

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation — UnitedHealthcare Plan of the River Valley, Inc. (the “Company”), licensed as a health maintenance organization (HMO), offers its enrollees a variety of managed care programs and products through contractual arrangements with health care providers. The Company is a wholly owned subsidiary of UnitedHealthcare Service of the River Valley, Inc. (UHS-RV). UHS-RV is a wholly owned subsidiary of UnitedHealthcare, Inc. (UHC). UHC is a wholly owned subsidiary of UnitedHealthCare Services, Inc. (UHS), an HMO management corporation that provides services to the Company under the terms of a management agreement. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated (“UnitedHealth Group”). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated on August 5, 1985, as an HMO and operations commenced in July 1986. The Company is certified as an HMO by the Illinois Department of Financial and Professional Regulation, Division of Insurance (IDOD). The Company is licensed in four states.

The Company serves as a plan sponsor offering Medicare Advantage and Medicare Part D prescription drug insurance coverage (Medicare Part D program) under a contract with the Centers for Medicare and Medicaid Services (CMS). Under the Medicare Part D program, there are six separate elements of payment received by the Company during the plan year; these payment elements are CMS premium, member premium, low-income premium subsidy, catastrophic reinsurance subsidy, low-income member cost-sharing subsidy, and CMS risk share.

The Company participates as a contracted managed care organization (MCO) in the TennCare program. TennCare is a project authorized through a conditional waiver by CMS that replaced the State of Tennessee’s Medicaid program on January 1, 1994. Uninsured individuals and Medicaid eligible individuals who enroll in the TennCare program receive prepaid health care through participating MCOs. Effective November 1, 2008, the Company entered into a risk arrangement with TennCare servicing individuals in the West Tennessee region. Effective January 1, 2009, the Company entered into a risk arrangement with TennCare servicing individuals in the East Tennessee region.

The Company has a contract with the State of Iowa, Department of Human Services, to provide healthcare services to Hawk-i (a program for uninsured children) eligible beneficiaries in Iowa. The current contract is effective through June 30, 2010, and is subject to annual renewal provisions thereafter.

Basis of Presentation — The Company prepares its financial statements on the basis of accounting practices prescribed or permitted by the IDOI. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

The more significant differences are as follows:

- certain assets, including certain aged premium and health care receivables, certain fixed assets, and intangible assets, are considered nonadmitted assets for statutory purposes and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus;
- under statutory accounting deferred tax assets and liabilities are recorded directly to unassigned surplus and are subject to limitations regarding the realization and admissibility of the assets, whereas under GAAP, the change in deferred tax assets and liabilities are recorded as a component of the respective income tax provisions within the income statement and are based on the ultimate recoverability of the deferred tax assets;
- the change in nonadmitted assets is reflected in unassigned surplus in the accompanying statutory basis financial statements, whereas these amounts would be included in total assets on the balance sheet under GAAP;
- certain debt investments under GAAP are shown at either fair value or amortized cost based on Company’s intent to sell, whereas in the statutory basis financial statements, these investments are presented at either amortized cost or fair value in accordance with NAIC classifications and impairment guidance;
- cash, cash equivalents, and short-term investments in the statutory basis statements of cash flows represent cash balances and investments with remaining maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less;
- comprehensive income and its components are not presented in the statutory basis financial statements;

- goodwill under GAAP is calculated as the difference between the cost of acquiring the entity and the fair value of the assets received and liabilities assumed. Under statutory accounting, goodwill is calculated as the difference between the cost of acquiring the entity and the reporting entity's share of the historical book value of the acquired entity. However, under statutory accounting, the amount of goodwill recorded as an admitted asset is subject to limitations;
- the unexpired portion of accident and health insurance premiums is recorded as unearned premium; the corresponding change in unearned premium from year to year is reflected as a change in unearned premium reserves in the statutory basis statements of operations. Under GAAP, the change in unearned premium from year to year on the accident and health insurance premiums are reported through premium income;
- the reserves ceded to reinsurers for claims unpaid and aggregate health claim reserves have been reported as reductions of the related reserves rather than as assets, which would be required under GAAP;
- reinsurance receivables on unpaid claims for coinsurance contracts are netted against claims unpaid in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus, whereas under GAAP, the receivables would be presented as assets.

The IDOI recognizes only statutory accounting practices prescribed or permitted by the state of Illinois for determining and reporting the financial condition and results of operations of an HMO and for determining its solvency under Illinois insurance law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted with modifications as a component of prescribed or permitted practices by the State of Illinois. No significant differences exist between prescribed or permitted practices by the State of Illinois and NAIC SAP which would materially affect the statutory basis capital and surplus.

Use of Estimates — These statutory basis financial statements include certain amounts that are based on the Company's estimates and judgments. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to hospital and medical expenses, claims unpaid, and aggregate health reserves and aggregate health claim reserves (collectively known as "aggregate health reserves"). The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of income in the period in which the estimate is adjusted.

Cash and Invested Assets —

- Cash and cash equivalents represent cash held by the Company in disbursement accounts and commercial paper. Claims and other payments are made from the disbursement accounts daily. Cash equivalents are reported at cost or amortized cost depending on the nature of the underlying security, which approximates fair value. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments.
- Short-term investments represent money market instruments, commercial paper, corporate bonds, government and state and state agency obligations and municipal securities with a maturity of one year or less at the time of purchase. Short-term investments also consist of the Company's share of an investment pool sponsored and administered by UHS for the benefit of the UHS-owned health plans. The investment pool consists principally of investments with original maturities of less than one year, with the average life of the individual investments being less than 60 days. The Company's share of the pool represents an undivided ownership interest in the pool and is immediately convertible to cash at no cost or penalty. The participants within the pool have an individual fund number to track those investments owned by the Company. The pool is primarily invested in government obligations, commercial paper, certificates of deposit, and short-term agency notes and is recorded at cost or amortized cost. Interest income from the pool accrues daily to participating members based upon ownership percentage.
- Bonds include corporate bonds, government and state and state agency obligations and municipal securities with a maturity of greater than one year at the time of purchase.
- Bonds and short-term investments are stated at amortized cost if they meet NAIC designation of one or two and stated at the lower of amortized cost or market value if they meet an NAIC designation of three or higher. Amortization of bond premium or discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported

using market prices published by the SVO in accordance with the NAIC Valuations of Securities manual prepared by the SVO or an external pricing service.

Corporate bonds and government obligations include mortgage-backed securities, which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the amortized cost of mortgage-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors. The Company's investment policy limits investments in nonagency residential mortgage-backed securities, including home equity and subprime mortgages to 10% of total cash and invested assets and total investments in mortgage-backed securities to 30% of total cash and invested assets. As of December 31, 2009, these investment holdings have NAIC credit ratings of one and two.

Realized capital gains and losses on sales of investments are calculated based upon specific identification of the investments sold. These gains and losses are reported as net realized capital gains (losses) less capital gains tax (benefit) in the statutory basis statements of operations.

