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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2003

OF THE CONDITION AND AFFAIRS OF THE

Harvard Pilgrim Health Care, Inc.

NAIC Group Code 0595 (Current Period) 0595 (Prior Period) NAIC Company Code 96911 Employer's ID Number 04-2452600

Organized under the Laws of Massachusetts, State of Domicile or Port of Entry Massachusetts

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 [X]
Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [X] No [ ]

Incorporated 02/11/1969 Commenced Business 02/11/1969

Statutory Home Office 93 Worcester Street (Street and Number), Wellesley, MA 02481-9181 (City or Town, State and Zip Code)

Main Administrative Office 93 Worcester Street (Street and Number)
Wellesley, MA 02481-9181 (City or Town, State and Zip Code) 781-263-6000 (Area Code) (Telephone Number)

Mail Address 93 Worcester Street (Street and Number or P.O. Box), Wellesley, MA 02481-9181 (City or Town, State and Zip Code)

Primary Location of Books and Records 93 Worcester Street (Street and Number)
Wellesley, MA 02481-9181 (City or Town, State and Zip Code) 617-509-5679 (Area Code) (Telephone Number)

Internet Website Address WWW.HPHC.ORG

Statutory Statement Contact Eric Williams (Name) 617-509-5679 (Area Code) (Telephone Number) (Extension)
Eric_williams@hphc.org (E-mail Address) 617-509-1778 (FAX Number)

Policyowner Relations Contact 1600 Crown Colony (Street and Number)
Quincy, MA 02169 (City or Town, State and Zip Code) 617-509-0999 (Area Code) (Telephone Number) (Extension)

OFFICERS

President Charles D. Baker Secretary William F. Frado, Jr.
Treasurer Joseph C. Capezza

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Charles D. Baker	Connie Smith Barr, M.D.	John H. Budd
Ann Clarke	Jack T. Evjy, M.D.	Katherine A. Hesse
Herman B. Leonard	Edward F. McCauley	Barry L. Shemin
Zolia Torres Feldman	Julius T. Williams, Jr.	

State of Massachusetts
County of Norfolk } 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.

Charles D. Baker President	William F. Frado, Jr. Secretary	Joseph C. Capezza Treasurer (Chief Financial Officer)

Subscribed and sworn to before me this
_____ day of _____, 2004

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	304,307,097		304,307,097	187,773,704
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	8,373,658		8,373,658	8,628,160
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 29,000,000 encumbrances)	32,429,990	6,095,384	26,334,606	29,148,902
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 ($ (25,818,231) , Schedule E, Part 1), cash equivalents ($ 12,399,980 , Schedule E, Part 2) and short -term investments ($ 115,387,709 , Schedule DA)	101,969,458		101,969,458	116,807,803
6. Contract loans, (including $ premium notes)			0	0
7. Other invested assets (Schedule BA)	1,873,938	0	1,873,938	3,153,547
8. Receivable for securities			0	0
9. Aggregate write-ins for invested assets	12,658,557	0	12,658,557	13,620,724
10. Subtotals, cash and invested assets (Lines 1 to 9)	461,612,698	6,095,384	455,517,314	359,132,840
11. Investment income due and accrued	2,416,768		2,416,768	1,720,225
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	8,227,178		8,227,178	10,889,462
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premium)			0	0
12.3 Accrued retrospective premium			0	0
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	1,887,097		1,887,097	227,559
13.2 Funds held by or deposited with reinsured companies			0	0
13.3 Other amounts receivable under reinsurance contracts			0	0
14. Amounts receivable relating to uninsured plans	24,544,632		24,544,632	16,904,624
15.1 Current federal and foreign income tax recoverable and interest thereon			0	0
15.2 Net deferred tax asset			0	0
16. Guaranty funds receivable or on deposit			0	0
17. Electronic data processing equipment and software	41,369,544	35,225,091	6,144,453	3,438,422
18. Furniture and equipment, including health care delivery assets ($)	7,000,915	6,996,671	4,244	68,610
19. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
20. Receivables from parent, subsidiaries and affiliates	13,045,510	0	13,045,510	16,370,029
21. Health care ($ 15,778,405) and other amounts receivable	20,326,080	3,932,065	16,394,015	11,235,314
22. Other assets nonadmitted			0	0
23. Aggregate write-ins for other than invested assets	24,192,098	4,659,156	19,532,942	23,674,481
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	604,622,520	56,908,367	547,714,153	443,661,566
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	604,622,520	56,908,367	547,714,153	443,661,566
DETAILS OF WRITE-INS				
0901. Special Deposits	12,658,557		12,658,557	13,620,724
0902.			0	0
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	12,658,557	0	12,658,557	13,620,724
2301. Provider Advances and Other Receivables			0	5,038,990
2302. Cash Surrender Value- Life Insurance	1,031,084		1,031,084	1,159,679
2303. Due From Rhode Island	10,044,190		10,044,190	10,049,503
2398. Summary of remaining write-ins for Line 23 from overflow page	13,116,824	4,659,156	8,457,668	7,426,309
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	24,192,098	4,659,156	19,532,942	23,674,481

LIABILITIES, CAPITAL AND SURPLUS

	Current Year 1 Covered	Current Year 2 Uncovered	Current Year 3 Total	Prior Year 4 Total
1. Claims unpaid (less $ ..... reinsurance ceded)	146,828,528		146,828,528	106,049,377
2. Accrued medical incentive pool and bonus amounts	43,669,038		43,669,038	27,935,257
3. Unpaid claims adjustment expenses	2,440,165		2,440,165	2,042,540
4. Aggregate health policy reserves	0		0	0
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserves			0	
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	54,745,849		54,745,849	39,892,092
9. General expenses due or accrued	55,575,806		55,575,806	59,873,300
10.1 Current federal and foreign income tax payable and interest thereon (including $ ..... on realized capital gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others	1,389,221		1,389,221	0
13. Remittance and items not allocated			0	
14. Borrowed money (including $ ..... current) and interest thereon $ ..... (including $ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	2,459,083		2,459,083	11,165,581
16. Payable for securities	4,574,132		4,574,132	11,080,088
17. Funds held under reinsurance treaties with ($ ..... authorized reinsurers and $ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans	16,545,504		16,545,504	11,893,819
21. Aggregate write-ins for other liabilities (including $ ..... current)	8,922,555	0	8,922,555	3,978,471
22 Total liabilities (Lines 1 to 21)	337,149,881	0	337,149,881	273,910,525
23. Common capital stock	XXX	XXX		0
24 Preferred capital stock	XXX	XXX		0
25. Gross paid in and contributed surplus	XXX	XXX		0
26. Surplus notes	XXX	XXX	11,363,073	13,125,979
27. Aggregate write-ins for other than special surplus funds	XXX	XXX	141,065,780	145,831,000
28. Unassigned funds (surplus)	XXX	XXX	58,135,419	10,794,062
29. Less treasury stock, at cost:				
29.1 ..... shares common (value included in Line 23 $ .....)	XXX	XXX		0
29.2 ..... shares preferred (value included in Line 24 $ .....)	XXX	XXX		0
30. Total capital and surplus (Lines 23 to 28 Less 29)	XXX	XXX	210,564,272	169,751,041
31. Total liabilities, capital and surplus (Lines 22 and 30)	XXX	XXX	547,714,153	443,661,566
DETAILS OF WRITE-INS				
2101. Professional Liability Reserve-Medical Malpractice	1,392,000		1,392,000	1,699,000
2102. Deferred Rent	4,567,149		4,567,149	2,195,558
2103. Deferred Gain on Sale of Equipment	2,879,493		2,879,493	0
2198. Summary of remaining write-ins for Line 21 from overflow page	83,913	0	83,913	83,913
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	8,922,555	0	8,922,555	3,978,471
2701. Other Surplus Notes - Long-term Debt	XXX	XXX	141,065,780	145,831,000
2702.	XXX	XXX		
2703.	XXX	XXX		
2798. Summary of remaining write-ins for Line 27 from overflow page	XXX	XXX	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	XXX	XXX	141,065,780	145,831,000

