## NOTES TO FINANCIAL STATEMENTS

- 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. Effective June 30, 2003 the Company changed the presentation of amounts receivable from parent, subsidiaries and affiliates and the amounts due to parent, subsidiaries and affiliates. In prior periods these amounts were reported on a net basis. These amounts are now reported gross. This change will be reflected in future filings; prior periods have not been restated.
3. Business Combinations and Goodwill
- A. Statutory Purchase Method - None
  - B. Statutory Merger – None
  - C. Assumption Reinsurance - None
  - D. 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
    - (1) The Company does not have any loan-backed securities purchased prior to January 1, 1994.
    - (2) Prepayment method for single class and multi-class mortgage-backed/asset-backed securities were obtained from our investment advisors survey values.
    - (3) The Company uses the retrospective adjustment method regarding prepayment assumptions and has not incurred a negative yield situation regarding the use of this method.
  - E. Repurchase Agreements - None
  - F. Real Estate - None
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 (non-admitted) from surplus.
  - B. The total amount excluded from surplus in the current period was \$ -0-.
8. Derivative Instruments  
The Company purchases options on futures contracts to mitigate the downside risk of the preferred stock portfolio in a rising interest rate environment.
9. Income Taxes
- A. The components of the Company's net deferred tax asset/(liability) are as follows: In 000's
 

	<u>2004</u>	<u>2003</u>
(1) Total of all deferred tax assets (admitted and non-admitted)	\$63,393	\$63,367
(2) Total of all deferred tax liabilities	<u>(13,851)</u>	<u>( 9,566)</u>
Net deferred tax asset	49,542	53,801
(3) Total deferred tax assets non-admitted in accordance with SSAP No. 10, Income Taxes	<u>(15,892)</u>	<u>(28,928)</u>
(4) Total of deferred tax assets (admitted)	33,650	24,873
(5) The net change during the year in the total deferred tax assets non-admitted	(13,036)	( 7,810)
  - B. (1), (2), (3) Deferred tax liabilities are not recognized for the following amounts: N/A
  - C. The components of incurred income tax expense and the change in DTAs and DTLs are as follows:
 

	In 000's		
	<u>2004</u>	<u>2003</u>	
(1) Federal	\$37,772	\$ 41,532	
Foreign	0	0	
Federal income tax on net capital gains	1,377	0	
Utilization of capital loss carryforwards	<u>(1,377)</u>	<u>0</u>	
Federal and Foreign income taxes	37,772	41,532	
(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:			
		In 000's	
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Deferred tax assets:			
Discounting of unpaid losses	\$ 3,447	\$ 4,121	\$ (674)
Change in unearned premium reserve	11,867	10,291	1,576
Bad Debt	238	270	(32)

## NOTES TO FINANCIAL STATEMENTS

Other – Investment in common stock	0	0	0
General insurance expense and prepaids	0	37	(37)
Premium Deficiency Reserve	7,665	5,027	2,638
Goodwill	23,522	22,955	567
Impairment Loss	753	0	753
Net Capital Loss Carryforward	6,259	7,636	(1,377)
Unrealized capital losses	289	74	215
Non-admitted assets	<u>9,353</u>	<u>12,956</u>	<u>(3,603)</u>
Total deferred tax assets (admitted and non-admitted)	63,393	63,367	26
Total deferred tax assets non-admitted	<u>(15,892)</u>	<u>(28,928)</u>	<u>13,036</u>
Admitted deferred tax assets	47,501	34,439	13,062
Deferred tax liabilities:			
Unrealized capital gains	(8,324)	(489)	(7,835)
General insurance expense and prepaids	0	0	0
Excess Allowance/Return Premiums	<u>(5,527)</u>	<u>(9,077)</u>	<u>3,550</u>
Total deferred tax liabilities	<u>(13,851)</u>	<u>(9,566)</u>	<u>(4,285)</u>
Net admitted deferred tax asset	33,650	24,873	8,777

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

	In 000's		
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Total deferred tax assets (admitted and non-admitted)	\$ 63,393	\$63,367	\$ 26
Total deferred tax liabilities	<u>(13,851)</u>	<u>(9,566)</u>	<u>(4,285)</u>
Net deferred tax asset	49,542	53,801	(4,259)
Tax effect of unrealized gains (losses)			<u>3,553</u>
Change in net deferred income taxes			(706)

