



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE

Group Hospitalization and Medical Services, Inc.

NAIC Group Code 0380 0380 NAIC Company Code 53007 Employer's ID Number 53-0078070
(Current Period) (Prior Period)

Organized under the Laws of District of Columbia, State of Domicile or Port of Entry District of Columbia

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 [x] Is HMO, Federally Qualified? Yes [] No [X]

Incorporated 08/11/1939 Commenced Business 03/15/1934

Statutory Home Office 550 Twelfth Street, S.W., Washington, DC 20065
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 550 Twelfth Street, S.W.
(Street and Number) Washington, DC 20065 202-479-8000
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 550 Twelfth Street, S.W., Washington, DC 20065
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 550 Twelfth Street, S.W.
(Street and Number) Washington, DC 20065 202-479-8000
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.carefirst.com

Statement Contact William Vincent Stack 410-998-7011
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Policyowner Relations Contact 550 Twelfth Street, S.W.
(Street and Number) Washington, D.C. 20065 410-998-7011
(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

President William Lockwood Jews Secretary John Anthony Picciotto
Treasurer Geoffrey Stewart Clasper

VICE PRESIDENTS

<u>Eric Randolph Baugh M.D.</u>	<u>Geoffrey Stewart Clasper</u>	<u>David Donald Wolf</u>
<u>Gregory Mark Chaney</u>	<u>Gregory Allen Devou</u>	<u>Leon Kaplan</u>
<u>John Anthony Picciotto</u>	<u>Michael Joseph Arens</u>	<u>Booker T. Carter, Jr.</u>
<u>Linda Ann Dean</u>	<u>Michael Bruce Edwards</u>	<u>Mary Anne Heckwolf</u>
<u>Patricia Ann Malone</u>	<u>Gwendolyn Denise Skillern</u>	<u>Edward William O'Neil</u>
<u>Pamela Sue Deuterman</u>	<u>Michael John Felber</u>	<u>Robert James Huber</u>
<u>Michael A. McShane</u>	<u>William Vincent Stack</u>	<u>Raymond Wayne Blossse'</u>
<u>Livio Renato Broccolino Esq.</u>	<u>Andrew James Fitzsimmons</u>	<u>Sharon Jean Vecchioni</u>
<u>Judy Stocker</u>	<u>Janice Elizabeth Carman</u>	<u>Rita Ann Costello</u>
<u>Frances Price Doherty</u>	<u>Ann Teat Gallant</u>	<u>Jeanne Ann Kennedy</u>
	<u>Joseph Gabriel Rampone</u>	<u>Jeffrey Scott Joy</u>

DIRECTORS OR TRUSTEES

<u>Father William James Byron S.J.</u>	<u>Michel Llewellyn Daley</u>	<u>Floretta Dukes McKenzie Ed.D.</u>
<u>Sister Carol Ann Keehan RN,MS</u>	<u>George Burch Wilkes III</u>	<u>Edward John Baran</u>

State of }
County of } 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.

William Lockwood Jews John Anthony Picciotto Geoffrey Stewart Clasper
President Secretary Treasurer

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

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

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds	341,290,016		341,290,016	312,010,792
2. Stocks:				
2.1 Preferred stocks	7,493,517		7,493,517	2,939,148
2.2 Common stocks	113,842,349	8,646,346	105,196,003	121,031,327
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			(a) 0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$ (30,874,608) , Schedule E - Part 1) and short-term investments (\$94,811,594 , Schedule DA - Part 2)	63,936,986		63,936,986	2,786,283
6. Other long-term invested assets	0		0	0
7. Receivable for securities			0	0
8. Aggregate write-ins for invested assets	0	0	0	0
9. Subtotals, cash and invested assets (Lines 1 to 8)	526,562,868	8,646,346	517,916,522	438,767,550
10. Accident and health premiums due and unpaid	493,912,344		493,912,344	397,024,111
11. Health care receivables	20,782,847		20,782,847	15,077,942
12. Amounts recoverable from reinsurers			0	0
13. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
14. Investment income due and accrued	3,916,110		3,916,110	4,332,151
15. Amounts due from parent, subsidiaries and affiliates	3,000,765	166,667	2,834,098	16,936,894
16. Amounts receivable relating to uninsured accident and health plans	30,362,806		30,362,806	37,256,289
17. Furniture and equipment	4,375,568	4,375,568	0	0
18. Amounts due from agents			0	0
19. Federal and foreign income tax recoverable and interest thereon (including \$1,928,267 net deferred tax asset)	12,691,857	10,763,589	1,928,268	1,968,504
20. Electronic data processing equipment and software	36,856,273	30,863,981	5,992,292	6,864,835
21. Other nonadmitted assets	3,996,291	3,996,291	0	0
22. Aggregate write-ins for other than invested assets	30,447,891	20,366,168	10,081,723	9,151,013
23. Total assets (Lines 9 plus 10 through 22)	1,166,905,620	79,178,610	1,087,727,010	927,379,289
DETAILS OF WRITE-INS				
0801.				
0802.				
0803.				
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898)(Line 8 above)	0	0	0	0
2201. Deposits and prepaid expenses.....	19,101,078	19,101,078	0	0
2202. Miscellaneous accounts receivable.....	7,989,073		7,989,073	7,117,303
2203. Other Assets.....	3,357,740	1,265,090	2,092,650	2,033,710
2298. Summary of remaining write-ins for Line 22 from overflow page	0	0	0	0
2299. Totals (Lines 2201 thru 2203 plus 2298)(Line 22 above)	30,447,891	20,366,168	10,081,723	9,151,013

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

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	235,090,463	2,340,068	237,430,531	203,554,394
2. Accrued medical incentive pool and bonus payments			0	0
3. Unpaid claims adjustment expenses	7,473,605	74,391	7,547,996	6,344,248
4. Aggregate policy reserves			0	0
5. Aggregate claim reserves			0	0
6. Premiums received in advance	381,055,714		381,055,714	301,466,044
7. General expenses due or accrued	65,389,308		65,389,308	53,604,074
8. Federal and foreign income tax payable and interest thereon (including \$1,262,303 on realized capital gains (losses)) (including \$ net deferred tax liability)	(566,244)		(566,244)	(3,327,655)
9. Amounts withheld or retained for the account of others	8,628,142		8,628,142	7,473,877
10. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
11. Amounts due to parent, subsidiaries and affiliates	26,656,546		26,656,546	33,081,767
12. Payable for securities	5,000,000		5,000,000	578,845
13. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
14. Reinsurance in unauthorized companies			0	0
15. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
16. Liability for amounts held under uninsured accident and health plans			0	0
17. Aggregate write-ins for other liabilities (including \$ current)	65,811,992	0	65,811,992	50,619,184
18. Total liabilities (Lines 1 to 17).....	794,539,526	2,414,459	796,953,985	653,394,778
19. Common capital stock	XXX	XXX		0
20. Preferred capital stock	XXX	XXX		0
21. Gross paid in and contributed surplus	XXX	XXX		0
22. Surplus notes	XXX	XXX		8,936,600
23. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
24. Unassigned funds (surplus)	XXX	XXX	290,773,025	265,047,910
25. Less treasury stock, at cost:				
25.1 shares common (value included in Line 19 \$)	XXX	XXX		0
25.2 shares preferred (value included in Line 20 \$)	XXX	XXX		0
26. Total capital and surplus (Lines 19 to 24 Less 25)	XXX	XXX	290,773,025	273,984,510
27. Total liabilities, capital and surplus (Lines 18 and 26)	XXX	XXX	1,087,727,010	927,379,288
DETAILS OF WRITE-INS				
1701. Miscellaneous.....	7,920,127		7,920,127	6,188,216
1702. Provision for experience rated refunds.....	13,678,283		13,678,283	13,359,001
1703. FEP Deposits.....	8,818,917		8,818,917	8,327,478
1798. Summary of remaining write-ins for Line 17 from overflow page	35,394,665	0	35,394,665	22,744,489
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above)	65,811,992	0	65,811,992	50,619,184
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	8,857,516	8,472,885
2. Net premium income	XXX	1,719,875,820	1,509,283,240
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Total revenues (Lines 2 to 6)	XXX	1,719,875,820	1,509,283,240
Medical and Hospital:			
8. Hospital/medical benefits	11,089,986	712,729,762	632,911,004
9. Other professional services	4,086,542	286,368,925	603,309,069
10. Outside referrals			0
11. Emergency room and out-of-area	19,337	139,034,475	121,352,228
12. Prescription Drugs	11,330	404,822,736	
13. Aggregate write-ins for other medical and hospital	0	0	0
14. Incentive pool and withhold adjustments			0
15. Subtotal (Lines 8 to 14)	15,207,195	1,542,955,898	1,357,572,301
Less:			
16. Net reinsurance recoveries			0
17. Total medical and hospital (Lines 15 minus 16)	15,207,195	1,542,955,898	1,357,572,301
18. Claims adjustment expenses		61,042,868	36,606,287
19. General administrative expenses	0	83,549,487	87,203,819
20. Increase in reserves for accident and health contracts			0
21. Total underwriting deductions (Lines 17 through 20)	15,207,195	1,687,548,253	1,481,382,407
22. Net underwriting gain or (loss) (Lines 7 minus 21)	XXX	32,327,567	27,900,833
23. Net investment income earned	21,154,754	21,154,754	22,998,068
24. Net realized capital gains or (losses)	(6,311,516)	(6,311,516)	5,863,297
25. Net investment gains or (losses) (Lines 23 + 24)	14,843,238	14,843,238	28,861,365
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
27. Aggregate write-ins for other income or expenses	660,546	660,546	(1,185,574)
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)	15,503,784	47,831,351	55,576,624
29. Federal and foreign income taxes incurred	XXX	8,922,341	9,360,343
30. Net income (loss) (Lines 28 minus 29)	XXX	38,909,010	46,216,281
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
1301.			
1302.			
1303.			
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0
2701. Miscellaneous.....	660,546	660,546	(1,185,574)
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	660,546	660,546	(1,185,574)

CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
31. Capital and surplus prior reporting year	273,984,510	248,002,255
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
32. Net income or (loss) from Line 30	38,909,010	46,216,281
33. Change in valuation basis of aggregate policy and claim reserve		0
34. Net unrealized capital gains and losses	14,214,164	12,520,184
35. Change in net unrealized foreign exchange capital gain or (loss)		0
36. Change in net deferred income tax	10,237,389	502,936
37. Change in nonadmitted assets	(37,635,448)	(13,657,614)
38. Change in unauthorized reinsurance	0	0
39. Change in treasury stock		0
40. Change in surplus notes	(8,936,600)	(8,936,600)
41. Cumulative effect of changes in accounting principles		(10,662,932)
42. Capital Changes:		
42.1 Paid in		0
42.2 Transferred from surplus (Stock Dividend)		0
42.3 Transferred to surplus		0
43. Surplus adjustments:		
43.1 Paid in		0
43.2 Transferred to capital (Stock Dividend)		0
43.3 Transferred from capital		0
44. Dividends to stockholders		0
45. Aggregate write-ins for gains or (losses) in surplus	0	0
46. Net change in capital & surplus (Lines 32 to 45)	16,788,515	25,982,255
47. Capital and surplus end of reporting year (Line 31 plus 46)	290,773,025	273,984,510
DETAILS OF WRITE-INS		
4501.		
4502.		
4503.		
4598. Summary of remaining write-ins for Line 45 from overflow page	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums and revenues collected net of reinsurance	1,702,577,258	1,508,660,400
2. Claims and claims adjustment expenses	1,568,918,882	1,350,940,138
3. General administrative expenses paid	83,549,485	86,746,535
4. Other underwriting income (expenses)	11,785,234	0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	61,894,125	70,973,727
6. Net investment income	21,570,795	22,998,068
7. Other income (expenses)	660,546	(1,185,574)
8. Federal and foreign income taxes (paid) recovered	(6,120,703)	(12,715,075)
9. Net cash from operations (Lines 5 to 8)	78,004,763	80,071,146
Cash from Investments		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds	286,046,522	170,961,375
10.2 Stocks	12,851,226	20,136,866
10.3 Mortgage loans	0	0
10.4 Real estate	0	0
10.5 Other invested assets	0	0
10.6 Net gains or (losses) on cash and short-term investments	0	(231)
10.7 Miscellaneous proceeds	(1,860,788)	724,308
10.8 Total investment proceeds (Lines 10.1 to 10.7)	297,036,960	191,822,318
11. Cost of investments acquired (long-term only):		
11.1 Bonds	314,588,771	235,961,356
11.2 Stocks	24,982,669	26,076,062
11.3 Mortgage loans	0	0
11.4 Real estate	0	0
11.5 Other invested assets	0	0
11.6 Miscellaneous applications	(4,421,155)	(578,845)
11.7 Total investments acquired (Lines 11.1 to 11.6)	335,150,285	261,458,573
12. Net Cash from investments (Line 10.8 minus Line 11.7)	(38,113,325)	(69,636,255)
Cash from Financing and Miscellaneous Sources		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in	(8,936,600)	(8,936,600)
13.2 Net transfers from affiliates	7,677,575	7,874,507
13.3 Borrowed funds received	0	0
13.4 Other cash provided	29,153,914	8,992,738
13.5 Total (Lines 13.1 to 13.4)	27,894,889	7,930,645
14. Cash applied:		
14.1 Dividends to stockholders paid	0	0
14.2 Net transfers to affiliates	0	0
14.3 Borrowed funds repaid	0	0
14.4 Other applications	6,635,615	52,001,814
14.5 Total (Lines 14.1 to 14.4)	6,635,615	52,001,814
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	21,259,274	(44,071,169)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	61,150,712	(33,636,278)
17. Cash and short-term investments:		
17.1 Beginning of year	2,786,285	36,422,563
17.2 End of year (Line 16 plus Line 17.1)	63,936,997	2,786,285

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

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

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other
1. Net premium income	1,719,875,821	681,253,989		18,516,006	24,592,693		986,328,220			8,992,864			192,049
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of \$ medical expenses)	0												
4. Risk revenue	0												
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Total revenues (Lines 1 to 5)	1,719,875,821	681,253,989	0	18,516,006	24,592,693	0	986,328,220	0	0	8,992,864	0	0	192,049
7. Medical/hospital benefits	712,729,762	266,053,425		5,660,985			438,341,098			2,537,667			136,587
8. Other professional services	286,368,926	99,921,369	0	2,126,090	18,873,383		164,627,245			769,541			51,298
9. Outside referrals	0												
10. Emergency room and out-of-area	139,034,475	52,029,201		1,107,058			85,721,645			149,860			26,711
11. Prescription Drugs	404,822,734	151,655,412		3,226,867			249,862,598						77,857
12. Aggregate write-ins for other medical and hospital	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Incentive pool and withhold adjustments	0												
14. Subtotal (Lines 7 to 13)	1,542,955,897	569,659,407	0	12,121,000	18,873,383	0	938,552,586	0	0	3,457,068	0	0	292,453
15. Net reinsurance recoveries	0												
16. Total medical and hospital (Lines 14 minus 15)	1,542,955,897	569,659,407	0	12,121,000	18,873,383	0	938,552,586	0	0	3,457,068	0	0	292,453
17. Claims adjustment expenses	61,042,867	39,036,645		1,489,377	2,076,470		18,897,028			(456,653)			
18. General administrative expenses	83,549,487	53,429,530		2,038,512	2,842,069	0	25,864,397			(625,021)			
19. Increase in reserves for accident and health contracts	0												
20. Total underwriting deductions (Lines 16 to 19)	1,687,548,251	662,125,582	0	15,648,889	23,791,922	0	983,314,011	0	0	2,375,394	0	0	292,453
21. Total underwriting gain or (loss) (Line 6 minus Line 20)	32,327,570	19,128,407	0	2,867,117	800,771	0	3,014,209	0	0	6,617,470	0	0	(100,404)
DETAILS OF WRITE-INS													
0501.													
0502.													
0503.													
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	0
1201.													
1202.													
1203.													
1298. Summary of remaining write-ins for Line 12 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	0
1299. Totals (Lines 1201 thru 1203 plus 1298) (Line 12 above)	0	0	0	0	0	0	0	0	0	0	0	0	0

7

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (medical and hospital)	681,253,989			681,253,989
2. Medicare Supplement	18,516,006			18,516,006
3. Dental Only.....	24,592,693			24,592,693
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan Premiums	986,328,220			986,328,220
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid.....				.0
8. Other	9,248,287	31,637	95,011	9,184,913
9. Totals	1,719,939,195	31,637	95,011	1,719,875,821

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct	1,509,079,761	548,733,524	12,416,970	18,582,493		925,767,131			3,579,643
1.2 Reinsurance assumed	0								
1.3 Reinsurance ceded	0								
1.4 Net	1,509,079,761	548,733,524	12,416,970	18,582,493	0	925,767,131	0	0	3,579,643
2. Paid medical incentive pools and bonuses	0								
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	237,430,531	93,308,000	3,470,000	2,112,000	0	137,050,000	0	0	1,490,531
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
3.4 Net	237,430,531	93,308,000	3,470,000	2,112,000	0	137,050,000	0	0	1,490,531
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct	0								
4.2 Reinsurance assumed	0								
4.3 Reinsurance ceded	0								
4.4 Net	0	0	0	0	0	0	0	0	0
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	203,554,394	72,382,117	3,765,970	1,821,110	0	124,264,545	0	0	1,320,652
7.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
7.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
7.4 Net	203,554,394	72,382,117	3,765,970	1,821,110	0	124,264,545	0	0	1,320,652
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct	0	0	0	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
8.4 Net	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	0								
10. Amounts recoverable from reinsurers December 31, prior year	0								
11. Incurred Benefits:									
11.1 Direct	1,542,955,898	569,659,407	12,121,000	18,873,383	0	938,552,586	0	0	3,749,522
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0
11.4 Net	1,542,955,898	569,659,407	12,121,000	18,873,383	0	938,552,586	0	0	3,749,522
12. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0

6

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in Process of Adjustment:									
1.1. Direct	16,759,517	6,586,335	244,937	149,080		9,673,953			105,212
1.2. Reinsurance assumed .....	.0		.0						
1.3. Reinsurance ceded .....	.0								
1.4. Net	16,759,517	6,586,335	244,937	149,080	.0	9,673,953	.0	.0	105,212
2. Incurred but Unreported:									
2.1. Direct	220,671,014	86,721,665	3,225,063	1,962,920		127,376,047			1,385,319
2.2. Reinsurance assumed .....	.0								
2.3. Reinsurance ceded .....	.0								
2.4. Net	220,671,014	86,721,665	3,225,063	1,962,920	.0	127,376,047	.0	.0	1,385,319
3. Amounts Withheld from Paid Claims and Capitations:									
3.1. Direct .....	.0								
3.2. Reinsurance assumed .....	.0								
3.3. Reinsurance ceded .....	.0								
3.4. Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:									
4.1. Direct	237,430,531	93,308,000	3,470,000	2,112,000	.0	137,050,000	.0	.0	1,490,531
4.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4. Net	237,430,531	93,308,000	3,470,000	2,112,000	0	137,050,000	0	0	1,490,531

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (medical and hospital)	66,624,778	482,108,747	1,237,290	92,070,710	67,862,068	72,382,117
2. Medicare Supplement	2,044,210	10,372,760	99,836	3,370,164	2,144,046	3,765,970
3. Dental Only.....	2,143,014	16,439,479	0	2,112,000	2,143,014	1,821,110
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums	123,980,086	801,787,045	1,608,320	135,441,680	125,588,406	124,264,545
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid.....					0	0
8. Other	438,246	3,141,397	94,013	1,396,518	532,259	1,320,652
9. Subtotal	195,230,334	1,313,849,428	3,039,459	234,391,072	198,269,793	203,554,394
10. Medical incentive pools, accruals and disbursements					0	0
11. Totals	195,230,334	1,313,849,428	3,039,459	234,391,072	198,269,793	203,554,394

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

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

Section A - Paid Claims - Hospital and Medical

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	10
2. 1998 .....	.0	.0	.0	.0	(1)
3. 1999	XXX	.0	.0	.0	201
4. 2000	XXX	XXX	.0	.0	1,138
5. 2001	XXX	XXX	XXX	.0	65,277
6. 2002	XXX	XXX	XXX	XXX	482,109