STATEMENT OF REVENUE AND EXPENSES

		Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1.	Member Months	XXX	6,979,206	6,576,612
2.	Net premium income (including ..... non-health premium income)	XXX	1,960,170,531	1,685,180,653
3.	Change in unearned premium reserves and reserve for rate credits	XXX		0
4.	Fee-for-service (net of $ ..... medical expenses)	XXX	1,134,580	891,889
5.	Risk revenue	XXX		0
6.	Aggregate write-ins for other health care related revenues	XXX	0	0
7.	Aggregate write-ins for other non-health revenues	XXX	0	0
8.	Total revenues (Lines 2 to 7)	XXX	1,961,305,111	1,686,072,542
	Hospital and Medical:			
9.	Hospital/medical benefits		1,369,477,902	1,105,310,815
10.	Other professional services		45,322,981	38,348,446
11.	Outside referrals		30,961,966	2,027,805
12.	Emergency room and out-of-area		23,461,955	54,615,803
13.	Prescription drugs		213,177,609	160,704,361
14.	Aggregate write-ins for other hospital and medical	0	0	(80,713,012)
15.	Incentive pool, withhold adjustments and bonus amounts		63,778,645	201,858,725
16.	Subtotal (Lines 9 to 15)	0	1,746,181,058	1,482,152,943
	Less:			
17.	Net reinsurance recoveries		4,076,681	191,992
18.	Total hospital and medical (Lines 16 minus 17)	0	1,742,104,377	1,481,960,951
19.	Non-health claims		0	
20.	Claims adjustment expenses		58,274,845	59,402,501
21.	General administrative expenses		130,400,453	111,990,345
22.	Increase in reserves for life and accident and health contracts (including $ ..... increase in reserves for life only)		0	0
23.	Total underwriting deductions (Lines 18 through 22)	0	1,930,779,675	1,653,353,797
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	30,525,436	32,718,745
25.	Net investment income earned		8,889,175	9,052,641
26.	Net realized capital gains or (losses)		4,709,944	3,554,454
27.	Net investment gains or (losses) (Lines 25 plus 26)	0	13,599,119	12,607,095
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ .....) (amount charged off $ .....)]			0
29.	Aggregate write-ins for other income or expenses	0	(1,940,125)	(416,255)
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	42,184,430	44,909,585
31.	Federal and foreign income taxes incurred	XXX		0
32.	Net income (loss) (Lines 30 minus 31)	XXX	42,184,430	44,909,585
	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
0701.		XXX		
0702.		XXX		
0703.		XXX		
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799.	Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.	Other Risk Sharing Payments			0
1402.	Occupancy, Depreciation and Amortization			0
1403.	Malpractice & Other Insurance			0
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0	(80,713,012)
1499.	Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	(80,713,012)
2901.	Miscellaneous & Other Income		(1,940,125)	(416,255)
2902.				
2903.				
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999.	Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(1,940,125)	(416,255)

CAPITAL AND SURPLUS ACCOUNT

		1 Current Year	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT:		
33.	Capital and surplus prior reporting period	169,751,041	130,906,896
	GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34.	Net income or (loss) from Line 32	42,184,430	44,909,585
35.	Change in valuation basis of aggregate policy and claim reserves		0
36.	Net unrealized capital gains and losses	(294,444)	558,273
37.	Change in net unrealized foreign exchange capital gain or (loss)		0
38.	Change in net deferred income tax	0	0
39.	Change in nonadmitted assets	5,451,047	2,122,550
40.	Change in unauthorized reinsurance	0	0
41.	Change in treasury stock	0	0
42.	Change in surplus notes	(1,762,906)	(1,283,021)
43.	Cumulative effect of changes in accounting principles		(2,958,242)
44.	Capital Changes:		
	44.1 Paid in		0
	44.2 Transferred from surplus (Stock Dividend)		0
	44.3 Transferred to surplus		0
45.	Surplus adjustments:		
	45.1 Paid in		0
	45.2 Transferred to capital (Stock Dividend)	0	0
	45.3 Transferred from capital		0
46.	Dividends to stockholders		0
47.	Aggregate write-ins for gains or (losses) in surplus	(4,764,896)	(4,505,000)
48.	Net change in capital & surplus (Lines 34 to 47)	40,813,231	38,844,145
49.	Capital and surplus end of reporting period (Line 33 plus 48)	210,564,272	169,751,041
	DETAILS OF WRITE-INS		
4701.	Net Long-term Debt Payment - Other Surplus Notes	(4,764,896)	(4,505,000)
4702.			
4703.			
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0
4799.	Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	(4,764,896)	(4,505,000)

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	1,977,686,572	1,692,273,821
2. Net investment income	11,570,031	9,995,123
3. Miscellaneous income	(7,956,186)	15,746,403
4. Total (Lines 1 to 3)	1,981,300,417	1,718,015,347
5. Benefits and loss related payments	1,687,250,983	1,567,643,821
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		0
7. Commissions, expenses paid and aggregate write-ins for deductions	173,452,503	123,193,146
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) $ ..... net tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	1,860,703,486	1,690,836,967
11. Net cash from operations (Line 4 minus Line 10)	120,596,931	27,178,380
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	626,131,073	284,026,241
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	73,510,000
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash and short-term investments	(48,801)	0
12.7 Miscellaneous proceeds	6,268,981	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	632,351,253	357,536,241
13. Cost of investments acquired (long-term only):		
13.1 Bonds	741,332,260	347,969,738
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	804,254	1,646,857
13.5 Other invested assets	0	2,411,890
13.6 Miscellaneous applications	6,505,956	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	748,642,470	352,028,485
14. Net increase (or decrease) in policy loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(116,291,217)	5,507,756
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(6,528,126)	(5,958,021)
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds received	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(12,615,933)	7,543,484
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(19,144,059)	1,585,463
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	(14,838,345)	34,271,599
19. Cash and short-term investments:		
19.1 Beginning of year	116,807,803	82,536,204
19.2 End of period (Line 18 plus Line 19.1)	101,969,458	116,807,803

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

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-term Care	12 Other Health	13 Other Non-Health
1. Net premium income	1,960,170,531	1,649,101,928					311,068,603						
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of $ ..... medical expenses)	1,134,580	1,134,580											XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,961,305,111	1,650,236,508	0	0	0	0	311,068,603	0	0	0	0	0	0
8. Hospital/medical/ benefits	1,369,477,902	1,144,580,418					224,897,484						XXX
9. Other professional services	45,322,981	37,879,981					7,443,000						XXX
10. Outside referrals	30,961,966	25,877,351					5,084,615						XXX
11. Emergency room and out-of-area	23,461,955	19,609,002					3,852,953						XXX
12. Prescription Drugs	213,177,609	178,169,298					35,008,311						XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	63,778,645	53,304,830					10,473,815						XXX
15. Subtotal (Lines 8 to 14)	1,746,181,058	1,459,420,880	0	0	0	0	286,760,178	0	0	0	0	0	XXX
16. Net reinsurance recoveries	4,076,681	4,076,681											XXX
17. Total medical and hospital (Lines 15 minus 16)	1,742,104,377	1,455,344,199	0	0	0	0	286,760,178	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses	58,274,845	54,715,609					3,559,236						
20. General administrative expenses	130,400,453	109,722,147					20,678,306						
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,930,779,675	1,619,781,955	0	0	0	0	310,997,720	0	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	30,525,436	30,454,553	0	0	0	0	70,883	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,649,101,928		0	1,649,101,928
2. Medicare Supplement				0
3. Dental Only				0
4. Vision Only				0
5. Federal Employees Health Benefits Plan				0
6. Title XVIII - Medicare	311,068,603			311,068,603
7. Title XIX - Medicaid				0
8. Stop Loss				0
9. Disability Income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	1,960,170,531	0	0	1,960,170,531
13. Life				0
14. Property/Casualty				0
15. Totals (Lines 12 to 14)	1,960,170,531	0	0	1,960,170,531

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Payments during the year:													
1.1 Direct	1,641,623,262	1,360,206,474					281,416,788						
1.2 Reinsurance assumed	0	0											
1.3 Reinsurance ceded	2,417,143	2,417,143					0						
1.4 Net	1,639,206,119	1,357,789,331	0	0	0	0	281,416,788	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	48,044,864	46,941,265					1,103,599						
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	146,828,528	143,427,003	0	0	0	0	3,401,525	0	0	0	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	146,828,528	143,427,003	0	0	0	0	3,401,525	0	0	0	0	0	0
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	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	43,669,038	34,130,233					9,538,805						
6. Amounts recoverable from reinsurers December 31, current year	1,887,097	1,887,097											
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct	106,049,377	99,153,063	0	0	0	0	6,896,314	0					
7.2 Reinsurance assumed	0	0	0	0	0	0	0	0					
7.3 Reinsurance ceded	0	0	0	0	0	0	0	0					
7.4 Net	106,049,377	99,153,063	0	0	0	0	6,896,314	0	0	0	0	0	0
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct	0	0	0	0	0	0	0	0					
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0					
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0					
8.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Accrued medical incentive pools and bonuses, prior year	27,935,257	27,376,552	0	0	0	0	558,705	0					
10. Amounts recoverable from reinsurers December 31, prior year	227,559	227,559	0	0	0	0	0	0					
11. Incurred Benefits:													
11.1 Direct	1,682,402,413	1,404,480,414	0	0	0	0	277,921,999	0	0	0	0	0	0
11.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3 Reinsurance ceded	4,076,681	4,076,681	0	0	0	0	0	0	0	0	0	0	0
11.4 Net	1,678,325,732	1,400,403,733	0	0	0	0	277,921,999	0	0	0	0	0	0
12. Incurred medical incentive pools and bonuses	63,778,645	53,694,946	0	0	0	0	10,083,699	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1 Total	2 Comprehensive (Medical & Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan Premium	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	63,240,996	61,818,483					1,422,513						
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	63,240,996	61,818,483	0	0	0	0	1,422,513	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	68,876,695	67,353,113					1,523,582						
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	68,876,695	67,353,113	0	0	0	0	1,523,582	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	14,710,837	14,255,407					455,430						
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	14,710,837	14,255,407	0	0	0	0	455,430	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	146,828,528	143,427,003	0	0	0	0	3,401,525	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	146,828,528	143,427,003	0	0	0	0	3,401,525	0	0	0	0	0	0