(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 provision for federal and foreign income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	In 000's	
	<u>2004</u>	<u>2003</u>
(1) Expected federal income tax expense (at statutory rate)	\$ 34,776	\$49,260
(2) IMR Adjustment	0	0
(3) Change in DTA on non-admits	3,603	(9,298)
(4) Travel & Entertainment	100	103
(5) Other	<u>(1)</u>	<u>116</u>
Total	38,478	40,181
Federal and foreign income taxes	37,772	41,532
Change in net deferred income taxes	<u>706</u>	<u>(1,351)</u>
Total statutory income taxes	38,478	40,181

E. (1) As of December 31, 2004 the Company operating loss carry forwards that will expire are as follows:

2003 (earliest year)	\$ -0-
2004	\$ -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:

2004 (current year)	\$37,772,000
2003 (current year-1)	\$44,332,000

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

- (1)
- Independence Blue Cross
  - AmeriHealth Administrators, Inc.
  - AmeriHealth Assurance, LTD
  - AmeriHealth Casualty Insurance Company
  - AmeriHealth HMO, Inc.
  - AmeriHealth Insurance Company of New Jersey
  - AmeriHealth Integrated Benefits, Inc.
  - AmeriHealth Integrated Case Management, Inc.
  - AmeriHealth Integrated Workers' Comp. Management, Inc.
  - AmeriHealth of Florida, Inc.
  - AmeriHealth Services, Inc.
  - AmeriHealth, Inc.
  - CompServices, Inc.
  - CSI Services, Inc.
  - HCDV, Inc.
  - HCS, Inc.
  - Healthcare Delaware, Inc.
  - Independence Healthcare Management, Inc.
  - Independence Holdings, Inc.

## NOTES TO FINANCIAL STATEMENTS

Independence Insurance, Inc.  
 Keystone Benefits, Inc.  
 Keystone Health Plan East, Inc.  
 Keystone Health Systems, Inc.  
 New Seasons Assisted Living Communities, Inc.  
 The AmeriHealth Agency, Inc.  
 Vista Health Plan, Inc.  
 Corcell, 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 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. The agreement terminated in March 2003, and is currently running off covered business. The affiliate ACIC now retains the risk.
- 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., 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, (\$8M) of the investment of preferred stock in La Cruz Azul. In 2002 the preferred stock was converted to a surplus note totaling ten and one-half million dollars, \$10,500,000. (\$10.5M). Originally, the note was to have been in the principal amount of \$10.5M, but the Insurance Commissioner approved only \$8M, leaving two and on-half million dollars \$2,500,000 (\$2.5M) as an "obligation" from La Cruz Azul. In 2003, the \$10.5M surplus note was converted to Common Stock.

The effect of the conversion is as follows:

\$8M divided by \$152/share = 52,632 shares  
 \$2.5M divided by \$152/share = 184,211 shares

For statutory purposes the total \$10.5M of common stock is non-admitted.

### 11. Debt

- 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

## NOTES TO FINANCIAL STATEMENTS

- 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: \$ 22,954,144  
 b. non-admitted asset values: \$ 45,115,251  
 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.

## 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 Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans - None

## B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured accident and health plans and the uninsured portion of partially insured plans was as follows during 2004:

	<u>Total ASC Uninsured Plans</u>	
	<u>2004</u>	<u>2003</u>
a. Gross reimbursement for medical cost incurred	\$ 845,317,740	\$ 793,799,390
b. Gross administrative fees accrued	155,005,919	150,276,334
c. Other income or expenses (including interest paid to or received from plans)	-0-	-0-
d. Gross expenses incurred (claims and administrative)	943,349,459	890,095,114
e. Total net gain or (loss) from operations	56,974,200	53,980,610

## NOTES TO FINANCIAL STATEMENTS

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract – None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators during 2004 – None

20. September 11 Events – None

21. 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. Non-admitted assets include estimated allowances for premiums receivable which may be uncollectible.

E. Business Interruption Insurance Recoveries – None

22. 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.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsures, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? – NO

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business? - NO

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit? – NO

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? – NO

Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment of other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$-0-

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement? Yes ( ) No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$\_\_\_\_N/A\_\_\_\_

B. Uncollectible Reinsurance - None

C. Commutation of Ceded Reinsurance - None

24. 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 2004 which was subject to retrospective rating features was \$ 300 million, which represented approximately 11% of earned net premium.

