

UnitedHealthcare of Louisiana, Inc.

Statutory Basis Financial Statements as of and
for the Years Ended December 31, 2019 and 2018,
Supplemental Schedules as of and for the
Year Ended December 31, 2019,
Independent Auditors' Report and Qualification Letter

UNITEDHEALTHCARE OF LOUISIANA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
UnitedHealthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2600
Metairie, LA 70002

We have audited the accompanying statutory basis financial statements of UnitedHealthcare of Louisiana, Inc. (the "Company"), which comprise the statutory basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2019 and 2018, and the related statutory basis statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Management's Responsibility for the Statutory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the accounting practices prescribed or permitted by the Louisiana Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory basis financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of UnitedHealthcare of Louisiana, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the Louisiana Department of Insurance described in Note 1 to the statutory basis financial statements.

Basis of Accounting

We draw attention to Note 1 of the statutory basis financial statements, which describes the basis of accounting. As described in Note 1 to the statutory basis financial statements, the statutory basis financial statements are prepared by UnitedHealthcare of Louisiana, Inc. using accounting practices prescribed or permitted by the Louisiana Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Louisiana Department of Insurance. Our opinion is not modified with respect to this matter.

Report on Supplemental Schedules

Our 2019 audit was conducted for the purpose of forming an opinion on the 2019 statutory basis financial statements as a whole. The supplemental schedule of investment risks interrogatories and the supplemental summary investment schedule, as of and for the year ended December 31, 2019 are presented for the purpose of additional analysis and are not a required part of the 2019 statutory basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2019 statutory basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2019 statutory basis financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Audit Committee and the management of UnitedHealthcare of Louisiana, Inc. and for filing with state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 27, 2020

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	\$ 234,814,073	\$ 231,956,414
Cash of \$45,057 and \$1,189,038, and cash equivalents of \$177,592,989 and \$123,843,352 in 2019 and 2018, respectively	177,638,046	125,032,390
Subtotal cash and invested assets	412,452,119	356,988,804
OTHER ASSETS:		
Investment income due and accrued	2,304,540	2,323,291
Premiums and considerations	195,005,855	182,353,026
Amounts recoverable from reinsurers	-	271,846
Amounts receivable relating to uninsured plans	217,734	274,040
Net deferred tax asset	13,293,810	14,591,450
Health care receivables	2,814,050	10,137,230
Other assets	-	231
Subtotal other assets	213,635,989	209,951,114
TOTAL ADMITTED ASSETS	\$ 626,088,108	\$ 566,939,918
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Claims unpaid	\$ 305,410,683	\$ 242,105,849
Accrued medical incentive pool and bonus amounts	10,916,024	4,909,576
Unpaid claims adjustment expenses	1,111,430	1,351,967
Aggregate health policy reserves	59,629,719	79,492,787
Aggregate health claim reserves	2,544,795	2,588,118
Premiums received in advance	141,813	177,316
General expenses due or accrued	45,408,243	55,596,719
Current federal income taxes payable	4,258,754	18,724,065
Ceded reinsurance premiums payable	162,450	165,808
Remittances and items not allocated	438	161
Amounts due to parent, subsidiaries, and affiliates, net	11,436,936	11,555,554
Liability for amounts held under uninsured plans	52,913	24,205
Total liabilities	441,074,198	416,692,125
CAPITAL AND SURPLUS:		
Section 9010 ACA subsequent fee year assessment	43,016,618	-
Common capital stock, \$2 par value —1,000,000 shares authorized; 900,000 shares issued and outstanding	1,800,000	1,800,000
Gross paid-in and contributed surplus	67,138,440	67,138,440
Unassigned surplus	73,058,852	81,309,353
Total capital and surplus	185,013,910	150,247,793
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	\$ 626,088,108	\$ 566,939,918

See notes to statutory basis financial statements.