Section B - Incurred Claims- Hospital and Medical

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	10
2. 1998 .....	.0	.0	.0	.0	(1)
3. 1999	XXX	.0	.0	.0	201
4. 2000	XXX	XXX	.0	.0	1,138
5. 2001	XXX	XXX	XXX	.0	66,515
6. 2002	XXX	XXX	XXX	XXX	574,179

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio - Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				0.0	.0	0.0			.0	0.0
3. 1999.....				0.0	.0	0.0			.0	0.0
4. 2000.....				0.0	.0	0.0			.0	0.0
5. 2001.....				0.0	.0	0.0	.0	.0	.0	0.0
6. 2002.....	681,254	482,109	14,165	2.9	496,274	72.8	92,071	2,927	591,272	86.8
7. Total (Lines 1 through 6)	XXX	482,109	14,165	XXX	496,274	XXX	92,071	2,927	591,272	XXX
8. Total (Lines 2 through 6)	681,254	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Section A - Paid Claims - Medicare Supplement

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	(2)
2. 1998 .....	.0	.0	.0	.0	.3
3. 1999	XXX	.0	.0	.0	.25
4. 2000	XXX	XXX	.0	.0	.126
5. 2001	XXX	XXX	XXX	.0	1,894
6. 2002	XXX	XXX	XXX	XXX	10,372

Section B - Incurred Claims- Medicare Supplement

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	(2)
2. 1998 .....	.0	.0	.0	.0	.3
3. 1999	XXX	.0	.0	.0	.25
4. 2000	XXX	XXX	.0	.0	.126
5. 2001	XXX	XXX	XXX	.0	1,994
6. 2002	XXX	XXX	XXX	XXX	13,742

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				0.0	.0	0.0			.0	0.0
3. 1999.....				0.0	.0	0.0			.0	0.0
4. 2000.....				0.0	.0	0.0			.0	0.0
5. 2001.....	18,516	10,372	305	2.9	10,677	57.7	3,370	107	14,154	76.4
6. 2002.....				0.0	0	0.0			0	0.0
7. Total (Lines 1 through 6)	XXX	10,372	305	XXX	10,677	XXX	3,370	107	14,154	XXX
8. Total (Lines 2 through 6)	18,516	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

12

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Section A - Paid Claims - Dental Only

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.0
2. 1998 .....	.0	.0	.0	.0	.1
3. 1999	XXX	.0	.0	.0	.8
4. 2000	XXX	XXX	.0	.0	.21
5. 2001	XXX	XXX	XXX	.0	2,113
6. 2002	XXX	XXX	XXX	XXX	16,439

Section B - Incurred Claims- Dental Only

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.0
2. 1998 .....	.0	.0	.0	.0	.1
3. 1999	XXX	.0	.0	.0	.8
4. 2000	XXX	XXX	.0	.0	.21
5. 2001	XXX	XXX	XXX	.0	2,113
6. 2002	XXX	XXX	XXX	XXX	18,551

Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				.0	.0	.0			.0	.0
3. 1999.....				.0	.0	.0			.0	.0
4. 2000.....				.0	.0	.0			.0	.0
5. 2001.....				.0	.0	.0			.0	.0
6. 2002.....	24,593	16,439	483	2.9	16,922	68.8	2,112	67	19,101	77.7
7. Total (Lines 1 through 6)	XXX	16,439	483	XXX	16,922	XXX	2,112	67	19,101	XXX
8. Total (Lines 2 through 6)	24,593	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Section A - Paid Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.2
2. 1998 .....	.0	.0	.0	.0	(17)
3. 1999	XXX	.0	.0	.0	(103)
4. 2000	XXX	XXX	.0	.0	3,080
5. 2001	XXX	XXX	XXX	.0	121,019
6. 2002	XXX	XXX	XXX	XXX	801,787

Section B - Incurred Claims- Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.2
2. 1998 .....	.0	.0	.0	.0	(17)
3. 1999	XXX	.0	.0	.0	(103)
4. 2000	XXX	XXX	.0	.0	3,080
5. 2001	XXX	XXX	XXX	.0	122,627
6. 2002	XXX	XXX	XXX	XXX	937,229

Section C – Incurred Year Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX			XXX	.0	XXX			.0	XXX
2. 1998.....				0.0	.0	0.0			.0	0.0
3. 1999.....				0.0	.0	0.0			.0	0.0
4. 2000.....				0.0	.0	0.0			.0	0.0
5. 2001.....				0.0	.0	0.0			.0	0.0
6. 2002.....	986,328	801,787	23,559	2.9	825,346	83.7	135,441	4,306	965,093	97.8
7. Total (Lines 1 through 6)	XXX	801,787	23,559	XXX	825,346	XXX	135,441	4,306	965,093	XXX
8. Total (Lines 2 through 6)	986,328	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Section A - Paid Claims - Other

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.0
2. 1998 .....	.0	.0	.0	.0	.41
3. 1999	XXX	.0	.0	.0	.0
4. 2000	XXX	XXX	.0	.0	.2
5. 2001	XXX	XXX	XXX	.0	.396
6. 2002	XXX	XXX	XXX	XXX	3,141

Section B - Incurred Claims- Other

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.0
2. 1998 .....	.0	.0	.0	.0	.41
3. 1999	XXX	.0	.0	.0	.0
4. 2000	XXX	XXX	.0	.0	.2
5. 2001	XXX	XXX	XXX	.0	.490
6. 2002	XXX	XXX	XXX	XXX	4,538

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998	XXX			XXX	.0	XXX			.0	XXX
2. 1998				0.0	.0	0.0			.0	0.0
3. 1999				0.0	.0	0.0			.0	0.0
4. 2000				0.0	.0	0.0			.0	0.0
5. 2001				0.0	.0	0.0			.0	0.0
6. 2002	9,185	3,141	92	2.9	3,233	35.2	1,397	44	4,674	50.9
7. Total (Lines 1 through 6)	XXX	3,141	92	XXX	3,233	XXX	1,397	44	4,674	XXX
8. Total (Lines 2 through 6)	9,185	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

Section A - Paid Claims- Grand Total

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.10
2. 1998 .....	.0	.0	.0	.0	.27
3. 1999	XXX	.0	.0	.0	.131
4. 2000	XXX	XXX	.0	.0	4,367
5. 2001	XXX	XXX	XXX	.0	190,699
6. 2002	XXX	XXX	XXX	XXX	1,313,848

Section B - Incurred Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior .....	.0	.0	.0	.0	.10
2. 1998 .....	.0	.0	.0	.0	.27
3. 1999	XXX	.0	.0	.0	.131
4. 2000	XXX	XXX	.0	.0	4,367
5. 2001	XXX	XXX	XXX	.0	193,739
6. 2002	XXX	XXX	XXX	XXX	1,548,239

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1998.....	XXX	.0	.0	XXX	.0	XXX	.0	.0	.0	XXX
2. 1998.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 1999.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2000.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2001.....	18,516	10,372	305	2.9	10,677	57.7	3,370	107	14,154	76.4
6. 2002.....	1,701,360	1,303,476	38,299	2.9	1,341,775	78.9	231,021	7,344	1,580,140	92.9
7. Total (Lines 1 through 6)	XXX	1,313,848	38,604	XXX	1,352,452	XXX	234,391	7,451	1,594,294	XXX
8. Total (Lines 2 through 6)	1,719,876	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

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

(a) Includes \$ premium deficiency reserve.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administration Expenses	3 Investment Expenses	4 Total
1. Rent (\$0 for occupancy of own building).....	4,373,022	3,867,984		8,241,006
2. Salaries, wages and other benefits.....	65,052,894	36,869,079		101,921,973
3. Commissions (less \$ ceded plus \$ assumed).....	0	36,422,527		36,422,527
4. Legal fees and expenses.....	31,148	1,538,063		1,569,211
5. Certifications and accreditation fees.....				0
6. Auditing, actuarial and other consulting services.....	6,497,949	3,025,830		9,523,779
7. Traveling expenses.....	556,647	863,512		1,420,159
8. Marketing and advertising.....	80,400	1,692,392		1,772,792
9. Postage, express and telephone.....	5,802,216	3,575,649		9,377,865
10. Printing and office supplies.....	1,497,488	2,488,837		3,986,325
11. Occupancy, depreciation and amortization.....	0	3,618		3,618
12. Equipment.....	287,964	506,524		794,488
13. Cost or depreciation of EDP equipment and software.....	5,228,565	15,814,595		21,043,160
14. Outsourced services including EDP, claims, and other services.....	10,904,850	4,518,349		15,423,199
15. Boards, bureaus and association fees.....	8,165	1,098,884		1,107,049
16. Insurance, except on real estate.....	351,620	526,939		878,559
17. Collection and bank service charges.....	5,279	150,041		155,320
18. Group service and administration fees.....				0
19. Reimbursements by uninsured accident and health plans.....	(24,352,291)	(37,643,545)		(61,995,836)
20. Reimbursements from fiscal intermediaries.....				0
21. Real estate expenses.....	116	89,207		89,323
22. Real estate taxes.....				0
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....				0
23.2 State premium taxes.....	7,466,686			7,466,686
23.3 Regulatory authority licenses and fees.....	5,970	630,108		636,078
23.4 Payroll taxes.....	4,114,436	2,755,463		6,869,899
23.5 Other (excluding federal income and real estate taxes).....	20,837	178,929		199,766
24. Investment expenses not included elsewhere.....			1,102,664	1,102,664
25. Aggregate write-ins for expenses.....	(26,891,092)	4,576,500	0	(22,314,592)
26. Total expenses incurred (Lines 1 to 25).....	61,042,869	83,549,485	1,102,664	(a) 145,695,018
27. Add expenses unpaid December 31, prior year.....	6,344,248			6,344,248
28. Less expenses unpaid December 31, current year.....	7,547,996			7,547,996
29. Amounts receivable related to uninsured accident and health plans, prior year.....				0
30. Amounts receivable related to uninsured accident and health plans, current year.....				0
31. Total expenses paid (Lines 26 + 27 - 28 - 29 + 30)	59,839,121	83,549,485	1,102,664	144,491,270
DETAIL OF WRITE-INS				
2501. Charitable Contributions.....	5,752	319,092		324,844
2502. Service Charges Inter-Plan Bank.....	5,262,039	835,338		6,097,377
2503. IPSBB-InterPlan Bank ITS.....	4,583,481	2,580,855		7,164,336
2598. Summary of remaining write-ins for Line 25 from overflow page.....	(36,742,364)	841,215	0	(35,901,149)
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	(26,891,092)	4,576,500	0	(22,314,592)