25. Change in Incurred Losses and Loss Adjustment Expenses

The estimated claim liabilities and reserves for claims incurred in prior years decreased from \$ 431.6 million on 12/31/03 to \$ 338.5 million on 12/31/04. 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. Intercompany Pooling Arrangements – None

27. Structured Settlements – N/A

## NOTES TO FINANCIAL STATEMENTS

## 28. Health Care Receivables

## (A) Pharmaceutical Rebate Receivables

Quarter	Estimated Pharmacy Rebates as Reported	Pharmacy Rebates as Invoiced/Confirmed	Actual Rebates Collected Within 90 days of Invoicing/Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/Confirmation	Actual Rebates Collected More than 180 Days After Invoicing/Confirmation
12/31/2004	2,823,300	-0-	-0-	-0-	-0-
09/30/2004	1,279,000	2,133,600	-0-	-0-	-0-
*06/30/2004	-0-	-0-	-0-	-0-	-0-
03/31/2004	-0-	-0-	-0-	-0-	-0-
12/31/2003	-0-	-0-	-0-	-0-	-0-
09/30/2003	-0-	-0-	-0-	-0-	-0-
06/30/2003	-0-	-0-	-0-	-0-	-0-
03/31/2003	-0-	-0-	-0-	-0-	-0-
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-

\* Effective 6/30/04 the above information reflects rebate activity with Caremark only. Under the previous contract with Medco, guaranteed rebates were paid in full at the end of each quarter. Above data excludes ASC and national groups.

## (B) Risk Sharing Receivables - None

## 29. Participating Policies – None

## 30. Premium Deficiency Reserves

As of December 31, 2004, the Company held \$21,900,000 of premium deficiency reserves. Investment income was not considered when calculating the amount of premium deficiency reserves.

## 31. Anticipated 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.

**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 .....	64,034,061	7.598	64,034,061	7.694
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....	0	0.000	0	0.000
1.22 Issued by U.S. government sponsored agencies .....	0	0.000	0	0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....	0	0.000	0	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 .....	48,271,512	5.728	48,271,512	5.800
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....	0	0.000	0	0.000
1.43 Revenue and assessment obligations .....	0	0.000	0	0.000
1.44 Industrial development and similar obligations .....	0	0.000	0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA .....	16,377,380	1.943	16,377,380	1.968
1.512 Issued or guaranteed by FNMA and FHLMC .....	0	0.000	0	0.000
1.513 All other .....	0	0.000	0	0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA .....	9,176,585	1.089	9,176,585	1.103
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 .....	0	0.000	0	0.000
1.523 All other .....	33,377,201	3.961	33,377,201	4.011
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	380,564,071	45.159	380,564,071	45.729
2.2 Unaffiliated foreign securities .....	0	0.000	0	0.000
2.3 Affiliated securities .....	0	0.000	0	0.000
3. Equity interests:				
3.1 Investments in mutual funds .....	0	0.000	0	0.000
3.2 Preferred stocks:				
3.21 Affiliated .....	0	0.000	0	0.000
3.22 Unaffiliated .....	45,316,836	5.377	45,316,836	5.445
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....	0	0.000	0	0.000
3.32 Unaffiliated .....	251,160,807	29.804	251,160,807	30.180
3.4 Other equity securities:				
3.41 Affiliated .....	10,500,000	1.246	0	0.000
3.42 Unaffiliated .....	0	0.000	0	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....	0	0.000	0	0.000
3.52 Unaffiliated .....	0	0.000	0	0.000
4. Mortgage loans:				
4.1 Construction and land development .....	0	0.000	0	0.000
4.2 Agricultural .....	0	0.000	0	0.000
4.3 Single family residential properties .....	0	0.000	0	0.000
4.4 Multifamily residential properties .....	0	0.000	0	0.000
4.5 Commercial loans .....	0	0.000	0	0.000
4.6 Mezzanine real estate loans .....	0	0.000	0	0.000
5. Real estate investments:				
5.1 Property occupied by the company .....	0	0.000	0	0.000
5.2 Property held for the production of income (includes \$ .....0 of property acquired in satisfaction of debt) .....	0	0.000	0	0.000
5.3 Property held for sale (\$ .....0 including property acquired in satisfaction of debt) .....	0	0.000	0	0.000
6. Policy loans .....	0	0.000	0	0.000
7. Receivables for securities .....	0	0.000	0	0.000
8. Cash, cash equivalents and short-term investments .....	(16,058,272)	(1.906)	(16,058,272)	(1.930)
9. Other invested assets .....	0	0.000	0	0.000
10. Total invested assets	842,720,181	100.000	832,220,181	100.000

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [  ] No [  ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [  ] No [  ] 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 [  ]
- 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. ....12/31/2001
- 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). ....02/05/2004
- 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 [  ]  
 4.12 renewals? ..... Yes [  ] No [  ]
- 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 [  ]  
 4.22 renewals? ..... Yes [  ] No [  ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [  ] No [  ]
- 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 [  ]
- 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 [  ]
- 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

