



HEALTH ANNUAL STATEMENT

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

Aetna Health Inc. (a Michigan corporation)

NAIC Group Code..... **0001** **0001** NAIC Company Code..... **95756** Employer's ID Number..... **23-2861565**
(Current Period) (Prior Period)

Organized under the Laws of **Michigan** State of Domicile or Port of Entry:..... **Michigan**

Country of Domicile:..... **United States**

Licensed as business type: Life, Accident & Health [] Property/Casualty [] Health Service Corporation [] Hospital, Medical & Dental Service or Indemnity []
Vision Service Corporation [] Other [] Health Maintenance Organization [X] Is HMO Federally Qualified? Yes [] No [X]

Date Incorporated or Organized..... **September 10, 1996** Date Commenced Business..... **April 1, 1998**

Statutory Home Office..... **26933 Northwestern Highway, Suite 100** **Southfield** **MI**..... **48034-4728**
(Street and Number) (City, State and Zip Code)

Main Administrative Office **26933 Northwestern Highway, Suite 100**
(Street and Number)
..... **Southfield .. MI .. 48034-4728** **248-208-8600**
(City, State and Zip Code) (Area Code) (Telephone Number)

Mail Address **26933 Northwestern Highway, Suite 100** **Southfield** **MI**..... **48034-4728**
(Street and Number or P. O. Box) (City, State and Zip Code)

Primary Location of Books and Records **26933 Northwestern Highway, Suite 100**
(Street and Number)
..... **Southfield .. MI .. 48034-4728** **248-208-8600**
(City, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address **www.aetna.com**

Statutory Statement Contact **James David Weiss** **215-775-6508**
(Name) (Area Code) (Telephone Number) (Extension)
..... **AUSHC.HMOReporting@aetna.com** **215-775-6790**
(E-mail Address) (Fax Number)

Policyowner Relations Contact **Plan Sponsor Services, 151 Farmington Avenue, Hartford, CT 06156** **(800) 247-5472**
(Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

OFFICERS

President **Allan Ira Greenberg** **Controller** **James David Weiss**
Secretary **Gregory Stephen Martino**

OTHER OFFICERS

Senior Medical Director: **Burton Fred Vanderlaan, M.D.**
Treasurer: **Russell Page Smith**
Senior Investment Officer: **Kevin James Casey**
Assistant Controller: **Alicia Helene Bolton**

DIRECTORS

Allan Ira Greenberg **Gregory Stephen Martino** **Burton Fred Vanderlaan, M.D.**

State of..... **Pennsylvania**
County of..... **Montgomery**

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 state above, and of its income and deductions therefrom for the period, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals 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.

/s/ Allan Ira Greenberg _____ /s/ Gregory Stephen Martino _____ /s/ James David Weiss _____
(Signature) (Signature) (Signature)
Allan Ira Greenberg **Gregory Stephen Martino** **James David Weiss**
President **Secretary** **Controller**

Subscribed and sworn to before me this

24th day of February, 2003

/s/ Rosemary R. Pico _____
NOTARY PUBLIC (Seal)

- 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			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets	4 Net Admitted Assets
1. Bonds.....	1,061,014	0	1,061,014	4,649,593
2. Stocks:				
2.1 Preferred stocks.....	0	0	0	0
2.2 Common stocks.....	0	0	0	0
3. Mortgage loans on real estate:				
3.1 First liens.....	0	0	0	0
3.2 Other than first liens.....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.0 encumbrances).....	0	0	(a) 0	0
4.2 Properties held for the production of income (less \$.0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$.0 encumbrances).....	0	0	0	0
5. Cash (\$.....12,184,948, Schedule E, Part 1) and short-term investments (\$.....757,975, Schedule DA, Part 2).....	12,942,923	0	12,942,923	8,765,435
6. Other long-term invested assets.....	0	0	0	0
7. Receivable for securities.....	0	0	0	0
8. Aggregate write-ins for invested assets.....	0	0	0	0
9. Subtotal cash and invested assets (Lines 1 to 8).....	14,003,937	0	14,003,937	13,415,028
10. Accident and health premiums due and unpaid.....	360,138	315,520	44,618	34,884
11. Health care receivables.....	0	0	0	0
12. Amounts recoverable from reinsurers.....	0	0	0	0
13. Net adjustment in assets and liabilities due to foreign exchange rates.....	0	0	0	0
14. Investment income due and accrued.....	2,796	0	2,796	77,020
15. Amounts due from parent, subsidiaries and affiliates.....	243,817	0	243,817	940,985
16. Amounts receivable relating to uninsured accident and health plans.....	0	0	0	0
17. Furniture and equipment.....	0	0	0	0
18. Amounts due from agents.....	0	0	0	0
19. Federal and foreign income tax recoverable and interest thereon (including \$.0 net deferred tax asset).....	232,476	232,476	0	857,989
20. Electronic data processing equipment and software.....	0	0	0	0
21. Other nonadmitted assets.....	0	0	0	0
22. Aggregate write-ins for other than invested assets.....	179,000	0	179,000	0
23. Total assets (Lines 9 plus 10 through 22).....	15,022,164	547,996	14,474,168	15,325,906

DETAILS OF WRITE-INS

0801.	0	0	0	0
0802.	0	0	0	0
0803.	0	0	0	0
0898. Summary of remaining write-ins for Line 8 from overflow page.....	0	0	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above).....	0	0	0	0
2201. Current state income tax receivable.....	179,000	0	179,000	0
2202.	0	0	0	0
2203.	0	0	0	0
2298. Summary of remaining write-ins for Line 22 from overflow page.....	0	0	0	0
2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above).....	179,000	0	179,000	0

(a) \$.0 health care delivery assets included in Line 4.1, Column 3.

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	3,855,331	692,541	4,547,872	7,708,453
2. Accrued medical incentive pool and bonus payments.....	0	0	0	0
3. Unpaid claims adjustment expenses.....	141,296	0	141,296	200,265
4. Aggregate policy reserves.....	271,762	0	271,762	2,364,134
5. Aggregate claim reserves.....	216,429	0	216,429	290,538
6. Premiums received in advance.....	67,631	0	67,631	104,748
7. General expenses due or accrued.....	0	0	0	0
8. Federal and foreign income tax payable and interest thereon (including \$.....0 (on realized capital gains (losses)) (including \$.....0 net deferred tax liability).....	211,139	0	211,139	0
9. Amounts withheld or retained by company for the account of others.....	0	0	0	0
10. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....	0	0	0	0
11. Amounts due to parent, subsidiaries and affiliates.....	2,056,007	0	2,056,007	0
12. Payable for securities.....	0	0	0	0
13. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....	0	0	0	0
14. Reinsurance in unauthorized companies.....	0	0	0	0
15. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	0	0	0
16. Liability for amounts held under uninsured accident and health plans.....	0	0	0	0
17. Aggregate write-ins for other liabilities (including \$.....0 current).....	0	0	0	0
18. Total liabilities (Lines 1 to 17).....	6,819,595	692,541	7,512,136	10,668,138
19. Common capital stock.....	XXX	XXX	10	10
20. Preferred capital stock.....	XXX	XXX	0	0
21. Gross paid in and contributed surplus.....	XXX	XXX	10,099,990	9,099,990
22. Surplus notes.....	XXX	XXX	0	0
23. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
24. Unassigned funds (surplus).....	XXX	XXX	(3,137,968)	(4,442,232)
25. Less treasury stock, at cost:				
25.1 .....0.000 shares common (value included in Line 19 \$.....0).....	XXX	XXX	0	0
25.2 .....0.000 shares preferred (value included in Line 20 \$.....0).....	XXX	XXX	0	0
26. Total capital and surplus (Lines 19 to 24 less Line 25).....	XXX	XXX	6,962,032	4,657,768
27. Total liabilities, capital and surplus (Lines 18 and 26).....	XXX	XXX	14,474,168	15,325,906

DETAILS OF WRITE-INS

1701.	0	0	0	0
1702.	0	0	0	0
1703.	0	0	0	0
1798. Summary of remaining write-ins for Line 17 from overflow page.....	0	0	0	0
1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above).....	0	0	0	0
2301.	XXX	XXX	0	0
2302.	XXX	XXX	0	0
2303.	XXX	XXX	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	.XXX.	170,019	230,837
2. Net premium income.....	.XXX.	27,715,661	31,556,479
3. Change in unearned premium reserves and reserve for rate credits.....	.XXX.	0	0
4. Fee-for-service (net of \$.0 medical expenses).....	.XXX.	0	0
5. Risk revenue.....	.XXX.	0	0
6. Aggregate write-ins for other health care related revenues.....	.XXX.	0	0
7. Total revenues (Lines 2 to 6).....	.XXX.	27,715,661	31,556,479
Medical and Hospital:			
8. Hospital/medical benefits.....	1,392,310	19,153,398	26,218,062
9. Other professional services.....	0	9,128	33,590
10. Outside referrals.....	1,856,774	1,856,774	2,279,337
11. Emergency room and out-of-area.....	331,097	2,069,358	750,223
12. Prescription drugs.....	0	2,758,171	2,907,064
13. Aggregate write-ins for other medical and hospital.....	0	(95,719)	551,519
14. Incentive pool and withhold adjustments.....	0	0	0
15. Subtotal (Lines 8 to 14).....	3,580,181	25,751,110	32,739,795
Less:			
16. Net reinsurance recoveries.....	0	0	(13,289)
17. Total medical and hospital (Lines 15 minus 16).....	3,580,181	25,751,110	32,753,084
18. Claims adjustment expenses.....	0	772,533	982,194
19. General administrative expenses.....	0	2,778,110	3,165,708
20. Increase in reserves for accident and health contracts.....	0	(2,092,372)	2,364,134
21. Total underwriting deductions (Lines 17 through 20).....	3,580,181	27,209,381	39,265,120
22. Total underwriting gain or (loss) (Lines 7 minus 21).....	.XXX.	506,280	(7,708,641)
23. Net investment income earned.....	0	388,401	451,341
24. Net realized capital gains or (losses).....	0	82,833	251,557
25. Net investment gains or (losses) (Lines 23 plus 24).....	0	471,234	702,898
26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....	0	0	0
27. Aggregate write-ins for other income or expenses.....	0	0	0
28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27).....	0	977,514	(7,005,743)
29. Federal and foreign income taxes incurred.....	.XXX.	264,953	(2,452,000)
30. Net income (loss) (Lines 28 minus 29).....	.XXX.	712,561	(4,553,743)

