Financial Experience and Budget Projections Fiscal Years Ended December 31

AGGREGATE

	Actual Results			Projections		
	2002	2003	2004	2005	2006	2007
Income						
Employer Funding & Employee Contributions	$55,673,059	$68,736,127	$75,271,397	$89,559,500	$89,858,900	$90,180,800
COBRA & Retiree Contributions	2,308,354	2,921,064	2,919,193	3,317,500	3,327,400	3,337,300
Investment Income	1,644,483	526,043	532,185	350,000	350,000	350,000
Total Income	**$59,625,896**	**$72,183,234**	**$78,722,774**	**$93,227,000**	**$93,536,300**	**$93,868,100**
Costs						
Medical	$42,039,952	$48,099,359	$48,209,243	$54,596,900	$61,631,900	$69,581,500
Prescription Drugs	11,736,270	12,965,685	15,013,789	16,921,600	19,187,000	21,758,300
Dental	4,725,168	4,168,587	4,784,387	5,122,100	5,550,800	6,016,000
Mental Health	2,295,267	2,243,056	1,473,243	1,457,700	1,638,000	1,840,900
Vision	61,577	60,905	67,938	80,000	82,400	85,000
Stop loss Recoveries	-	-	-	-	-	-
Rebates	(486,246)	(882,245)	(1,660,728)	(1,317,300)	(1,356,800)	(1,397,500)
Stop loss Fees	(170)	-	-	-	-	-
COBRA Notifications	34,594	36,062	30,305	38,000	40,000	41,000
Prescription Fees	95,060	102,051	148,029	171,000	176,000	177,000
Personnel Cost	150,619	215,422	206,080	1,116,000	1,176,000	1,180,000
Consulting /Legal/ Admin.	55,720	157,393	156,239	160,900	160,900	160,900
Dental Administrative Expense	-	424,720	434,031	469,000	494,000	520,000
Medical Administrative Expenses	4,454,040	5,300,650	5,725,603	5,725,600	5,725,600	5,725,600
Total Costs	**$65,161,851**	**$72,891,645**	**$74,588,158**	**$84,541,500**	**$94,505,800**	**$105,688,700**
Operating Excess (Shortfall)	**$(5,535,954)**	**$(708,411)**	**$4,134,616**	**$8,685,500**	**$(969,500)**	**$(11,820,600)**
Total IBNR and Contingent Reserves Available	**$14,467,415**	**$13,759,004**	**$17,893,620**	**$26,579,120**	**$25,609,620**	**$13,789,020**
Breakeven Contribution Rate per Participant per Month (Total Cost + Change in IBNR and Contingent Reserves)	**$431.79**	**$508.00**	**$504.85**	**$571.67**	**$635.44**	**$708.12**

Financial Experience and Budget Projections Fiscal Years Ended December 31

PER PARTICIPANT PER MONTH

	Actual Results			Projections		
	2002	2003	2004	2005	2006	2007
Income						
Total Income	**$419.24**	**$492.61**	**$530.42**	**$615.90**	**$615.93**	**$615.89**
Costs						
Medical	$295.59	$328.25	$324.83	$360.69	$405.85	$456.54
Prescription Drugs	82.52	88.48	101.16	111.79	126.35	142.76
Dental	33.22	28.45	32.24	33.84	36.55	39.47
Mental Health	16.14	15.31	9.93	9.63	10.79	12.08
Vision	0.43	0.42	0.46	0.53	0.54	0.56
Stop loss Recoveries	-	-	-	-	-	-
Rebates	(3.42)	(6.02)	(11.19)	(8.70)	(8.93)	(9.17)
Stop loss Fees	-	-	-	-	-	-
COBRA Notifications	0.24	0.25	0.20	0.25	0.26	0.27
Prescription Fees	0.67	0.70	1.00	1.13	1.16	1.16
Personnel Cost	1.06	1.47	1.39	7.37	7.74	7.74
Consulting /Legal/ Admin.	0.39	1.07	1.05	1.06	1.06	1.06
Dental Administrative Expense	-	2.90	2.92	3.10	3.25	3.41
Medical Administrative Expenses	31.32	36.17	38.58	37.83	37.70	37.57
Total Costs	**$458.16**	**$497.45**	**$502.57**	**$558.52**	**$622.32**	**$693.45**
Operating Excess (Shortfall)	**$(38.92)**	**$(4.84)**	**$27.85**	**$57.38**	**$(6.39)**	**$(77.56)**
Total IBNR and Contingent Reserves Available	**$101.72**	**$93.90**	**$120.56**	**$175.59**	**$168.64**	**$90.47**
Breakeven Contribution Rate per Participant per Month (Total Cost + Change in IBNR and Contingent Reserves)	**$431.79**	**$508.00**	**$504.85**	**$571.67**	**$635.44**	**$708.12**
Average Number of Participants	**11,852**	**12,211**	**12,368**	**12,614**	**12,655**	**12,701**