The Company continually monitors the difference between the cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company has determined is other-than-temporary, the Company records a realized loss in net realized capital gains (losses) less capital gains tax (benefit) in the statutory basis statements of operations. The new cost basis is not changed for subsequent recoveries in fair value. The prospective adjustment method is utilized for mortgage-backed securities for periods subsequent to the loss recognition. The Company recognized an other-than-temporary loss of approximately \$418,000 and \$1,087,000 as of December 31, 2009 and 2008, respectively.

Receivable for Securities — The Company reports receivables for securities when investments are sold at the end of an accounting period and proceeds are received in the following month.

Investment Income Due and Accrued — Investment income earned and due as of the reporting date in addition to investment income earned but not paid or collected until subsequent periods are reported as investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company evaluates the collectibility of the amounts due and amounts determined to be uncollectible are written off in the period in which the determination is made.

Net Investment Income Earned — Net investment income earned includes investment income collected during the period, as well as the change in investment income due and accrued on the Company's holdings. Amortization of premium or discounts on bonds and certain external investment management costs are also included in net investment income earned.

Receivables from Parent, Subsidiaries, and Affiliates and Amounts Due to Parent, Subsidiaries, and Affiliates — In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts due or owed as receivables from parent, subsidiaries, and affiliates and amounts due to parent, subsidiaries, and affiliates, respectively. These balances are generally settled within 90 days from the incurred date. Any balances due to the Company that are not settled within 90 days are considered nonadmitted assets.

Payable for Securities — The Company reports payables for securities settled after period end for which the trade occurred prior to period end.

Hospital and Medical Expenses, Claims Unpaid, and Aggregate Health Reserves — Hospital and medical expenses and corresponding liabilities include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and for liabilities for physician, hospital, and other medical costs disputes.

The estimates for incurred but not yet reported claims are developed using an actuarial process that is consistently applied, centrally controlled and automated. The actuarial models consider factors such as historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The Company estimates liabilities for physician, hospital and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during 2009 and 2008. Management believes the amount of claims unpaid and aggregate health reserves is adequate to cover the Company's liability for unpaid claims and aggregate health reserves as of December 31, 2009; however, actual claim payments may differ from those established estimates. Adjustments to claims unpaid estimates and aggregate health reserves are reflected in operating results in the period in which the change in estimate is identified.

The Company contracts with hospitals, physicians, and other providers of health care under capitated or discounted fee for service arrangements, including a hospital per diem to provide medical care services to enrollees. Some of these contracts are with related parties (see Note 10). Capitated providers are at risk for the cost of medical care services provided to the Company's enrollees; however, the Company is ultimately responsible for the provision of services to its enrollees should the capitated provider be unable to provide the contracted services.

Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under

Uninsured Plans — Receivables and liabilities for amounts held under uninsured plans represent the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy. The Company is fully reimbursed by CMS for costs incurred for these contract elements and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are not reflected as net premium income, but rather are accounted for as deposits, with the related receivable recorded in amounts receivable relating to uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Related cash flows are presented within operating expenses paid within cash provided by operations in the statutory basis statements of cash flows.

Income Taxes — Statutory accounting requires an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax basis of assets and liabilities, subject to a valuation allowance and admissibility limitations on deferred tax assets. The Company's operations are included in the consolidated federal income tax return of UnitedHealth Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis. The Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group (see Note 9). UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2007 and prior. UnitedHealth Group's 2008 and 2009 tax return is under advance review by the IRS under its Compliance Assurance Program (CAP). With the exception of a couple states, UnitedHealth Group is no longer subject to income tax examinations prior to 2003 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

Claims Adjustment Expenses — Claims adjustment expenses (CAE) are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UHS-RV in exchange for administrative and management services. A detailed review of UHS-RV's and the Company's administrative expenses is performed to determine the allocation between claims adjustment expenses and general administrative expenses. It is the responsibility of UHS-RV to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid claims adjustment expenses associated with incurred but unpaid claims. Management believes the amount of the liability for unpaid claims adjustment expenses as of December 31, 2009 and 2008 is adequate to cover the Company's cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. The method used for determining CAE is periodically reviewed and updated, and any adjustments are reflected in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus and the statutory basis statements of operations in the period in which the change in methodology is identified.

General Administrative Expenses — Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UHS-RV in exchange for administrative and management services. Costs for items not included within the scope of the management agreement are directly expensed as incurred. State income taxes are also a component of general administrative expenses. A detailed review of UHS-RV's and the Company's administrative expenses is performed to determine the allocation between claims adjustment expenses and general administrative expenses to be reported in the statutory basis statements of operations.

Revenues — Revenues consist of net premium income is recognized in the period in which enrollees are entitled to receive health care services. Net premium income is shown net of reinsurance premiums. Premiums received in full during the current period which are not due until future periods are recorded as premiums received in advance in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Premiums received in advance are established for the portion of premiums received during the current year that are partially unearned at the end of the period and are included in aggregate health policy reserves in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

Net premium income includes the Medicare Advantage CMS premium, and the premium under the Medicare Part D program, which includes, CMS premium, member premium, and low-income premium subsidy for the Company's insurance risk coverage. Net premium income is recognized ratably over the period in which eligible individuals are entitled to receive health care services and prescription drug benefits. The Company estimates retrospective premiums adjustments based on guidelines determined by CMS (see Note 23).

The Company also has an arrangement with CMS for certain Medicare products whereby periodic changes in member risk factor adjustment scores, for certain diagnoses codes, result in changes to its Medicare revenues. The Company recognizes such changes when the amounts become determinable and supportable and collectibility is reasonably assured. The estimated risk-adjusted payments due to the Company at December 31, 2009 and 2008, were \$3,538,000 and \$8,442,000, respectively, and are recorded as uncollected premiums and considerations in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company recognized \$7,092,000 and \$3,539,000 for changes in prior year Medicare risk factor estimates during the years ended December 31, 2009 and 2008, respectively, which are recorded as net premium income within the statutory basis statements of operations.

Net premium income also includes amounts paid by TennCare for the membership enrolled under the at risk agreement. Premiums are contractual and are recognized in the coverage period in which members are entitled to receive services. The majority of net premium income recorded is based on capitated rates, which are monthly premiums paid for each member enrolled.

Administrative fee revenues are recognized in the period in which the related services are performed based upon the fee charged to the customer for Administrative Services Only (ASO) contracts, for which the employer retains all health care service risk, while the Company assumes administrative risk. Administrative fee revenue is netted against general administrative expenses in the statutory basis statements of operations.

The Company reports uncollected premium balances from its insured members as uncollected premiums. Premiums and considerations that are over 90 days past due, with the exception of amounts due from government insured plans, are considered nonadmitted assets. In addition to those balances over 90 days, the Company also reserves for uncollected premium balances less than 90 days for certain groups where collectibility is uncertain or where there are associated amounts due over 90 days that are determined to be uncollectible.