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	6
	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	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	81,153,813	1,274,975,980	1,890,504	141,536,499	83,044,317	99,153,063
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare	4,846,275	276,570,513	62,664	3,338,861	4,908,939	6,896,314
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	86,000,088	1,551,546,493	1,953,168	144,875,360	87,953,256	106,049,377
10. Other non-health					0	
11. Medical incentive pools, and bonus amounts	21,373,782	26,671,082	12,778,275	30,890,763	34,152,057	27,935,257
12. Totals (Lines 9 to 11)	107,373,870	1,578,217,575	14,731,443	175,766,123	122,105,313	133,984,634

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	0	0	0	0	
2. 1999	0	0	0	0	
3. 2000	XXX	1,429,827	173,675	(72)	(103)
4. 2001	XXX	XXX	1,031,274	103,081	(28)
5. 2002	XXX	XXX	XXX	949,299	81,285
6. 2003	XXX	XXX	XXX	XXX	1,274,976

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	0	0	0	0	
2. 1999	0	0	0	0	
3. 2000	XXX	1,566,247	1,612,905	1,610,665	1,610,560
4. 2001	XXX	XXX	1,171,719	1,127,113	1,126,866
5. 2002	XXX	XXX	XXX	1,057,786	1,042,021
6. 2003	XXX	XXX	XXX	XXX	1,416,512

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2000	1,590,295	1,603,327	0	0.0	1,603,327	100.8	0	0	1,603,327	100.8
4. 2001	1,361,056	1,134,327	0	0.0	1,134,327	83.3	0	0	1,134,327	83.3
5. 2002	1,380,026	1,030,584	52,055	5.1	1,082,639	78.5	1,890	23	1,084,552	78.6
6. 2003	1,651,670	1,274,976	53,826	4.2	1,328,802	80.5	141,536	2,247	1,472,585	89.2
7. Total (Lines 1 through 6)	XXX	5,043,214	105,881	XXX	5,149,095	XXX	143,426	2,270	5,294,791	XXX
8. Total (Lines 2 through 6)	5,983,047	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	0	0	0	0	
2. 1999	0	0	0	0	
3. 2000	XXX	194,976	29,119	215	(13)
4. 2001	XXX	XXX	266,726	17,127	38
5. 2002	XXX	XXX	XXX	264,000	4,821
6. 2003	XXX	XXX	XXX	XXX	276,571

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	0	0	0	0	
2. 1999	0	0	0	0	
3. 2000	XXX	268,433	226,402	226,135	226,122
4. 2001	XXX	XXX	284,806	282,174	282,077
5. 2002	XXX	XXX	XXX	272,061	270,192
6. 2003	XXX	XXX	XXX	XXX	279,909

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1999	XXX			XXX	0	XXX			0	XXX
2. 1999	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2000	367,601	224,297	0	0.0	224,297	61.0	0	0	224,297	61.0
4. 2001	287,689	283,891	0	0.0	283,891	98.7	0	0	283,891	98.7
5. 2002	305,155	268,821	7,348	2.7	276,169	90.5	63	2	276,234	90.5
6. 2003	308,501	276,571	4,051	1.5	280,622	91.0	3,339	169	284,130	92.1
7. Total (Lines 1 through 6)	XXX	1,053,580	11,399	XXX	1,064,979	XXX	3,402	171	1,068,552	XXX
8. Total (Lines 2 through 6)	1,268,946	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	0	0	0	0	0
2. 1999	0	0	0	0	0
3. 2000	XXX	1,624,803	202,794	143	(116)
4. 2001	XXX	XXX	1,298,000	120,208	10
5. 2002	XXX	XXX	XXX	1,213,299	86,106
6. 2003	XXX	XXX	XXX	XXX	1,551,547

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1999	2 2000	3 2001	4 2002	5 2003
1. Prior	0	0	0	0	0
2. 1999	0	0	0	0	0
3. 2000	XXX	1,834,680	1,839,307	1,836,800	1,836,682
4. 2001	XXX	XXX	1,456,525	1,409,287	1,408,943
5. 2002	XXX	XXX	XXX	1,329,847	1,312,213
6. 2003	XXX	XXX	XXX	XXX	1,696,421

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. Prior to 1999	XXX	0	0	XXX	0	XXX	0	0	0	XXX
2. 1999	0	0	0	0.0	0	0.0	0	0	0	0.0
3. 2000	1,957,896	1,827,624	0	0.0	1,827,624	93.3	0	0	1,827,624	93.3
4. 2001	1,648,745	1,418,218	0	0.0	1,418,218	86.0	0	0	1,418,218	86.0
5. 2002	1,685,181	1,299,405	59,403	4.6	1,358,808	80.6	1,953	25	1,360,786	80.8
6. 2003	1,960,171	1,551,547	57,877	3.7	1,609,424	82.1	144,875	2,416	1,756,715	89.6
7. Total (Lines 1 through 6)	XXX	6,096,794	117,280	XXX	6,214,074	XXX	146,828	2,441	6,363,343	XXX
8. Total (Lines 2 through 6)	7,251,993	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

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

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

NONE

(a) Includes $ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administration Expenses	3 Investment Expenses	4 Total
1. Rent ($ ..... for occupancy of own building)		7,413,292		7,413,292
2. Salaries, wages and other benefits		60,929,492		60,929,492
3. Commissions (less $ ..... ceded plus $ ..... assumed)		13,370,237		13,370,237
4. Legal fees and expenses		1,052,031		1,052,031
5. Certifications and accreditation fees		0		0
6. Auditing, actuarial and other consulting services		1,605,786		1,605,786
7. Traveling expenses		2,294,601		2,294,601
8. Marketing and advertising		9,250,332		9,250,332
9. Postage, express and telephone	220,191	4,059,277		4,279,468
10. Printing and office supplies	57,592	1,099,595		1,157,187
11. Occupancy, depreciation and amortization	134,092	18,103,676		18,237,768
12. Equipment	1,988,650	852,310		2,840,960
13. Cost or depreciation of EDP equipment and software				0
14. Outsourced services including EDP, claims, and other services	55,874,320	24,394,167		80,268,487
15. Boards, bureaus and association fees				0
16. Insurance, except on real estate		5,957,364		5,957,364
17. Collection and bank service charges				0
18. Group service and administration fees				0
19. Reimbursements by uninsured accident and health plans		(38,419,941)		(38,419,941)
20. Reimbursements from fiscal intermediaries				0
21. Real estate expenses				0
22. Real estate taxes		1,255,563		1,255,563
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				0
23.2 State premium taxes		1,186,691		1,186,691
23.3 Regulatory authority licenses and fees				0
23.4 Payroll taxes		4,642,218		4,642,218
23.5 Other (excluding federal income and real estate taxes)				0
24. Investment expenses not included elsewhere		9,254,079	1,066,285	10,320,364
25. Aggregate write-ins for expenses	0	2,099,683	0	2,099,683
26. Total expenses incurred (Lines 1 to 25)	58,274,845	130,400,453	1,066,285	(a) 189,741,583
27. Less expenses unpaid December 31, current year	2,440,165	55,575,806		58,015,971
28. Add expenses unpaid December 31, prior year	2,042,540	59,873,300		61,915,840
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 minus 27 plus 28 minus 29 plus 30)	57,877,220	134,697,947	1,066,285	193,641,452
DETAIL OF WRITE-INS				
2501. Miscellaneous Expense		2,099,683		2,099,683
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	0	2,099,683	0	2,099,683