DETAILS OF WRITE-INS

0601. ....	.XXX.	0	0
0602. ....	.XXX.	0	0
0603. ....	.XXX.	0	0
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.XXX.	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.XXX.	0	0
1301. Physician distribution.....	0	(95,719)	303,983
1302. Vision costs.....	0	0	150,043
1303. Other medical costs.....	0	0	97,493
1398. Summary of remaining write-ins for Line 13 from overflow page.....	0	0	0
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above).....	0	(95,719)	551,519
2701.	0	0	0
2702.	0	0	0
2703.	0	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
31. Capital and surplus prior reporting year.....	4,657,768	6,152,574
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
32. Net income or (loss) from Line 30.....	712,561	(4,553,743)
33. Change in valuation basis of aggregate policy and claim reserves.....	0	0
34. Net unrealized capital gains and losses.....	0	0
35. Change in net unrealized foreign exchange capital gain or (loss).....	0	0
36. Change in net deferred income tax.....	31,476	0
37. Change in nonadmitted assets.....	560,227	(1,041,063)
38. Change in unauthorized reinsurance.....	0	0
39. Change in treasury stock.....	0	0
40. Change in surplus notes.....	0	0
41. Cumulative effect of changes in accounting principles.....	0	0
42. Capital Changes:		
42.1 Paid in.....	0	0
42.2 Transferred from surplus (stock dividend).....	0	0
42.3 Transferred to surplus.....	0	0
43. Surplus adjustments:		
43.1 Paid in.....	1,000,000	4,100,000
43.2 Transferred to capital (stock dividend).....	0	0
43.3 Transferred from capital.....	0	0
44. Dividends to stockholders.....	0	0
45. Aggregate write-ins for gains or (losses) in surplus.....	0	0
46. Net change in capital and surplus (Lines 32 to 45).....	2,304,264	(1,494,806)
47. Capital and surplus end of reporting year (Line 31 plus 46).....	6,962,032	4,657,768

DETAILS OF WRITE-INS

4501.	0	0
4502.	0	0
4503.	0	0
4598. Summary of remaining write-ins for Line 45 from overflow page.....	0	0
4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above).....	0	0

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums and revenues collected net of reinsurance.....	27,454,953	31,969,984
2. Claims and claims adjustment expenses.....	29,817,302	28,418,134
3. General administrative expenses paid.....	2,778,110	3,165,708
4. Other underwriting income (expenses).....	.0	.0
5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....	(5,140,459)	386,142
6. Net Investment income.....	467,252	413,241
7. Other income (expenses).....	.0	3,000
8. Federal and foreign income taxes (paid) recovered.....	1,524,175	710,011
9. Net cash from operations (Lines 5 to 8).....	(3,149,032)	1,512,394
CASH FROM INVESTMENTS		
10. Proceeds from investments sold, matured or repaid:		
10.1 Bonds.....	8,190,312	4,864,887
10.2 Stocks.....	.0	.0
10.3 Mortgage loans.....	.0	.0
10.4 Real estate.....	.0	.0
10.5 Other invested assets.....	.0	.0
10.6 Net gains or (losses) on cash and short-term investments.....	.106	.294
10.7 Miscellaneous proceeds.....	.0	.0
10.8 Total investment proceeds (Lines 10.1 to 10.7).....	8,190,418	4,865,181
11. Cost of investments acquired (long-term only):		
11.1 Bonds.....	4,523,633	4,651,547
11.2 Stocks.....	.0	.0
11.3 Mortgage loans.....	.0	.0
11.4 Real estate.....	.0	.0
11.5 Other invested assets.....	.0	.0
11.6 Miscellaneous applications.....	.0	.0
11.7 Total investments acquired (Lines 11.1 to 11.6).....	4,523,633	4,651,547
12. Net cash from investments (Line 10.8 minus Line 11.7).....	3,666,785	213,634
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
13. Cash provided:		
13.1 Surplus notes, capital and surplus paid in.....	1,000,000	4,100,000
13.2 Net transfers from affiliates.....	2,838,735	.0
13.3 Borrowed funds received.....	.0	.0
13.4 Other cash provided.....	.0	.0
13.5 Total (Lines 13.1 to 13.4).....	3,838,735	4,100,000
14. Cash applied:		
14.1 Dividends to stockholders paid.....	.0	.0
14.2 Net transfers to affiliates.....	.0	41,003
14.3 Borrowed funds repaid.....	.0	.0
14.4 Other applications.....	179,000	.0
14.5 Total (Lines 14.1 to 14.4).....	179,000	41,003
15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5).....	3,659,735	4,058,997
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15).....	4,177,488	5,785,025
17. Cash and short-term investments:		
17.1 Beginning of year.....	8,765,435	2,980,410
17.2 End of year (Line 16 plus Line 17.1).....	12,942,923	8,765,435

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

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plans	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Net premium income.....	27,715,661	27,678,815	.0	.0	.0	.0	36,846	.0	.0	.0	.0	.0	.0
2. Change in unearned premium reserves and reserve for rate credit.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. Fee-for-service (net of \$.....0 medical expenses).....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Risk revenue.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Aggregate write-ins for other health care related revenues.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Total revenues (Lines 1 to 5).....	27,715,661	27,678,815	.0	.0	.0	.0	36,846	.0	.0	.0	.0	.0	.0
7. Medical/hospital benefits.....	19,153,398	19,192,528	.0	.0	.0	.0	(39,130)	.0	.0	.0	.0	.0	.0
8. Other professional services.....	9,128	6,536	.0	.0	.0	.0	2,592	.0	.0	.0	.0	.0	.0
9. Outside referrals.....	1,856,774	1,852,702	.0	.0	.0	.0	4,072	.0	.0	.0	.0	.0	.0
10. Emergency room and out-of-area.....	2,069,358	2,066,288	.0	.0	.0	.0	3,070	.0	.0	.0	.0	.0	.0
11. Prescription drugs.....	2,758,171	2,754,310	.0	.0	.0	.0	3,861	.0	.0	.0	.0	.0	.0
12. Aggregate write-ins for other medical and hospital.....	(95,719)	(92,675)	.0	.0	.0	.0	(3,044)	.0	.0	.0	.0	.0	.0
13. Incentive pool and withhold adjustments.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
14. Subtotal (Lines 7 to 13).....	25,751,110	25,779,689	.0	.0	.0	.0	(28,579)	.0	.0	.0	.0	.0	.0
15. Net reinsurance recoveries.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
16. Total medical and hospital (Lines 14 minus 15).....	25,751,110	25,779,689	.0	.0	.0	.0	(28,579)	.0	.0	.0	.0	.0	.0
17. Claims adjustment expenses.....	772,533	772,533	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
18. General administrative expenses.....	2,778,110	2,773,390	.0	.0	.0	.0	4,720	.0	.0	.0	.0	.0	.0
19. Increase in reserves for accident and health contracts.....	(2,092,372)	(2,092,372)	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
20. Total underwriting deductions (Lines 16 to 19).....	27,209,381	27,233,240	.0	.0	.0	.0	(23,859)	.0	.0	.0	.0	.0	.0
21. Net underwriting gain or (loss) (Line 6 minus Line 20).....	506,280	445,575	.0	.0	.0	.0	60,705	.0	.0	.0	.0	.0	.0

DETAILS OF WRITE-INS

0501. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0502. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0503. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1201. Physician distribution.....	(95,719)	(92,675)	.0	.0	.0	.0	(3,044)	.0	.0	.0	.0	.0	.0
1202. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1203. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1298. Summary of remaining write-ins for Line 12 from overflow page.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1299. Total (Lines 1201 thru 1203 plus 1298) (Line 12 above).....	(95,719)	(92,675)	.0	.0	.0	.0	(3,044)	.0	.0	.0	.0	.0	.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (medical and hospital).....	27,797,827	.0	119,012	27,678,815
2. Medicare supplement.....	0	.0	.0	0
3. Dental only.....	0	.0	.0	0
4. Vision only.....	0	.0	.0	0
5. Federal employees health benefits plan premiums.....	36,846	.0	.0	36,846
6. Title XVIII - Medicare.....	0	.0	.0	0
7. Title XIX - Medicaid.....	0	.0	.0	0
8. Other.....	0	.0	.0	0
9. Totals.....	27,834,673	.0	119,012	27,715,661

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct.....	28,985,800	28,743,375	.0	.0	.0	242,425	.0	.0	.0
1.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1.4 Net.....	28,985,800	28,743,375	.0	.0	.0	242,425	.0	.0	.0
2. Paid medical incentive pools and bonuses.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct.....	4,547,872	4,518,753	.0	.0	.0	29,119	.0	.0	.0
3.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4 Net.....	4,547,872	4,518,753	.0	.0	.0	29,119	.0	.0	.0
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct.....	216,429	214,999	.0	.0	.0	1,430	.0	.0	.0
4.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net.....	216,429	214,999	.0	.0	.0	1,430	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Amounts recoverable from reinsurers December 31, current year.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct.....	7,708,453	7,417,853	.0	.0	.0	290,600	.0	.0	.0
7.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
7.4 Net.....	7,708,453	7,417,853	.0	.0	.0	290,600	.0	.0	.0
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct.....	290,538	279,585	.0	.0	.0	10,953	.0	.0	.0
8.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
8.4 Net.....	290,538	279,585	.0	.0	.0	10,953	.0	.0	.0
9. Accrued medical incentive pools and bonuses, prior year.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
10. Amounts recoverable from reinsurers December 31, prior year.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
11. Incurred benefits:									
11.1 Direct.....	25,751,110	25,779,689	.0	.0	.0	(28,579)	.0	.0	.0
11.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
11.4 Net.....	25,751,110	25,779,689	.0	.0	.0	(28,579)	.0	.0	.0
12. Incurred medical incentive pools and bonuses.....	.0	.0	.0	.0	.0	.0	.0	.0	.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Reported in process of adjustment:									
1.1 Direct.....	287,411	287,281	.0	.0	.0	130	0	0	0
1.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	0	0	0	0
1.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	0	0	0	0
1.4 Net.....	287,411	287,281	.0	.0	.0	130	0	0	0
2. Incurred but unreported:									
2.1 Direct.....	4,260,461	4,231,472	.0	.0	.0	28,989	0	0	0
2.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	0	0	0	0
2.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	0	0	0	0
2.4 Net.....	4,260,461	4,231,472	.0	.0	.0	28,989	0	0	0
3. Amounts withheld from paid claims and capitations:									
3.1 Direct.....	.0	.0	.0	.0	.0	0	0	0	0
3.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	0	0	0	0
3.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	0	0	0	0
3.4 Net.....	.0	.0	.0	.0	.0	0	0	0	0
4. Totals:									
4.1 Direct.....	4,547,872	4,518,753	.0	.0	.0	29,119	0	0	0
4.2 Reinsurance assumed.....	.0	.0	.0	.0	.0	0	0	0	0
4.3 Reinsurance ceded.....	.0	.0	.0	.0	.0	0	0	0	0
4.4 Net.....	4,547,872	4,518,753	.0	.0	.0	29,119	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 December 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 (medical and hospital).....	4,899,356	23,844,019	1,124,650	3,609,102	6,024,006	7,697,438
2. Medicare supplement.....	0	0	0	0	0	0
3. Dental only.....	0	0	0	0	0	0
4. Vision only.....	0	0	0	0	0	0
5. Federal employees health benefits plan premiums.....	123,646	118,779	22,826	7,723	146,472	301,553
6. Title XVIII - Medicare.....	0	0	0	0	0	0
7. Title XIX - Medicaid.....	0	0	0	0	0	0
8. Other.....	0	0	0	0	0	0
9. Subtotal.....	5,023,002	23,962,798	1,147,476	3,616,825	6,170,478	7,998,991
10. Medical incentive pools, accruals and disbursements.....	0	0	0	0	0	0
11. Totals.....	5,023,002	23,962,798	1,147,476	3,616,825	6,170,478	7,998,991

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Net Amounts Paid				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	0	0	0	0	0
2. 1998.....	0	17	1	0	0
3. 1999.....	XXX	111	26	2	0
4. 2000.....	XXX	XXX	446	98	17
5. 2001.....	XXX	XXX	XXX	1,019	107
6. 2002.....	XXX	XXX	XXX	XXX	119