(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) 1,330,209	1,204,878
1.1 Bonds exempt from U.S. tax	(a) 0	0
1.2 Other bonds (unaffiliated)	(a) 17,940,637	17,579,720
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 232,581	232,581
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	674,904	674,904
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash/short-term investments	(e) 871,468	947,000
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	0	1,618,336
10. Total gross investment income	21,049,798	22,257,420
11. Investment expenses		(g) 1,102,664
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		1,102,664
17. Net Investment Income - (Line 10 minus Line 16)		21,154,756
DETAILS OF WRITE-INS		
0901. BPIC Interest Paid		(893,660)
0902. Investment Income - FEP		2,663,145
0903. Interest to Retro Groups		(60,969)
0998. Summary of remaining write-ins for Line 9 from overflow page	0	(90,180)
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	1,618,336
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 689,578 accrual of discount less \$ (1,372,242) amortization of premium and less \$ 1,475,260 paid for accrued interest on purchases.
 (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
 (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
 (e) Includes \$ 57,404 accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
 (f) Includes \$ accrual of discount less \$ amortization of premium.
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. Government bonds	1,450,637				1,450,637
1.1 Bonds exempt from U.S. tax					0
1.2 Other bonds (unaffiliated)	1,646,708	(1,851,425)			(204,717)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)	138,958	(54,920)			84,038
2.11 Preferred stocks of affiliates					0
2.2 Common stocks (unaffiliated)	1,214,425	(8,180,939)		0	(6,966,514)
2.21 Common stocks of affiliates					0
3. Mortgage loans					0
4. Real estate					0
5. Contract loans					0
6. Cash/Short-term investments					0
7. Derivative instruments		(674,957)			(674,957)
8. Other invested assets					0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	4,450,728	(10,762,241)	0	0	(6,311,513)
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

	1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 10 to 13 and 15 to 20, Column 2	46,169,805	20,353,108	(25,816,697)
2. Other Non-Admitted Assets:			
2.1 Bills receivable.....	0	0	0
2.2 Leasehold improvements.....	3,996,291	2,559,153	(1,437,138)
2.3 Cash advanced to or in hands of officers and agents.....		0	0
2.4 Loans on personal security, endorsed or not.....			0
2.5 Commuted commissions.....			0
3. Total (Lines 2.1 to 2.5)	3,996,291	2,559,153	(1,437,138)
4. Aggregate write-ins for other assets.....	20,366,168	9,984,547	(10,381,621)
5. Total (Line 1 plus Lines 3 and Line 4)	70,532,264	32,896,808	(37,635,456)
0401. Deposits and Prepaid Expenses.....	19,101,078	9,935,982	(9,165,096)
0402. Miscellaneous Accounts Receivable.....		0	0
0403. Other Assets.....	1,265,090	48,565	(1,216,525)
0498. Summary of remaining write-ins for Line 4 from overflow page	0	0	0
0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above)	20,366,168	9,984,547	(10,381,621)

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Group Hospitalization and Medical Services, Inc.

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0	.0	.0	.0	.0	.0
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.589,251	.607,146	.607,764	.609,812	.617,956	.7,323,839
4. Point of Service.....	.85,058	.87,043	.86,820	.86,280	.85,969	.1,041,205
5. Indemnity Only.....	.38,232	.39,893	.39,585	.41,953	.44,341	.492,472
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	712,541	734,082	734,169	738,045	748,266	8,857,516
DETAILS OF WRITE-INS						
0601.						
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)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Accounting Practices

The financial statements of Group Hospitalization and Medical Services, Inc. (the Company) are presented on the basis of accounting practices prescribed by the District of Columbia Department of Insurance and Securities Regulation (the Department).

The Department recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed practices by the District of Columbia.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from those amounts provided in the accompanying statutory basis financial statements.

Accounting Policy

Fair Value of Financial Instruments

The carrying amounts of cash and short-term investments, stocks (other than investments in subsidiaries), advances to providers, uncollected premiums, amounts receivable relating to uninsured accident and health plans, miscellaneous accounts receivable, other assets, claims unpaid, accounts payable and accrued expenses, unearned premiums, group experience funds and advances, and other liabilities approximate fair value.

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at market value and bonds at amortized cost. Adjustments reflecting the revaluation of stocks at the statement date are charged to Unassigned funds (Surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically evaluates whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near term prospects for recovery of the market value of a security; the intent and ability of the Company to hold the security until the market value recovers. Declines in fair value below cost that are deemed to be other than temporary are recorded as realized losses and are included in investment gain, net in the accompanying statements on income – statutory basis. Based on its evaluation, the Company has recorded an other than temporary impairment of \$10,497,000 for the year ended December 31, 2002.

Bonds

Bonds are carried at amortized cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. The Company's policy is to recognize any realized gains and losses on a specific identification basis. Changes in admitted asset carrying amounts are charged directly to unassigned surplus, unless the changes are losses deemed to be other than temporary as described above.

Preferred Stocks

Preferred Stocks are carried at cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. The Company's policy is to recognize any realized gains or losses on a specific identification basis.

Common Stocks

Common Stocks consist of mutual funds, investments in non-affiliated publicly traded companies and investments in subsidiaries valued in accordance with the NAIC SAP.

Advances to Providers

The Company has advances on deposit with certain hospitals in the State of Maryland. These advances permit the Company to earn differentials of 2.25 and 2.00 percent of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value in the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis.

Property and Equipment Admitted

Property and equipment admitted were recorded at cost and are depreciated on the straight-line method over a useful life of three years.

Unpaid losses and loss adjustment expenses

The liability for unpaid claims and claim adjustment expenses includes medical claims payable and the related accrued claims processing expenses. Unpaid claims are computed in accordance with generally accepted actuarial practices and are based upon authorized health care services and past claims payment experience, together with current factors which, in management's judgment, require recognition in the calculation. These estimates are periodically reviewed and any adjustments are reflected in current operations.

NOTES TO FINANCIAL STATEMENTS

Revenue recognition

Revenues are recognized and earned on a monthly basis for the period the health care coverage is in effect. Unearned premiums represent prepayments of premiums for future health care coverage and Federal Employee Program unearned premiums.

Uncollected premiums primarily represent unpaid amounts earned from employer groups and individuals for health benefits. Provision is made for potential adjustments which arise as a result of a review by management or a third party.

The Company participates with other Blue Cross and Blue Shield plans in administering the health care benefit plans of various national accounts. Administrative fees are generally recognized and earned on a monthly basis for the period the participating agreement is in effect.

Certain claim payments, premium rates, administrative expense reimbursements and provider discounts are subject to review and potential retroactive adjustment by third parties. Reserves are established for potential obligations arising from such reviews. Management believes that any potential claims will not be materially different from the amounts recorded in the accompanying statutory basis financial statements.

Federal Employee Program

The Company participates in the Blue Cross and Blue Shield Federal Employee Program (FEP), which is one of the plans offered through the Federal Employee Health Benefits Program (FEHBP), administered by the Office of Personnel Management (OPM). Claims incurred on behalf of FEP are also reported as revenues during the period in which the claims are incurred. The related administrative fees are recognized as revenues as they are earned during the contract period. The Blue Cross and Blue Shield Association (BCBSA) acts as an agent for FEP and provides information to the Company for inclusion in the accompanying statutory basis financial statements.

OPM holds certain reserves on behalf of the Company to provide funding, if necessary, for excess claims costs, subject to certain limitations. The Company records its allocable share of amounts held by OPM as an asset, with an equivalent amount recorded as premiums received in advance. These amounts are \$319,689,000 and \$243,976,000 as of December 31, 2002 and 2001, respectively, and are included in other assets and premiums received in advance in the accompanying statements of admitted assets, liabilities, capital and surplus--statutory basis. The current contract expires December 31, 2003.

FEP revenues were \$959,946,000 and \$898,426,000 for the years ended December 31, 2002 and 2001, respectively.

FEP Operations Center

The Company performs certain administrative functions as the national operations center for the FEP under a cost reimbursement contract with BCBSA. The reimbursement of allocable costs under this contract is recorded as a reduction of general and administrative expenses. The FEP reimbursed the Company for costs incurred in connection with this agreement totaling \$56,114,000 and \$48,382,000 for the years ended December 31, 2002 and 2001, respectively.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed by the Department. Effective January 1, 2001, the Department required that insurance companies domiciled in the District of Columbia prepare their statutory basis financial statements in accordance with NAIC SAP.

Accounting changes adopted to conform to the provisions of NAIC SAP are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a change of accounting principle, as an adjustment that increased unassigned funds (surplus), of \$3,912,734 as of January 1, 2001. There was no adjustment amount recorded in the year ended December 31, 2002.

The Company had permission to record the deferred gain on the sale of its headquarters office building and land as unassigned reserves (surplus). The department notified the company that it would not receive permission for this practice in 2001. The reduction in unassigned reserves (surplus) due to the loss of this permitted practice as of January 1, 2001 was \$14,575,667 with a corresponding increase in other liabilities.

3. Business Combinations and Goodwill

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

Loan-Backed Securities

The company records its investment in loan-backed securities using the retrospective adjustment method. Payment assumptions for single and multi-class mortgage-backed/ assets-backed securities are obtained from broker survey values. The company uses IDC to determine the market value for such securities.

Repurchase Agreements

The Company has certain repurchase agreements which under Company policy require a minimum of 102% of the fair value of securities purchased under repurchase agreements be supported by collateral.

NOTES TO FINANCIAL STATEMENTS

6. Joint Ventures, Partnerships and Limited Liability Companies

Not applicable.

7. Investment Income

Not applicable.

8. Derivative Instruments

Not applicable.