Budget Projections Assumptions Fiscal Years Ended December 31

ASSUMPTIONS

	2005	2006	2007
Average Contribution Rate per Month:			
Active	$620.00	$620.00	$620.00
Cobra	439.90	439.90	439.90
Retiree	411.30	411.30	411.30
Average Number of Participants:			
Active	11,950	11,990	12,033
Cobra	124	124	124
Retiree	540	541	544
Benefit Cost Trend Factors:			
Medical	13.0%	12.5%	12.5%
Prescription Drugs	13.0%	13.0%	13.0%
Dental	8.0%	8.0%	8.0%
Mental Health	12.5%	12.0%	12.0%
Vision	3.0%	3.0%	3.0%
Stop loss Recoveries	0.0%	0.0%	0.0%
Rebates	3.0%	3.0%	3.0%
Stop loss Fees	0.0%	0.0%	0.0%
COBRA Notifications	5.0%	5.0%	5.0%
Prescription Fees	3.0%	3.0%	3.0%
Personnel Cost	5.0%	5.0%	5.0%
Consulting Legal Admin.	0.0%	0.0%	0.0%
Dental Administrative Expense	0.0%	5.0%	5.0%
Medical Administrative Expenses	0.0%	0.0%	0.0%
Investment Yield*:	**3.1%**	**3.1%**	**3.1%**
Annual Investible Assets:	**$19,589,385**	**$28,672,885**	**$28,235,385**
Recommended IBNR and Contingent Reserves:	**$26,579,120**	**$25,609,620**	**$13,789,020**

Other Key Assumptions:

4% annual growth in the number of active participants
0% annual growth in the number of COBRA participants
5% annual growth in the number of retirees

*We note that the investment yield only includes investments from fixed income securities and dividends from equities. It does not reflect realized or unrealized gains or losses. To the extent that market conditions are favorable or unfavorable, there will be an adjustment at the end of the year to reflect actual investment experience.

Budget Projections
Fiscal Years Ended
December 31

PER ACTIVE PER MONTH

	2005	2006	2007
Income			
Employer and Employee Contributions	$620.00	$620.00	$620.00
Costs			
Medical, Dental and Mental Health	$402.77	$451.52	$506.22
Prescription Drugs	$108.27	$122.35	$138.25
Total Costs including administrative expense	$548.53	$611.22	$681.70
Excess / (Shortfall) per Active per Month	$71.47	$8.78	($61.70)
Average Number of Actives	11,950	11,990	12,033

PER RETIREE PER MONTH

	2005	2006	2007
Income			
Retiree Contributions	$411.30	$411.30	$411.30
Costs			
Medical, Dental and Mental Health	$443.94	$498.36	$559.49
Prescription Drugs	$184.55	$208.54	$235.65
Total Costs including administrative expense	$674.51	$752.95	$841.05
Subsidy per Retiree per Month	($263.21)	($341.65)	($429.76)
Average Number of Retirees	540	541	544

PER COBRA PARTICIPANT PER MONTH

	2005	2006	2007
Income			
COBRA Contributions	$439.89	$439.89	$439.89
Costs			
Medical, Dental and Mental Health	$335.88	$376.96	$423.10
Prescription Drugs	$136.21	$153.91	$173.92
Total Costs including administrative expense	$506.65	$565.36	$631.43
Subsidy per COBRA Participant per Month	($66.75)	($125.47)	($191.54)
Average Number of COBRA Participants	124	124	124