Reinsurance Ceded — The Company has an insolvency-only reinsurance agreement. Reinsurance premiums paid are deducted from net premium income in the accompanying statutory basis financial statements.

Incentive Pool — The Company has agreements with certain independent physicians and physician network organizations that provide for the establishment of a fund into which the Company places monthly premiums payable for members assigned to the physician. The Company manages the disbursement of funds from this account as well as reviews the utilization of nonprimary care medical services of members assigned to the physicians. Any surpluses or deficits in the fund are shared by the Company and the physician based upon predetermined risk-sharing percentages and liability is included in accrued medical incentive pool and bonus amounts in the statutory basis statements of admitted assets, liabilities, and capital and surplus, and the corresponding expense or reduction to expense is included in incentive pool, withhold adjustments, and bonus amounts in the statutory basis statements of operations.

Medical Risk Share — The Company has settlements with CMS based on whether the ultimate per member per month benefit costs of any Medicare Part D regional plan varies more than 5% above or below the level estimated in the original bid submitted by the Company and approved by CMS in 2009 and 2008. The estimated risk share adjustment of \$5,829,000 and \$5,322,000 in 2009 and 2008, respectively, is recorded as an adjustment to change in unearned premium reserves in the statutory basis statements of operations and aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

Health Care and Other Receivables — Health care and other receivables consist of pharmacy rebate receivables estimated based on the most currently available data from the Company's claims processing systems and from data provided by the Company's unaffiliated pharmaceutical benefit manager and affiliated pharmaceutical benefit manager, Rx Solutions, Inc. ("Rx Solutions"). Health care receivables are considered nonadmitted assets for statutory purposes if they do not meet admissibility requirements. Accordingly, the Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 27).

Premium Deficiency Reserve — Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, claim adjustment expenses and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected in increase (decrease) in reserves for life and accident and health contracts in the accompanying statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 29).

Vulnerability Due to Certain Concentrations — The Company is subject to substantial federal and state government regulation, including licensing and other requirements relating to the offering of the Company's existing products in new markets and offerings of new products, both of which may restrict the Company's ability to expand its business.

Net premium income from members and CMS related to Medicare Advantage and the Medicare Part D program as a percentage of net premium income are 21% and 28% for the years ended December 31, 2009 and 2008, respectively.

Net premium income from the State of Tennessee's Medicaid program as a percentage of total net premium income is 62% and 46% for the years ending December 31, 2009 and 2008, respectively.

Reclassifications — The Company did not have any reclassifications of the financial statements in 2009 or 2008.

Restricted Cash Reserves — The Company is required to hold minimum regulatory deposits in various states in which the company is licensed in the amount of \$37,942,000 as of December 31, 2009. These restricted cash reserves consist principally of government obligations and are stated at amortized cost, which approximates fair value. These reserves are included in bonds in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on these deposits accrues to the Company.

Minimum Capital and Surplus — Under the laws of the state of Illinois, the IDOI requires the Company to provide a contingency reserve based on 2% of the net capitation revenue from risk contracts limited to \$1,500,000. The Company's accumulated reserve reached \$1,500,000 during 1989 and the reserve has been recorded as part of capital and surplus.

Risk-based capital (RBC) is a regulatory tool for measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The IDOI requires the Company to maintain minimum capital and surplus equal to the greater of the state statute as outlined above or the RBC calculation. The Company is in compliance with the required amount as of December 31, 2009 and 2008.

Recently Issued Accounting Standards — In December 2009, the NAIC adopted Statement of Statutory Accounting Principles (SSAP) 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP No. 10* (SSAP No. 10R), effective for 2009 annual financial statements, and 2010 interim and annual financial statements only. The revised standard adds a valuation allowance criterion, an elective expanded admissibility test if the relevant risk-based capital threshold is met, and additional disclosures. A change resulting from the adoption of this revised statement shall be accounted for prospectively. The Company has assessed the impact of adopting SSAP No.10R, which is outlined in Footnote 9 – Income Taxes, the results of which are not material to the overall financial condition, results of operations and cash flows presented in the accompanying statutory basis financial statements.

In September 2009, the NAIC adopted Statement of Statutory Accounting Principles 43R, *Income Loan-backed and Structured Securities – Revised* (SSAP No. 43R), effective for existing and new investments held by the reporting entity on or after September 30, 2009. The revised standard provides guidance on the accounting and impairment treatment for loan-backed and structured securities. The impairment guidance within SSAP No. 43R allows bifurcation of interest and non-interest components for impairment recognition in situations when the entity does not have an intent to sell and has the intent and ability to hold the investment for a period of time sufficient to recover the amortized cost basis. SSAP No. 43R superseded SSAP No. 43 – *Loan-backed and Structured Securities* (SSAP No. 43), SSAP 98– *Treatment of Cash Flows When Quantifying Changes in Valuations and Impairments*, an

Amendment of SSAP No. 43 (SSAP No. 98) and paragraph 13 of SSAP No. 99 – Accounting for Certain Securities Subsequent to an Other-Than Temporary Impairment (SSAP No. 99). The cumulative effect from the initial adoption of this revised statement shall be accounted for as an adjustment to the opening balance of unassigned surplus. The Company has assessed the adoption of SSAP 43R, which is outlined in Footnote 5– Investments and Other Invested Assets, the results of which are not material to the overall financial condition, results of operations and cash flows presented in the accompanying statutory basis financial statements.

In December 2009, the NAIC issued Statement of Statutory Accounting Principles (SSAP) 100, *Fair Value Measurements* (SSAP No. 100). SSAP No. 100 establishes a framework for measuring fair value and establishes disclosure requirements about fair value. This statement is effective for December 31, 2010, with interim and annual financial statement reporting thereafter. Early adoption is permitted for December 31, 2009 annual financial statements, with interim and annual reporting thereafter. The Company adopted SSAP No. 100 as of December 31, 2009, and the related disclosure requirements are outlined in Footnote 5– Investments and Other Invested Assets.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

No changes in accounting principles have been recorded during the years ended December 31, 2009 and 2008.

During 2008, the Company determined that it had understated total hospital and medical expense of approximately \$383,000, overstated net realized capital gains/losses of approximately \$677,000 and overstated general administrative expenses of approximately \$861,000 for the year ended December 31, 2008. In addition, the federal income taxes incurred was understated by approximately \$357,000 for the year ended December 31, 2008. The impact to net income was \$2,043,000, total capital and surplus was \$1,194,000, total assets was \$185,000, and total liabilities was \$1,799,000 for 2008, respectively. The cumulative effect of this prior year error was corrected by the Company in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*, and is reflected in the accompanying statutory basis statements of changes in capital and surplus for the year ended December 31, 2008.

3. BUSINESS COMBINATIONS AND GOODWILL

The Company was not party to a business combination during the years ended December 31, 2009 and 2008, and does not carry goodwill on its statutory basis statements of admitted assets, liabilities, and capital and surplus.

4. DISCONTINUED OPERATIONS

The Company did not discontinue any operations during 2009 and 2008.