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche, LLP Twenty-Second Floor 1700 Market Street, Philadelphia, PA 19103-3984
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
John F. Douglas, FSA,MAAA,Consultant, for QCC Insurance Company, 1700 Market Street, Philadelphia, PA 19103
11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 11.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 11.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

**BOARD OF DIRECTORS**

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

**FINANCIAL**

- 15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 15.11 To directors or other officers .. \$ .....0
  - 15.12 To stockholders not officers ... \$ .....0
  - 15.13 Trustees, supreme or grand (Fraternal only) ..... \$ .....0
- 15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 15.21 To directors or other officers ... \$ .....0
  - 15.22 To stockholders not officers ... \$ .....0
  - 15.23 Trustees, supreme or grand (Fraternal only) ..... \$ .....0
- 16.1 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 ]
- 16.2 If yes, state the amount thereof at December 31 of the current year:
- 16.21 Rented from others ..... \$ .....
  - 16.22 Borrowed from others ..... \$ .....
  - 16.23 Leased from others ..... \$ .....
  - 16.24 Other ..... \$ .....

Disclose in Notes to Financial the nature of each obligation.

- 17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? ..... Yes [ ] No [ X ]
- 17.2 If answer is yes,
- 17.21 Amount paid as losses or risk adjustment ..... \$ .....
  - 17.22 Amount paid as expenses ..... \$ .....
  - 17.23 Other amounts paid ..... \$ .....

**GENERAL INTERROGATORIES**  
**INVESTMENT**

18. 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	0.000	0	[ ]	[ ]	[ ]	[ ]
Common	200,000	200,000	10.000	XXX	XXX	XXX	XXX	XXX

19.1. Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? ..... Yes  No

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

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1) ..... Yes  No

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

20.21	Loaned to others .....	\$ .....
20.22	Subject to repurchase agreements .....	\$ .....
20.23	Subject to reverse repurchase agreements .....	\$ .....
20.24	Subject to dollar repurchase agreements .....	\$ .....
20.25	Subject to reverse dollar repurchase agreements .....	\$ .....
20.26	Pledged as collateral .....	\$ .....
20.27	Placed under option agreements .....	\$ .....
20.28	Letter stock or other securities restricted as to sale ...	\$ .....
20.29	Other .....	\$ .....

20.3 For category (20.28) provide the following:

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

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes  No

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

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

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

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

**INVESTMENT**

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? .....

Yes [ X ] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
WACHOVIA Bank, NA.....	123 S. Broad Street, Philadelphia, PA 19109.....

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

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

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? .....

Yes [ ] No [ X ]

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

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

23.05 Identify all investment 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	2 Address
38333.....	Ariel Capital Management, Inc.....	200 East Randolph Drive, Suite 2900, Chicago, IL 60601.....
105098.....	Weaver C. Barksdale & Associates.....	10 Cadillac Drive, Suite 4550, Brentwood, TN 37027.....
107105.....	Blackrock Inc.....	345 Park Avenue, 30th Floor, New York, NY 10154.....
113859.....	Cooke & Bieler, L.P.....	1700 Market Street, Suite 3222, Philadelphia, PA 19103.....
105390.....	Delaware Investments.....	2005 Market Street, Philadelphia, PA 19103-7094.....
107296.....	Duff & Phelps.....	55 East Monroe Street, Suite 3600, Chicago, IL 60603.....
EXEMPT.....	Emerald Venture Capital.....	500 N. Gulph Road, Suite 401, King of Prussia, PA 19406.....
104594.....	Evergreen Investment Mgmt. Co.....	200 Berkeley Street, Boston, MA 02116-5034.....
104594.....	Evergreen Investments.....	55 Valley Stream Parkway, Malvern, PA 19355.....
105499.....	Flaherty & Crumrine.....	301 East Colorado Boulevard, Suite 720, Pasadena, CA 91101.....
109367.....	Gartmore Global Investments.....	Five Tower Bridge, 300 Barr Harbor Drive, Suite 300, West Conshohocken, PA 19428.....
126013.....	Old Glory Asset Management LLC.....	5 Great Valley Parkway, Suite 326, Malvern, PA 19355.....
113789.....	SEI.....	One Freedom Valley Drive, Oaks, PA 19456.....
110035.....	SHAY Assets Management, Inc.....	230 W. Monroe Street, Suite 2810, Chicago, IL 60606.....
18217.....	Spectrum Asset Management.....	Four High Ridge Park, Stamford, CT 06905.....
106595.....	Wellington Management Co., LLP.....	75 State Street, Boston, MA 02109.....