SECTION B - INCURRED CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 1998	2 1999	3 2000	4 2001	5 2002
1. Prior.....	0	0	0	0	0
2. 1998.....	0	17	18	18	18
3. 1999.....	XXX	178	138	139	139
4. 2000.....	XXX	XXX	630	554	566
5. 2001.....	XXX	XXX	XXX	1,311	1,144
6. 2002.....	XXX	XXX	XXX	XXX	127

SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. Prior to 1998.....	XXX	0	0	XXX	0	XXX	0	0	0	XXX
2. 1998.....	0	18	0	0.0	18	0.0	0	0	18	0.0
3. 1999.....	271	139	0	0.0	139	51.3	0	0	139	51.3
4. 2000.....	690	561	1	0.2	562	81.4	5	0	567	82.2
5. 2001.....	1,196	1,126	8	0.7	1,134	94.8	18	1	1,153	96.4
6. 2002.....	37	119	0	0.0	119	321.6	8	0	127	343.2
7. Total (Lines 1 through 6).....	XXX	1,963	9	XXX	1,972	XXX	31	1	2,004	XXX
8. Total (Lines 2 through 6).....	2,194	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

12.FE

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE**

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves.....	0	0	0	0	0	0	0	0	0
2. Additional policy reserves (a).....	271,762	271,762	0	0	0	0	0	0	0
3. Reserve for future contingent benefits.....	0	0	0	0	0	0	0	0	0
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	0	0	0	0	0	0	0	0	0
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	271,762	271,762	0	0	0	0	0	0	0
7. Reinsurance ceded.....	0	0	0	0	0	0	0	0	0
8. Totals (net) (Page 3, Line 4).....	271,762	271,762	0	0	0	0	0	0	0
CLAIM RESERVE									
9. Present value of amounts not yet due on claims.....	0	0	0	0	0	0	0	0	0
10. Reserve for future contingent benefits.....	216,429	214,999	0	0	0	1,430	0	0	0
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	216,429	214,999	0	0	0	1,430	0	0	0
13. Reinsurance ceded.....	0	0	0	0	0	0	0	0	0
14. Totals (net) (Page 3, Line 5).....	216,429	214,999	0	0	0	1,430	0	0	0
DETAILS OF WRITE-INS									
0501.	0	0	0	0	0	0	0	0	0
0502.	0	0	0	0	0	0	0	0	0
0503.	0	0	0	0	0	0	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0595) (Line 5 above).....	0	0	0	0	0	0	0	0	0
1101.	0	0	0	0	0	0	0	0	0
1102.	0	0	0	0	0	0	0	0	0
1103.	0	0	0	0	0	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 11911) (Line 11 above).....	0	0	0	0	0	0	0	0	0

13

(a) Includes \$.....201,285 premium deficiency reserve.

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$.....0 for occupancy of own building).....	30,901	90,157	0	121,058
2. Salaries, wages and other benefits.....	490,558	1,337,069	0	1,827,627
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....	0	439,268	0	439,268
4. Legal fees and expenses.....	28,584	82,098	0	110,682
5. Certifications and accreditation fees.....	0	0	0	0
6. Auditing, actuarial and other consulting services.....	0	2,686	0	2,686
7. Traveling expenses.....	9,270	25,318	0	34,588
8. Marketing and advertising.....	0	28,411	0	28,411
9. Postage, express and telephone.....	35,537	103,575	0	139,112
10. Printing and office supplies.....	9,270	28,830	0	38,100
11. Occupancy, depreciation and amortization.....	3,090	11,487	0	14,577
12. Equipment.....	16,996	48,722	0	65,718
13. Cost or depreciation of EDP equipment and software.....	21,631	61,380	0	83,011
14. Outsourced services including EDP, claims, and other services.....	81,888	233,044	0	314,932
15. Boards, bureaus and association fees.....	2,318	8,059	0	10,377
16. Insurance, except on real estate.....	0	0	0	0
17. Collection and bank service charges.....	3,090	10,745	0	13,835
18. Group service and administration fees.....	0	2,686	0	2,686
19. Reimbursements by uninsured accident and health plans.....	0	0	0	0
20. Reimbursements from fiscal intermediaries.....	0	0	0	0
21. Real estate expenses.....	5,408	15,345	0	20,753
22. Real estate taxes.....	1,545	5,373	0	6,918
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes.....	0	6,622	0	6,622
23.2 State premium taxes.....	0	0	0	0
23.3 Regulatory authority licenses and fees.....	0	3,459	0	3,459
23.4 Payroll taxes.....	30,129	87,471	0	117,600
23.5 Other (excluding federal income and real estate taxes).....	2,318	9,870	0	12,188
24. Investment expenses not included elsewhere.....	0	0	0	0
25. Aggregate write-ins for expenses.....	0	136,435	0	136,435
26. Total expenses incurred (Lines 1 to 25).....	772,533	2,778,110	0	(a).....3,550,643
27. Add expenses unpaid December 31, prior year.....	200,265	0	0	200,265
28. Less expenses unpaid December 31, current year.....	141,296	0	0	141,296
29. Amounts receivable relating to uninsured accident and health plans, prior year.....	0	0	0	0
30. Amounts receivable relating to uninsured accident and health plans, current year.....	0	0	0	0
31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30).....	831,502	2,778,110	0	3,609,612

DETAILS OF WRITE-INS

2501. Intercompany interest expense.....	0	83,622	0	83,622
2502. Bad debt expense.....	0	51,813	0	51,813
2503. Miscellaneous expense.....	0	1,000	0	1,000
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	136,435	0	136,435

(a) Includes management fees of \$.....3,458,807 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....216,881	.....142,657
1.1 Bonds exempt from U.S. tax.....	(a).....0	.....0
1.2 Other bonds (unaffiliated).....	(a).....0	.....0
1.3 Bonds of affiliates.....	(a).....0	.....0
2.1 Preferred stocks (unaffiliated).....	(b).....0	.....0
2.11 Preferred stocks of affiliates.....	(b).....0	.....0
2.2 Common stocks (unaffiliated).....	.....0	.....0
2.21 Common stocks of affiliates.....	.....0	.....0
3. Mortgage loans.....	(c).....0	.....0
4. Real estate.....	(d).....0	.....0
5. Contract loans.....	.....0	.....0
6. Cash/short-term investments.....	(e).....224,753	.....224,753
7. Derivative instruments.....	(f).....0	.....0
8. Other invested assets.....	.....0	.....0
9. Aggregate write-ins for investment income.....	.....20,991	.....20,991
10. Total gross investment income.....	.....462,625	.....388,401
11. Investment expenses.....		(g).....0
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....0
13. Interest expense.....		(h).....0
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		.....0
17. Net investment income (Line 10 minus Line 16).....		.....388,401

DETAILS OF WRITE-INS

0901. Miscellaneous interest.....	.....18,188	.....18,188
0902. Intercompany interest.....	.....2,803	.....2,803
0903. ....	.....0	.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....20,991	.....20,991
1501. ....		.....0
1502. ....		.....0
1503. ....		.....0
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....0

- (a) Includes \$.....0 accrual of discount less \$.....4,627 amortization of premium and less \$.....69,312 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....113,918 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain or (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. government bonds.....	.....82,727	.....0	.....0	.....0	.....82,727
1.1 Bonds exempt from U.S. tax.....	.....0	.....0	.....0	.....0	.....0
1.2 Other bonds (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
1.3 Bonds of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.1 Preferred stocks (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
2.11 Preferred stocks of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.2 Common stocks (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
2.21 Common stocks of affiliates.....	.....0	.....0	.....0	.....0	.....0
3. Mortgage loans.....	.....0	.....0	.....0	.....0	.....0
4. Real estate.....	.....0	.....0	.....0	.....0	.....0
5. Contract loans.....	.....0	.....0	.....0	.....0	.....0
6. Cash/short-term investments.....	.....106	.....0	.....0	.....0	.....106
7. Derivative instruments.....	.....0	.....0	.....0	.....0	.....0
8. Other invested assets.....	.....0	.....0	.....0	.....0	.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....82,833	.....0	.....0	.....0	.....82,833

DETAILS OF WRITE-INS

0901. ....	.....0	.....0	.....0	.....0	.....0
0902. ....	.....0	.....0	.....0	.....0	.....0
0903. ....	.....0	.....0	.....0	.....0	.....0
0998. Summary of remaining write-ins for Line 9 from overflow page..	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 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 Change for Year (Increase) or Decrease
1. Summary of Items, Page 2, Lines 10 to 13 and 15 to 20, Column 2.....	547,996	1,108,223	.560,227
2. Other nonadmitted assets:			
2.1 Bills receivable.....	.0	.0	.0
2.2 Leasehold improvements.....	.0	.0	.0
2.3 Cash advanced to or in hands of officers and agents.....	.0	.0	.0
2.4 Loans on personal security, endorsed or not.....	.0	.0	.0
2.5 Commuted commissions.....	.0	.0	.0
3. Total (Lines 2.1 to 2.5).....	.0	.0	.0
4. Aggregate write-ins for other than invested assets.....	.0	.0	.0
5. Total (Line 1 plus Lines 3 and 4).....	547,996	1,108,223	.560,227

DETAILS OF WRITE-INS

0401. ....	.0	.0	.0
0402. ....	.0	.0	.0
0403. ....	.0	.0	.0
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).....	.0	.0	.0

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	16,116	13,026	10,650	9,181	6,487	127,405
2. Provider service organizations.....	0	0	0	0	0	0
3. Preferred provider organizations.....	0	0	0	0	0	0
4. Point of service.....	5,848	4,765	3,926	2,536	1,679	42,614
5. Indemnity only.....	0	0	0	0	0	0
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	21,964	17,791	14,576	11,717	8,166	170,019

DETAILS OF WRITE-INS

0601.....	0	0	0	0	0	0
0602.....	0	0	0	0	0	0
0603.....	0	0	0	0	0	0
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Accounting Practices

The accompanying financial statements of Aetna Health Inc. (a Michigan corporation) (the Company), formerly Aetna U.S. Healthcare Inc., (a Michigan corporation), indirectly a wholly-owned subsidiary of Aetna Inc. (Aetna), have been prepared in conformity with accounting practices prescribed and permitted by the State of Michigan Department of Insurance. Such practices vary from accounting principles generally accepted in the United States of America (GAAP) principally in that certain assets reportable under GAAP are "non-admitted" and have been excluded from the accompanying balance sheets and charged directly to net worth, certain investments which would be carried at estimated fair value under GAAP are carried at amortized cost in the accompanying balance sheets, and changes in net deferred tax assets and liabilities are reflected as changes in surplus. Under GAAP, such deferred tax changes are reflected in operations.