5. INVESTMENTS AND OTHER INVESTED ASSETS

The Company has no mortgage loans, real estate loans, restructured debt, reverse mortgages, repurchase agreements, or investments in low-income housing tax credits. For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of investments totaled \$2,124,000 and \$986,000, respectively, for 2009 and \$2,990,000 and \$1,134,000, respectively, for 2008. The net realized gain is included in net realized capital gains less capital gains tax in the accompanying statutory basis statements of operations.

As of December 31, 2009 and 2008, the amortized cost, fair value, and gross unrealized holding gains and losses of the Company's investments, excluding cash and cash equivalents of approximately \$31,724,000 and \$75,925,000, respectively, are as follows (in thousands):

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE UnitedHealthcare Plan of the River Valley, Inc.

	Amortized Cost	Gross Unrealized Holding Gains	Unrealized Holding Losses <		Gross Unrealized Holding Losses >		Fair Value
			1 year	year	1 year	year	
U.S. government and agency	\$ 145,240	\$ 1,834	\$ (1,588)	\$ -	\$ -	\$ 145,486	
State and state agency	144,748	6,204	(91)	-	-	150,861	
Municipalities and local agency	94,974	2,865	(120)	-	-	97,719	
Corporate bonds	83,438	3,303	(78)	(1)	(1)	86,663	
Commercial paper and money market funds	219,359	-	-	-	-	219,359	
Total	\$ 687,760	\$ 14,206	\$ (1,876)	\$ (1)	\$ (1)	\$ 700,089	

Less than one year	\$ 224,760	\$ 76	\$ -	\$ (1)	\$ -	\$ 224,835
One to five years	184,276	5,976	(187)	-	-	190,066
Five to ten years	193,671	6,183	(1,321)	-	-	198,533
Over ten years	85,053	1,970	(368)	-	-	86,655
Total	\$ 687,760	\$ 14,206	\$ (1,876)	\$ (1)	\$ (1)	\$ 700,089

	2008					
	Amortized Cost	Gross Unrealized Holding Gains	Unrealized Holding Losses <		Gross Unrealized Holding Losses >	
			1 year	year	1 year	year
U.S. government and agency	\$ 123,475	\$ 5,247	\$ -	\$ -	\$ -	\$ 128,723
State and state agency	98,022	3,192	(70)	-	-	101,144
Municipalities and local agency	50,554	955	-	-	-	51,508
Corporate bonds	39,059	379	(734)	(275)	(275)	38,428
Commercial paper and money market funds	78,194	-	-	-	-	78,194
Total	\$ 389,303	\$ 9,773	\$ (804)	\$ (275)	\$ (275)	\$ 397,997

Less than one year	\$ 123,002	\$ 607	\$ (142)	\$ (38)	\$ -	\$ 123,429
One to five years	100,559	2,637	(430)	(127)	-	102,639
Five to ten years	90,941	3,586	(24)	-	-	94,503
Over ten years	74,801	2,943	(208)	(110)	-	77,426
Total	\$ 389,303	\$ 9,773	\$ (804)	\$ (275)	\$ (275)	\$ 397,997

Included in U.S. government and agency securities and corporate bonds in the tables above are mortgage-backed securities, which do not have a single maturity date. For the 2009 years to maturity table above, these securities have been presented in the maturity group based on the securities' final maturity date and at an amortized cost of approximately \$62,026,000 and fair value of approximately \$62,646,000.

The unrealized losses on investments in state and state agency obligations, municipalities and local agency obligations, and corporate bonds at December 31, 2009 and 2008 were mainly caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities. The Company evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. The contractual cash flows of the U.S. government and agency obligations are either guaranteed by the U.S. government or an agency of the U.S. government. It is expected that the securities would not be settled at a price less than the cost of the investment, and the Company does not intend to sell the investment until the unrealized loss is fully recovered. The Company evaluated the credit ratings of the municipalities and local agency obligations and corporate obligations, noting whether a significant deterioration since purchase or other factors which may indicate an other-than-temporary impairment, such as the length of time and extent to which fair value has been less than cost, the financial condition, and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and the Company's intent to sell the investment. Additionally, the Company evaluated its intent and ability to retain mortgage-backed securities for a period of time sufficient to recover the amortized cost. As a result of this review, the Company recorded other-than-temporary impairments of \$607,000 and \$611,000 as of December 31, 2009 and 2008, which is included in net realized capital gains less capital gains tax (benefit) in the statutory basis statements of operations.

The table below illustrates the aggregate other-than-temporary impairments recognized on mortgage-backed securities classified on the basis for the other-than-temporary impairment as of December 31, 2009 (in thousands):

	Amortized Cost Basis Before Other-Than-Temporary Impairment	Other-Than-Temporary Impairment Recognized in Realized Loss	Fair Value (1 - 2)	Amortized Cost After Other-than-Temporary Impairment
Aggregate Intent to Sell	4,720,065	418,070	4,301,995	4,301,995

The Company did not recognize any other-than-temporary impairments on mortgage-backed securities due to an inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or where the present value of cash flows expected to be collected is less than the amortized cost basis of the security, as of December 31, 2009.

The following table illustrates the fair value, gross unrealized losses, and length of time that the mortgage-backed securities have been in a continuous unrealized loss position at December 31, 2009 (in thousands):

	<u>< 1 year</u>		<u>2009 > 1 year</u>		<u>Total Fair Value</u>	<u>Gross Unrealized Holding Losses</u>
	<u>Fair Value</u>	<u>Gross Unrealized Holding Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Losses</u>		
Fixed income - mortgage	\$ 24,459	\$ (305)	\$ -	\$ -	\$ 24,459	\$ (305)

	<u>< 1 year</u>		<u>2008 > 1 year</u>		<u>Total Fair Value</u>	<u>Gross Unrealized Holding Losses</u>
	<u>Fair Value</u>	<u>Gross Unrealized Holding Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Losses</u>		
Fixed income - mortgage	\$ 4,028	\$ (201)	\$ 1,617	\$ (110)	\$ 5,645	\$ (311)

SSAP No. 100 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The fair value hierarchy is as follows:

Level 1 — Quoted (unadjusted) prices for identical assets in active markets.

Level 2 — Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 — Unobservable inputs that cannot be corroborated by observable market data.

Fair values of short-term investments and bonds are based on quoted market prices, where applicable. The Company obtains one price for each security primarily from the NAIC SVO or an independent pricing service, which generally uses Level 1 or Level 2 inputs for the determination of fair value in accordance with SSAP No. 100. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, nonbinding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. As the Company is responsible for the determination of fair value, it performs quarterly analysis on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. As a result of these reviews, the Company has not historically adjusted the prices obtained from the pricing service.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the assets.