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES:		
Net premium income	\$ 2,342,968,696	\$ 2,254,982,771
Change in reserve for rate credits	<u>4,385,743</u>	<u>(2,696,722)</u>
Total revenues	<u>2,347,354,439</u>	<u>2,252,286,049</u>
UNDERWRITING DEDUCTIONS:		
Hospital and medical:		
Hospital/medical benefits	1,193,708,752	1,204,185,537
Other professional services	22,498,626	23,131,909
Prescription drugs	411,228,861	331,057,520
Full Medicaid pricing pass through	369,529,001	346,377,610
Incentive pool, withhold adjustments, and bonus amounts	15,978,309	(15,535,553)
Net reinsurance payments	<u>657,055</u>	<u>6,663,928</u>
Total hospital and medical	2,013,600,604	1,895,880,951
Claims adjustment expenses	95,129,543	88,909,905
General administrative expenses	210,859,871	272,302,597
Decrease in reserves for accident and health contracts	<u>(20,432,000)</u>	<u>(438,000)</u>
Total underwriting deductions	<u>2,299,158,018</u>	<u>2,256,655,453</u>
NET UNDERWRITING GAIN (LOSS)	<u>48,196,421</u>	<u>(4,369,404)</u>
NET INVESTMENT GAINS:		
Net investment income earned	8,516,496	6,835,785
Net realized capital losses less capital benefit of \$15,440 and \$16,327 in 2019 and 2018, respectively	<u>(100,047)</u>	<u>(80,370)</u>
Total net investment gains	<u>8,416,449</u>	<u>6,755,415</u>
NET LOSS FROM AGENTS' OR PREMIUM BALANCES CHARGED OFF	(63,492)	(85,730)
OTHER LOSSES	<u>-</u>	<u>(295,000)</u>
NET INCOME BEFORE FEDERAL INCOME TAXES	56,549,378	2,005,281
FEDERAL INCOME TAXES INCURRED	<u>7,633,194</u>	<u>9,072,302</u>
NET INCOME (LOSS)	<u>\$ 48,916,184</u>	<u>\$ (7,067,021)</u>

See notes to statutory basis financial statements.

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Section 9010 ACA Subsequent Fee Year Assessment	Common Capital Stock Shares	Common Capital Stock Amount	Gross Paid-In and Contributed Surplus	Unassigned Surplus	Total Capital and Surplus
BALANCE — January 1, 2018	\$ 45,339,570	900,000	\$ 1,800,000	\$ 67,138,440	\$ 34,936,237	\$ 149,214,247
Net loss	-	-	-	-	(7,067,021)	(7,067,021)
Change in net unrealized capital losses on investments less capital gains benefit of (\$13)	-	-	-	-	(49)	(49)
Change in net deferred income taxes	-	-	-	-	(2,200,218)	(2,200,218)
Change in nonadmitted assets	-	-	-	-	(12,472,166)	(12,472,166)
Correction of error (Note 2)	-	-	-	-	22,773,000	22,773,000
Section 9010 ACA subsequent fee year assessment	<u>(45,339,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,339,570</u>	<u>-</u>
BALANCE — December 31, 2018	-	900,000	1,800,000	67,138,440	81,309,353	150,247,793
Net income	-	-	-	-	48,916,184	48,916,184
Change in net unrealized capital losses on investments less capital gains benefit of (\$71)	-	-	-	-	267	267
Change in net deferred income taxes	-	-	-	-	(1,297,569)	(1,297,569)
Change in nonadmitted assets	-	-	-	-	(12,852,765)	(12,852,765)
Section 9010 ACA subsequent fee year assessment	<u>43,016,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,016,618)</u>	<u>-</u>
BALANCE — December 31, 2019	<u>\$ 43,016,618</u>	<u>900,000</u>	<u>\$ 1,800,000</u>	<u>\$ 67,138,440</u>	<u>\$ 73,058,852</u>	<u>\$ 185,013,910</u>

See notes to statutory basis financial statements.