Targeted Reserves Fiscal Years Ended December 31

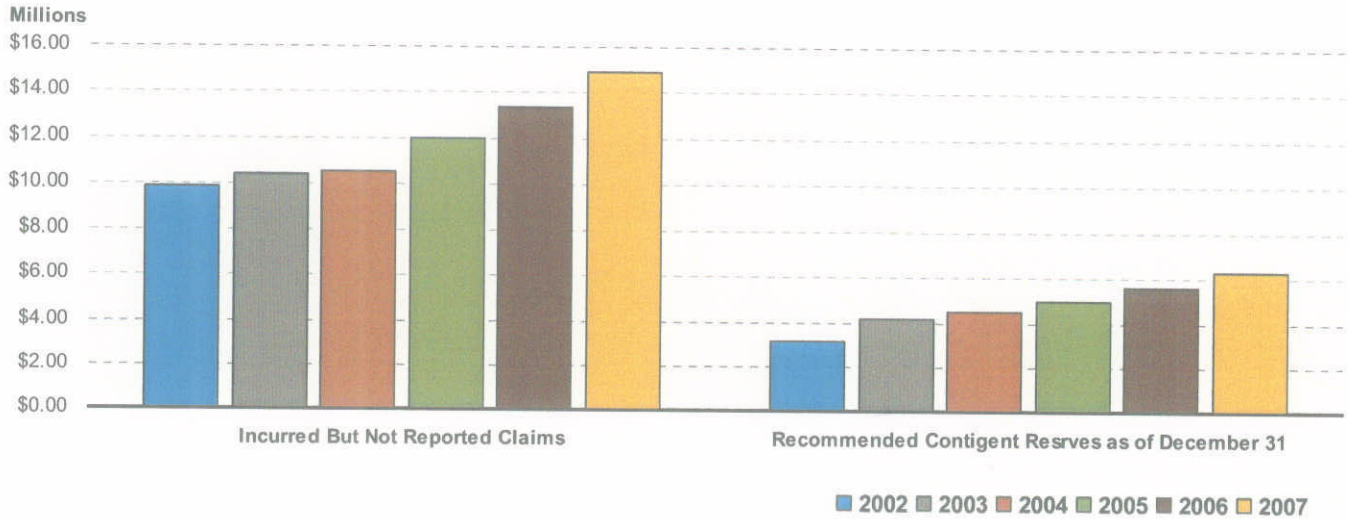
HISTORICAL AND PROJECTION TABLE

	2002	2003	2004	2005	2006	2007
Incurred But Not Reported Claims	9,858,602	10,419,308	$10,533,660	$11,934,053	$13,325,529	$14,885,636
Recommended Contingent Reserves as of December 31	3,173,800	4,159,000	$4,384,000	$4,974,200	$5,575,600	$6,252,100
Total Recommended Reserves	$13,032,402	$14,578,308	$14,917,660	$16,908,253	$18,901,129	$21,137,736
Total IBNR and Contingent Reserves as of December 31	$14,467,415	$13,759,004	$17,893,620	$26,579,120	$25,609,620	$13,789,020
Excess/(Shortfall)	**$1,435,013**	**$(819,304)**	**$2,975,960**	**$9,670,867**	**$6,708,491**	**($7,348,715)**
Lag Months	**1.62**	**1.60**	**1.60**	**1.60**	**1.60**	**1.60**

* Targeted reserves do not reflect an allowance for accumulated eligibility for active participants.

Targeted Reserves Fiscal Years Ended December 31

HISTORICAL AND PROJECTION CHART



5631506v2/96019.902

Exhibit 1

STATE OF EXAMPLE

Summary of Projected Results for 2003 Rate Analysis

SELF-INSURED

	PPO PLANS		POS PLANS			OTHER PLANS	
	ABC	DEF	GHI	JKL	MNO	ABCD	EFGH
Overall Projected Increase	15.04%	11.20%	20.81%	11.88%	19.94%	37.73%	20.23%
Prior Year Increase	6.80%	14.26%	-3.40%	12.38%	8.69%	-14.46%	17.16%
Trend Rate Assumptions							
Claims	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%
Administration	2.5%	2.5%	2.5%	2.5%	2.5%	-1.6%	0.0%
Capitation	—	—	—	5.0%	5.0%	—	—
XXXX Discount[1]	1.2%	0.0%	1.2%	0.0%	0.4%	0.0%	0.0%
Demographic Changes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Estimated Premium Shortfall 2002	3.8%	1.2%	9.6%	1.9%	9.5%	27.7%	0.2%