9. Income Taxes

The components of the net deferred tax assets recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>
Total of gross deferred tax assets	\$ 14,041,289	\$ 3,029,353
Total of deferred tax liabilities	(1,349,432)	(1,008,480)
Net deferred tax asset	12,691,857	2,020,873
Deferred tax asset nonadmitted	(10,763,589)	(52,369)
Net admitted deferred tax asset	<u>\$ 1,928,268</u>	<u>\$ 1,968,504</u>
(Increase) decrease in nonadmitted asset	<u>\$ (10,711,220)</u>	<u>\$ 1,988,523</u>

The provisions for incurred taxes on earnings:

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>
Federal provision	\$ 10,184,644	\$ 8,187,684
Federal income tax on net capital gains(losses)	(1,262,303)	1,172,659
Federal income taxes incurred	<u>\$ 8,922,341</u>	<u>\$ 9,360,343</u>

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

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>
Deferred tax assets:		
Allowance for Bad Debt	\$ 997,253	\$ 554,962
Accrued Vacation	866,630	315,896
Contingent Liability	2,512,920	264,567
Discounted Unpaid Losses	2,295,768	334,406
FAS 106	1,915,751	888,520
FAS 115 unrealized losses	0	150,446
Other than temporary impairment of investments	2,099,457	0
Pension Liability	39,263	294,519
Other	3,314,247	226,036
Total deferred tax assets	<u>14,041,289</u>	<u>3,029,353</u>
Nonadmitted deferred tax assets	(10,763,589)	(52,369)
Admitted deferred tax assets	<u>3,277,700</u>	<u>2,976,984</u>
Deferred tax liabilities:		
FAS 115 unrealized gains	(271,764)	0
Prepaid Pension Costs	(858,306)	0
Other	(219,362)	(1,008,480)
Total deferred tax liabilities	<u>(1,349,432)</u>	<u>(1,008,480)</u>
Net Admitted deferred tax assets	<u>\$ 1,928,268</u>	<u>\$ 1,968,504</u>

NOTES TO FINANCIAL STATEMENTS

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

	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2001</u>	<u>Change</u>
Total deferred tax assets	\$ 3,277,700	\$ 2,976,984	\$ 300,716
Total deferred tax liabilities	1,349,432	1,008,480	340,952
Net deferred tax asset(liability)	1,928,268	1,968,504	(40,236)
Tax effect of unrealized gains(losses)			271,764
Change in net deferred income tax			\$ 231,528

The provision for federal income taxes incurred 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:

	<u>Dec. 31, 2002</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ 9,566,000	20%
Provision to return differences from prior year	(2,525,000)	-5%
Nondeductible expenses	49,000	0%
Deferred gain on sale of building	(564,000)	0%
Investments	2,099,000	4%
Accrued expenses	(42,000)	0%
Benefit obligations	1,122,000	1%
Unpaid claims	213,000	0%
Accounts receivable	(58,000)	0%
Non-admitted assets and other	(937,659)	-1%
Total	<u>\$ 8,922,341</u>	<u>19%</u>
Federal income taxes incurred	\$ 8,922,341	19%
Change in net deferred income taxes	(231,527)	-1%
Total statutory income taxes	<u>\$ 8,690,814</u>	<u>18%</u>

The Company has regular tax loss carryforwards of approximately \$48,478,000 at December 31, 2002, which expire between 2003 and 2009, and accumulated Alternative Minimum Tax (AMT) credits of approximately \$47,211,000 at December 31, 2002. Both the carryforward and the credits can be used, in certain circumstances, to offset future regular taxable income and tax, respectively. As a result of the affiliation with CFMI, the usage of the Company's net operating loss carryforwards are limited under Section 382 of the Internal Revenue Code.

The Company is included in the consolidated federal income tax return of CareFirst, Inc. The Company has a written agreement, which sets forth the manner in which the total combined federal income tax is allocated to each entity, which is a party to the consolidation. The agreement calls for an allocation based on the Company's pre-tax income after affecting for permanent differences at the alternative minimum tax rates. The federal tax allocation for both 2002 and 2001 was 20 percent of pre-tax income after permanent differences. These amounts are included in provision for income taxes in the accompanying statements of operations and changes in reserves and unassigned funds--statutory basis.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

10. Information Concerning Parent, Subsidiaries and Affiliates

During 2002 and 2001, the Company incurred certain costs on behalf of CFMI, including costs of salaries, claims processing and professional fees. Similarly, certain costs were incurred by CMFI on behalf of the Company. These amounts were allocated between the companies based on relevant statistics or work being performed. Total charges to the Company from CFMI for services performed by CFMI were \$98,614,000 and \$37,601,000 and total charges to CFMI for services performed by the Company were \$30,373,000 and \$19,878,000 during the years ended December 31, 2001 and 2000, respectively.

The Company also has an operating relationship with subsidiaries and other affiliates whereby the Company provides substantially all non-medical administrative and corporate services which are allocated to the subsidiaries and affiliates under management agreements. Total allocations to the subsidiaries and affiliates for all services provided by the Company to these affiliates were approximately \$48,830,000 during the year ended December 31, 2002. These allocations are netted against general and administrative expenses in the accompanying statements of revenue and expenses and changes in capital and surplus—statutory basis.

For certain fully insured point-of-service health care programs, the Company bears all of the out-of-network (indemnity) underwriting risk and CareFirst BlueChoice, Inc. (CareFirst BlueChoice) bears the in-network (HMO) underwriting risk. Cost of care for these products is charged directly to the Company and CareFirst BlueChoice based upon the nature of the claims incurred. Premiums on these health care programs are allocated between the Company and CareFirst BlueChoice based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums, is shared equally between the two companies.

The Company continues to integrate operations with CFMI. To enable this integration, certain hardware and software is purchased, developed or enhanced with the cost being funded and capitalized as an asset on either the Company's or CFMI's balance sheet. The assets

NOTES TO FINANCIAL STATEMENTS

are amortized over their useful life and charged to the Company and CFMI through the company's cost allocation system.

At December 31, 2002 the Company reported \$26,656,546 and \$2,834,098 as amounts due to and due from affiliates, respectively. These amounts are settled monthly.

11. Debt

Not applicable.

12. Retirement Plans and Other Post-retirement Benefit Plans

Prior to December 31, 2002, the Company had a qualified noncontributory defined benefit retirement plan covering substantially all full-time employees (GHMSI Plan). Effective on this date, the GHMSI Plan merged with a qualified noncontributory defined benefit retirement plan maintained by CFMI (CFMI Plan) to become the CareFirst, Inc. Retirement Plan. Although CareFirst, Inc. merged the CFMI and GHMSI plans, it has committed to maintain separate recordkeeping of plan assets and benefit obligations so that it will comply with certain regulatory restrictions that apply to the Company and CFMI. As a result, the Company and CFMI will account for its respective pension obligations as if the merger had not occurred and the individual plans remained separate.

The annual contributions are not less than the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The plan provides for eligible employees to receive benefits based principally on years of service with the Company and a percentage of certain compensation prior to normal retirement.

The Company also has non-qualified supplemental retirement benefit plans covering certain officers, which provide for eligible employees (and former employees) to receive additional benefits based principally on compensation and years of service. These plans provide for incremental benefit payments from the Company's funds so that total benefit payments equal amounts that would have been payable from the Company's principal retirement plans if it were not for limitations imposed by income tax regulations.

The Company provides certain health care benefits for retired employees. Substantially all employees become eligible for those benefits if they reach early retirement age while working for the Company and have at least ten years of service. The Company's postretirement benefit program provides for a specific credit amount, which may be used to purchase health insurance upon retirement. The credit amount is based upon the retiree's age and years of service with the Company. The Company does not expect to adjust the amount of the credit to provide for the impact of medical inflation.

During 2001, the Company adopted SSAP No. 8, *Pensions* and SSAP No. 11, *Post-Employment Benefits and Compensated Absences*. These accounting standards require benefit cost and benefit obligations to be calculated utilizing actuarially determined amounts. There was no impact of adopting these standards on capital and surplus as of December 31, 2001, due to the non admission of prepaid pension asset.

A summary of assets, obligations and assumptions of the qualified and non-qualified pension and post-retirement benefit plans are as follows at December 31, 2002:

	(in Thousands)		
	<u>Qualified Pension Benefits</u>	<u>Other Pension Benefits</u>	<u>Post-Retirement Benefits</u>
Change in benefit obligation:			
Benefit obligation at beginning of year	\$ 186,483	\$ 1,496	\$ 9,147
Service cost	6,620	23	922
Interest cost	13,137	90	519
Actuarial loss (gain)	6,869	(32)	(1,335)
Plan amendments	55	(125)	-
Benefits paid	(5,723)	(30)	(516)
Benefit obligation at end of year	<u>\$ 207,441</u>	<u>\$ 1,422</u>	<u>\$ 8,737</u>
Change in plan assets:			
Fair value of plan assets at beginning of year	\$ 222,981	\$ -	\$ -
Actual return on plan assets	(14,348)	-	-
Employer contribution	-	30	516
Benefits paid	(5,723)	(30)	(516)
Fair value of plan assets at end of year	<u>\$ 202,910</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

	Qualified Pension Benefits	Other Pension Benefits	Post-Retirement Benefits
Funded status	\$ (4,531)	\$ (1,422)	\$ (8,737)
Unrecognized net loss (gain)	71,021	134	(5,382)
Transition liability (asset) not yet recognized	(62,250)	1,208	4,518
Unamortized prior service cost (asset)	51	(116)	23
Prepaid Asset(nonadmitted) or additional liability	\$ 4,291	\$ (196)	\$ (9,578)
Components of net periodic benefit cost:			
Service cost	\$ 6,620	\$ 23	\$ 922
Interest cost	13,137	90	519
Expected return on plan assets	(21,605)	-	-
Amortization of prior service cost (asset)	4	(10)	3
Amortization of unrecognized transition obligation	-	67	452
Amount of recognized (gains) and losses	-	-	(342)
Total net periodic benefit cost	\$ (1,844)	\$ 170	\$ 1,554

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The minimum liability adjustment, less allowable intangible assets, net of tax benefit, is reported within general and administrative expenses in the accompanying statements of operations – statutory basis. At December 31, 2002 the additional minimum liability related to other pension benefits decreased to \$1,076,673 from \$1,251,728 at December 31, 2002.