The State of Michigan Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has not been adopted as a component of prescribed or permitted practices by the State of Michigan.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan (Michigan basis) is shown below:

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Net Income (Loss), Michigan basis	\$ 712,561	\$(4,553,743)
State Prescribed Practices:		
None	-	-
State Permitted Practices:		
None	-	-
Net Income (Loss), NAIC SAP	<u>\$ 712,561</u>	<u>\$(4,553,743)</u>
Statutory Surplus, Michigan basis	\$6,962,032	\$4,657,768
State Prescribed Practices:		
Premium receivables	315,520	-
Deferred taxes	232,476	516,000
Pharmacy rebates	-	85,560
State Permitted Practices:		
None	-	-
Statutory Surplus, NAIC SAP	<u>\$7,510,028</u>	<u>\$ 5,259,328</u>

Use of Estimates in the Preparation of the Financial Statements

The preparation of the financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

Significant Accounting Policies

The Company uses the following accounting principles:

Cash and short-term investments

Cash and cash equivalents consist of all highly liquid instruments which mature within three months from the date of purchase. Short-term investments consist primarily of investments purchased with an original maturity of 91 days to one year. The carrying amounts of cash and cash equivalents and short-term investments reported in the accompanying balance sheets approximate fair value.

Bonds

Bonds, which include special deposits, are carried at amortized cost. Bond premiums and discounts are amortized using the effective interest method. Fair values of bonds are based on quoted market prices, where available, which approximate NAIC values. NAIC values are based on the unit prices published by the Securities Valuation Office (SVO) of the NAIC unless the SVO publishes the amortized cost as the unit price, in which case fair values are based on quoted market prices, where available. The cost of bonds sold is based on the specific identification method. Bonds include all investments whose maturity is greater than one year when purchased. Declines deemed to be other-than-temporary impairments in the cost basis are recognized as realized capital losses.

NOTES TO FINANCIAL STATEMENTS

Premiums and amounts due and unpaid

Premium revenue for prepaid health care is recognized as income in the month in which the enrollees are entitled to health care services. Premiums collected in advance are reported as premiums received in advance.

Non-admitted amounts consist of all premiums receivable greater than 90 days past due and any other amounts deemed uncollectible. Uncollectible amounts are generally written off and charged to revenue in the period in which the customer reconciliations are completed and agreed to by the customer (retroactivity) or when the account is determined to be uncollectible (bad debt).

Medical and hospital costs and claims adjustment expenses and related reserves

Medical and hospital costs consist principally of medical claims and capitation costs. Claims unpaid include estimates of payments to be made on claims reported as of the balance sheet date and estimates of health care services incurred but not reported to the Company as of the balance sheet date. Such estimates are developed using actuarial principles and assumptions which consider, among other things, contracted requirements, historical utilization trends and payment patterns, medical inflation, product mix, seasonality and other relevant factors. Changes in estimates are recorded in medical and hospital costs in current earnings in the period they are determined. Capitation costs represent monthly fees paid to participating physicians and other medical providers for providing continuing medical care.

The Company uses the triangulation method to estimate the required claims incurred but not reported reserves. The method of triangulation makes estimates of completion factors which are then applied to the total paid claims net of coordination of benefits to date for each incurral month. This provides an estimate of the total projected incurred claims and total amount outstanding or claims incurred but not reported. Consideration is also given to changes in turnaround time and claim processing which may impact the completion factors.

Claims adjustment expenses represent costs incurred related to the claim settlement process such as costs to record, process and adjust claims. These expenses, which are included in the Company's management agreement described in Note 10, are calculated using a percentage of current medical and hospital costs, which is based on historical cost experience.

For the most current dates of service where there is insufficient paid claim data to rely solely on the completion factor method, the Company examines cost and utilization trends as well as environmental factors, plan changes, provider contracts, membership changes, and historical seasonal patterns to estimate the reserve required for these months.

Aggregate policy reserves and related expenses

Individual Conversion Reserves - The Company offers individual conversion policies to qualifying group policyholders. These policies are generally renewable at the option of the policyholder and statutory regulations preclude the Company from canceling coverages and may limit premium rate increases. The Company has established an individual conversion reserve ("ICR") for such policies. The ICR represents the net present value of future benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums.

The Company estimates its ICR using actuarial principles and assumptions which consider, among other things, contracted requirements, future premium increases, discount rates, historical utilization trends and payment patterns, persistency of membership and other relevant factors based on the Company's experience.

ICR expenses are recorded as an increase in accident and health reserves in 2002. In 2001, ICR expenses were recorded as an increase in medical and hospital expenses. The ICR balance is included in aggregate policy reserves on the balance sheet as of December 31, 2002. As of December 31, 2001, this reserve was held as a component of claims unpaid on the balance sheet.

Premium Deficiency Reserves - Premium deficiency reserves ("PDR") are recognized when it is probable that the expected future medical costs, including maintenance costs, will exceed anticipated future premiums and reinsurance recoveries on existing contracts. Contracts are grouped in a manner consistent with the method of acquiring, servicing and measuring the profitability of such contracts. In 2002, consistent with the Company's reorganization efforts, the Company changed its contract groupings to a more discreet grouping, as its method of acquiring, servicing and measuring profitability changed. PDR expenses are recorded as an increase in accident and health reserves. The PDR balance is recorded in aggregate policy reserves on the balance sheet.

Reserve for future contingent benefits

The reserve for future contingent benefits includes the estimated cost of services which will continue to be incurred after the balance sheet date if the Company is obligated to pay for such services in accordance with contract provisions or regulatory requirements. These balances are recorded in aggregate claim reserves on the balance sheet and are estimated using a percentage of current medical and hospital costs, which are based on historical cost experience.

Covered and uncovered expenses and related liabilities

Covered expenses and related liabilities represent costs for health care expenses for which a member is not responsible in the event of the insolvency of the Company. Uncovered expenses and related liabilities represent costs to the Company for health care services that are the obligation of the Company and for which a member may also be liable in the event of the Company's insolvency.

NOTES TO FINANCIAL STATEMENTS

Federal Income Taxes

In accordance with the written tax sharing agreement approved by the Company's Board of Directors, the Company's current federal income tax provisions are generally computed as if the Company were filing a separate federal income tax return; current income tax benefits, including those resulting from net operating losses, are recognized to the extent realized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Deferred income tax assets and liabilities represent the expected future tax consequences of temporary differences generated by statutory accounting as defined in SFAS No. 109, *Accounting for Income Taxes* (GAAP). Deferred income tax assets and liabilities are computed by means of identifying temporary differences which are measured using a balance sheet approach whereby statutory and tax basis balance sheets are compared. Current income tax recoverables include all current income taxes, including interest, reasonably expected to be recovered in a subsequent accounting period.

As of January 1, 2001, deferred income tax assets under NAIC SAP, are admitted in an amount equal to the sum of (1) previously paid federal income taxes which are expected to be recovered through loss carrybacks for existing temporary differences which reverse within a year and (2) the lesser of the amount of gross deferred tax assets expected to be realized within one year of the balance sheet date, or ten percent of statutory capital and surplus and (3) the amount of gross deferred tax assets, after the application of (1) and (2), that can be offset against existing gross deferred tax liabilities.

Net deferred income tax assets are classified as federal income taxes recoverable in the accompanying financial statements. Changes in deferred tax assets and deferred tax liabilities are recognized as a separate component of gains and losses in surplus ("Changes in net deferred tax assets") except to the extent allocated to changes in unrealized gains and losses. Changes in deferred tax assets and liabilities allocated to unrealized gains and losses are netted against the related changes in unrealized gains and losses and are reported as "Net unrealized capital gains and losses", also a separate component of gains and losses in surplus.

Reclassifications

Certain reclassifications have been made to the 2001 financial statements to conform with the classifications used in 2002. Specifically, prescription drugs have been reclassified out of aggregate write-ins for other medical and hospital.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Michigan.

3. Business Combinations and Goodwill

The Company was not a part of any business combinations that involved the statutory purchase method, a statutory merger, or an impairment loss.

4. Discontinued Operations

The Company did not have discontinued operations.

5. Investments

The Company had no mortgage loans, debt restructuring, reverse mortgages, loan backed securities, or repurchase agreements.

6. Joint Ventures, Partnerships, and Limited Liability Companies

The Company had no joint ventures, partnerships, or limited liability companies that exceeded 10% of its admitted assets.

7. Investment Income

Investment income due and accrued with amounts that are over 90 days old was zero.

8. Derivative Instruments

The Company does not have derivative instruments.

NOTES TO FINANCIAL STATEMENTS9. Income Taxes

- A. The components of the net Deferred Tax Assets recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Total of gross deferred tax assets	\$ 232,880	\$ 920,928
Total of deferred tax liabilities	<u>(404)</u>	<u>-</u>
Net deferred tax asset	232,476	920,928
Deferred tax asset nonadmitted	<u>(232,476)</u>	<u>(920,928)</u>
Net admitted deferred tax asset	<u>\$ -</u>	<u>\$ -</u>
(Increase) decrease in nonadmitted asset	<u>\$ 688,452</u>	<u>\$ -</u>

- B. There are no Deferred Tax Liabilities that are not recognized.

- C.1 The provisions for incurred taxes on earnings for the years ended December 31 are:

	<u>2002</u>	<u>2001</u>
Federal	\$235,961	\$(2,540,038)
Federal income tax on net capital gains	<u>28,992</u>	<u>88,038</u>
Federal income taxes incurred	<u>\$264,953</u>	<u>\$(2,452,000)</u>

- C.2 The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Deferred tax assets:		
Premium deficiency reserve	\$ 70,450	\$ 827,447
Discounted unpaid losses	50,009	80,389
Premium receivable	110,432	-
Other	<u>1,989</u>	<u>13,092</u>
Total deferred tax assets	232,880	920,928
Nonadmitted deferred tax assets	<u>(232,476)</u>	<u>(920,928)</u>
Admitted deferred tax assets	-	-
Deferred tax liabilities:		
Miscellaneous	<u>404</u>	<u>-</u>
Total deferred tax liabilities	<u>404</u>	<u>-</u>
Net admitted deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

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

	<u>December 31</u>		
	<u>2002</u>	<u>2001</u>	<u>Change</u>
Total deferred tax assets	\$232,880	\$920,928	\$(688,048)
Total deferred tax liabilities	<u>(404)</u>	<u>-</u>	<u>(404)</u>
Net deferred tax asset (liability)	\$232,476	\$920,928	(688,452)
Tax effect of unrealized gains (losses)			<u>-</u>
Change in net deferred income tax			<u>\$(688,452)</u>

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

	<u>December 31, 2002</u>	<u>Effective Tax Rate</u>
Provision computed as statutory rate	\$342,130	35.0%
Change in prior period deferred taxes	720,678	73.7%
Change in nonadmitted assets	(76,380)	(7.8)%
Other	<u>(33,023)</u>	<u>(3.4)%</u>
Total	<u>\$953,405</u>	<u>97.5%</u>
Federal and foreign income taxes incurred	\$264,953	27.1%
Change in net deferred income taxes	<u>688,452</u>	<u>70.4%</u>
Total statutory income taxes	<u>\$953,405</u>	<u>97.5%</u>

NOTES TO FINANCIAL STATEMENTS

- E. (1) The Company has no net capital loss or net operating loss carryforwards.
- (2) Other than the taxes incurred for the 2002 tax year, there are no remaining recoupable taxes for 2001 and prior years that can reasonably be expected to be received.