The Company has financial assets recorded on the statutory basis statements of admitted assets, liabilities, and capital and surplus that are measured at fair value on a recurring and nonrecurring basis. Financial assets that are measured on a recurring basis consists of those assets that are consistently recorded at fair value and are required to be presented in the statutory basis financial statements at fair value in accordance with statutory accounting. Financial assets recorded at fair value on a recurring basis would include common stocks. Financial assets that are measured on a nonrecurring basis are those assets that are generally required to be reported at amortized cost in the accompanying statutory basis financial statements in accordance with statutory accounting, however due to certain facts and circumstances, a write down to fair value was required. Financials assets recorded at fair value on a nonrecurring basis would include securities where an other-than-temporary impairment was recognized and those securities that were marked down to fair value because of the NAIC rating.

The following table presents information about the Company's financial assets that are measured at fair value on a recurring basis at December 31, 2009 and 2008, according to the valuation techniques the Company used to determine their fair values (in thousands):

	2009			
	Quoted Prices in			Total Fair Value
	Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
US Gov't & Agency Sec's	\$ 72,217	\$ 73,269	\$ -	\$ 145,486
State and state agency	-	150,861	-	150,861
Municipalities and local agency	-	97,719	-	97,719
Corporate bonds	-	86,663	-	86,663
Commercial paper and money market funds	219,359	-	-	219,359
Total	\$ 291,576	\$ 408,512	\$ -	\$ 700,089

	2008			
	Quoted Prices in			Total Fair Value
	Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
US Gov't & Agency Sec's	\$ 73,783	\$ 54,939	\$ -	\$ 128,722
State and state agency	-	101,144	-	101,144
Municipalities and local agency	-	51,509	-	51,509
Corporate bonds	-	38,428	-	38,428
Commercial paper and money market funds	78,194	-	-	78,194
Total	\$ 151,977	\$ 246,020	\$ -	\$ 397,997

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

The estimated fair values of bonds, short-term investments, preferred stocks, and common stocks (investments) are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of investments that do not trade on a regular basis in active markets are classified as Level 2.

The Company does not have any financial assets with a fair value hierarchy of Level 3.

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

The Company has no investments in joint ventures, partnerships, or limited liability companies.

7. INVESTMENT INCOME

The Company has admitted all investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The components of net investment income earned at December 31, 2009 and 2008, are as follows (in thousands):

	2009	2008
Bonds	\$ 13,850	\$ 9,712
Cash and short-term investments	758	4,806
Total investment income	14,608	14,519
Expenses - investment management fees	260	171
Net investment income	\$ 14,348	\$ 14,347

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

9. INCOME TAXES

The federal income taxes incurred for the years ended December 31, 2009 and 2008, are as follows (in thousands):

	2009	2008
Current federal income tax provision	31,782	25,625
Tax on capital gains/(losses)	398	0
Total current federal income tax provision	<u>32,180</u>	<u>25,625</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2009 and 2008, are as follows (in thousands):

	2009	2008	Change
Deferred tax assets:			
Bad debt	\$ 208	\$ 135	\$ 73
Prepaid expenses	525	0	525
Unpaid losses and CAE	1,804	1,581	223
Premiums received in advance	365	383	(18)
Intangibles	45,973	50,096	(4,123)
Nonadmitted assets	332	405	(73)
Total deferred tax asset	<u>49,207</u>	<u>52,600</u>	<u>(3,393)</u>
Nonadmitted deferred tax asset	<u>(41,801)</u>	<u>(45,927)</u>	<u>4,126</u>
Admitted deferred tax asset	7,406	6,673	733
Deferred tax liabilities:			
Investments	<u>(50)</u>	<u>(46)</u>	<u>(4)</u>
Total deferred tax liabilities	(50)	(46)	(4)
Net deferred tax asset	<u>\$ 7,356</u>	<u>\$ 6,627</u>	<u>\$ 729</u>

There are no unrecognized deferred tax liabilities.

The change in net deferred income tax for the years ended December 31, 2009 and 2008, is comprised of the following (in thousands):

	2009	2008
Change in deferred tax asset	\$ (3,393)	\$ (4,149)
Change in deferred tax liabilities	(3.00)	815
Change in net deferred income taxes	<u>(3,396.00)</u>	<u>(3,334)</u>
Change in deferred taxes on unrealized (gains) losses on investments	-	0
Total change in net deferred tax asset	<u>\$ (3,396)</u>	<u>\$ (3,334)</u>

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net income before federal income taxes. The significant items causing this difference are as follows (in thousands):

	2009	2008
Tax provision at the federal statutory rate	\$ 37,978	\$ 29,917
Tax-exempt interest	(1,802)	(474)
Other current year items	-	-
Tax effect of nonadmitted assets	(614)	446
Prior year true-up	15	234
Deferred corrections	-	(164)
Other	-	-
Total	<u>\$ 35,577</u>	<u>\$ 29,959</u>
Current federal income tax provision	\$ 31,782	\$ 25,625
Capital gains tax	398	-
Change in net deferred income tax	3,396	3,334
Total statutory income taxes	<u>\$ 35,577</u>	<u>\$ 28,959</u>

At December 31, 2009, the Company had no net operating losses.

Federal income tax payable of \$2,905,000 and federal income tax recoverable of \$2,278,000 as of December 31, 2009 and 2008, respectively, are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds was \$28,031,000 and \$22,105,000 in 2009 and 2008, respectively.

Federal income taxes incurred of approximately \$32,207,000 and \$26,305,000 for 2009 and 2008, respectively, is available for recoupment in the event of future net losses.

There are no aggregate amounts of deposits admitted under Section 6603 of the Internal Revenue Service Code.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

Pursuant to the terms of a management agreement, UHS-RV will provide management services to the Company, until terminated upon the written agreement of both parties, for a fee based on a percentage of net premium income and change in unearned premium reserves. Management fees under this arrangement totaled approximately \$196,716,000 and \$139,849,000 in 2009 and 2008, respectively, and are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations. In addition, UHS-RV pays, on the Company's behalf, certain expenses not covered within the scope of the management agreement. UHS-RV is reimbursed for these expenses by the Company.

The Company believes that its transactions with affiliates are reasonable and appropriate; however, operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company.

The Company expensed as hospital/medical benefits \$10,606,000 and \$8,573,000 in capitation fees to related parties during 2009 and 2008, respectively. UHS subsidiaries and divisions provide various services to enrollees of the Company during the year. United Behavioral Health provides mental health and substance abuse services. OPTUM provides a 24-hour call-in service, called Care 24, United Resource Network provides access to a network of transplant providers, ACN Group provides chiropractic and physical therapy services, Spectera Inc., provides administrative services related to vision benefit management and claims processing, and Dental Benefit Providers, Inc., provides dental care assistance. The capitation is calculated on a per member per month basis.

