

# ***Independence Blue Cross and Subsidiaries***

***Consolidated Financial Statements for the  
Years Ended December 31, 2001, 2000 and 1999  
and Independent Auditors' Report***

## **INDEPENDENT AUDITORS' REPORT**

To the Members and the Board of Directors  
of Independence Blue Cross:

We have audited the accompanying consolidated balance sheets of Independence Blue Cross and subsidiaries ("IBC") as of December 31, 2001 and 2000, and the related consolidated statements of income and comprehensive income, changes in reserves, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of IBC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Independence Blue Cross and subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

March 5, 2002



# INDEPENDENCE BLUE CROSS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Dollars in thousands)

	Years Ended December 31,		
	2001	2000	1999
Underwriting income	\$7,555,661	\$6,864,441	\$5,963,295
Underwriting costs:			
Claims incurred	6,653,289	6,060,819	5,290,273
Medical management	178,585	157,212	141,337
Operating expenses	603,986	579,673	544,838
Total underwriting costs	<u>7,435,860</u>	<u>6,797,704</u>	<u>5,976,448</u>
Net underwriting income (loss)	119,801	66,737	(13,153)
Investment income, net	55,260	60,796	54,519
Equity in net income of affiliates	4,746	965	8,202
Amortization of intangibles	(20,820)	(21,118)	(17,581)
Other (expenses) income, net	<u>(5,677)</u>	<u>(2,576)</u>	<u>5,344</u>
Income before income taxes	153,310	104,804	37,331
Provision for income taxes	<u>59,300</u>	<u>33,600</u>	<u>3,700</u>
Net income	<u>94,010</u>	<u>71,204</u>	<u>33,631</u>
Other comprehensive income (loss), net of income taxes:			
Unrealized holding gain (loss) on investments arising during the period, net of reclassification adjustment	<u>8,219</u>	<u>14,256</u>	<u>(26,311)</u>
COMPREHENSIVE INCOME	<u>\$ 102,229</u>	<u>\$ 85,460</u>	<u>\$ 7,320</u>

See accompanying notes to consolidated financial statements.

# INDEPENDENCE BLUE CROSS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN RESERVES (Dollars in thousands)

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	Years Ended December 31,		
	2001	2000	1999
Beginning balance	\$ 661,001	\$ 575,541	\$ 568,221
Comprehensive income	<u>102,229</u>	<u>85,460</u>	<u>7,320</u>
Ending balance	<u>\$ 763,230</u>	<u>\$ 661,001</u>	<u>\$ 575,541</u>

See accompanying notes to consolidated financial statements.