F.1 Through December 31, 2002, the Company's Federal Income Tax Return is consolidated with the following entities:

Common Parent Corporation - Aetna Inc.	Aetna Health Inc. (Pennsylvania) [f/k/a United States Health Care Systems of Pennsylvania, Inc.]
@Credentials Inc.	Aetna Health Inc. (Tennessee) [f/k/a Aetna U.S. Healthcare Inc. (Tennessee)]
AE Fifteen, Incorporated	Aetna Health Inc. (Texas) [f/k/a Aetna U.S. Healthcare Inc. (Texas)]
AE Housing Corp	Aetna Health Inc. (Washington) [f/k/a Aetna U.S. Healthcare Inc. (Washington)]
Aelan Inc.	Aetna Health Insurance Company of Connecticut [f/k/a U.S. Health Insurance Company (Connecticut)]
AET Health Care Plan of California, Inc. [f/k/a Prudential Health Care Plan of California, Inc.]	Aetna Health Insurance Company of New York [f/k/a U.S. Health Insurance Company (New York)]
AET Health Care Plan of Georgia, Inc. [f/k/a Prudential Health Care Plan of Georgia, Inc.]	Aetna Health Management, Inc.
Prudential Healthcare Plan, Inc.	Aetna Health of California Inc. [f/k/a Aetna U.S. Healthcare of California Inc.]
Aetna Business Resources, Inc.	Aetna Health of Illinois Inc. [f/k/a Aetna U.S. Healthcare of Illinois Inc.]
Aetna Dental Care of New Jersey Inc.	Aetna Health of North Texas Inc. [f/k/a Aetna U.S. Healthcare of North Texas Inc.]
Aetna Dental Inc. (Delaware) [f/k/a Aetna U.S. Healthcare Dental Plan Inc. (Delaware)]	Aetna Health of the Carolinas Inc. [f/k/a Aetna U.S. Healthcare of the Carolinas Inc.]
Aetna Dental Inc. (New Jersey) [f/k/a Aetna U.S. Healthcare Dental Plan Inc. (New Jersey)]	Aetna Health of Washington Inc. [f/k/a Aetna U.S. Healthcare of Washington Inc.]
Aetna Dental Inc. (Pennsylvania) [f/k/a Aetna U.S. Healthcare Dental Plan Inc. (Pennsylvania)]	Aetna Life & Casualty (Bermuda) Limited
Aetna Dental Inc. (Texas) [f/k/a Aetna U.S. Healthcare Dental Plan Inc. (Texas)]	Aetna Risk Indemnity Co. Limited
Aetna Dental Maintenance Organization, Inc. [f/k/a Prudential Dental Maintenance Organization, Inc.]	Aetna U.S. Healthcare Holdings, Inc. (DE)
Aetna Dental of California Inc. [f/k/a Aetna U.S. Healthcare Dental Plan of California, Inc.]	AUSHC Holdings, Inc. (Connecticut)
Aetna Government Health Plans, Inc.	AUSHC Holdings, Inc. (Delaware)
Aetna Health and Life Insurance Company	Corporate Health Insurance Company
Aetna Health Inc. (Arizona) [f/k/a Aetna U.S. Healthcare, Inc. (Arizona)]	Criterion Communications
Aetna Health Inc. (Colorado) [f/k/a Aetna U.S. Healthcare Inc. (Colorado)]	ETHIX Northwest Public Services, Inc.
Aetna Health Inc. (Connecticut) [f/k/a Aetna U.S. Healthcare, Inc. (Connecticut)]	ETHIX Northwest, Inc.
Aetna Health Inc. (Delaware) [f/k/a Aetna U.S. Healthcare Inc. (DE)]	Informed Health, Inc.
Aetna Health Inc. (Florida) [f/k/a Aetna U.S. Healthcare, Inc. (Florida)]	Integrated Pharmacy Solutions
Aetna Health Inc. (Georgia) [f/k/a Aetna U.S. Healthcare of Georgia Inc.]	InteliHealth, Inc.
Aetna Health Inc. (Louisiana) [f/k/a Aetna U.S. Healthcare Inc. (Louisiana)]	Lone Star Health Plan, Inc.
Aetna Health Inc. (Maine) [f/k/a Aetna U.S. Healthcare Inc. (Maine)]	Lone Star Holding Company
Aetna Health Inc. (Maryland) [f/k/a Aetna U.S. Healthcare Inc. (Maryland)]	Luettgens Limited
Aetna Health Inc. (Massachusetts) [f/k/a Aetna U.S. Healthcare Inc. (Massachusetts)]	Managed Care Coordinators, Inc.
Aetna Health Inc. (Michigan) [f/k/a Aetna U.S. Healthcare, Inc. (Michigan)]	Med Southwest, Inc.
Aetna Health Inc. (Missouri) [f/k/a U.S. Healthcare, Inc. (Missouri)]	New York Life and Health Insurance Company
Aetna Health Inc. (New Hampshire) [f/k/a Aetna U.S. Healthcare Inc. (New Hampshire)]	NYLCare Health Plans, Inc.
Aetna Health Inc. (New Jersey) [f/k/a Aetna U.S. Healthcare Inc. (New Jersey)]	NYLCare of New England, Inc.
Aetna Health Inc. (New York)	NYLCare of Texas, Inc.
Aetna Health Inc. (Ohio) [f/k/a Aetna U.S. Healthcare Inc. (Ohio)]	One Liberty Plaza Holdings, Inc.
Aetna Health Inc. (Oklahoma) [f/k/a Aetna U.S. Healthcare, Inc. (Oklahoma)]	Primary Holdings, Inc.
	Primary Investments, Inc.
	SANUS of New York and New Jersey, Inc.
	SANUS Preferred Providers West, Inc.
	The ETHIX Corporation
	U.S. Health Aviation Corp.
	U.S. Healthcare Properties, Inc.
	U.S. Managed Care, Inc.
	U.S. PatriotCare, Inc.
	U.S. Quality Algorithms, Inc.
	Vivahealth Incorporated

F.2 As explained in Note 1, The Company participates in a tax sharing agreement with Aetna Inc. and Aetna Inc.'s other subsidiaries.

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries, and Affiliates

The Company has the following significant transactions with affiliates:

The Company has an agreement with Aetna, under which Aetna provides certain administrative services, including accounting and processing of premiums and claims. For these services, the Company was charged \$3,458,807 in 2002 and \$3,933,014 in 2001. The arrangement also provides for interest on all intercompany balances. Interest earned on amounts due from affiliates was \$2,803 in 2002 and \$14,179 in 2001. Interest incurred on amounts due to affiliates was \$83,622 in 2002 and \$8,689 in 2001.

Amounts due to and due from affiliates shown on the accompanying balance sheets includes the Company's net receipts and disbursements processed by affiliates, administrative services and pharmacy rebate transactions.

The Company has entered into an arrangement which enables it to receive manufactures' pharmacy rebates from Aetna Health Management, LLC (AHM), formerly Aetna Health Management, Inc., a wholly-owned subsidiary of Aetna. The Company earned pharmacy rebates of \$671,342 in 2002 and \$564,798 in 2001, which were recorded as a reduction of medical costs.

The Company entered into a specific excess loss reinsurance agreement with Corporate Health Insurance Company, a wholly-owned subsidiary of Aetna. The agreement provides for the Company to be reimbursed for 100% of eligible losses, as defined, paid on behalf of any insured during the policy period. Reimbursement is subject to a specific deductible of \$500,000. The policy period is defined as the twelve month period beginning on the effective date of the agreement.

The Company paid reinsurance premiums of \$119,012 in 2002 and \$161,586 in 2001.

As explained in Note 1, the Company participates in a tax sharing agreement with Aetna and Aetna's other subsidiaries. All federal income tax receivables are due from/due to Aetna.

The Company did not pay dividends in 2002 or 2001. The company received capital contributions of \$1,000,000 and \$4,100,000 in 2002 and 2001, respectively, from Aetna.

The Company does not hold any investments in any affiliate.

The Company does not own shares of any upstream intermediate or Aetna.

The Company has not made any guarantees for the benefit of an affiliate.

11. Debt

The Company has no debt.

12. Retirement Plans, Deferred Compensation and Other Postretirement Benefit Plans

The Company does not have a retirement plan, deferred compensation plan, or other postretirement benefit plan.

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

The Company has 5,000 shares of common stock with \$.01 par value authorized, 1,000 shares issued and outstanding.

The Company has no preferred stock outstanding.

Dividend Restrictions

Dividends not requiring prior approval are limited to the net income less realized capital gains for the twelve month period ending the 31st day of December next preceding and the two preceding twelve month periods and dividends paid to stockholders in the preceding two years.

The portion of the Company's profits that may be paid as ordinary dividends to stockholders is \$0.

There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

The Company is not holding stock for any special purposes.

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

a. Unrealized gains and losses:	\$0
b. Nonadmitted asset values:	\$547,996
c. Separate account business:	\$0
d. Asset valuation reserves:	\$0
e. Provision for reinsurance:	\$0

NOTES TO FINANCIAL STATEMENTS

The Company does not have special surplus funds, surplus notes, or quasi-reorganizations.

14. Contingencies

Aetna and its subsidiaries are involved in certain claims and legal actions arising, for the most part, in the ordinary course of business operations, concerning benefit plan coverage, medical malpractice and other litigation. If found liable in such actions, which are vigorously defended on several grounds, Aetna and its subsidiaries may bear financial responsibility. In addition, the Company's business practices are subject to review by various state insurance and health care regulatory authorities and federal regulatory authorities. Recently, there has been heightened review by these regulators of the managed health care industry's business practices, including utilization management, delegated arrangements and claim payment practices. The Company is regularly the subject of such reviews. These reviews may result in changes to or clarifications of the Company's business practices, and may result in fines, penalties or other sanctions. In the opinion of management, while the ultimate outcome of these actions and these regulatory proceedings cannot be determined at this time, after consideration of the defenses available to Aetna and its subsidiaries, applicable insurance coverage and any related reserves established, they are not expected to result in liability for amounts material to the financial condition of the Company.

In the ordinary course of business, the Company is involved in and is subject to claims, contractual disputes with providers and other uncertainties. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial condition or results of operations.

15. Leases

The Company has no material lease obligations at this time.

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

The Company does not have financial instruments with off-balance sheet risk or financial instruments with concentration of credit risk.

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

The Company does not have transfers of receivables reported as sales, transfers and servicing of financial assets, or wash sales.

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

The Company did not serve as an Administrative Services Only or as an Administrative Services Contract plan administrator for uninsured accident and health plans or the uninsured portion of partially insured plans.

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

The Company does not have direct premiums written through/produced by managing general agents or third party administrators.

20. Other Items

A. Extraordinary Items

The Company does not have extraordinary items.

B. Troubled Debt Restructuring: Debtors

The Company does not have troubled debt restructuring.

C. Other Disclosures

The Company has no other disclosures.

D. The Company does not conduct its business through insurance agents or brokers, and it does not have uninsured plans or retrospectively rated contracts. Therefore, there are no balances for assets that would be reasonably possible to be uncollectible.

E. Reinsurance Accounted for as a Deposit (P/C and Title companies only)

Not applicable.

F. Multiple Peril Crop Insurance

Not applicable.

G. Mezzanine Real Estate Loans

Not applicable.