	Qualified Pension Benefits	Other Pension Benefits	Post-Retirement Benefits
Discount rate	6.75%	6.75%	6.75%
Rate of compensation increase	5.00%	4.00%	4.00%
Expected long-term rate of return on plan assets	9.00%	N/A	N/A

As of December 31, 2002, pension benefit obligations and postretirement benefit obligations for nonvested employees were \$8,857,000 and \$8,836,000 respectively.

For measurement purposes related to postretirement plan, a six percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total service and interest cost	\$ 20,275	\$ (17,775)
Effect on postretirement benefit obligation	\$ 279,649	\$ (245,178)

The Company sponsors 401(k) plans for the benefit of all eligible employees. The Company's contribution for the plans was \$1,909,000 and \$1,880,000 for 2002 and 2001, respectively.

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

The Company has no shares authorized, issued or outstanding. The Company has no preferred stock outstanding.

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Net unrealized losses:	\$ 12,112,000
Non-admitted asset values:	\$ 70,532,264

The Company had a note payable held by BCS Plan Investors Corporation (BPIC), an affiliate of BCBSA, that was paid off in April 2002. The outstanding balance of the note was \$8,937,000 as of December 31, 2001. The note was unsecured and bore interest at 6 percent per

NOTES TO FINANCIAL STATEMENTS

annum. The note was guaranteed by CFMI and CareFirst, Inc. Interest was payable out of 50 percent of the previous calendar year's statutory earnings and profits generated by the Company and CFMI (as determined by reference to the Company's and CFMI's audited statutory financial statements ended on December 31 of such calendar year) and was due annually April 30. In addition, the Company agreed to repay the balance in equal annual installments, beginning April 30, 1998 through April 30, 2002. Both interest and principal payments required the prior approval of the District of Columbia Department of Insurance and Securities Regulation. The Company remitted its final principal payment on April 30, 2002.

The prescribed statutory practice specifies that surplus note interest expense not be charged to operations until the payment of such interest has been approved by the appropriate regulatory officials. Accordingly, for the years ended December 31, 2002 and 2001, respectively, interest incurred of \$179,000 and \$715,000 was not accrued in accordance with the prescribed statutory accounting practices.

14. Contingencies

In the jurisdictions in which the Company is licensed to conduct business, Associations have been created for the purpose, among others, of protecting insured parties under health insurance policies. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the Associations.

The Company operates under a licensing agreement with BCBSA, whereby the Company uses the service marks of BCBSA in the course of its business. The Company files periodic reports with BCBSA and is in compliance with all requirements.

Various lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material effect on the accompanying statutory basis financial statements.

As discussed in Item #24, CareFirst, Inc. signed a definitive agreement with WellPoint to merge. CareFirst, Inc. and its affiliates have employment contracts with certain executives, which contain provisions that could trigger the payment of additional compensation benefits upon a "change in control" of CareFirst, Inc. Some of the aforementioned payments would be payable based on a "change of control" only, while others would be payable upon termination of employment following "change of control." The amended merger agreement provides for these employment contracts to be rescinded and retention agreements be entered into with Wellpoint. Accordingly, these aforementioned potential payments have not been accrued at December 31, 2002 as the triggering events have not occurred.

CareFirst, Inc. and its affiliates also have a retention bonus plan whereby certain officers and other employees are entitled to certain payments following a sale or disposition of CareFirst, Inc. and its affiliates or under certain other circumstances. The payment of any of these amounts is subject to regulatory and legislative approval of the merger and/or the resolution of other legal issues. As such, none of the aforementioned potential retention bonus payments, which have been estimated at \$8,400,000 in total for CareFirst, Inc and its affiliates, have been accrued at December 31, 2002 and 2001.

The Company's professional liability coverage is on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The claims-made policy has been renewed through April 30, 2003.

CareFirst, Inc. has a commitment for a credit facility with a commercial bank under which certain of its affiliates, including GHMSI, may borrow up to a maximum amount of \$60,000,000. There have been no draws made on this line of credit during 2002 or 2001.

15. Leases

The Company leases certain administrative facilities and equipment under operating leases. Some of these lease agreements contain escalation clauses for increases in real estate taxes and operating costs over base year amounts. These leases expire on various dates, with renewal options available on many of these leases.

Future noncancelable minimum payments for leases for which the Company is obligated, are as follows as of December 31, 2002:

2003	\$	15,319,000
2004		16,613,000
2005		16,020,000
2006		16,431,000
2007		16,078,000
Thereafter		74,317,000
Total minimum payments	\$	<u>154,778,000</u>

Rent expense for the years ended December 31, 2002 and 2001, for operating leases was \$10,878,000 and \$10,096,000 respectively.

NOTES TO FINANCIAL STATEMENTS

Sales-leaseback of headquarters building

On December 3, 1998, the Company sold its headquarters building in Washington, D.C. The sale resulted in a gain, based on depreciated cost, of \$41,079,000. In connection with the sale, the Company entered into a five-year leaseback for all of the net rentable space in the building. The purchaser has the right to recapture a portion or all of the space upon notice to the Company at various points in time during the leaseback period. Due to the leaseback arrangement, approximately \$25,019,000 of the realized gain from the sale of the building was recorded as an increase in reserves and unassigned funds and will be amortized over the life of the leaseback period in proportion to the lease payments. In 2002 and 2001, \$2,818,000 and \$3,624,000 respectively, was amortized against rent expense

. The originally recorded deferred gain was equal to the net present value of the future lease payments, using a discount rate of 6.5 percent. The deferred gain is to be adjusted downward through other income in future periods in which the purchaser exercises its recapture rights.

On January 3, 2001, pursuant to the lease recapture provision, the purchaser gave notice that additional space would be recaptured on May 31, 2001. Resulting from this notice, \$5,302,000 of the deferred gain was offset against administrative expenses in 2001, reflecting the period in which the lease modification was received. Accordingly, future lease payments related to both recapture events have been excluded from minimum future lease payments listed below.

Through December 31, 2000, the Company had permission from the Department to record the deferred gain on the sale of its headquarters office building and land as capital and surplus. The Company did not receive permission for this accounting practice in 2001 and therefore, reclassified the net deferred gain at January 1, 2001 to other liabilities in the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis in 2001. Accordingly, the reduction in capital and surplus due to the loss of this permitted practice as of January 1, 2001, was \$14,576,000 and is included in the accompanying statements of revenue and expenses and changes in capital and surplus—statutory basis for the year ended December 31, 2001. As of December 31, 2002 and 2001, the deferred gain liability was \$2,853,000 and \$5,671,000 respectively.

Minimum future lease payments at December 31, 2002, (reflecting the above recapture of space by the purchaser) are \$2,181,000 for 2003.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

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

Not applicable.

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

The results from operations of uninsured ASC plans and the uninsured portion of partially insured plans was as follows during 2002:

Gross reimbursement for medical costs incurred	\$ 665,800,000
Gross administrative fees accrued	61,996,000
Gross expenses incurred	(726,715,000)
Net income (loss)	<u>\$ 1,081,000</u>

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. Other Items

Pharmaceutical Rebates

The Company has a contract which requires its pharmacy vendor to pass back certain pharmacy rebates. These are estimated based on experience and are required to be paid to the Company by certain contractual due dates.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
3/31/2002	\$609,690		\$636,866		
6/30/2002	630,000		741,415		
9/30/2002	630,000		263,125		
12/31/2002	690,000				

NOTES TO FINANCIAL STATEMENTS

Integration of Operations

The Company continues to integrate operations with CFMI. To enable this integration, certain hardware and software is purchased, developed or enhanced with the cost being funded and capitalized as an asset on either CFMI's or GHMSI's balance sheet. The assets are amortized over their useful life and charged to CFMI and GHMSI through the company's cost allocation system.

21. Events Subsequent

On March 5, 2003, the application for conversion to for-profit status and to merge with Wellpoint (see note 24) was denied by the MIA in an order that becomes effective in June 2003. This order is subject to revision by the Maryland legislature.

22. Reinsurance

Not applicable.

23. Retrospectively Rated Contracts

Not applicable.

24. Organization and Operation

Group Hospitalization and Medical Services, Inc. (the Company), is a not-for-profit company that provides a comprehensive array of health insurance and managed care products and services primarily through indemnity health insurance and health benefits administration, and also has an investment in a health maintenance organization (HMO). These products and services are provided to individuals, businesses and governmental agencies primarily in the Washington, D.C. metropolitan area and in some portions of the State of Maryland and the Commonwealth of Virginia.

The Company and CareFirst of Maryland, Inc. (CFMI) are both affiliates of a not-for-profit parent company, CareFirst, Inc. These affiliates do business as CareFirst BlueCross BlueShield. On March 22, 2000, CareFirst, Inc., also entered into a business affiliation with BCBSD, Inc.

On October 10, 2002, one of CFMI's wholly owned subsidiaries, CFS Health Group, Inc. (CFS) transferred the net assets of certain of its subsidiaries, including FreeState Health Plan, Inc (FSHP), Delmarva Health Plan (DHP) and Preferred Health Network of Maryland, Inc. (PHN) to CareFirst BlueChoice, then a wholly-owned subsidiary of the Company. In exchange, CFS obtained a 60% equity interest in, with the remaining 40% retained by the Company. To achieve the respective equity interests anticipated with this transaction, the CareFirst BlueChoice paid a dividend to the Company of \$30,860,000 as additional consideration.

On November 20, 2001, WellPoint Health Networks, Inc. (WellPoint) and CareFirst, Inc. signed a definitive agreement to merge. Under the agreement, as amended in January 2003, WellPoint has agreed to acquire CareFirst, Inc. for \$1.37 billion following CareFirst, Inc.'s conversion to for-profit status and pending approval from various regulatory agencies. The purchase price would be provided to benefit residents in CareFirst, Inc.'s three principal operating areas — Maryland, Delaware and the District of Columbia. The Company has incurred affiliation costs of \$3,435,000 and \$466 respectively, for the years ended December 31, 2002 and 2001, related to the merger. These affiliation costs consist primarily of legal and consulting fees. As of December 31, 2002, the merger is still awaiting regulatory approval.

