Subject: Financial Reporting Instructions for Federal Fiscal Year 2003

We have enclosed the requirements for your annual financial reporting for Federal fiscal year 2003. As you are aware, this financial information is a requirement of your participation in the Federal Employees Health Benefits Program. Your preliminary and final financial reporting packages are due to OPM no later than October 22, 2003 and November 14, 2003 respectively. You must also ensure that your auditors comply with all applicable requirements in the “Experience-Rated Carrier and Service Organization Audit Guide”.

We have previously discussed with many of you the significant financial management challenges we face over the next several years. Beginning in Federal fiscal year 2004, we must complete our annual financial statements by November 1. To prepare for Federal fiscal year 2004, we accelerated our Federal fiscal year 2003 annual financial statement due date by 30 days to December 1, 2003. In order for us to meet this deadline, we must prepare our Federal fiscal year 2003 annual financial statements based on the information reported in your preliminary reporting package. As a consequence, we will need an estimated balance sheet, in addition to the estimated summary statement of financial operations, as part of your preliminary reporting package. It is extremely important that your preliminary reporting package mirror, as accurately as possible, the corresponding components in your final reporting package. If you anticipate measurable changes to your financial statements after submitting your preliminary reporting package, please notify us as soon as possible.

For Federal fiscal year 2003, we removed the DOD Project requirements from the reporting instructions. The DOD Project ended in December 2002; therefore, we no longer need this information reported separately.

While the changes for Federal fiscal year 2003 are indeed demanding, they are necessary in order for us to prepare for Federal fiscal year 2004 and beyond. We look forward to working with you and your auditors to meet these challenges.
Thank you in advance for your timely and complete annual financial reporting. Our technical contacts for financial reporting are:

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<tr>
<th>Name</th>
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Sincerely,

Frank D. Titus
Assistant Director
for Insurance Services Program

Enclosures

A. Enclosure A, Carrier Financial Information, contains selected financial information that you must use in preparing your fiscal year financial reporting — OPM's Trust Funds – Financial Division will send Enclosure A out separately.

B. Enclosure B is your FY 2003 Financial Reporting Package.
   - Enclosure B1 – Guidelines and Table of Contents
   - Enclosure B2 – Preliminary Reporting Package Requirements
   - Enclosure B3 – Final Reporting Package Requirements