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATIONS:		
Premiums collected, net of reinsurance	\$ 2,335,729,020	\$ 2,217,018,781
Net investment income	10,640,897	9,342,955
Benefit and loss related payments	(1,950,089,443)	(1,867,562,889)
Operating expenses paid	(316,401,361)	(352,744,638)
Federal income taxes paid, net	<u>(22,083,065)</u>	<u>(1,243,692)</u>
Net cash provided by operations	<u>57,796,048</u>	<u>4,810,517</u>
CASH FLOWS FROM INVESTMENTS:		
Proceeds from investments:		
Bonds sold or matured	77,009,943	36,430,685
Miscellaneous proceeds	<u>338</u>	<u>275</u>
Total investment proceeds	<u>77,010,281</u>	<u>36,430,960</u>
Cost of investments acquired:		
Bonds	<u>(82,083,644)</u>	<u>(49,879,025)</u>
Total cost of investments acquired	<u>(82,083,644)</u>	<u>(49,879,025)</u>
Net cash used in investments	<u>(5,073,363)</u>	<u>(13,448,065)</u>
CASH FLOWS FROM FINANCING AND MISCELLANEOUS ACTIVITIES:		
Cash (applied) provided through net transfers (to) from affiliates	(118,618)	7,456,613
Other cash provided	<u>1,589</u>	<u>163</u>
Net cash (used in) provided by financing and miscellaneous activities	<u>(117,029)</u>	<u>7,456,776</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,605,656	(1,180,772)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>125,032,390</u>	<u>126,213,162</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 177,638,046</u>	<u>\$ 125,032,390</u>

See notes to statutory basis financial statements.

UNITEDHEALTHCARE OF LOUISIANA, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

Organization and Operation

UnitedHealthcare of Louisiana, 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, Inc. ("UHC"). UHC is a wholly owned subsidiary of United HealthCare Services, Inc. ("UHS"), a management corporation that provides services to the Company under the terms of a management agreement (the "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 April 9, 1986, as an HMO and operations commenced in November 1986. The Company is certified as an HMO, by the Louisiana Department of Insurance ("LADOI"). The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees.

The Company offers comprehensive commercial products to individual and employer groups. Each contract outlines the coverage provided and renewal provisions.

Effective January 2018, the Company serves as a plan sponsor offering Medicare Parts A & B, along with Medicare Part D prescription drug insurance coverage (collectively "Medicare program") under a contract with the Centers for Medicare and Medicaid Services ("CMS"). The Company receives seven different payment elements either during the year or at final settlement in the subsequent year: CMS premium, member premium, CMS low-income premium subsidy, CMS catastrophic reinsurance subsidy, CMS low-income member cost-sharing subsidy, CMS risk share, and the CMS coverage gap discount program ("CGDP"). The applicable payment elements are received either during the year or at the settlement in the subsequent year. Each component of the Medicare program is further defined throughout Note 1.

The Company has a contract with the State of Louisiana, Louisiana Department of Health ("LDH"), to provide health care services to Healthy Louisiana (a program for uninsured adults) eligible beneficiaries in Louisiana. The current contract is effective through December 31, 2020.

A. Accounting Practices

The statutory basis financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the LADOI.

The LADOI recognizes only statutory accounting practices, prescribed or permitted by the State of Louisiana, for determining and reporting the financial condition and results of operations of an HMO for determining its solvency under Louisiana Insurance Law. The state prescribes the use of the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") in effect for the accounting periods covered in the statutory basis financial statements.