25. Salvage and Subrogation

The following discloses the estimated salvage and subrogation used in computing the Company's unpaid claims liability:

<u>Year incurred</u>	
2001	\$ 1,571,257
2002	2,681,033

26. Change in Incurred Claims and Claim Adjustment Expenses

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by \$5,284,601 from \$203,554,394 in 2001 to \$198,269,793 in 2002 as a result of reestimation of unpaid claims and claim adjustment expenses principally on group contracts. This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

27. Minimum Net Worth

Minimum Net-Worth Requirements

The Company is licensed to conduct business in the states of Virginia and Maryland and the District of Columbia. The minimum net worth for each of these jurisdictions is as follows:

District of Columbia	\$47,152,933, calculated as 8% of prior year risk premium
Maryland	\$47,152,933, calculated as 8% of prior year risk premium
Virginia	\$63,967,888, calculated as 45 days of anticipated operating expenses and incurred claims expenses generated from subscription contracts

NOTES TO FINANCIAL STATEMENTS

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	14,486,193	2.797	14,486,193	2.799
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	3,130,851	0.605	3,130,851	0.605
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	986,631	0.191	986,631	0.191
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	29,965,784	5.786	29,965,784	5.790
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 Guaranteed by GNMA	5,285,459	1.021	5,285,459	1.021
1.512 Issued by FNMA and FHLMC	86,156,533	16.635	86,156,533	16.647
1.513 Privately issued	0	0.000	0	0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC	5,075,919	0.980	5,075,919	0.981
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC	27,675,191	5.344	27,675,191	5.347
1.523 All other privately issued	0	0.000	0	0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	168,527,455	32.540	168,527,455	32.562
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	7,493,517	1.447	7,493,517	1.448
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0	0.000	0	0.000
3.32 Unaffiliated	38,954,953	7.521	38,954,953	7.527
3.4 Other equity securities:				
3.41 Affiliated	62,943,771	12.153	62,943,771	12.162
3.42 Unaffiliated	3,297,278	0.637	2,936,530	0.567
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
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 and short-term investments	63,936,986	12.345	63,936,986	12.354
9. Other invested assets	0	0.000	0	0.000
10. Total invested assets	517,916,521	100.000	517,555,773	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] NA []
- 1.3 State Regulating? Maryland.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No []
- 2.2 If yes, date of change:05/21/2002
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.12/31/1999
- 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.12/31/1999
- 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).12/18/2001
- 3.4 By what department or departments? District of Columbia Department of Insurance and Securities Regulation
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [X] 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
Freestate Health Plan.....	95572.....	MD.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control;
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

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

GENERAL INTERROGATORIES

(continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP, One North Charles Street, Baltimore, MD 21202.....
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Edward W. O'Neil, FSA, MAAA, Senior Vice President and Chief Actuary 10455 Mill Run Cir, Owings Mills, MD 21117.....
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
not applicable.....
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] NA []

BOARD OF DIRECTORS

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

FINANCIAL

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

GENERAL INTERROGATORIES

(continued)
INVESTMENT

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

Class	1	2	3	4	5		6	
	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price if Callable	Is Dividend Rate Limited?		Are Dividends Cumulative?	
					Yes	No	Yes	No
Preferred	0	0	0.000	0	[]	[X]	[]	[X]
Common	0	0	0.000	XXX	XXX	XXX	XXX	XXX

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

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

SunTrust Bank, BankOne, WV, Vanguard Fiduciary Trust Company, PFPC Trust Company

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

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

19.21	Loaned to others	\$	.....
19.22	Subject to repurchase agreements	\$	.....
19.23	Subject to reverse repurchase agreements	\$	.....
19.24	Subject to dollar repurchase agreements	\$	.....
19.25	Subject to reverse dollar repurchase agreements	\$	.....
19.26	Pledged as collateral	\$	.....2,332,679
19.27	Placed under option agreements	\$	.....
19.28	Letter stock or other securities restricted as to sale	\$	.....
19.29	Other	\$	.....

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

19.31	.....	19.35	.....
19.32	.....	19.36	SunTrust Bank, BankOne, WV.....
19.33	.....	19.37	.....
19.34	.....	19.38	.....
		19.39	.....

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

19.4 For category (19.28) provide the following:

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

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

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

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

21.2. If yes, state the amount thereof at December 31 of the current year. \$1,770,750

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

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

1	2
Name of Custodian(s)	Custodian's Address
SunTrust Bank.....	1445 New York Avenue NW, Washington, DC 20005.....
BankOne.....	707 Virginia Avenue, Charleston, WV 25301.....

GENERAL INTERROGATORIES

(continued)
INVESTMENT

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
109256.....	WestLB Asset Management.....	5555 San Felipe, 20th floor, Houston, TX 77056-2723.....
104596.....	Dodge and Cox.....	One Sansome Street, 35th Floor, San Francisco, CA 94104.....
107293.....	Denver Investment Advisors.....	17th Street Plaza, 1225 17th Street, 25th Floor, Denver, CO 80202.....
105758.....	Calamos Investments.....	1111 East Warrenville Road, Naperville, IL 60563-1493.....

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....43,450

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

1 Name	2 Amount Paid
Standard & Poor's Rating Service.....	\$.....43,450
	\$.....
	\$.....

24.1 Amount of payments for legal expenses, if any?..... \$.....0

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

1 Name	2 Amount Paid
	\$.....
	\$.....
	\$.....

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

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

1 Name	2 Amount Paid
	\$.....
	\$.....
	\$.....

GENERAL INTERROGATORIES

(continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U. S. business only \$ 18,516,006
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.31 Reason for excluding
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ 12,121,000
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$ 1,129,132
- 1.62 Total incurred claims \$ 1,139,030
- 1.63 Number of covered lives \$ 632
- All years prior to most current three years:
- 1.64 Total premium earned \$ 17,386,874
- 1.65 Total incurred claims \$ 10,981,970
- 1.66 Number of covered lives \$ 7,919
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$ 0
- 1.72 Total incurred claims \$ 0
- 1.73 Number of covered lives \$ 0
- All years prior to most current three years:
- 1.74 Total premium earned \$ 0
- 1.75 Total incurred claims \$ 0
- 1.76 Number of covered lives \$ 0
- 2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 2.2 If yes, give particulars:
- 3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes No
- 3.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No
- 4.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 4.2 If no, explain:
- 4.3 Maximum retained risk (see instructions)
- 4.31 Comprehensive Medical \$
- 4.32 Medical Only \$
- 4.33 Medicare Supplement \$
- 4.34 Dental \$
- 4.35 Other Limited Benefit Plan \$
- 4.36 Other \$
5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
not applicable
- 6.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes No
- 6.2 If no, give details:
7. Provide the following Information regarding participating providers:
- 7.1 Number of providers at start of reporting year 21,918
- 7.2 Number of providers at end of reporting year 25,005
- 8.1 Does the reporting entity have business subject to premium rate guarantees? Yes No
- 8.2 If yes, direct premium earned:
- 8.21 Business with rate guarantees between 15-36 months
- 8.22 Business with rate guarantees over 36 months
- 9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contract? Yes No
- 9.2 If yes:
- 9.21 Maximum amount payable bonuses \$
- 9.22 Amount actually paid for year bonuses \$
- 9.23 Maximum amount payable withholds \$
- 9.24 Amount actually paid for year withholds \$
10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
State of Maryland.....
District of Columbia.....
Northern Virginia: portions east of Rte 123 and all incorporated cities of Fairfax and Vienna.....

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	1,087,727,010	927,379,289	779,154,261	644,652,098	611,347,903
2. Total liabilities (Page 3, Line 18)	796,953,985	653,394,779	531,152,006	457,806,563	452,632,374
3. Statutory surplus	0	0	0	0	0
4. Total capital and surplus (Page 3, Line 26)	290,773,025	273,984,510	248,002,255	186,845,535	158,715,529
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	1,719,875,820	1,509,283,240	1,243,945,601	1,076,588,930	954,297,925
6. Total medical and hospital expenses (Line 17)	1,542,955,898	1,357,572,301	1,116,040,521	975,773,647	872,379,340
7. Total administrative expenses (Line 19)	83,549,487	87,203,819	53,065,590	45,830,187	44,219,680
8. Net underwriting gain (loss) (Line 22)	32,327,567	27,900,833	33,133,713	16,392,086	(1,239,179)
9. Net investment gain (loss) (Line 25)	14,843,238	28,861,365	24,869,747	19,988,225	29,047,854
10. Total other income (Lines 26 plus 27)	660,546	(1,185,574)	1,635,165	464,555	11,448,037
11. Net income (loss) (Line 30)	38,909,010	55,576,624	59,638,625	36,844,866	39,256,712
RISK - BASED CAPITAL ANALYSIS					
12. Total adjusted capital	290,773,025	273,984,510	248,002,255	186,845,537	158,716,000
13. Authorized control level risk-based capital	45,255,447	36,845,312	29,311,712	19,267,133	13,495,694
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	748,266	712,541	0	0	0
15. Total member months (Column 6, Line 7)	8,857,516	8,472,885	0	0	0
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, 3 and 5)					
16. Premiums earned (Line 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	89.7	89.9	89.7	90.6	91.4
18. Total underwriting deductions (Line 21)	98.1	98.2	97.3	98.5	1.0
19. Total underwriting gain (loss) (Line 22)	1.9	1.8	2.7	1.5	(0.1)
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	198,269,793	166,681,137	137,229,670	156,925,847	119,244,377
21. Estimated liability of unpaid claims – [prior year (Line 11, Col. 6)]	203,554,394	159,812,944	158,479,677	109,525,592	110,540,320

FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	71,590,117	81,301,101	64,244,537	43,046,944	27,513,707
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
26. Affiliated mortgage loans on real estate		0	0	0	0
27. All other affiliated		0	0	0	0
28. Total of above Lines 22 to 27	71,590,117	81,301,101	64,244,537	43,046,944	27,513,707