FULLY INSURED

	Actual Increase[1]	Mandated Increase[1]	Contract Maximum Increase	Calculated Needed Increase
HMO PLANS				
PQR	5.00%	0.00%	5.00%	50.00%
STU	5.19%	0.19%	5.00%	11.00%
VWX	5.00%	0.00%	5.00%	17.96%
DENTAL PLANS				
IJKL	5.00%		5.00%	6.31%
MNOP	1.86%		5.00%	1.86%
QRST	2.00%		5.00%	2.00%

Notes:

[1]Reflects state mandates, XXXX adjustments and changes to plan design.

Exhibit 2

STATE OF EXAMPLE

Enrollment Summary as of June 2002

	Plans Continuing in 2003												Discontinued Plan
	GHI (POS)	JLK (POS)	MNO (POS)	ALL POS	ABC (PPO)	DEF (PPO)	ALL PPO	PQR (HMO)	STU (HMO)	VWX (HMO)	ALL HMO	TOTALS FOR ALL CONTINUING PLANS	XXXXX (HMO)
Actives													
Individual	4,020	1,963	4,144	10,127	10,861	806	11,667	2,097	1,958	1,366	5,421	27,215	0
Double	3,605	1,081	3,092	7,778	7,409	776	8,185	1,443	826	725	2,994	18,957	0
Family	5,299	1,688	4,070	11,057	7,474	553	8,027	2,140	1,251	1,663	5,054	24,138	0
Total Actives	12,924	4,732	11,306	28,962	25,744	2,135	27,879	5,680	4,035	3,754	13,469	70,310	0
Retirees													
Individual	449	101	399	949	2,027	208	2,235	344	93	79	516	3,700	0
Double	588	82	411	1,081	1,605	228	1,833	291	46	55	392	3,306	0
Family	265	45	163	473	545	64	609	149	38	41	228	1,310	0
1-Med.	652	177	1,365	2,194	8,155	1,266	9,421	747	154	106	1,007	12,622	0
2-(1MED.)	283	53	283	619	1,173	185	1,358	178	44	24	246	2,223	0
2-(2MED.)	481	64	687	1,232	3,426	689	4,115	373	102	39	514	5,861	0
3-(1MED.)	22	12	19	53	80	8	88	13	2	5	20	161	0
3-(2MED.)	6	2	4	12	34	8	42	5	1	1	7	61	0
3+-(All MED)	3	0	10	13	30	2	32	2	0	0	2	47	0
4+(1 no MED)	18	5	12	35	53	8	61	7	5	3	15	111	0
Total Retirees	2,767	541	3,353	6,661	17,128	2,666	19,794	2,109	485	353	2,947	29,402	0
Total	15,691	5,273	14,659	35,623	42,872	4,801	47,673	7,789	4,520	4,107	16,416	99,712	0
June 2001													
Total	15,483	4,782	13,710	33,975	40,943	5,010	45,953	8,514	4,369	3,755	17,645	97,573	1,007
Percent Change	1.34%	10.27%	6.92%	4.85%	4.71%	-4.17%	3.74%	-8.52%	3.46%	9.37%	-6.97%	2.19%	-100.00%

Notes:

(1) Totals for HMO Plans June 2001 include discontinued XXXX HMO

Exhibit 2a

STATE OF EXAMPLE

Enrollment History Summary-Continuing Plans

	Jun-99		Jun-00		Jun-01		Jun-02	
PPO PLANS	40,568	46%	43,322	47%	45,953	47%	47,673	48%
POS PLANS	30,154	34%	31,494	34%	33,975	35%	35,623	36%
HMO PLANS	16,994	19%	17,781	19%	17,645	18%	16,416	16%
TOTAL	87,716		92,597		97,573		99,712	
Percent Change			5.56%		5.37%		2.19%	