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? .....

Yes [ X ] No [ ]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
24.2001. 299908-20-2.....	Evergreen Short Intermediate Bond Fund.....	29,253,474
24.2002. 783980-10-5.....	SEI Large Cap (SIIT).....	22,091,932
24.2003. 299908-60-8.....	Evergreen Limited Duration Mutual.....	11,457,426
24.2004. 299923-66-4.....	Evergreen Ultra Short Bond Fund.....	9,880,834
24.2005. 783980-70-9.....	SEI Small Cap (SIIT).....	1,949,444
999999. TOTAL		74,633,110

**ANNUAL STATEMENT FOR THE YEAR 2004 OF THE QCC INSURANCE COMPANY**

**GENERAL INTERROGATORIES**

24.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding Of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
Evergreen Short Intermediate Bond Fund.....	U.S. Treasury Bonds, 7.50%.....	1,901,476	12/31/2004
Evergreen Short Intermediate Bond Fund.....	U.S. Treasury Notes, 2.00%.....	585,069	12/31/2004
Evergreen Short Intermediate Bond Fund.....	FNMA, 5.00%.....	497,309	12/31/2004
Evergreen Short Intermediate Bond Fund.....	FHLMC, 6.98%.....	380,295	12/31/2004
Evergreen Short Intermediate Bond Fund.....	U.S. Treasury Notes, 5.00%.....	380,295	12/31/2004
SEI Large Cap (SIIT) .....	Exxon Mobil Corp.....	618,574	12/31/2004
SEI Large Cap (SIIT) .....	General Electric.....	574,390	12/31/2004
SEI Large Cap (SIIT) .....	Citigroup.....	508,114	12/31/2004
SEI Large Cap (SIIT) .....	Bank of America.....	441,839	12/31/2004
SEI Large Cap (SIIT) .....	Microsoft.....	441,839	12/31/2004
Evergreen Limited Duration Mutual.....	FNMA, 5.50%.....	527,042	12/31/2004
Evergreen Limited Duration Mutual.....	FHLMC, 5.50%.....	401,010	12/31/2004
Evergreen Limited Duration Mutual.....	FNMA, 2.46%.....	274,978	12/31/2004
Evergreen Limited Duration Mutual.....	U.S. Treasury Notes, 2.88%.....	274,978	12/31/2004
Evergreen Limited Duration Mutual.....	U.S. Treasury Notes, 2.50%.....	274,978	12/31/2004
Evergreen Ultra Short Bond Fund.....	Countrywide Home Loans, 2.94%.....	515,584	12/31/2004
Evergreen Ultra Short Bond Fund.....	Structured Asset Securities Corp., 5.62%.....	412,467	12/31/2004
Evergreen Ultra Short Bond Fund.....	GE Capital Mall Fin. Corp., 7.50%.....	343,723	12/31/2004
Evergreen Ultra Short Bond Fund.....	Preferred Term Securities, Ltd., 3.56%.....	320,808	12/31/2004
Evergreen Ultra Short Bond Fund.....	Credit Suisse First Boston Mtge. Securities Corp., 5.22%.....	320,808	12/31/2004
SEI Small Cap (SIIT) .....	Polycom Inc.....	11,697	12/31/2004
SEI Small Cap (SIIT) .....	E-Trade Group.....	9,747	12/31/2004
SEI Small Cap (SIIT) .....	Skyworks Solutions Inc.....	9,747	12/31/2004
SEI Small Cap (SIIT) .....	Walter Industries.....	7,798	12/31/2004
SEI Small Cap (SIIT) .....	CV Therapeutics Inc.....	7,798	12/31/2004

## GENERAL INTERROGATORIES

### INVESTMENT

25. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
25.1 Bonds.....	578,470,736	584,171,429	5,700,693
25.2 Preferred stocks.....	45,316,836	45,382,581	65,745
25.3 Totals	623,787,572	629,554,010	5,766,438

25.4 Describe the sources or methods utilized in determining fair values:

HUB Pricing Vendor.....

26.1 Have all the filing requirements of the *Purposes and Procedures* manual of the NAIC Securities Valuation Office been followed? ..... Yes [ X ] No [ ]

26.2 If no, list the exceptions:

### OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?.....\$ .....1,326,454

27.2 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.....	1,251,668

28.1 Amount of payments for legal expenses, if any?.....\$ .....3,224,068

28.2 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
.....	

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

29.2 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
.....	