NOTES TO FINANCIAL STATEMENTS

H. Health Care ReceivablesPharmacy Rebates

The Company receives pharmacy rebates through an arrangement with an affiliated pharmaceutical benefits management company (PBM), AHM. AHM has contractual agreements with pharmaceutical companies for rebates, which cover the Company's membership as well as the membership of other Aetna affiliates. The Company receives from AHM those rebates related to the Company's membership. The Company estimates pharmaceutical rebates receivable based upon the historical payment trends, actual utilization and other variables. Estimated rebates are adjusted in a subsequent month's estimate to reflect actual billings after bills are rendered. Therefore, as presented below, pharmacy rebates as invoiced are assumed to be equal to estimated rebates. Actual rebates collected are applied to the collection periods below, using a first in first out methodology. The Company reports pharmaceutical rebates receivable as amounts due from affiliates. Pharmacy rebates over 90 days due are non-admitted.

The following table discloses the quarterly revenue and subsequent cash collections relating to the pharmacy rebates discussed in Note 10.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation
12/31/2002	\$172,634	\$0	\$0	\$0	\$0
9/30/2002	\$309,178	\$309,178	\$237,995	\$0	\$0
6/30/2002	\$93,737	\$93,737	\$93,737	\$0	\$0
3/31/2002	\$95,793	\$95,793	\$56,713	\$39,080	\$0
12/31/2001	\$134,374	\$134,374	\$92,740	\$41,634	\$0
9/30/2001	\$150,287	\$150,287	\$64,527	\$85,760	\$0
6/30/2001	\$227,861	\$227,861	\$164,942	\$62,919	\$0
3/31/2001	\$52,277	\$52,277	\$52,277	\$0	\$0
12/31/2000	\$0	\$0	\$0	\$0	\$0
9/30/2000	\$0	\$0	\$0	\$0	\$0
6/30/2000	\$0	\$0	\$0	\$0	\$0
3/31/2000	\$0	\$0	\$0	\$0	\$0

Risk Sharing Receivables

The Company has no admitted risk sharing receivables.

I. September 11 Events

The Company has no contingent unpaid claims or no material losses related to September 11 events. The Company will continue to monitor the potential impact of these events and their aftermath, including the threat of terrorism, on its business, including their potential impact on claims in future periods.

J. Real Estate

The Company has no investments in real estate.

K. Participating Policies

The Company has no participating policies.

L. Premium Deficiency Reserves

As of December 31, 2002 and 2001, the Company had liabilities of \$201,285 and \$2,364,134, respectively, related to premium deficiency reserves. The Company considered anticipated investment income when calculating its premium deficiency reserves.

M. Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

NOTES TO FINANCIAL STATEMENTS

N. Business Combinations and Goodwill – Assumption Reinsurance

The Company has no assumption reinsurance agreements.

21. Events Subsequent

The Company does not have any material subsequent events.

22. Reinsurance

The Company does not have reinsurance recoverables in dispute, reinsurance assumed, uncollectible reinsurance, commutation of ceded reinsurance, or retroactive reinsurance.

See Note 10 for reinsurance agreements with affiliated companies.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company does not have retrospectively rated contracts or contracts subject to redetermination.

24. Salvage and Subrogation

See discussion of Medical costs and claims adjustment expenses and related reserves in Note 1.

25. Change in Incurred Claims and Claims Adjustment Expense

The following schedule represents the changes in incurred claims and claims adjustment expense from the beginning of the year to the end of the year.

(amounts in thousands)	2002	2001
Balance, January 1	\$ 8,199	\$ 2,882
Incurred related to:		
Current year	28,374	33,511
Prior years	<u>(1,850)</u>	<u>224</u>
Total incurred	26,524	33,735
Paid related to:		
Current year	24,650	25,574
Prior years	<u>5,167</u>	<u>2,844</u>
Total paid	29,817	28,418
Balance, December 31	<u>\$ 4,906</u>	<u>\$ 8,199</u>

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by \$1.8 million from \$8.1 million in 2001 to \$6.3 million in 2002 as a result of the payment of claims and claim adjustment expenses, the continued evaluation of unpaid claims and claim adjustment expenses and the reclassification of \$70,477 of reserves to aggregate policy reserves for the Company's ICR in 2002 (Refer to Note 1 for more information). This decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. No additional premium or return premium has been accrued as a result of prior year effects.

Net coordination of benefits are implicit in the claims incurred but not reported calculation and can not be specifically identified.

26. Organization and Operation

The Company is indirectly a wholly-owned subsidiary of Aetna.

The Company is incorporated in the state of Michigan and commenced operations as a health maintenance organization (HMO) in 1998.

27. Minimum Net Worth

Under the laws of the State of Michigan, the Company is required to maintain a minimum net worth of \$500,000 excluding land, buildings, and equipment or \$1,000,000 including land, buildings, and equipment. At December 31, 2002 and 2001, the Company's net worth exceeded all such requirements.

NOTES TO FINANCIAL STATEMENTS

The NAIC adopted risk-based capital (RBC) standards for health organizations, including HMOs, that are designed to identify companies that may be under capitalized by comparing the company's adjusted statutory net worth to its required statutory net worth (RBC ratio). The RBC ratio is designed to reflect the risk profile of the company. Within certain ratio ranges, regulators have increasing authority to take action as the RBC ratio decreases. There are four levels of regulatory action, ranging from requiring insurers to submit a comprehensive plan to the state insurance commissioner to requiring the state insurance commissioner to place the insurer under regulatory control. Although the State of Michigan has not yet adopted these rules, at December 31, 2002, the Company has net worth that exceeded the highest threshold specified by the RBC rules.

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	1,061,014	7.6	1,061,014	7.6
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....	0	0.0	0	0.0
1.22 Issued by U.S. government sponsored agencies.....	0	0.0	0	0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....	0	0.0	0	0.0
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	0.0	0	0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....	0	0.0	0	0.0
1.43 Revenue and assessment obligations.....	0	0.0	0	0.0
1.44 Industrial development and similar obligations.....	0	0.0	0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA.....	0	0.0	0	0.0
1.512 Issued by FNMA and FHLMC.....	0	0.0	0	0.0
1.513 Privately issued.....	0	0.0	0	0.0
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC.....	0	0.0	0	0.0
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....	0	0.0	0	0.0
1.523 All other privately issued.....	0	0.0	0	0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....	0	0.0	0	0.0
2.2 Unaffiliated foreign securities.....	0	0.0	0	0.0
2.3 Affiliated securities.....	0	0.0	0	0.0
3. Equity interests:				
3.1 Investments in mutual funds.....	0	0.0	0	0.0
3.2 Preferred stocks:				
3.21 Affiliated.....	0	0.0	0	0.0
3.22 Unaffiliated.....	0	0.0	0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....	0	0.0	0	0.0
3.32 Unaffiliated.....	0	0.0	0	0.0
3.4 Other equity securities:				
3.41 Affiliated.....	0	0.0	0	0.0
3.42 Unaffiliated.....	0	0.0	0	0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....	0	0.0	0	0.0
3.52 Unaffiliated.....	0	0.0	0	0.0
4. Mortgage loans:				
4.1 Construction and land development.....	0	0.0	0	0.0
4.2 Agricultural.....	0	0.0	0	0.0
4.3 Single family residential properties.....	0	0.0	0	0.0
4.4 Multifamily residential properties.....	0	0.0	0	0.0
4.5 Commercial loans.....	0	0.0	0	0.0
5. Real estate investments:				
5.1 Property occupied by company.....	0	0.0	0	0.0
5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt).....	0	0.0	0	0.0
5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....	0	0.0	0	0.0
6. Policy loans.....	0	0.0	0	0.0
7. Receivables for securities.....	0	0.0	0	0.0
8. Cash and short-term investments.....	12,942,923	92.4	12,942,923	92.4
9. Other invested assets.....	0	0.0	0	0.0
10. Total invested assets.....	14,003,937	100.0	14,003,937	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A

1.3 State regulating? Michigan

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

2.2 If yes, date of change: 05/01/2002
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1999

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/1999

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/12/2001

3.4 By what department or departments? State of Michigan, 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 a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes No

4.12 renewals? Yes No

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

4.21 sales of new business? Yes No

4.22 renewals? Yes No

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

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	00000	

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

6.2 If yes, give full information:

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

7.2 If yes,
7.21 State the percentage of foreign control.0.000 %

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

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG LLP
One Financial Plaza, 755 Main Street, Hartford, CT 06103
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
James E. Gingrich, Jr., Actuary
980 Jolly Road, Blue Bell, PA 19422
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 10.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

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

FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.11 To directors or other officers \$.....0
- 14.12 To stockholders not officers \$.....0
- 14.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 14.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 14.21 To directors or other officers \$.....0
- 14.22 To stockholders not officers \$.....0
- 14.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- 15.21 Rented from others \$.....0
- 15.22 Borrowed from others \$.....0
- 15.23 Leased from others \$.....0
- 15.24 Other \$.....0
- Disclose in the Notes to Financial the nature of each obligation.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No []
- 16.2 If answer is yes:
- 16.21 Amount paid as losses or risk adjustment \$.....0
- 16.22 Amount paid as expenses \$.....6,612
- 16.23 Other amounts paid \$.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. 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?
Preferred.....	50,000	0,000	0.01	0	Yes [X] No []	Yes [] No [X]
Common.....	5,000,000	1,000,000	0.01	XXX	XXX XXX	XXX XXX

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

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

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

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

19.21 Loaned to others	\$.....	0
19.22 Subject to repurchase agreements	\$.....	0
19.23 Subject to reverse repurchase agreements	\$.....	0
19.24 Subject to dollar repurchase agreements	\$.....	0
19.25 Subject to reverse dollar repurchase agreements	\$.....	0
19.26 Pledged as collateral	\$.....	0
19.27 Placed under option agreements	\$.....	0
19.28 Letter stock or securities restricted as to sale	\$.....	0
19.29 Other	\$.....	0

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

19.31 Not Applicable	_____
19.32	_____
19.33	_____
19.34	_____
19.35	_____
19.36	_____
19.37	_____
19.38	_____
19.39	_____

For categories (19.21) and (19.23) 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.