(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) 3,658,103	3,709,189
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 4,219,438	4,796,405
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash/short-term investments	(e) 1,381,376	1,449,866
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	9,258,917	9,955,460
11.	Investment expenses		(g) 1,066,285
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)		1,066,285
17.	Net Investment Income - (Line 10 minus Line 16)		8,889,175
	DETAILS OF WRITE-INS		
0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0
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 $ 28,660 accrual of discount less $ 3,406,059 amortization of premium and less $ 4,203,568 paid for accrued interest on purchases.
(b) Includes $ accrual of discount less $ amortization of premium and less $ paid for accrued dividends on purchases.
(c) Includes $ accrual of discount less $ amortization of premium and less $ paid for accrued interest on purchases.
(d) Includes $ for company's occupancy of its own buildings; and excludes $ interest on encumbrances.
(e) Includes $ accrual of discount less $ 49,140 amortization of premium and less $ 55,608 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	2,744,327				2,744,327
1.1	Bonds exempt from U.S. tax					0
1.2	Other bonds (unaffiliated)	1,965,279				1,965,279
1.3	Bonds of affiliates					0
2.1	Preferred stocks (unaffiliated)					0
2.11	Preferred stocks of affiliates					0
2.2	Common stocks (unaffiliated)					0
2.21	Common stocks of affiliates					0
3.	Mortgage loans					0
4.	Real estate					0
5.	Contract loans					0
6.	Cash/Short-term investments	338				338
7.	Derivative instruments					0
8.	Other invested assets					0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	4,709,944	0	0	0	4,709,944
	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 12 to 20, Column 2	42,221,762	54,785,349	12,563,587
2. Other Non-Admitted Assets:			
2.1 Bills receivable		0	0
2.2 Leasehold improvements		0	0
2.3 Cash advanced to or in hands of officers and agents		0	0
2.4 Loans on personal security, endorsed or not		0	0
2.5 Commuted commissions		0	0
3. Total (Lines 2.1 to 2.5)	0	0	0
4. Aggregate write-ins for other assets	14,686,605	7,574,065	(7,112,540)
5. Total (Line 1 plus Lines 3 and Line 4)	56,908,367	62,359,414	5,451,047
0401. Real Estate	6,095,384	6,494,841	399,457
0402. Prepaid Expenses	4,659,156	1,079,224	(3,579,932)
0403. Health Care Receivables	3,932,065	0	(3,932,065)
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)	14,686,605	7,574,065	(7,112,540)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health Maintenance Organizations	476,565	477,082	497,184	528,942	524,994	6,033,601
2. Provider Service Organizations	0					
3. Preferred Provider Organizations	19,394	17,227	17,938	18,330	18,927	217,474
4. Point of Service	17,337	16,733	15,195	16,996	17,025	198,543
5. Indemnity Only	0					
6. Aggregate write-ins for other lines of business	47,449	44,205	44,143	44,326	43,499	529,588
7. Total	560,745	555,247	574,460	608,594	604,445	6,979,206
DETAILS OF WRITE-INS						
0601. Medicare Risk First Seniority	39,291	35,909	35,462	35,352	35,203	426,267
0602. Individual	8,158	8,296	8,681	8,974	8,296	103,321
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)	47,449	44,205	44,143	44,326	43,499	529,588

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Harvard Pilgrim Health Care, Inc. ("Harvard Pilgrim") have been prepared in accordance with the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual for statutory accounting principles ("SAP"), ("NAIC SAP"), except where they differ from the accounting practices prescribed or permitted by the Division of Insurance ("DOI") of the Commonwealth of Massachusetts ("DOI SAP").

Permitted accounting practices which depart from NAIC SAP were granted by the DOI on the following matters related to Harvard Pilgrim:

- Real estate is carried at cost less accumulated depreciation under NAIC SAP. At December 31, 1999 the DOI granted Harvard Pilgrim permission to increase certain health center real estate to its then estimated fair market value. This new statutory book value is depreciated over the remaining useful life of the property as originally calculated.

A reconciliation of Harvard Pilgrim's capital and surplus and net income between NAIC SAP and DOI SAP is shown below (amounts in thousands):

	2003	2002
Capital and surplus - NAIC SAP	$198,538	$156,447
Write-up of real estate to fair market value	12,026	13,304
Capital and surplus - DOI SAP	$210,564	$169,751

	2003	2002
Net income - NAIC SAP	$43,462	$ 45,835
Depreciation on write-up of real estate to fair market value	(1,278)	(925)
Net income - DOI SAP	$42,184	$44,910

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in accordance with NAIC SAP requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and assets and liabilities at the date of the the financial statements. Estimates also affect the reported amounts of revenues and expenses during thethe reporting period. The methods and assumptions used for making such estimates are reviewed regularly. Actual results could differ from those estimates.

C. Accounting Policy

Cash and Short-Term Investments
Cash and short-term investments include amounts on deposit with banks, and government and corporate debt issues with original maturities of less than one year. Cash and short-term investments are carried at amortized cost, which approximates estimated fair market value.

Bonds at Amortized Cost
Investments are primarily comprised of government and corporate debt issues which are stated at amortized cost using a method that approximates the scientific interest method. Realized gains and losses are determined using the specific identification method and are included in investment income. Investment income is reported net of expenses related to the management and custody of investments.

Common Stock
Common stock is represents the investment in an unconsolidated affiliate and is carried at statutory book value and any changes in the carrying value are charged to surplus as unrealized gains and losses.

Real Estate, Furniture and Equipment
Real estate (including improvements), furniture and equipment are carried at depreciated cost except for certain real estate which is carried at statutory book value as permitted by the DOI (See Note 1) . Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated using the shorter of the asset's estimated useful life or related lease term. Mortgage loans are deducted from the statutory book value of real estate. As of December 31, 2003 mortgage loans totaled $29 million.

Other Long-Term Invested Assets
Other long-term invested assets include investments in unaffiliated entities which are carried at cost.

NOTES TO FINANCIAL STATEMENTS

Claims Unpaid and Accrued Medical Incentive Pool Liability
Harvard Pilgrim records claims unpaid for, both reported and incurred but not reported claims, which are expected to be paid after December 31, for services provided to members through December 31. This liability includes the estimated cost of services that will continue to be rendered after December 31 for which Harvard Pilgrim is obligated to pay for such services in accordance with contract provisions or regulatory requirements. The amount of the estimated liability is actuarially determined based on historical claims data, current membership statistics, cost and utilization trends, and other related information and considers expected losses, if any, on existing contracts. This liability is an estimate which is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Accordingly, this estimate is continuously reviewed and, as adjustments become necessary, they are reflected in current operations.

Harvard Pilgrim records an accrued medical incentive pool liability based on contractual arrangements with various health care providers. Compensation arrangements vary by provider. Hospital and medical expenses include claims payments, capitation payments, physician salaries, and various other costs incurred to provide and manage medical care to members, as well as estimates of future payments to hospitals and others for medical care provided to members through December 31. Harvard Pilgrim pays capitation under contractual agreements to a number of physicians and provider groups based on the number of enrolled Harvard Pilgrim members served by each physician or provider group. Certain providers have entered into risk-sharing arrangements with Harvard Pilgrim, whereby a settlement is calculated by comparing actual medical claims experience to a budgeted amount based upon contractual arrangements. These settlements are estimated and accrued during the period the related services were rendered and adjusted in future periods, as final settlements are determined. Estimated settlements for these risk-sharing arrangements are reflected in the accrued medical incentive pool liability.

Revenue Recognition
Member premiums are recorded as revenue in the month for which members are entitled to service. Premium revenue collected in advance is recorded as unearned premium revenue.

2. Accounting Changes and Corrections of Errors

The provisions of codification related to health care receivables in SSAP No. 84 were adopted in 2002. The implementation of these provisions did not impact SAP net worth.

In 2002, Harvard Pilgrim charged $2.9 million of bond issuance costs directly to surplus as a cumulative change in accounting principle in accordance with the guidelines in NAIC SAP. These costs were reported as nonadmitted assets in the prior year and as a result, there was no net impact to surplus.

There were no accounting changes for the year ended December 31, 2003. There were no corrections of errors for either 2003 or 2002.

3. Business Combinations and Goodwill

On January 1, 2002 the assets, liabilities and net worth of Harvard Pilgrim's affiliate, Pilgrim Health Care, Inc., NAIC Company Code 95304, were merged with those of Harvard Pilgrim. In accordance with the filing instructions for these statements, all prior year amounts have been restated to reflect the impact of this merger.

4. Discontinued Operations

Harvard Pilgrim had no discontinued operations for the years ended December 31, 2003 and 2002.

5. Investments
Harvard Pilgrim did not have investments in private mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements or real estate at December 31, 2003 and 2002.

6. Joint Ventures, Partnerships and Limited Liability Companies

Harvard Pilgrim did not have any investments in joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets at December 31, 2003 and 2002.

7. Investment Income

Harvard Pilgrim had no investment income due and accrued which was nonadmitted for the years ended December 31, 2003 and 2002.

NOTES TO FINANCIAL STATEMENTS

8. Derivative Instruments

Harvard Pilgrim does did not hold any derivative instruments at December 31, 2003 and 2002.

9. Income Taxes

Harvard Pilgrim is tax exempt under section 501(C)(3) of the Internal Revenue code.

10. Information Concerning Parent, Subsidiaries and Affiliates

Harvard Pilgrim conducts transactions with a number ofcertain affiliates. Below is a description of transactions with affiliates:

Harvard Pilgrim provides all administrative and operational management services to Harvard Pilgrim Health Care of New England, Inc. ("New England"). Administrative expenses are allocated to New England based on Harvard Pilgrim's departmental cost allocation methodology costs. For the years ended December 31, 2003 and 2002, total administrative expenses and claim adjustment expenses allocated to New England were $15,066,583 and $13,214,146, respectively.