The capitation expenses, paid to related parties, that are included as hospital and medical expenses in the accompanying statutory basis statements of operations for the years ended December 31, 2009 and 2008, are shown below (in thousands):

	2009	2008
United Behavioral Health	\$ 6,556	\$ 6,231
OPTUM	1,889	1,412
United Resource Network	1,202	691
A CN Group	353	176
Spectera, Inc.	575	35
Dental Benefit Providers, Inc.	31	29
	<u>\$ 10,606</u>	<u>\$ 8,573</u>

The Company has some premium payments that are received and some claim payments that are processed by an affiliated UnitedHealth Group entity. Both premiums and claims applicable to the Company are settled at regular intervals throughout the month via the intercompany settlement process and any amounts outstanding are reflected in receivables from parent, subsidiaries, and affiliates, or amounts due to parent, subsidiaries, and affiliates in the accompanying statutory basis statements of admitted assets, liabilities and capital and surplus.

Effective January 1, 2008, the Company contracts with Rx Solutions to provide administrative services related to pharmacy management and claims processing for its enrollees. Fees related to these agreements, which are calculated on a per-claim basis, of approximately \$1,291,000 and \$13,000 in 2009 and 2008, respectively, are included in claims adjustment expenses in the accompanying statutory basis statements of operations. Additionally, Rx Solutions collects rebates on certain pharmaceutical products based on member utilization. Rebates related to these agreements of approximately \$5,223,000 and \$4,158,000 in 2009 and 2008, respectively, are included as a reduction of prescription drugs in the accompanying statutory basis statements of operations.

The Company has an insolvency-only reinsurance agreement with United Healthcare Insurance Company (UHIC), a wholly owned subsidiary of UHIC Holdings, Inc. which is a wholly owned subsidiary of UHS, to provide insolvency protection for its enrollees. Reinsurance premiums, which are calculated on a percentage of member premium income, of approximately \$2,385,000 in 2009 and \$306,000 in 2008 are netted against net premium income in the accompanying statutory basis statements of operations.

The Company holds a \$10,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of LIBOR plus a margin of 0.50%. The aggregate principal amount that may be

14. CONTINGENCIES

Because of the nature of the business, the Company is routinely made party to a variety of legal actions related to the design and management of its service offerings. The Company records liabilities for estimates of probable costs resulting from these matters. These matters include, but are not limited to, claims relating to health care benefits coverage, medical malpractice actions, contract disputes, and claims related to disclosure of certain business practices. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

The Company believes there are no assets that it considers to be impaired at December 31, 2009 and 2008, except as disclosed in Note 5 and Note 20.

15. LEASES

According to the management agreement between the Company and UHS-RV (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UHS-RV. Fees associated with the agreement are included in the Company's management fee.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The Company does not hold any financial instruments with off-balance-sheet risk or concentrations of credit risk.

17. SALE, TRANSFER, AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

The Company did not participate in any transfer of receivables, financial assets, or wash sales.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Medicare Part D is a partially insured plan. The Company recorded a receivable of \$3,019,000 and \$2,319,000 at December 31, 2009 and 2008, respectively, for cost reimbursements under the Medicare Part D program for the catastrophic reinsurance and low-income member cost-sharing subsidies as described in Note 1 *Amounts Receivable Related to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans.*

Prior to January 1, 2009, the Company had an ASO contract in eastern Tennessee for the TennCare product, for which the State of Tennessee retains all health care service risk, while the Company assumes administrative risk. The Company recorded administrative fee revenues of approximately \$67,000 and \$14,259,000 in 2009 and 2008, respectively, of retroactive premiums related to those ASO contracts. These amounts are included as a reduction to general administrative expenses in the accompanying statutory basis statements of operations.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD-PARTY ADMINISTRATORS

The Company did not have any direct premiums written or produced by managing general agents or third-party administrators.

20. OTHER ITEMS

The Company did not encounter any extraordinary items during 2009.

The Company has no troubled debt restructuring.

The Company routinely evaluates the collectibility of all receivable amounts included within the statutory basis statements of admitted assets, liabilities, and capital and surplus. Reserves are established for those amounts where collectibility is uncertain. Based on the Company's past experience, exposure related to uncollectible balances and the potential of loss for those balances not currently reserved for is not material to the Company's financial condition.

The Company has not received any business interruption insurance recoveries during 2009, and does not have any state transferable tax credits or hybrid securities as of December 31, 2009.

The Company elected to use rounding in reporting amounts in the notes to statutory basis financial statements.

Sub-Prime Mortgage Related Risk Exposure - The investment policy for the Company limits investments in asset-backed securities, which includes the sub-prime issuers. Further, the policy limits investments in private-issuer mortgage securities to 10% of the portfolio, which also includes sub-prime issuers. The exposure to unrealized losses on sub-prime issuers is due only to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered are rated NAIC rating of 1 or 2. The Company has no direct exposure through investments in sub-prime mortgage loans. The Company has no underwriting exposure to sub-prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage. The Company's direct exposure through other investments related to residential mortgage-backed securities and commercial mortgage-backed securities as of December 31, 2009, consists of the following (in thousands):

	Cost	Book Adjusted Carrying Value	Fair Value	OTTI Losses Recognized To Date
Residential mortgage-backed securities	238	239	250	(195)
Alternative A Paper mortgages	141	142	154	(223)
Total	\$ 379	\$ 380	\$ 404	\$ (418)

21. EVENTS SUBSEQUENT

There are no events subsequent to December 31, 2009, that require disclosure.

22. REINSURANCE

In the normal course of business, the Company seeks to reduce potential losses that may arise from catastrophic events that cause unfavorable underwriting results by reinsuring certain levels of such risk with affiliated (see Note 10) reinsurers.

Ceded Reinsurance Report —

Section 1 — General Interrogatories

- a. Are any non-affiliated reinsurers owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes () No (X)

- b. Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor, or any other person not primarily engaged in the insurance business?

Yes () No (X)

Section 2 — Ceded Reinsurance — Part A

1. Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

2. Does the reporting entity have any reinsurance agreements in effect that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

Section 3 — Ceded Reinsurance — Part B

1. What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

The Company estimates there should be no aggregate reduction in surplus for termination of all reinsurance agreements as of December 31, 2009.

2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes () No (X)

A. Uncollectible Reinsurance

Describe uncollectible reinsurance written off during the year reported in the following annual statement classifications, including the name or names of the reinsurer(s):

No specific reinsurance recoverables were written off by the Company as uncollectible during 2009 or 2008.

- (1) Losses incurred
- (2) Loss adjustment expenses incurred
- (3) Premiums earned
- (4) Other

C. Commutation of Ceded Reinsurance

Describe commutation of ceded reinsurance during the year reported in the following annual statement classifications, including the name or names of the reinsurer(s):

During the current year, no reinsurance was commuted and charged to income

- (1) Losses incurred
- (2) Loss adjustment expenses incurred
- (3) Premiums earned
- (4) Other

Unsecured Reinsurance Recoverable — The Company does not have an unsecured aggregate reinsurance recovery receivable with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

Reinsurance Recoverable in Dispute — The Company does not have a reinsurance recoverable balance that is being disputed by any individual reinsurer.

Reinsurance Assumed and Ceded — The Company does not have a provision in its reinsurance contract to return commissions to the reinsurer in the event that the Company cancels its reinsurance policy.