21.2 Please refer to the Notes to Financials number 8. Derivative Instruments

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]
- 1.2 If yes, indicate premium earned on U. S. business only ..... \$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....
- 1.31 Reason for excluding .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .... \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. .... \$ .....0
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned ..... \$ .....0
- 1.62 Total incurred claims ..... \$ .....0
- 1.63 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.64 Total premium earned ..... \$ .....0
- 1.65 Total incurred claims ..... \$ .....0
- 1.66 Number of covered lives ..... \$ .....0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned ..... \$ .....0
- 1.72 Total incurred claims ..... \$ .....0
- 1.73 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.74 Total premium earned ..... \$ .....0
- 1.75 Total incurred claims ..... \$ .....0
- 1.76 Number of covered lives ..... \$ .....0

2. Health Test:

	1 Current Year		2 Prior Year	
2.1 Premium Numerator	\$	2,652,249,264	\$	2,475,233,956
2.2 Premium Denominator	\$	2,652,186,337	\$	2,489,713,571
2.3 Premium Ratio (2.1/2.2)		1.000		0.994
2.4 Reserve Numerator	\$	419,286,224	\$	453,779,632
2.5 Reserve Denominator	\$	432,718,359	\$	457,437,127
2.6 Reserve Ratio (2.4/2.5)		0.969		0.992

- 3.1 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 ]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? ..... Yes [ X ] No [ ]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? ..... Yes [ ] No [ ]
- 5.1 Does the reporting entity have stop-loss reinsurance? ..... Yes [ ] No [ X ]
- 5.2 If no, explain:  
Stop-loss reinsurance is not required
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical ..... \$ .....
- 5.32 Medical Only ..... \$ .....
- 5.33 Medicare Supplement ..... \$ .....
- 5.34 Dental ..... \$ .....
- 5.35 Other Limited Benefit Plan ..... \$ .....
- 5.36 Other ..... \$ .....
6. 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.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base? ..... Yes [ X ] No [ ]
- 7.2 If no, give details:
8. Provide the following Information regarding participating providers:
- 8.1 Number of providers at start of reporting year ..... 15,000
- 8.2 Number of providers at end of reporting year ..... 14,677
- 9.1 Does the reporting entity have business subject to premium rate guarantees? ..... Yes [ X ] No [ ]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months ..... 49,461,209
- 9.22 Business with rate guarantees over 36 months ..... 0

## GENERAL INTERROGATORIES

### PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract? ..... Yes [ ] No [ X ]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses ..... \$ .....
- 10.22 Amount actually paid for year bonuses ..... \$ .....
- 10.23 Maximum amount payable withholds ..... \$ .....
- 10.24 Amount actually paid for year withholds ..... \$ .....
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, ..... Yes [ ] No [ X ]
- 11.13 An Individual Practice Association (IPA), or, ..... Yes [ ] No [ X ]
- 11.14 A Mixed Model (combination of above) ? ..... Yes [ ] No [ X ]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? ..... Yes [ X ] No [ ]
- 11.3 If yes, show the name of the state requiring such net worth. .... Pennsylvania
- 11.4 If yes, show the amount required. .... \$ 1,650,000
- 11.5 Is this amount included as part of a contingency reserve in stockholders equity? ..... Yes [ ] No [ X ]
- 11.6 If the amount is calculated, show the calculation.
12. 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.....
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.....
U.S. Virgin Islands.....