Harvard Pilgrim also provides all administrationve and operational management services to HPHC Insurance Company, Inc. ("the Insurance Company"). Administrative expenses are allocated to the Insurance Company based on Harvard Pilgrim's departmental cost allocation methodology. For the years ended December 31, 2003 and 2002, total administrationve expenses and claim adjustment expenses allocated the Insurance Company were $2,289,290 and $1,871,273, respectively.

11. **Debt**

See note 13 for information on Other Surplus Notes – Long Term Debt.

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

Defined Contribution Plan

Harvard Pilgrim employees participate in a defined contribution plan covering all employees. Participants can make salary deferral contributions up to 50% of their pay subject to the legally permitted maximum and, after one year of service, Harvard Pilgrim will make matching contributions equal to100% of the first 4% of salary deferrals, subject to the legally permitted maximum. Harvard Pilgrim also makes an annual contribution of 4% of pay to each participant's account regardless of whether the employee makes salary deferral contributions or not. Harvard Pilgrim's contributions amounted to approximately $5.7 million and $5.2 million for the years ended December 31, 2003 and 2002, respectively.

Post-retirement Medical Plan

Harvard Pilgrim's postretirement medical plan allows employees who have attained age 55 and completed five years of employment service to remain in Harvard Pilgrim's group health care coverage upon retirement and until they qualify for Medicare coverage. In accordance with the provisions of the postretirement medical plan, Harvard Pilgrim will pay a varying percentage based on employment status prior to retirement, up to a maximum of $150 per month, of the monthly subscriber premium provided the employee is transitioning from an active employee medical plan. As of January 1, 2004, the eligibility requirements for the Harvard Pilgrim retiree benefits will change to 60 years of age with a minimum of ten years of service. These changes in eligibility are effective January 1, 2004 and only for those actively employed individuals who have active medical coverage and who retire on or after January 1, 2004.

Postretirement cost for 2003, which is presented as a general administration expense, includes the following components (amounts in thousands):

	2003	2002
Service Cost	$ 24	$$349349
Interest Cost	450	526526
Amortization of Transition Obligation	92	111111
Net Periodic Post-retirement Cost	$566	$$986986

NOTES TO FINANCIAL STATEMENTS

The following table sets forth the postretirement medical plan's status at December 31:

	2003	2002
Accumulated post-retirement benefit obligation	$4,700	$$8,1308,130
Plan assets	-	--
Funded status	4,700	8,1308,130
Unrecognized transition obligation	300	(887)(887)
Unrecognized net gain	(850)	(836)(836)
Accrued post-retirement benefit obligation	$4,150	$6,407$6,407

Assumptions used in the accounting for postretirement costs were:

	2003	2002
Discount Rate	6.0%	7.0%7.0%
Health care cost trend rate	5.0% - 8.0%	5.0% - 8.08.0%%

In 2003 the health care cost trend rate was assumed to be 8.0% and with annual decreases of 0.5% per year through 2009, after which time it was projected to remain level at 5.0%.

The following table sets forth the effect of a one-percentage-point increase in assumed health care costs trend rates as of December 31, 2003 and 2002, respectively.

	2003	2002
Increase in accumulated post-retirement benefit obligation	$47	$75$75
Increase in aggregate of service and interest cost components	5	55

The following table sets forth the effect of a one-percentage-point decrease in assumed health care cost trend rates as of December 31, 2003 and 2002, respectively.

	2003	2002
Decrease in accumulated post-retirement benefit obligation	$(47)	(70)(70)
Increase in aggregate of service and interest cost components	(5)	(5)(5)

The following tables sets forth the change in the accumulated postretirement benefit obligation during the years ended December 31, 2003 and 2002, respectively.

	2003	2002
Accumulated post-retirement benefit obligation as of January 1	$5,211	$7,071$7,071
Service cost	24	349349
Interest cost	450	526526
Change in discount rate	577	415415
(Gain) / loss for plan change	(1,104)	--
Actuarial (gain) / loss	(80)	144144
Benefits paid	(378)	(375)(375)
Accumulated post-retirement benefit obligation at December 31	$4,700	$8,130$8,130

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

Surplus Notes (amounts in thousands)

Balance at December 31, 2002	$13,126
Surplus notes issued	288
Surplus notes payments	(2,051)
Balance at December 31, 2003	$11,363

The surplus notes accrue interest at a rate of 9.5**%** and are to be paid in equal installments over a ten-year period.

NOTES TO FINANCIAL STATEMENTS

Other Surplus Notes – Long Term Debt

Due to agreed upon payment conditions and restrictions (see note 20), the Series 1998 Bonds, reduced by the $29.0 million mortgage, qualify as Surplus Notes and as such are included as a component of statutory surplus as other surplus notes. Principal outstanding for these bonds at December 31, 2003 and 2002, the payment of which is subject to pre-approval by the DOI, consists of the following (amounts in thousands):

	2003	2002
Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds, Harvard Pilgrim Health Care Issue 1998 Series A, payable through 2028, net of $2,099 and $2,184 discount, respectively (the "Bonds")	$170,066	$174,831
Mortgage	(29,000)	(29,000)
Other surplus notes recorded as statutory surplus	$141,066	$145,831

At December 31, 2003 and 2002, the estimated fair value of these bonds was approximately $182.9 million and $185.7 million, respectively. The fair value is estimated based on the quoted market prices for the same or similar issues.

Special deposits include a debt service fund, which was established with the bond trustee of MHEFA for the payment of principal and interest. The debt service fund amounted to $4.3 million and $4.4 million at December 31, 2003 and 2002, respectively.

The aggregate amount of maturities and sinking fund requirements of long-term debt as of December 31, 2003 is as follows (amounts in thousands):

2004	$ 5,040
2005	5,245
2006	5,490
2007	5,970
2008	6,265
Thereafter	44,155
	$172,165

Interest expense included in general administrative expenses amounted to $10.1 and $10.5 million in 2003 and 2002, respectively. Interest paid amounted to $10.0 million and $10.4 million in 2003 and 2002, respectively. The payment of scheduled installments of principal and interest on the Series 1998 Bonds is fully insured.

The Bonds require Harvard Pilgrim to comply with certain covenants restricting the transfer of assets, additional indebtedness, additional liens and other administrative requirements. The Indenture also requires Harvard Pilgrim to maintain a GAAP (generally accepted accounting principles) debt service coverage ratio of 1.10 and to generate revenue along with available monies, sufficient to meet expenses on an annual basis. For the year ended December 31, 2003 all Indenture requirements were satisfied.

Unassigned Funds (Surplus) (amounts in thousands)
The portion of unassigned funds (surplus) represented or (reduced) by each item below is as follows at December 31, 2003:

Unrealized gains	$ 3,786
Nonadmitted asset values	$56,908

Dividend Restrictions
Harvard Pilgrim is a not-for-profit 501(c)(3) corporation with no shareholders or capital stock and as such does not declare dividends.

Quasi-Reorganizations
No quasi-reorganizations occurred during either 2003 or 2002.

4. Contingencies

Related Party Guarantees
Harvard Pilgrim and its insurance affiliates, the Insurance Company, Inc. andHarvard Pilgrim Health Care of New England, Inc. (each a "Corporation" and collectively the "Corporations"), participate in a Guaranty and Indemnity Agreement ("G&I Agreement"). Under the terms of the G&I Agreement, each corporation guarantees the payment and performance of each other. In addition, each corporation is jointly and severally liable for all obligations that may arise out of this G&I Agreement.

NOTES TO FINANCIAL STATEMENTS

Legal Proceedings
Harvard Pilgrim is involved in legal actions in the ordinary course of business. In the opinion of management, there are no legal proceedings pending against or involving Harvard Pilgrim whose outcome is likely to have a material adverse effect upon the statutory financial statements.

Professional Liability Reserve
Harvard Pilgrim purchases for itself, at rates annually determined, medical malpractice insurance on a claims-made basis. Under the terms of the medical malpractice coverage, Harvard Pilgrim is responsible for professional liability tail claims ("tail liability") for losses not yet made (reported to) the insurer on non-renewed policies. In this regard, HPHC, Inc.Harvard Pilgrim has established a professional liability claims reserve for this tail liability, which has been calculated by independent consulting actuaries on a discounted basis using an average discount rate of 6% and 7% in 2003 and 2002, respectively. HPHC, Inc.Harvard Pilgrim has recorded a liability of $1.4 million and $1.7 million at December 31, 2003 and 2002, respectively, for this tail liability.