Uncollectible Reinsurance — During 2009 and 2008, there were no uncollectible reinsurance recoverables.

Commutation of Reinsurance — There was no commutation of reinsurance in 2009 or 2008.

Retroactive Reinsurance — The Company did not have a retroactive reinsurance agreement in 2009 or 2008.

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company has Medicare business that is subject to a retrospective rating feature related to Part D Premiums. The Company has estimated accrued retrospective premiums related to certain Part D premiums based on guidelines determined by the CMS. The formula is tiered and based on the bid medical loss ratio. The amount of Part D earned premiums subject to retrospective rating was \$43,781,000 and \$30,364,000 representing 1.8% and 2.1% of total net premium income for 2009 and 2008, respectively.

During 2009 and 2008, the Company contracted with the federal government through the Office of Personnel Management to administer the Federal Employees Health Benefit Program FEHBP. The Company is subject to rate adjustments through audits by the Office of Personnel Management. The

amount of earned premiums subject to redetermination was \$15,890,000 and \$14,678,000 representing 0.7% and 1.0% of total net premium income as of December 31, 2009 and 2008, respectively.

Estimated accrued retrospective premiums due to (from) the Company are recorded in premiums and considerations or aggregate health policy reserves on the statutory basis statements of admitted assets, liabilities, and capital and surplus and as an adjustment to change in unearned premium reserves or net premium income on the statutory basis statements of operations.

The Company does not have any other retrospectively rated contracts or contracts subject to redetermination as of December 31, 2009 or 2008.

24. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the accompanying statutory basis statements of operations. The following tables disclose paid claims, incurred claims, and the balance in the claims unpaid, accrued medical incentive pool and bonus amounts, and aggregate health reserves for 2009 and 2008 (in thousands):

	<u>2009</u>		
	Current Year Incurred Claims	Prior Year Incurred Claims	Total
Beginning of year claim reserve	-	226,973	226,973
Paid claims	1,739,372	197,840	1,937,212
End of year claims reserve	253,359	1,882	255,241
Incurred claims	<u>1,992,731</u>	<u>(27,251)</u>	<u>1,965,480</u>

	<u>2008</u>		
	Current Year Incurred Claims	Prior Year Incurred Claims	Total
Beginning of year claim reserve	-	173,119	173,119
Paid claims	970,203	174,082	1,144,285
End of year claims reserve	225,055	1,919	226,973
Incurred claims	<u>1,195,258</u>	<u>2,882</u>	<u>1,198,140</u>

The liability for claims unpaid, accrued medical incentive pool and bonus amounts, and aggregate health reserves at December 31, 2008 was greater than actual claims incurred in 2009 related to prior years by approximately \$27,251,000. The primary drivers consist of favorable development as a result of ongoing analysis of loss development trends and changes to the provider settlement reserves.

The liability for claims unpaid, accrued medical incentive pool and bonus amounts, and aggregate health reserves at December 31, 2007, less than actual claims incurred in 2008 related to prior years by approximately \$2,882,000. The primary drivers consist of unfavorable development as a result of ongoing analysis of loss development trends and changes to the provider settlement reserves.

The Company incurred claims adjustment expenses of approximately \$59,023,000 and \$34,172,000 in 2009 and 2008, respectively. These costs are included in the management service fees paid by the Company to UHS-RV as a part of its management agreement (see Note 10). The following tables disclose paid CAE, incurred CAE, and the balance in the unpaid claim adjustment expenses reserve for 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Total expenses incurred	59,023	34,172
Less current year unpaid claims adjustment expenses	(6,175)	(2,273)
Add prior year unpaid claims adjustment expenses	2,273	1,483
Total expenses paid	<u>55,121</u>	<u>33,382</u>

25. INTERCOMPANY POOLING ARRANGEMENTS

The Company did not have any intercompany pooling arrangements in 2009 or 2008.

26. STRUCTURED SETTLEMENTS

The Company did not have structured settlements in 2009 or 2008.

27. HEALTH CARE AND OTHER RECEIVABLES

Pharmaceutical rebates receivable are recorded when reasonably estimated or billed by the affiliated pharmaceutical benefit manager in accordance with pharmaceutical rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the pharmaceutical benefit manager and adjusted for significant changes in pharmaceutical contract provisions. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The table below reflects rebates from our affiliated company, Rx Solutions. The Company also has a contract with an unaffiliated pharmacy benefits manager for a small portion of pharmacy rebates. However, the rebate balance represented from this unaffiliated pharmacy benefits manager is not included in the table and is considered immaterial and a non-admitted asset.

The collection history of pharmacy rebates is summarized as (in thousands):

Quarter	Estimated Pharmacy Rebates	Pharmacy Rebates as BILLED	Rebates Collected Within 90 Days of Invoicing/ Confirmation	Rebates Received Within 91 to 180 Days of Invoicing/ Confirmation	Rebates Received More than 181 Days of Invoicing/ Confirmation
12/31/2009	4,141	-	-	-	-
9/30/2009	3,749	3,942	2,281	-	-
6/30/2009	3,103	3,401	2,891	396	-
3/31/2009	2,861	3,050	1,952	999	75
	-	-	-	-	-
12/31/2008	3,450	3,890	2,519	895	272
9/30/2008	3,442	3,657	2,455	512	646
6/30/2008	2,994	3,408	2,331	594	458
3/31/2008	2,357	3,104	1,662	1,138	272
	-	-	-	-	-
12/31/2007	1,696	1,736	1,171	527	8
9/30/2007	1,592	1,644	1,277	315	30
6/30/2007	1,579	1,626	908	770	(52)
3/31/2007	-	1,239	242	802	194

Of the amount reported as healthcare and other receivables \$5,364,000 and \$3,413,000 relates to pharmaceutical rebate receivables as of December 31, 2009 and 2008, respectively.

28. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2009 or 2008.

29. PREMIUM DEFICIENCY RESERVES

The Company had no premium deficiency reserves recorded in the accompany statutory basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2009 and 2008, respectively.

30. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2009 and 2008, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid and aggregate health claim reserves.