**FIVE-YEAR HISTORICAL DATA**

	1 2004	2 2003	3 2002	4 2001	5 2000
<b>BALANCE SHEET ITEMS (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	1,104,415,719	1,076,535,633	951,641,826	742,804,702	556,580,778
2. Total liabilities (Page 3, Line 22) .....	666,327,982	719,257,406	680,727,255	511,340,127	374,026,482
3. Statutory surplus .....		0	0	0	0
4. Total capital and surplus (Page 3, Line 30) .....	438,087,737	357,278,227	270,914,571	231,464,575	182,554,296
<b>INCOME STATEMENT ITEMS (Page 4)</b>					
5. Total revenues (Line 8) .....	2,654,273,362	2,514,770,612	2,250,609,677	2,071,460,088	1,808,519,539
6. Total medical and hospital expenses (Line 18) .....	2,248,556,360	2,070,954,612	1,876,684,125	1,704,323,891	1,531,243,291
7. Claims adjustment expenses (Line 20) .....	139,578,474	146,342,601	125,610,234	4,375,029	
8. Total administrative expenses (Line 21) .....	177,437,826	157,326,525	140,142,230	270,493,788	248,856,567
9. Net underwriting gain (loss) (Line 24) .....	78,271,564	120,376,548	108,173,088	92,267,380	25,051,694
10. Net investment gain (loss) (Line 27) .....	21,089,067	20,364,082	(5,585,532)	12,003,841	12,411,947
11. Total other income (Lines 28 plus 29) .....	0	0	(2,254,067)	(140,973)	909,932
12. Net income (loss) (Line 32) .....	61,588,631	99,208,630	53,352,489	71,649,248	25,697,709
<b>RISK - BASED CAPITAL ANALYSIS</b>					
13. Total adjusted capital.....	438,087,737	357,278,227	270,914,571	237,085,561	185,949,833
14. Authorized control level risk-based capital.....	88,110,506	79,182,562	65,240,007	72,095,942	66,536,155
<b>ENROLLMENT (Exhibit 1)</b>					
15. Total members at end of period (Column 5, Line 7) .....	747,097	753,179	782,289	0	0
16. Total member months (Column 6, Line 7) .....	8,972,579	9,197,710	9,493,120	0	0
<b>OPERATING PERCENTAGE (Page 4)</b>					
<b>(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0</b>					
17. Premiums earned (Lines 2 plus 3) .....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical (Line 18) .....	84.8	82.4	83.4	82.3	84.7
19. Cost containment expenses .....	0.0	XXX	XXX	XXX	XXX
20. Other claims adjustment expenses .....	0.0	6.0	6.0	0.0	
21. Total underwriting deductions (Line 23) .....	97.1	95.2	95.2	95.5	98.6
22. Total underwriting gain (loss) (Line 24) .....	2.9	4.8	4.8	4.5	1.4
<b>UNPAID CLAIMS ANALYSIS</b>					
<b>(U&amp;I Exhibit, Part 2B)</b>					
23. Total claims incurred for prior years (Line 12, Col. 5) .....	338,504,708	356,456,320	243,752,340	236,860,030	256,484,933
24. Estimated liability of unpaid claims – [prior year (Line 12, Col. 6)] .....	431,588,168	434,806,873	357,443,964	290,310,685	281,844,392
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	0	0	0	8,000,000	8,000,000
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) .....	0	0	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) .....	0	0	0	0	0
29. Affiliated mortgage loans on real estate .....	0	0	0	0	0
30. All other affiliated .....	0	0	10,500,000	0	0
31. Total of above Lines 25 to 30 .....	0	0	10,500,000	8,000,000	8,000,000

**ANNUAL STATEMENT FOR THE YEAR 2004 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	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b>				
1. United States	64,034,061	63,682,669	64,078,188	63,547,988
Governments (Including all obligations guaranteed by governments)				
2. Canada	0	0	0	0
3. Other Countries	0	0	0	0
4. Totals	64,034,061	63,682,669	64,078,188	63,547,988
States, Territories and Possessions (Direct and guaranteed)				
5. United States	48,271,512	48,363,864	48,440,981	43,740,000
6. Canada	0	0	0	0
7. Other Countries	0	0	0	0
8. Totals	48,271,512	48,363,864	48,440,981	43,740,000
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	25,553,965	25,353,657	25,579,804	24,623,137
14. Canada	0	0	0	0
15. Other Countries	0	0	0	0
16. Totals	25,553,965	25,353,657	25,579,804	24,623,137
Public Utilities (unaffiliated)				
17. United States	0	0	0	0
18. Canada	0	0	0	0
19. Other Countries	0	0	0	0
20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)				
21. United States	413,941,272	420,101,313	416,161,554	271,625,554
22. Canada	0	0	0	0
23. Other Countries	0	0	0	0
24. Totals	413,941,272	420,101,313	416,161,554	271,625,554
Parent, Subsidiaries and Affiliates				
25. Totals	0	0	0	0
26. <b>Total Bonds</b>	551,800,810	557,501,503	554,260,527	403,536,679
<b>PREFERRED STOCKS</b>				
Public Utilities (unaffiliated)				
27. United States	9,467,215	9,469,630	9,470,158	
28. Canada	0	0	0	
29. Other Countries	0	0	0	
30. Totals	9,467,215	9,469,630	9,470,158	
Banks, Trust and Insurance Companies (unaffiliated)				
31. United States	0	0	0	
32. Canada	0	0	0	
33. Other Countries	0	0	0	
34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)				
35. United States	35,849,621	35,912,951	35,500,435	
36. Canada	0	0	0	
37. Other Countries	0	0	0	
38. Totals	35,849,621	35,912,951	35,500,435	
Parent, Subsidiaries and Affiliates				
39. Totals	0	0	0	
40. <b>Total Preferred Stocks</b>	45,316,836	45,382,581	44,970,593	
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)				
41. United States	155,770	155,770	173,708	
42. Canada	0	0	0	
43. Other Countries	0	0	0	
44. Totals	155,770	155,770	173,708	
Banks, Trust and Insurance Companies (unaffiliated)				
45. United States	6,493,950	6,493,950	5,899,127	
46. Canada	0	0	0	
47. Other Countries	0	0	0	
48. Totals	6,493,950	6,493,950	5,899,127	
Industrial and Miscellaneous (unaffiliated)				
49. United States	244,511,087	244,511,087	221,601,374	
50. Canada	0	0	0	
51. Other Countries	0	0	0	
52. Totals	244,511,087	244,511,087	221,601,374	
Parent, Subsidiaries and Affiliates				
53. Totals	10,500,000	0	10,500,000	
54. <b>Total Common Stocks</b>	261,660,807	251,160,807	238,174,209	
55. <b>Total Stocks</b>	306,977,643	296,543,388	283,144,802	
56. <b>Total Bonds and Stocks</b>	858,778,453	854,044,891	837,405,329	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year	676,576,130	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	1,151,742,423	6.1 Column 15, Part 1	0
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Sec. 1	0
3.1 Columns 12 + 13 - 14, Part 1	(1,804,647)	6.3 Column 16, Part 2, Sec. 2	0
3.2 Column 18, Part 2, Sec. 1	346,243	6.4 Column 15, Part 4	0
3.3 Column 15, Part 2, Sec. 2	20,524,311	7. Book/adjusted carrying value at end of current period	858,778,453
3.4 Column 14, Part 4	(1,477,501)	8. Total valuation allowance	0
4. Total gain (loss), Col. 19, Part 4	4,030,868	9. Subtotal (Lines 7 plus 8)	858,778,453
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	991,159,374	10. Total nonadmitted amounts	10,500,000
		11. Statement value of bonds and stocks, current period	848,278,453