15. Leases

Operating Leases
Harvard Pilgrim has entered into several long-term noncancelable operating leases for buildings and equipment. The terms of the leases vary through the year 2015, with options to renew through the year 2023.
The following is a schedule by year, of future minimum rental payments required under all operating leases for buildings and equipment that have initial or remaining noncancelable lease terms of one year or more as of December 31, 2003 (amounts in thousands):

2004	$ 16,060
2005	16,670
2006	16,414
2007	10,587
2008	8,769
Thereafter	58,899
	$ 127,399

Total rent expense on these leases was $11.9 million and $9.8 million infor 2003 and 2002, respectively.

In 2003, Harvard Pilgrim completed two sale leaseback transactions of certain furniture and computer equipment, which consisted mainly of nonadmitted assets. The assets sold had a net book value of approximately $20.3 million. A gain on the sale of $3.2 million has been deferred and amortized over the lease term. Approximately $0.3 million was recognized as income in 2003. The lease term is for 42 months.

Harvard Pilgrim subleases certain properties. The amounts due to Harvard Pilgrim under these sub-leases are as follows:

2004	$ 4,076
2005	3,306
2006	2,653
2007	2,327
2008	1,864
Thereafter	14,122
	$28,3498

Harvard Pilgrim is the guarantor on one lease with annual guaranteed payments amounting to $9.5 million for the years 2004 through 2008. The lease is to a Harvard Pilgrim provider organization.

On February 5, 2002, Harvard Pilgrim sold certain real estate located in the Kenmore area of Boston to Civic Investments, Inc. ("Civic"), an affiliate of the Massachusetts Health and Educational Facilities Authority ("MHEFA"). Civic is a Massachusetts charitable corporation that was incorporated in August 1992 to perform the functions of, and to carry out the purposes of MHEFA. Civic is a special purpose entity and its sole current operating activity relates to the acquisition of this property and its lease

back to Harvard Pilgrim. The purchase price of $72.8 million was financed by Civic through the issuance of $80.9 million of tax-exempt MHEFA Bonds. The property was leased by Civic to Harvard Pilgrim under a long-term lease. Harvard Pilgrim initially subleased the property to a third party but as of December 31, 2002 assigned this lease to the third party. Harvard Pilgrim subleases a portion of the property and remains liable under the terms of the original lease with Civic in the event that the third party cannot fulfill its obligation under the lease. The lease runs through 2015. The lease includes a minimum statutory net worth covenant and other financial covenants, which are measured on a GAAP basis. The total lease payments by the third party Harvard Vanguardto Civic will total $111.5 million through 2015, the term of the lease. The total lease payments by Harvard Pilgrim to the third party Harvard Vanguardwill total $22.3 million through 2015. The sale of the Kenmore real estate resulted in a gain of $7.5 million, which was recognized in 2002.

NOTES TO FINANCIAL STATEMENTS

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

Harvard Pilgrim did not have any investments in financial instruments with off balance sheet risk or with significant concentrations of credit risk at December 31, 2003 orand 2002.

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

Harvard Pilgrim did not engage in the sale, transfer and servicing of financial assets or the extinguishments liabilities during the years ended December 31, 2003 orand 2002.

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

ASO Plan
Harvard Pilgrim administers employee health benefits for certain employer groups wherein it performs eligibility management, medical management, claims processing, and disbursement activities in return for
administrative fees. The employer assumes utilization risk for these arrangements. General administrative expenses includes administrative services revenues totaling $37.7 million and $36.8 million for the years ended December 31, 2003 and 2002, respectively. Medical and hospital services exclude ASO claim equivalents of $369.4 million and $325.8 million for the years 2003 and 2002, respectively.

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

Harvard Pilgrim did not receive any premium from individual managing general agents or third party administrators for the years ended December 31,2003 and 2002.

20. Other Items

Plan of Rehabilitation
Harvard Pilgrim, together with New England, was placed in temporary receivership for purposes of rehabilitation in January of 2000. On May 24, 2000, a Plan of Rehabilitation (the “”Plan”) was approved by The Supreme Judicial Court for Suffolk County (the “”Massachusetts Court”) and on June 21, 2000, the temporary receivership was dismissed. As part of the court order, Harvard Pilgrim will remain subject to administrative supervision of the Insurance Commissioner of the Commonwealth of Massachusetts (the “”Commissioner”) for so long as the payment approval conditions by the Commissioner for principal and interest on the Massachusetts Health and Educational Facilities Authority Revenue Bonds Iissue 1998 Series A (the ""Bonds") are in effect.

The court approved Plan included the permission of the Commissioner for Harvard Pilgrim to increase the carrying value of certain of its real estate to their appraised market value as of the date of the Plan. The Plan further required the conversion to Surplus Notes of substantially all outstanding pre-receivership general unsecured obligations of Harvard Pilgrim except for obligations to members, providers and the Bonds. The Surplus Notes are subject to repayment only if the Commissioner approves such payments of principal and interest. The court approved Plan further required that payment of interest and principal on the Bonds be subject to the approval of the Commissioner. As a consequence of these payment conditions, the Bonds qualified for the same accounting treatment as the Surplus Notes under the the Statutory Accounting Principles Statutory Accounting Principlres promulgated by the NAIC (National Association of Insurance Commissioners). At December 31, 20023, approximately $11.4 million of Surplus Notes and $141.1 million of the Bonds were reported as a component of net worth. Additionally, Harvard Pilgrim was required to establish a debt service reserve fund and deposit monthly one-sixth of the amount due on the next succeeding payment date, unless to do so would reduce its statutory net worth below $130 million. Payments from the debt service fund are also subject to approval of the Commissioner. Since the Plan’s inception, all payments of interest and principal under the Surplus Notes and Bonds have been approved. Harvard Pilgrim is required to request termination of the conditions with respect to payments on the Bonds and authority to prepay all amounts due under the Surplus Notes when it has attained an audited statutory net worth of at least $130 million, irrespective of the net worth provided from the Bonds, and after satisfaction of all amounts due under the Surplus Notes.

NOTES TO FINANCIAL STATEMENTS

Reclassifications

Certain account balances in 2002 related Harvard Pilgrim Health Care of New England , Inc. ("New England") were reported on a net basis as a component of the due to/from affiliate balance when originally reported as of December 31, 2002. While Harvard Pilgrim continues to collect premium and pay hospital, medical and administrative expenses on New England's behalf,we have elected New England has elected to present the associated balance sheet accounts rather than continue to report these balances on a net basis in intercompany accounts. Accordingly, the December 31, 2002 balances have been reclassified to conform to the 2003 presentation. The impact of this reclassification on Harvard Pilgrim's Annual Statement is as follows:

	December 31, 2002 as Reported	December 31, 2002 as Reclassified
Accident and healthUncollected premiums due and unpaid	$ 11,816,765	$ 10,889,462
Receivables from parent, subsidiaries and affiliates	$ 20,165,394	$ 16,370,029
Amounts receivable relating to uninsured plans	$ 17,406,036	$ 16,904,624
Provider advances and other receivables	$ 5,543,729	$ 5,038,990
Claims unpaid	$116,943,143	$106,049,377
Unpaid claim adjustment expenses	$ 2,178,489	$ 2,042,540
Premiums received in advance	$ 42,236,764	$ 39,892,092
General expenses due or accrued	$ 60,523,156	$ 59,873,300
Amounts due to parent, subsidiaries and affiliates	$ 926,895	$ 11,165,581
Liability for amounts held under uninsured accident and health plans	$ 13,837,081	$ 11,893,819

Harvard Pilgrim did not have any extraordinary items, troubled debt restructuring or uncollectible assets covered by SSAP No. 6, SSAP No. 47 or SSAP No. 66 during the years ended December 31, 2003 or 2002.

21. Events Subsequent

There were no events subsequent to December 31, 2003 requiring financial statement disclosure.

22. Reinsurance

Harvard Pilgrim carries reinsurance against excessive hospital utilization on a per member basis. Under these policies, Harvard Pilgrim is reimbursed 90% of certain hospital and pharmacy claims over the policy deductibles, which range from $150,000 to $500,000. The maximum recoverable under the reinsurance agreement is $2,000,000 for each member per year.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Harvard Pilgrim does not have retrospectively rated contracts or contracts subject to redetermination.

24. Change in Incurred Claims and Claim Adjustment Expenses

Reserves for incurred claims and, claim adjustment expenses and medical incentive pool attributable to insured events of prior years has decreased by $11.9 million due to favorable claims development in 2003.

25. Intercompany Pooling Arrangements

Harvard Pilgrim does not have intercompany pooling arrangements.

26. Structured Settlements

Not applicable for health entities.

27. Health Care Receivables

In fiscal year 2002, Harvard Pilgrim adopted the provisions of codification related to health care receivables in SSAP 84, which includes disclosure requirements for pharmaceutical rebate receivables and risk sharing receivables.