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS				
Governments (Including all obligations guaranteed by governments)	1. United States 21,718,261 2. Canada 0 3. Other Countries 0 4. Totals 21,718,261	22,739,972 0 0 22,739,972	21,801,386 0 0 21,801,386	21,355,864 0 0 21,355,864
States, Territories and Possessions (Direct and guaranteed)	5. United States 986,631 6. Canada 0 7. Other Countries 0 8. Totals 986,631	1,011,860 0 0 1,011,860	986,610 0 0 986,610	1,000,000 0 0 1,000,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States 0 10. Canada 0 11. Other Countries 0 12. Totals 0	0 0 0 0	0 0 0 0	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 144,187,836 14. Canada 0 15. Other Countries 0 16. Totals 144,187,836	145,597,128 0 0 145,597,128	144,432,702 0 0 144,432,702	141,919,698 0 0 141,919,698
Public Utilities (unaffiliated)	17. United States 2,734,415 18. Canada 0 19. Other Countries 0 20. Totals 2,734,415	2,891,235 0 0 2,891,235	3,088,013 0 0 3,088,013	3,075,000 0 0 3,075,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 171,662,873 22. Canada 0 23. Other Countries 0 24. Totals 171,662,873	178,223,061 0 0 178,223,061	173,619,531 0 0 173,619,531	174,010,747 0 0 174,010,747
Parent, Subsidiaries and Affiliates	25. Totals 0 26. Total Bonds 341,290,016	0 350,463,257	0 343,928,242	0 341,361,309
PREFERRED STOCKS				
Public Utilities (unaffiliated)	27. United States 145,200 28. Canada 0 29. Other Countries 0 30. Totals 145,200	145,200 0 0 145,200	200,120 0 0 200,120	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 715,200 32. Canada 0 33. Other Countries 0 34. Totals 715,200	715,200 0 0 715,200	747,349 0 0 747,349	
Industrial and Miscellaneous (unaffiliated)	35. United States 6,633,117 36. Canada 0 37. Other Countries 0 38. Totals 6,633,117	6,662,607 0 0 6,662,607	6,825,304 0 0 6,825,304	
Parent, Subsidiaries and Affiliates	39. Totals 0 40. Total Preferred Stocks 7,493,517	0 7,523,007	0 7,772,773	
COMMON STOCKS				
Public Utilities (unaffiliated)	41. United States 0 42. Canada 0 43. Other Countries 0 44. Totals 0	0 0 0 0	0 0 0 0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 4,137,475 46. Canada 0 47. Other Countries 0 48. Totals 4,137,475	4,137,475 0 0 4,137,475	3,040,567 0 0 3,040,567	
Industrial and Miscellaneous (unaffiliated)	49. United States 37,754,009 50. Canada 0 51. Other Countries 0 52. Totals 37,754,009	37,754,009 0 0 37,754,009	45,673,036 0 0 45,673,036	
Parent, Subsidiaries and Affiliates	53. Totals 71,590,117 54. Total Common Stocks 113,481,601	71,590,117 113,481,601	39,088,325 87,801,928	
	55. Total Stocks 120,975,118 56. Total Bonds and Stocks 462,265,134	121,004,608 471,467,865	95,574,701 439,502,943	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ 133,543,339 .

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year 436,016,911	6. Foreign Exchange Adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3 339,571,440	6.1 Column 17, Part 1 0
3. Increase (decrease) by adjustment:	6.2 Column 13, Part 2, Sec. 1 0
3.1 Column 16, Part 1 (2,030,387)	6.3 Column 11, Part 2, Sec. 2 0
3.2 Column 12, Part 2, Sec. 1 (58,647)	6.4 Column 11, Part 4 0
3.3 Column 10, Part 2, Sec. 2 (15,293,701)	7. Book/adjusted carrying value at end of current period 462,265,128
3.4 Column 10, Part 4 (1,493,471) (18,876,206)	8. Total valuation allowance 0
4. Total gain (loss), Col. 14, Part 4 4,450,731	9. Subtotal (Lines 7 plus 8) 462,265,128
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 298,897,748	10. Total nonadmitted amounts 8,646,346
	11. Statement value of bonds and stocks, current period 453,618,782

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only			
			3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums
1. Alabama	AL	No				
2. Alaska	AK	No				
3. Arizona	AZ	No				
4. Arkansas	AR	No				
5. California	CA	No				
6. Colorado	CO	No				
7. Connecticut	CT	No				
8. Delaware	DE	No				
9. District of Columbia	DC	Yes	239,806,906			986,328,220
10. Florida	FL	No				
11. Georgia	GA	No				
12. Hawaii	HI	No				
13. Idaho	ID	No				
14. Illinois	IL	No				
15. Indiana	IN	No				
16. Iowa	IA	No				
17. Kansas	KS	No				
18. Kentucky	KY	No				
19. Louisiana	LA	No				
20. Maine	ME	No				
21. Maryland	MD	Yes	249,494,130			
22. Massachusetts	MA	No				
23. Michigan	MI	No				
24. Minnesota	MN	No				
25. Mississippi	MS	No				
26. Missouri	MO	No				
27. Montana	MT	No				
28. Nebraska	NE	No				
29. Nevada	NV	No				
30. New Hampshire	NH	No				
31. New Jersey	NJ	No				
32. New Mexico	NM	No				
33. New York	NY	No				
34. North Carolina	NC	No				
35. North Dakota	ND	No				
36. Ohio	OH	No				
37. Oklahoma	OK	No				
38. Oregon	OR	No				
39. Pennsylvania	PA	No				
40. Rhode Island	RI	No				
41. South Carolina	SC	No				
42. South Dakota	SD	No				
43. Tennessee	TN	No				
44. Texas	TX	No				
45. Utah	UT	No				
46. Vermont	VT	No				
47. Virginia	VA	Yes	244,309,938			
48. Washington	WA	No				
49. West Virginia	WV	No				
50. Wisconsin	WI	No				
51. Wyoming	WY	No				
52. American Samoa	AS	No				
53. Guam	GU	No				
54. Puerto Rico	PR	No				
55. U.S. Virgin Islands	VI	No				
56. Canada	CN	No				
57. Aggregate other alien	OT	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 3	733,610,974	0	0	986,328,220
DETAILS OF WRITE-INS						
5701.						
5702.						
5703.						
5798. Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)			0	0	0	0

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

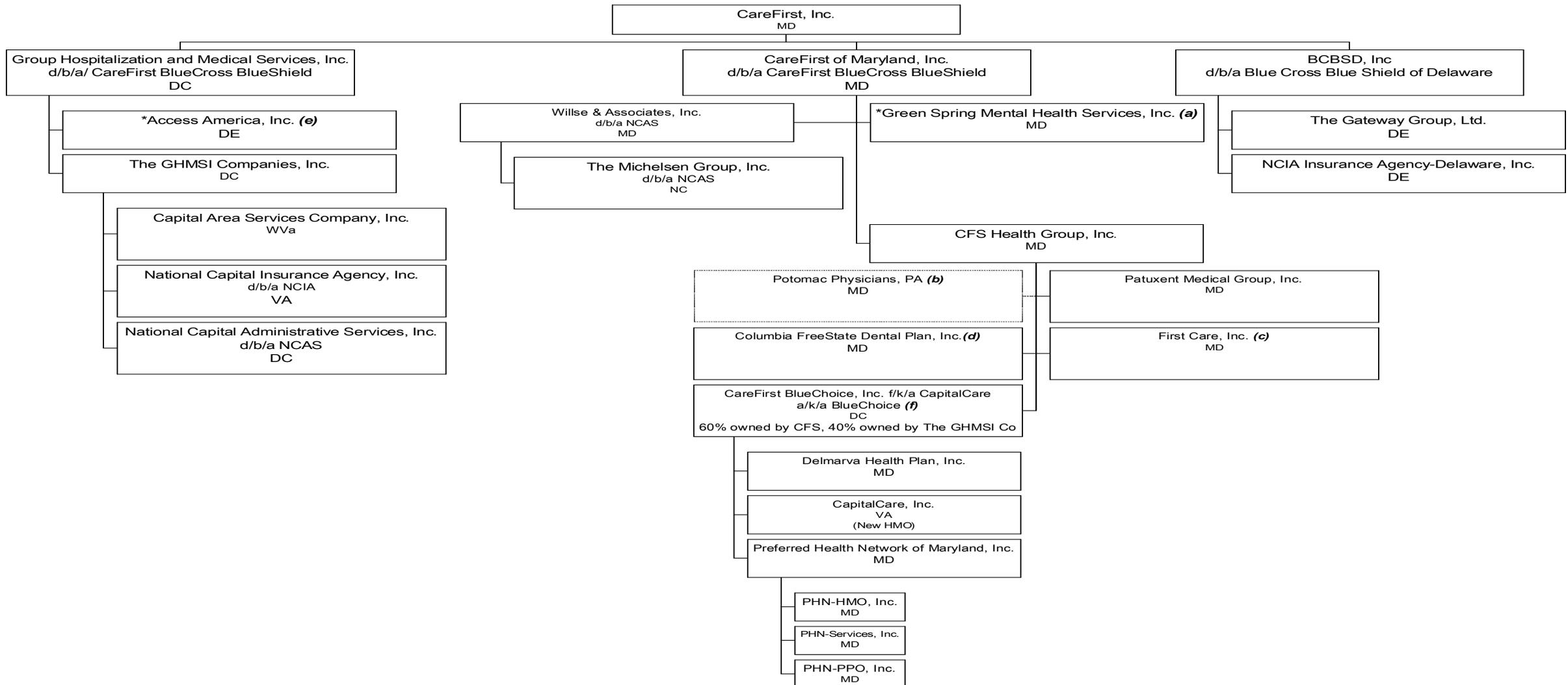
(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

CareFirst, Inc. Organizational Chart

CareFirst of Maryland, Inc.; Group Hospitalization and Medical Services, Inc.; and, BCBSD, Inc
Revised: January 2003



55

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

**CareFirst, Inc. Organizational Chart
CareFirst of Maryland, Inc.; Group Hospitalization and Medical Services, Inc.; and BCBSD, Inc.**

Legend

- a. Corporate existence continued for purposes of maintaining mental health services contracts;
- b. Potomac Physician's Professional Association - stock held by Physicians affiliated with CFS Health Group, Inc.;
- c. Corporation formed March, 1996 with no activity through the present;
- d. Corporate existence continued pending decision regarding establishment of dental HMO;
- e. Currently has no operations and is in the process of liquidation;
- f. The GHMSI Companies maintains 40% ownership interest of CareFirst BlueChoice.
As a result of the corporate "repositioning," CFS Health Group maintains 60% interest.