19.4 For category (19.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
Not Applicable		0

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

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

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

21.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

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

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

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank & Trust Co.	225 Franklin Street, Boston, MA 02110
State Street Bank & Trust Co.	Brussels, Belgium B1-1210

GENERAL INTERROGATORIES (continued)

INVESTMENT

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

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Not Applicable		

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Not Applicable			

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

1 Central Registration Depository Number(s)	2 Name	3 Address
Not Applicable		

OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....0

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

1 Name	2 Amount Paid
	0

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

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

1 Name	2 Amount Paid
	0

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

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

1 Name	2 Amount Paid
	0

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
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	\$.....	0
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$.....	0
1.31	Reason for excluding		
<hr/>			
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$.....	0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$.....	0
1.6	Individual policies:		
	Most current three years:		
1.61	Total premium earned	\$.....	0
1.62	Total incurred claims	\$.....	0
1.63	Number of covered lives	.....	0
	All years prior to most current three years:		
1.64	Total premium earned	\$.....	0
1.65	Total incurred claims	\$.....	0
1.66	Number of covered lives	.....	0
1.7	Group policies:		
	Most current three years:		
1.71	Total premium earned	\$.....	0
1.72	Total incurred claims	\$.....	0
1.73	Number of covered lives	.....	0
	All years prior to most current three years:		
1.74	Total premium earned	\$.....	0
1.75	Total incurred claims	\$.....	0
1.76	Number of covered lives	.....	0
2.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?	Yes []	No [X]
2.2	If yes, give particulars:		
<hr/>			
3.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?	Yes [X]	No []
3.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?	Yes []	No []
4.1	Does the reporting entity have stop-loss reinsurance?	Yes [X]	No []
4.2	If no, explain:		
<hr/>			
4.3	Maximum retained risk (see instructions):		
4.31	Comprehensive medical	\$.....	500,000
4.32	Medical only	\$.....	0
4.33	Medicare supplement	\$.....	0
4.34	Dental	\$.....	0
4.35	Other limited benefit plan	\$.....	0
4.36	Other	\$.....	0
5.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: <u>Provider contracts contain hold harmless and continuity of coverage provisions.</u> <u>In addition, the HMO maintains an insolvency protection agreement with an affiliate of the HMO.</u>		
6.1	Does the reporting entity set up its claim liability for provider services on a service data base?	Yes [X]	No []
6.2	If no, give details:		
<hr/>			
7.	Provide the following information regarding participating providers:		
7.1	Number of providers at start of reporting year	.....	5,921
7.2	Number of providers at end of reporting year	.....	6,674
8.1	Does the reporting entity have business subject to premium rate guarantees?	Yes []	No [X]
8.2	If yes, direct premium earned:		
8.21	Business with the rate guarantees between 15-36 months	\$.....	0
8.22	Business with rate guarantees over 36 months	\$.....	0
9.1	Does the reporting entity have Bonus/withhold arrangements in its provider contracts?	Yes []	No [X]
9.2	If yes:		
9.21	Maximum amount payable bonuses	\$.....	0
9.22	Amount actually paid for year bonuses	\$.....	0
9.23	Maximum amount payable withholds	\$.....	0
9.24	Amount actually paid for year withholds	\$.....	0
10.	List service areas in which reporting entity is licensed to operate:		
	<div style="text-align: center;">1</div> <div style="text-align: center;">Name of Service Area</div> <div style="text-align: center;">Macomb, Monroe, Oakland, St. Clair, Wayne</div>		

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23).....	14,474,168	15,325,906	9,066,326	6,489,529	5,543,620
2. Total liabilities (Page 3, Line 18).....	7,512,136	10,668,138	2,913,752	524,806	109,920
3. Statutory surplus.....	3,196,078	3,695,240	0	0	0
4. Total capital and surplus (Page 3, Line 26).....	6,962,032	4,657,768	6,152,574	5,964,723	5,433,700
Income Statement Items (Page 4)					
5. Total revenues (Line 7).....	27,715,661	31,556,479	10,530,219	1,692,161	174,950
6. Total medical and hospital expenses (Line 17).....	25,751,110	32,739,795	9,034,998	1,218,910	166,504
7. Total administrative expenses (Line 19).....	2,778,110	3,165,708	1,237,883	237,636	31,212
8. Net underwriting gain (loss) (Line 22).....	506,280	(7,708,641)	(13,326)	235,615	(22,766)
9. Net investment gain (loss) (Line 25).....	471,234	702,898	397,211	554,555	349,622
10. Total other income (Lines 26 plus 27).....	0	0	0	0	0
11. Net income or (loss) (Line 30).....	712,561	(7,005,743)	246,885	502,170	212,856
Risk-Based Capital Analysis					
12. Total adjusted capital.....	6,962,032	4,657,768	0	0	0
13. Authorized control level risk-based capital.....	1,598,039	1,847,620	0	0	0
Enrollment (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7).....	8,166	21,964	11,806	2,136	369
15. Total member months (Column 6, Line 7).....	170,019	230,837	84,329	13,728	1,514
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 medical and hospital (Line 17).....	92.9	103.8	85.8	72.0	95.2
18. Total underwriting deductions (Line 21).....	98.2	124.4	100.1	86.1	113.0
19. Total underwriting gain (loss) (Line 22).....	1.8	(24.4)	(0.1)	13.9	(13.0)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5).....	6,170,478	3,016,203	370,950	120,759	0
21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)	7,998,991	2,831,071	391,299	97,024	0

Statement as of December 31, 2002 of the **Aetna Health Inc. (a Michigan corporation)**
FIVE-YEAR HISTORICAL DATA (Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
Investments in Parent, Subsidiaries and Affiliates					
22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....	0	0	0	0	0
23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....	0	0	0	0	0
24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....	0	0	0	0	0
25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....	0	0	0	0	0
26. Affiliated mortgage loans on real estate.....	0	0	0	0	0
27. All other affiliated.....	0	0	0	0	0
28. Total of above Lines 22 to 27.....	0	0	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

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

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds	
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States.....	1,061,014	1,076,896	1,062,055	1,060,000
	2. Canada.....	0	0	0	0
	3. Other Countries.....	0	0	0	0
	4. Totals.....	1,061,014	1,076,896	1,062,055	1,060,000
States, Territories and Possessions (Direct and guaranteed)	5. United States.....	0	0	0	0
	6. Canada.....	0	0	0	0
	7. Other Countries.....	0	0	0	0
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	0	0	0	0
	10. Canada.....	0	0	0	0
	11. Other Countries.....	0	0	0	0
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....	0	0	0	0
	14. Canada.....	0	0	0	0
	15. Other Countries.....	0	0	0	0
	16. Totals.....	0	0	0	0
Public Utilities (unaffiliated)	17. United States.....	0	0	0	0
	18. Canada.....	0	0	0	0
	19. Other Countries.....	0	0	0	0
	20. Totals.....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....	0	0	0	0
	22. Canada.....	0	0	0	0
	23. Other Countries.....	0	0	0	0
	24. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals.....	0	0	0	0
	26. Total Bonds.....	1,061,014	1,076,896	1,062,055	1,060,000
PREFERRED STOCKS					
Public Utilities (Unaffiliated)	27. United States.....	0	0	0	0
	28. Canada.....	0	0	0	0
	29. Other Countries.....	0	0	0	0
	30. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....	0	0	0	0
	32. Canada.....	0	0	0	0
	33. Other Countries.....	0	0	0	0
	34. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....	0	0	0	0
	36. Canada.....	0	0	0	0
	37. Other Countries.....	0	0	0	0
	38. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals.....	0	0	0	0
	40. Total Preferred Stocks.....	0	0	0	0
COMMON STOCKS					
Public Utilities (Unaffiliated)	41. United States.....	0	0	0	0
	42. Canada.....	0	0	0	0
	43. Other Countries.....	0	0	0	0
	44. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....	0	0	0	0
	46. Canada.....	0	0	0	0
	47. Other Countries.....	0	0	0	0
	48. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	0	0	0	0
	50. Canada.....	0	0	0	0
	51. Other Countries.....	0	0	0	0
	52. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals.....	0	0	0	0
	54. Total Common Stocks.....	0	0	0	0
	55. Total Stocks.....	0	0	0	0
	56. Total Bonds and Stocks...	1,061,014	1,076,896	1,062,055	1,060,000

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....0.

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year.....	4,649,593		6. Foreign exchange adjustment:		
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	4,523,633		6.1 Column 17, Part 1.....	0	
3. Increase (decrease) by adjustment:			6.2 Column 13, Part 2, Section 1.....	0	
3.1 Column 16, Part 1.....	(1,044)		6.3 Column 11, Part 2, Section 2.....	0	
3.2 Column 12, Part 2, Section 1.....	0		6.4 Column 11, Part 4.....	0	0
3.3 Column 10, Part 2, Section 2.....	0		7. Book/adjusted carrying value at end of current period.....	1,061,014	
3.4 Column 10, Part 4.....	(3,583)	(4,627)	8. Total valuation allowance.....	0	
4. Total gain (loss), Column 14, Part 4.....	82,727		9. Subtotal (Lines 7 plus 8).....	1,061,014	
5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4...	8,190,312		10. Total nonadmitted amounts.....	0	
			11. Statement value of bonds and stocks, current period.....	1,061,014	

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only			6 Federal Employees Health Benefits Program Premiums
			3 Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	
1. Alabama.....AL	No	No	0	0	0	0
2. Alaska.....AK	No	No	0	0	0	0
3. Arizona.....AZ	No	No	0	0	0	0
4. Arkansas.....AR	No	No	0	0	0	0
5. California.....CA	No	No	0	0	0	0
6. Colorado.....CO	No	No	0	0	0	0
7. Connecticut.....CT	No	No	0	0	0	0
8. Delaware.....DE	No	No	0	0	0	0
9. District of Columbia.....DC	No	No	0	0	0	0
10. Florida.....FL	No	No	0	0	0	0
11. Georgia.....GA	No	No	0	0	0	0
12. Hawaii.....HI	No	No	0	0	0	0
13. Idaho.....ID	No	No	0	0	0	0
14. Illinois.....IL	No	No	0	0	0	0
15. Indiana.....IN	No	No	0	0	0	0
16. Iowa.....IA	No	No	0	0	0	0
17. Kansas.....KS	No	No	0	0	0	0
18. Kentucky.....KY	No	No	0	0	0	0
19. Louisiana.....LA	No	No	0	0	0	0
20. Maine.....ME	No	No	0	0	0	0
21. Maryland.....MD	No	No	0	0	0	0
22. Massachusetts.....MA	No	No	0	0	0	0
23. Michigan.....MI	No	Yes	27,797,827	0	0	36,846
24. Minnesota.....MN	No	No	0	0	0	0
25. Mississippi.....MS	No	No	0	0	0	0
26. Missouri.....MO	No	No	0	0	0	0
27. Montana.....MT	No	No	0	0	0	0
28. Nebraska.....NE	No	No	0	0	0	0
29. Nevada.....NV	No	No	0	0	0	0
30. New Hampshire.....NH	No	No	0	0	0	0
31. New Jersey.....NJ	No	No	0	0	0	0
32. New Mexico.....NM	No	No	0	0	0	0
33. New York.....NY	No	No	0	0	0	0
34. North Carolina.....NC	No	No	0	0	0	0
35. North Dakota.....ND	No	No	0	0	0	0
36. Ohio.....OH	No	No	0	0	0	0
37. Oklahoma.....OK	No	No	0	0	0	0
38. Oregon.....OR	No	No	0	0	0	0
39. Pennsylvania.....PA	No	No	0	0	0	0
40. Rhode Island.....RI	No	No	0	0	0	0
41. South Carolina.....SC	No	No	0	0	0	0
42. South Dakota.....SD	No	No	0	0	0	0
43. Tennessee.....TN	No	No	0	0	0	0
44. Texas.....TX	No	No	0	0	0	0
45. Utah.....UT	No	No	0	0	0	0
46. Vermont.....VT	No	No	0	0	0	0
47. Virginia.....VA	No	No	0	0	0	0
48. Washington.....WA	No	No	0	0	0	0
49. West Virginia.....WV	No	No	0	0	0	0
50. Wisconsin.....WI	No	No	0	0	0	0
51. Wyoming.....WY	No	No	0	0	0	0
52. American Samoa.....AS	No	No	0	0	0	0
53. Guam.....GU	No	No	0	0	0	0
54. Puerto Rico.....PR	No	No	0	0	0	0
55. U.S. Virgin Islands.....VI	No	No	0	0	0	0
56. Canada.....CN	No	XXX	0	0	0	0
57. Aggregate Other alien.....OT	XXX	XXX	0	0	0	0
58. Total (Direct Business)	XXX	(a) 1	27,797,827	0	0	36,846