(amounts in thousands)

NOTES TO FINANCIAL STATEMENTS

Pharmaceutical rebate receivables:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates Confirmed	Actual Rebates Collected within 90 days of Confirmation	Actual Rebates Collected within 91 to 180 days of Confirmation	Actual Rebates Collected more than 181 days of Confirmation
12/31/2003	6,250				
9/30/2003	6,297	6,940	53		
6/30/2003	5,989	6,823	2,288	720	
3/31/2003	5,545	5,960	1,883	3,558	31
12/31/2002	4,474	4,947	3,568	413	953
9/30/2002	3,974	4,394	2,220	2,013	161
6/30/2002	4,647	5,138	2,874	977	1,293
3/31/2002	4,304	4,758	1,337	2,790	632

Risk sharing receivables:

Year	Risk Sharing Receivable as Estimated and Reported in the Prior Year	Risk Sharing Receivable as Estimated and Reported in the Current Year	Risk Sharing Receivable Invoiced	Risk Sharing Receivable Not Invoiced	Actual Risk Sharing Amounts Collected in Year Invoiced	Actual Risk Sharing Amounts Collected First Year Subsequent
2003	8,065	548	2,334	367	1,454	
2002		8,065	5,936	2,129	4,845	4,845

28. Participating Policies

Harvard Pilgrim does not have any participating policies.

29. Premium Deficiency Reserves

Harvard Pilgrim did not incur a premium deficiency reserve at reserve December 31, 2003 or 2002.

30. Anticipated Salvage and Subrogation

For the years ended December 31, 2003 and 2002, there was no anticipated salvage or subrogation in the determination of the lliability for unpaid claims.

NOTES TO FINANCIAL STATEMENTS

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	34,802,460	7.539	34,802,460	7.640
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	7,458,767	1.616	7,458,767	1.637
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)	940,390	0.204	940,390	0.206
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	3,734,051	0.809	3,734,051	0.820
1.43 Revenue and assessment obligations	6,531,932	1.415	6,531,932	1.434
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA	1,356,252	0.294	1,356,252	0.298
1.512 Issued by FNMA and FHLMC	65,086,589	14.100	65,086,589	14.288
1.513 Privately issued		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC		0.000		0.000
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC	44,908,966	9.729	44,908,966	9.859
1.523 All other privately issued	18,810,274	4.075	18,810,274	4.129
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	101,686,364	22.029	101,686,364	22.323
2.2 Unaffiliated foreign securities	18,991,052	4.114	18,991,052	4.169
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated	8,373,658	1.814	8,373,658	1.838
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company	32,429,990	7.025	26,334,606	5.781
5.2 Property held for the production of income (includes $ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale ($ including property acquired in satisfaction of debt)		0.000	0	0.000
6. Policy loans		0.000		0.000
7. Receivables for securities		0.000	0	0.000
8. Cash and short-term investments	101,969,458	22.090	101,969,458	22.385
9. Other invested assets	14,532,495	3.148	14,532,495	3.190
10. Total invested assets	461,612,698	100.000	455,517,314	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 [ ] No [ ] NA [X]

1.3

State Regulating? Massachusetts

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1997

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. 09/30/1993

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). 06/30/1994

3.4 By what department or departments? Commonwealth of Massachusetts Division of Insurance

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]

6.2 If yes, give full information

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

(continued)

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche
200 Berkeley Street, Boston , MA 02116

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Gary Lin
Chief Actuary - Harvard Pilgrim Health Care, Inc.
93 Worcester Street,
Wellesley , MA 02481-9181

11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

11.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?

11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]

11.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]

11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? ..... Yes [X] No [ ]

13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? ..... Yes [X] No [ ]

14. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or likely to conflict with the official duties of such person?. Yes [X] No [ ]

FINANCIAL

15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

15.11 To directors or other officers .. $ 0

15.12 To stockholders not officers ... $ 0

15.13 Trustees, supreme or grand (Fraternal only) ..... $ 0

15.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

15.21 To directors or other officers ... $ 0

15.22 To stockholders not officers .... $ 0

15.23 Trustees, supreme or grand (Fraternal only) ..... $ 0

16.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? ..... Yes [ ] No [X]

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

16.21 Rented from others ..... $.....

16.22 Borrowed from others ..... $.....

16.23 Leased from others ..... $.....

16.24 Other ..... $.....

Disclose in Notes to Financial the nature of each obligation.

17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? ..... Yes [X] No [ ]

17.2 If answer is yes,

17.21 Amount paid as losses or risk adjustment ..... $.....

17.22 Amount paid as expenses ..... $ 11,201,010

17.23 Other amounts paid ..... $.....

GENERAL INTERROGATORIES

(continued)

INVESTMENT

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

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

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

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

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

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

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

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

20.31 ..... 20.35 .....
20.32 ..... 20.36 .....
20.33 ..... 20.37 .....
20.34 ..... 20.38 .....
20.39 .....

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

20.4 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

GENERAL INTERROGATORIES

(continued)

INVESTMENT

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

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

1 Name of Custodian(s)	2 Custodian's Address
Fleet National Bank	100 Federal Street, Boston , MA

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

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

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? ..... Yes [ ] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	2 Address
105006	Deutsche Asset Management	280 Park Avenue, New York, NY
108403	Columbia Management Group	100 Federal Street, Boston, MA

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? ..... Yes [ ] No [X]

24.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999. TOTAL		0

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

(continued)

OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? $ 636,860

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

1 Name	2 Amount Paid
Massachusetts Association of Health Plans	331,560
American Association of Health Plans	278,000

26.1 Amount of payments for legal expenses, if any? $ 1,516,434

26.2 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
Arent, Fox, Kintner, Plotkin & Khan	806,532

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 176,787

27.2 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
	0

GENERAL INTERROGATORIES

(continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U. S. business only $

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. $

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0

1.62 Total incurred claims $ 0

1.63 Number of covered lives $ 0

All years prior to most current three years:

1.64 Total premium earned $ 0

1.65 Total incurred claims $ 0

1.66 Number of covered lives $ 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0

1.72 Total incurred claims $ 0

1.73 Number of covered lives $ 0

All years prior to most current three years:

1.74 Total premium earned $ 0

1.75 Total incurred claims $ 0

1.76 Number of covered lives $ 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 1,960,170,531	$ 1,685,180,653
2.2	Premium Denominator	$ 1,960,170,531	$ 1,685,180,653
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	$ 190,497,566	$ 133,984,634
2.5	Reserve Denominator	$ 190,497,566	$ 133,984,634
2.6	Reserve Ratio (2.4/2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical $ 525,000

5.32 Medical Only $

5.33 Medicare Supplement $

5.34 Dental $

5.35 Other Limited Benefit Plan $

5.36 Other $

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Hold Harmless wording included in provider contracts.

7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No [ ]

7.2 If no, give details:

8. Provide the following Information regarding participating providers:

8.1 Number of providers at start of reporting year 36,152

8.2 Number of providers at end of reporting year 40,032

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

(continued)

PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold and Bonus/ Arrangements in its provider contract? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $ 10,111,597

10.22 Amount actually paid for year bonuses $ 8,827,510

10.23 Maximum amount payable withholds $ 16,612,442

10.24 Amount actually paid for year withholds $ 9,155,493

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [ ]

11.13 An Individual Practice Association (IPA), or, Yes [ ] No [ ]

11.14 A Mixed Model (combination of above) ? Yes [X] No [ ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [ ] No [X]

11.3 If yes, show the name of the state requiring such net worth.

11.4 If yes, show the amount required. $

11.5 Is this amount included as part of a contingency reserve in stockholders equity? Yes [ ] No [ ]

11.6 If the amount is calculated, show the calculation.

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Massachusetts
Maine

FIVE-YEAR HISTORICAL DATA

	1 2003	2 2002	3 2001	4 2000	5 1999
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	547,714,153	443,661,566	461,726,298	539,063,879	777,447,881
2. Total liabilities (Page 3, Line 22)	337,149,881	273,910,525	330,819,402	407,876,805	643,831,585
3. Statutory surplus	0	0	0	0	0
4. Total capital and surplus (Page 3, Line 30)	210,564,272	169,751,041	130,906,896	131,187,074	133,616,296
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)	1,961,305,111	1,686,072,542	1,649,197,574	1,957,895,578	2,515,662,420
6. Total medical and hospital expenses (Line 18)	1,742,104,377	1,481,960,951	1,459,031,354	1,778,119,794	2,442,511,196
7. Total administrative expenses (Line 21)	130,400,453	111,990,345	153,887,067	199,312,190	265,862,951
8. Net underwriting gain (loss) (Line 24)	30,525,436	32,718,745	36,279,153	(19,536,406)	(192,711,727)
9. Net investment gain (loss) (Line 27)	13,599,119	12,607,095	9,060,951	13,362,798	22,330,315
10. Total other income (Lines 28 plus 29)	(1,940,125)	(416,255)	(19,496,118)	(3,528,496)	(54,878,031)
11. Net income (loss) (Line 32)	42,184,430	44,909,585	25,843,986	(9,702,104)	(225,259,443)
RISK - BASED CAPITAL ANALYSIS					
12. Total adjusted capital	210,564,272	169,751,041	130,906,896	131,187,074	133,616,296
13. Authorized control level risk-based capital	54,983,534	46,680,596	50,751,896	62,922,283	67,109,542
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	604,445	560,745	580,390	702,305	965,983
15. Total member months (Column 6, Line 7)	6,979,206	6,576,612	7,064,785	9,416,572	11,941,338
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5)					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total hospital and medical (Line 18)	88.9	87.9	88.5	90.8	97.1
18. Total underwriting deductions (Line 23)	98.5	98.1	97.8	101.0	107.7
19. Total underwriting gain (loss) (Line 24)	1.6	1.9	2.2	(1.0)	(7.7)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 12, Col. 5)	122,105,313	161,395,348	228,815,761	371,882,630	342,714,676
21. Estimated liability of unpaid claims – [prior year (Line 12, Col. 6)]	133,984,634	173,109,700	229,631,965	372,684,784	355,494,452
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)	8,373,658	8,628,160	8,180,140	5,492,891	639,911
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	8,373,658	8,628,160	8,180,140	5,492,891	639,911