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? Illinois
- 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:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007
- 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. 06/22/2009
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/22/2009
- 3.4 By what department or departments?
Illinois Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 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 name of 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 | 2 | 3 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | State of Domicile |
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? 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; %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No []
 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Opteum Bank, Inc.	Salt Lake City, Utah	NO	NO	NO	YES	NO

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Deloitte & Touch LLP, Minneapolis, MN
 10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 Tim Feeser, FSA, MAAA
 Vice President Ingenix Consulting Eden Prairie, MN 55344
 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 11.11 Name of real estate holding company
 11.12 Number of parcels involved
 11.13 Total book/adjusted carrying value \$
 11.2 If, yes provide explanation:

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

- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
 (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 (c) Compliance with applicable governmental laws, rules and regulations;
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 (e) Accountability for adherence to the code.
 13.11 If the response to 13.1 is No, please explain:
 13.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. 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 []
 15. 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 []
 16. 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 that is in conflict with the official duties of such person? Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|--|----|---|
| | 18.11 To directors or other officers..... | \$ | 0 |
| | 18.12 To stockholders not officers..... | \$ | 0 |
| | 18.13 Trustees, supreme or grand (Fraternal Only)..... | \$ | 0 |
- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|--|----|---|
| | 18.21 To directors or other officers..... | \$ | 0 |
| | 18.22 To stockholders not officers..... | \$ | 0 |
| | 18.23 Trustees, supreme or grand (Fraternal Only)..... | \$ | 0 |
- 19.1 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]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|---------------------------------|----|--|
| | 19.21 Rented from others..... | \$ | |
| | 19.22 Borrowed from others..... | \$ | |
| | 19.23 Leased from others..... | \$ | |
| | 19.24 Other..... | \$ | |
- 20.1 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 []
- 20.2 If answer is yes,
- | | | | |
|--|---|----|-----------|
| | 20.21 Amount paid as losses or risk adjustment \$ | | |
| | 20.22 Amount paid as expenses..... | \$ | 3,160,243 |
| | 20.23 Other amounts paid..... | \$ | |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$

INVESTMENT

- 22.1 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? (other than securities lending programs addressed in 22.3) Yes [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
- 22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]
- 22.5 If answer to 22.4 is YES, report amount of collateral \$
- 22.6 If answer to 22.4 is NO, report amount of collateral \$
- 23.1 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, 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 19.1 and 22.3). Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|---|----|------------|
| | 23.21 Subject to repurchase agreements..... | \$ | |
| | 23.22 Subject to reverse repurchase agreements..... | \$ | |
| | 23.23 Subject to dollar repurchase agreements..... | \$ | |
| | 23.24 Subject to reverse dollar repurchase agreements..... | \$ | |
| | 23.25 Pledged as collateral..... | \$ | |
| | 23.26 Placed under option agreements..... | \$ | |
| | 23.27 Letter stock or other securities restricted as to sale..... | \$ | |
| | 23.28 On deposit with state or other regulatory body..... | \$ | 37,942,342 |
| | 23.29 Other..... | \$ | |

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A []
If no, attach a description with this statement.
- 25.1 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]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E - Part 3 - Special Deposits, 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 Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 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	801 Pennsylvania, Kansas City, MO 64105
Bank of New York Mellon	Global Liquidity Services, 1 Wall St., 14th Floor, New York, NY 10286

26.02 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)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [X] No []

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
BNY Mellon		10/17/2009	Automation

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/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

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

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 - Total		0

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

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

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	687,759,655	700,080,866	12,321,211
28.2 Preferred stocks			0
28.3 Totals	687,759,655	700,080,866	12,321,211

28.4 Describe the sources or methods utilized in determining the fair values:

For those securities that had prices in the NAIC SVO ISIS database, those prices were used; otherwise GAAP pricing was used. GAAP pricing was obtained from HUB which is an external data sources vendor. HUB data utilizes various pricing sources.
<http://www.hubdata.com/homepage.asp>

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
<http://www.hubdata.com/homepage.asp>

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 0

31.2 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

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

32.2 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

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

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

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ _____ 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. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	2,376,528,654	1,438,002,359
2.2 Premium Denominator	2,376,528,654	1,438,002,359
2.3 Premium Ratio (2.1/2.2)	1.000	1.000
2.4 Reserve Numerator	260,417,456	230,797,854
2.5 Reserve Denominator	260,417,456	230,797,854
2.6 Reserve Ratio (2.4/2.5)	1.000	1.000

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

3.2 If yes, give particulars:

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

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

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

5.2 If no, explain

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical \$ _____

5.32 Medical Only \$ _____

5.33 Medicare Supplement \$ _____

5.34 Dental & Vision \$ _____

5.35 Other Limited Benefit Plan \$ _____

5.36 Other \$ 290,000

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

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

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 56,337

8.2 Number of providers at end of reporting year 59,298

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

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months \$ _____

9.22 Business with rate guarantees over 36 months \$ _____

GENERAL INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes:
- | | | |
|--|----|-----------|
| 10.21 Maximum amount payable bonuses..... | \$ | 1,631,240 |
| 10.22 Amount actually paid for year bonuses..... | \$ | 972,962 |
| 10.23 Maximum amount payable withholds..... | \$ | 4,231,040 |
| 10.24 Amount actually paid for year withholds..... | \$ | 0 |
- 11.1 Is the reporting entity organized as:
- | | |
|--|---|
| 11.12 A Medical Group/Staff Model,..... | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or,..... | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above)?..... | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth..... Illinois
- 11.4 If yes, show the amount required..... \$ 229,215,567
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation
See 2009 Risk Based Capital Calculation
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Illinois Counties in our Service Area: Bureau, Carroll, DeWitt, Fulton, Henderson, Henry, Jo Daviess, Knox, La Salle, Lee, Livingston, Marshall, McLean, Mercer, Ogle (PPO only), Peoria, Putnam, Rock Island, Stark, Tazewell, Warren, Whiteside, Woodford
Iowa Counties in our Service Area: Adair, Adams, Appanoose, Audubon, Benton, Blackhawk, Boone, Bremer, Buchanan, Butler, Calhoun, Carroll, Cass, Cedar, Cerro Gordo, Chickasaw, Clarke, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dubuque, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, Muscatine, Page, Palo Alto, Polk, Pottawattamie, Poweshiek, Ringgold, Sac, Scott, Shelby, Story, Tama, Taylor, Union, Van Buren, Wapello, Warren, Washington, Wayne, Winnebago, Worth, Wright
Tennessee Counties in our Service Area: Anderson, Bedford, Bledsoe, Blount, Bradley, Campbell, Cannon, Carroll, Carter, Cheatham, Chester, Claiborne, Clay, Cocke, Coffee, Crockett, Cumberland, Davidson, Decatur, DeKalb, Dickson, Dyer, Fayette, Fentress, Franklin, Gibson, Giles, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hardeman, Hawkins, Haywood, Henderson, Hickman, Houston, Jackson, Jefferson, Johnson, Knox, Lake, Lauderdale, Lincoln, Loudon, Macon, Madison, Marion, Marshall, Maury, McMinn, Meigs, Monroe, Montgomery, Moore, Morgan, Obion, Overton, Pickett, Polk, Putnam, Rhea, Roane, Robertson, Rutherford, Scott, Sequatchie, Sevier, Shelby, Smith, Stewart, Sullivan, Sumner, Tipton, Trousdale, Unicoi, Union, Van Buren, Warren, Washington, Weakley, White, Williamson, Wilson
Virginia cities in which UnitedHealthcare is licensed: Bedford, Bristol, Buena Vista, Galax, Lexington, Martinsville, Norton, Radford, Roanoke, Salem
Virginia Counties in our Service Area:

- 13.1 Do you act as a custodian for health savings accounts? Yes No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$
- 13.3 Do you act as an administrator for health savings accounts? Yes No
- 13.4 If yes, please provide the balance of funds administered as of the reporting date. \$