DETAILS OF WRITE-INS

5701.	0	0	0	0
5702.	0	0	0	0
5703.	0	0	0	0
5798. Summary of remaining write-ins for line 57 from overflow page.....	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....	0	0	0	0

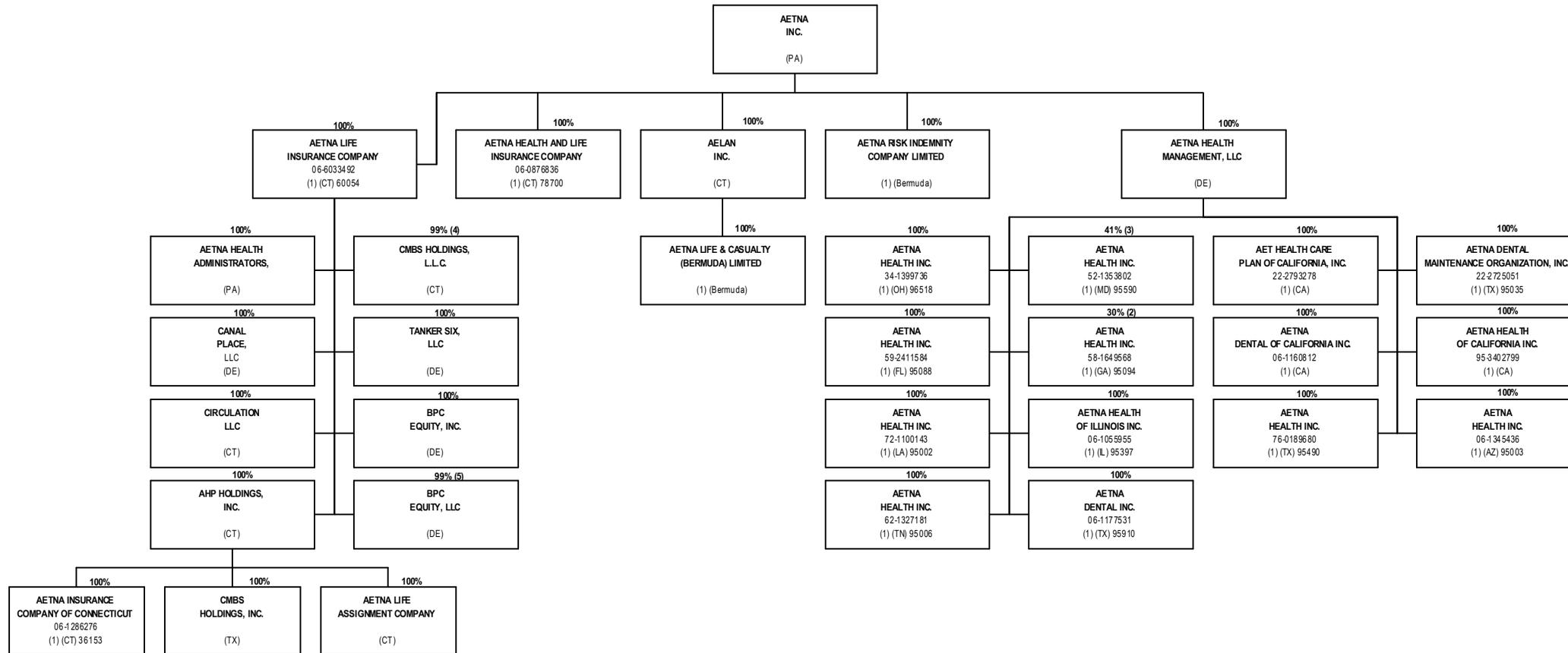
Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

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

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE
AETNA INC. AND ITS INSURANCE AFFILIATES

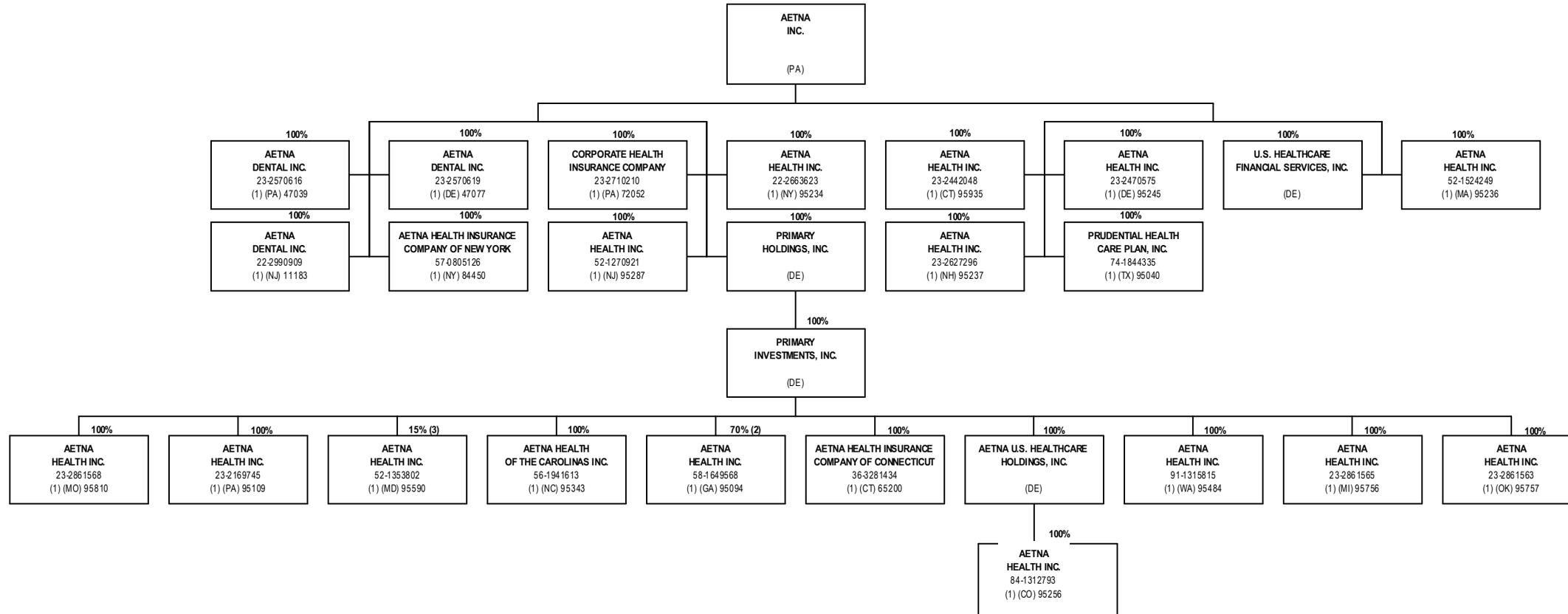


(1) Insurers/HMOs
 (2) Primary Investments, Inc. owns 70% of Aetna Health Inc. (GA).
 (3) NYLCare Health Plans, Inc. owns 44% and Primary Investments, Inc. owns 15% of Aetna Health Inc. (MD).
 (4) CMBS Holdings, Inc. -- II owns 1% of CMBS Holdings, L.L.C.
 (5) BPC Equity, Inc. owns 1% of BPC Equity, LLC.
 Percentages are rounded to the nearest whole percent and are based on ownership of voting rights.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE
AETNA INC. AND ITS INSURANCE AFFILIATES



55.1

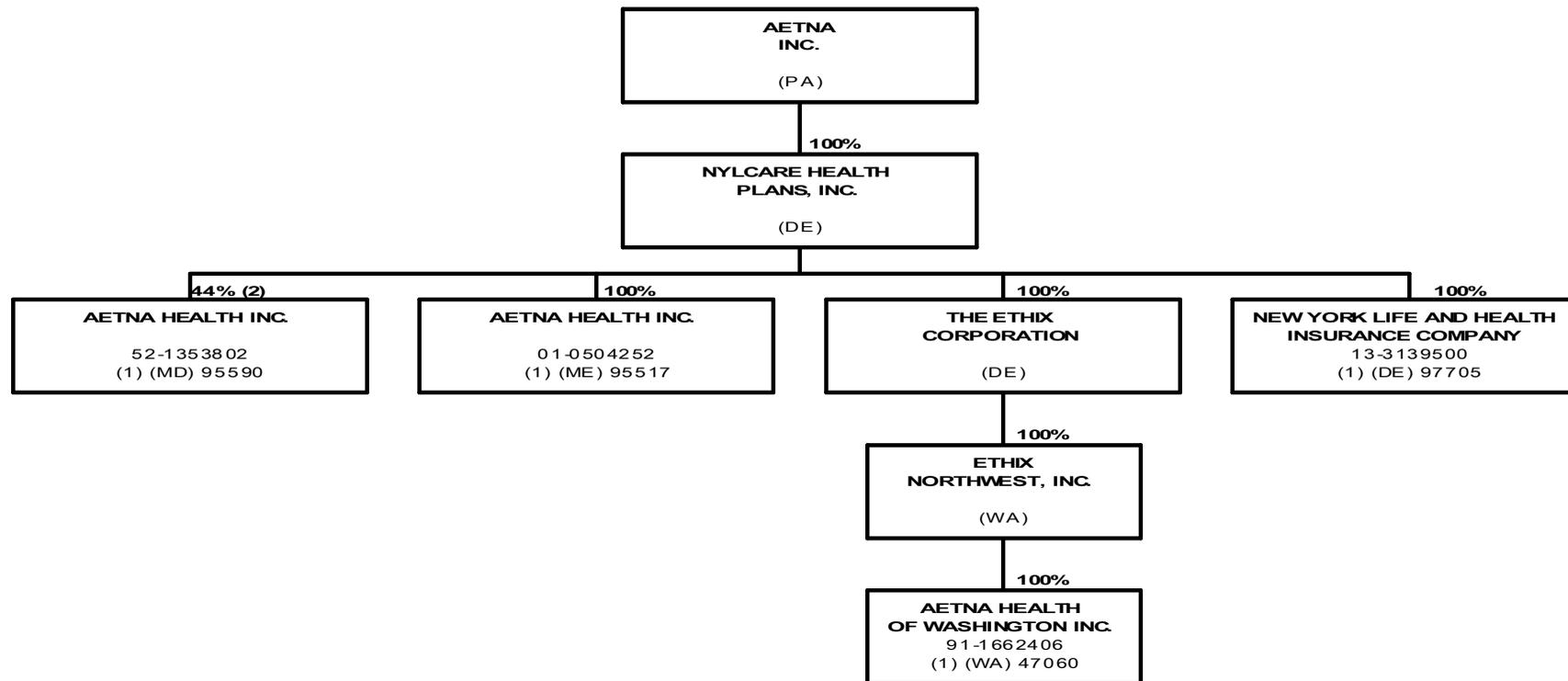
(1) Insurers/HMOs
 (2) Aetna Health Management, Inc. owns 37% of Aetna Health Inc. (GA).
 (3) NYLCare Health Plans, Inc. owns 44% and Aetna Health Management, Inc. owns 41% of Aetna Health Inc. (MD).

Percentages are rounded to the nearest whole percent and are based on ownership of voting rights.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE AETNA INC. AND ITS INSURANCE AFFILIATES



(1) Insurers/HMOs

(2) Aetna Health Management LLC owns 41% and Primary Investments, Inc. owns 15% of Aetna Health Inc. (MD).

Percentages are rounded to the nearest whole percent and are based on ownership of voting rights.