Note: Lines 1 and 2 for 2002 reflect the reclassifications relating to Harvard Pilgrim Healthcare of New England discussed in Note 20 Other Items.

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS	1. United States	43,617,478	43,509,386	43,692,148	41,052,315
Governments	2. Canada	0	0	0	0
(Including all obligations guaranteed	3. Other Countries	940,390	984,547	946,090	920,000
by governments)	4. Totals	44,557,868	44,493,933	44,638,238	41,972,315
States, Territories and Possessions	5. United States	0	0	0	0
(Direct and guaranteed)	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States,	9. United States	3,734,051	3,758,778	3,733,979	3,735,000
Territories and Possessions	10. Canada	0	0	0	0
(Direct and guaranteed)	11. Other Countries	0	0	0	0
	12. Totals	3,734,051	3,758,778	3,733,979	3,735,000
Special revenue and special assessment					
obligations and all non-guaranteed	13. United States	116,527,488	116,527,488	116,777,965	114,186,341
obligations of agencies and authorities of	14. Canada	0	0	0	0
governments and their political subdivisions	15. Other Countries	0	0	0	0
	16. Totals	116,527,488	116,527,488	116,777,965	114,186,341
Public Utilities (unaffiliated)	17. United States	6,228,654	6,434,148	6,287,707	5,835,000
	18. Canada	0	0	0	0
	19. Other Countries	1,486,704	1,494,839	1,501,477	1,435,000
	20. Totals	7,715,358	7,928,987	7,789,184	7,270,000
Industrial and Miscellaneous and Credit Tenant	21. United States	114,267,984	115,478,800	115,235,252	110,506,097
Loans (unaffiliated)	22. Canada	0	0	0	0
	23. Other Countries	17,504,348	17,389,745	17,616,527	16,685,000
	24. Totals	131,772,332	132,868,546	132,851,779	127,191,097
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. **Total Bonds**	304,307,097	305,577,732	305,791,145	294,354,754
PREFERRED STOCKS	27. United States	0	0	0	
Public Utilities (unaffiliated)	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies	31. United States	0	0	0	
(unaffiliated)	32. Canada	0	0	0	
	33. Other Countries	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States	0	0	0	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. **Total Preferred Stocks**	0	0	0	
COMMON STOCKS	41. United States	0	0	0	
Public Utilities (unaffiliated)	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies	45. United States	0	0	0	
(unaffiliated)	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	0	0	0	
	50. Canada	0	0	0	
	51. Other Countries	0	0	0	
	52. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	53. Totals	8,373,658	8,373,658	4,587,909	
	54. **Total Common Stocks**	8,373,658	8,373,658	4,587,909	
	55. **Total Stocks**	8,373,658	8,373,658	4,587,909	
	56. **Total Bonds and Stocks**	312,680,755	313,951,390	310,379,054	

(a) The aggregate value of bonds which are valued at other than actual fair value is $ 200,937,484 .

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year 196,401,864
2. Cost of bonds and stocks acquired, Column 6, Part 3 741,332,259
3. Increase (decrease) by adjustment:
   - 3.1 Column 16, Part 1 ..... (1,401,952)
   - 3.2 Column 12, Part 2, Sec. 1 0
   - 3.3 Column 10, Part 2, Sec. 2 ..... (254,502)
   - 3.4 Column 10, Part 4 ..... (1,975,447) ..... (3,631,901)
4. Total gain (loss), Col. 14, Part 4 4,709,605
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 626,131,073
6. Foreign Exchange Adjustment:
   - 6.1 Column 17, Part 1 0
   - 6.2 Column 13, Part 2, Sec. 1 0
   - 6.3 Column 11, Part 2, Sec. 2 0
   - 6.4 Column 11, Part 4 ..... 0 0
7. Book/adjusted carrying value at end of current period 312,680,754
8. Total valuation allowance 1
9. Subtotal (Lines 7 plus 8) 312,680,755
10. Total nonadmitted amounts 0
11. Statement value of bonds and stocks, current period 312,680,755

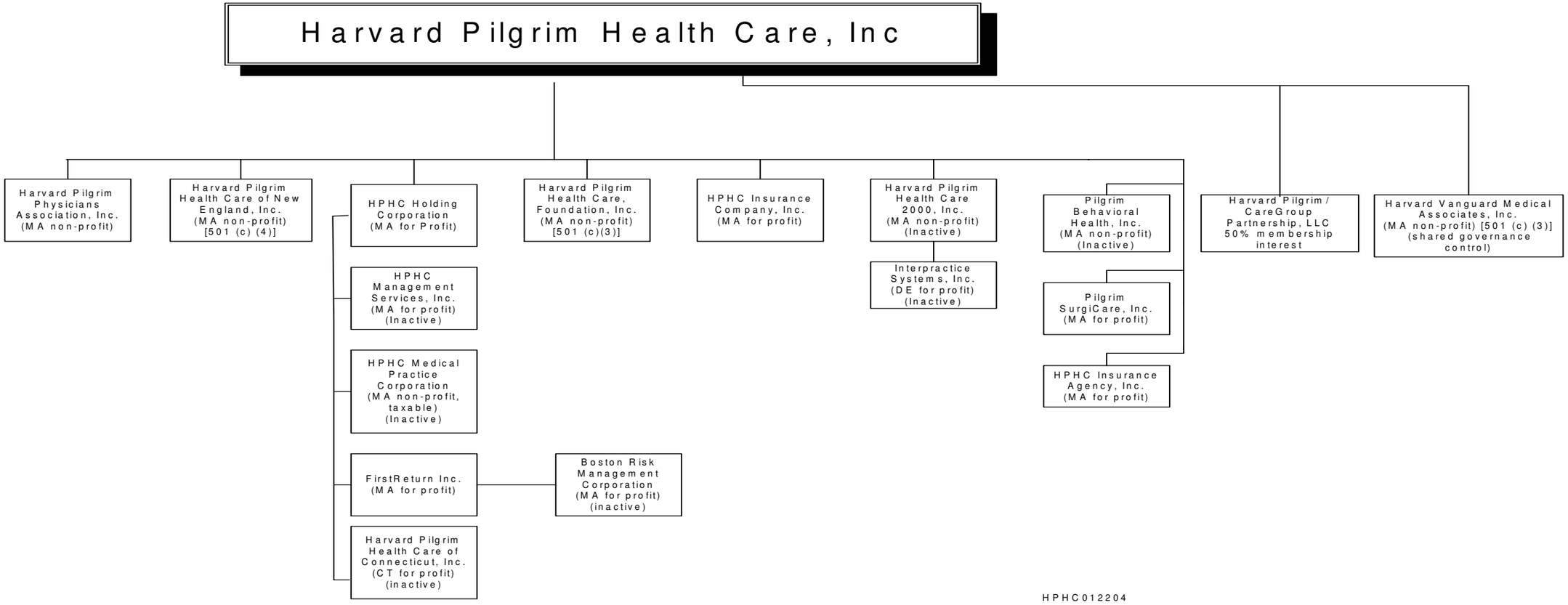
SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only 3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME	No	Yes	7,411,337					
21. Maryland MD								
22. Massachusetts MA	No	Yes	1,641,690,591	311,068,603				
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56 Canada CN								
57. Aggregate other alien OT	XXX	XXX	0	0	0	0	0	0
58. Total (Direct Business)	XXX	(a) 2	1,649,101,928	311,068,603	0	0	0	0
DETAILS OF WRITE-INS								
5701.								
5702.								
5703.								
5798. Summary of remaining write-ins for Line 57 from overflow page			0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)			0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.: BASED DIRECTLY ON MEMBERSHIP.

(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