**ANNUAL STATEMENT FOR THE YEAR 2004 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	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/ Casualty 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	4,148,838					
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	2,400,019,436	243,460,643				
40. Rhode Island RI		No						
41. South Carolina SC		Yes						
42. South Dakota SD		Yes						
43. Tennessee TN		Yes						
44. Texas TX		Yes						
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						
56. Canada CN								
57. Aggregate other alien OT	XXX	XXX	0	0	0	0	0	0
58. Total (Direct Business)	XXX	(a) 26	2,404,168,274	243,460,643	0	0	0	0
<b>DETAILS OF WRITE-INS</b>								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)	XXX	XXX	0	0	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. IBC/HBS Caring Foundation For Children (50%)	PA	22-2724721	
3. Inter-County Hospitalization Plan, Inc. (50%)	PA	23-0724427	54763
4. Preferred Health Systems, Incorporated	PA	23-2219720	
5. Inter County Health Plan, Inc. (50%)	PA	23-2063810	53252
6. AmeriHealth, Inc.	PA	23-2425461	
7. AmeriHealth Insurance Company of New Jersey	NJ	22-3338404	60061
8. Healthcare Delaware, Inc.	DE	51-0296135	95794
9. AmeriHealth Integrated Workers Compensation Management, Inc.	PA	23-2723299	
10. Independence Healthcare Management, Inc.	PA	23-2671650	
11. AmeriHealth Integrated Case Management, Inc.	PA	23-2754696	
12. The AmeriHealth Agency, Inc.	PA	23-2800586	
13. AmeriHealth Administrators	PA	23-2521508	
14. QCC Insurance Company	PA	23-2184623	93688
15. AmeriHealth Casualty Insurance Company	DE	06-1505051	10975
16. Independence Insurance, Inc.	DE	23-2865349	60254
17. AmeriHealth Services, Inc.	PA	23-2795357	
18. New Seasons Assisted Living Communities, Inc.	PA	23-2824200	
19. CompServices, Inc.	PA	25-1686685	
20. CSI Services, Inc.	PA	25-1765486	
21. AmeriHealth Integrated Benefits, Inc.	DE	23-2317715	
22. AmeriHealth HMO, Inc.	PA	23-2314460	95044
23. Keystone Health Plan East, Inc.	PA	23-2405376	95056
24. Vista Health Plan, Inc.	PA	23-2408039	96660
25. Keystone Health Systems, Inc.	PA	23-2773183	
26. Keystone Benefits, Inc.	PA	23-2864737	
27. Independence Holdings, Inc.	PA	23-2982367	
28. La Cruz Azul de Puerto Rico	PR	66-0195325	53546
29. AmeriHealth Assurance, Ltd.	BM	98-0426648	