No significant differences exist between the practices prescribed or permitted by the State of Louisiana and the NAIC SAP which materially affect the statutory basis net income (loss) and capital and surplus, as illustrated in the table below:

Net Income (Loss)	SSAP #	AFS Line	December 31, 2019	December 31, 2018
(1) Company state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	\$ 48,916,184	\$ (7,067,021)
(2) State prescribed practices that are an increase/(decrease) from NAIC SAP: Not applicable			-	-
(3) State permitted practices that are an increase/(decrease) from NAIC SAP: Not applicable			-	-
(4) NAIC SAP (1 - 2 - 3 = 4)	XXX	XXX	<u>\$ 48,916,184</u>	<u>\$ (7,067,021)</u>
Capital and Surplus				
(5) Company state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	\$ 185,013,910	\$ 150,247,793
(6) State prescribed practices that are an increase/(decrease) from NAIC SAP: Not applicable			-	-
(7) State permitted practices that are an increase/(decrease) from NAIC SAP: Not applicable			-	-
(8) NAIC SAP (5 - 6 - 7 = 8)	XXX	XXX	<u>\$ 185,013,910</u>	<u>\$ 150,247,793</u>

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

The preparation of these statutory basis financial statements in conformity with the NAIC Annual Statement Instructions and the NAIC SAP 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 benefits, claims unpaid, aggregate health policy reserves (including medical loss ratio rebates and premium deficiency reserves ("PDR")) and aggregate health claim reserves, and risk adjustment estimates. 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 net income (loss) in the period in which the estimate is adjusted.

C. Accounting Policy

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

Accounting policy disclosures that are required by the NAIC Annual Statement instructions are as follows:

- (1–2)** Bonds are stated at book/adjusted carrying value if they meet NAIC designation of one or two and stated at the lower of book/adjusted carrying value or fair value if they meet an NAIC designation of three or higher. The Company does not have any mandatory convertible securities or Securities Valuation Office of the NAIC (“SVO”) identified funds (i.e.: exchange traded funds or bond mutual funds) in its bond portfolio. Amortization of bond premium or accretion of discount is calculated using the constant-yield interest method. Bonds are valued and reported using market prices published by the SVO in accordance with the NAIC Valuation of Securities manual prepared by the SVO or an external pricing service;
- (3–4)** The Company holds no common or preferred stock;
- (5)** The Company holds no mortgage loans on real estate;
- (6)** U.S. government and agency securities and corporate debt securities include loan-backed securities (mortgage-backed securities and asset-backed securities), which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the book/adjusted carrying value, commonly referred to as amortized cost, of loan-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 sub-prime mortgages, to 10% of total cash and invested assets. Total combined investments in mortgage-backed securities and asset-backed securities cannot exceed more than 30% of total cash and invested assets;
- (7)** The Company holds no investments in subsidiaries, controlled, or affiliated entities;
- (8)** The Company has no investment interests with respect to joint ventures, partnerships, or limited liability companies;
- (9)** The Company holds no derivatives;
- (10)** PDR (inclusive of conversion reserves) and the related expenses are recognized when it is probable that expected future health care expenses, claims adjustment expenses (“CAE”), 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, CAE, and direct administration costs are considered. The data and assumptions underlying such estimates and the resulting reserves are periodically updated, and any adjustments are reflected as a decrease in reserves for life and accident and health contracts in the 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 PDR calculation (see Note 30);
- (11)** 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 Agreement (see Note 10), the Company pays a management fee to its affiliate, UHS, in exchange for

administrative and management services. A detailed review of the administrative expenses of the Company and UHS is performed to determine the allocation between CAE and general administrative expenses ("GAE") to be reported in the statutory basis statements of operations. It is the responsibility of UHS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid CAE associated with incurred but unpaid claims, which is included in unpaid CAE in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Management believes the amount of the liability for unpaid CAE as of December 31, 2019 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. Adjustments to the estimates for unpaid CAE are reflected in operating results in the period in which the change in estimate is identified;

- (12) The Company does not carry any fixed assets on the statutory basis financial statements;
- (13) Health care receivables consist of pharmacy rebates receivable estimated based on the most currently available data from the Company's claims processing systems and from data provided by the Company's affiliated pharmaceutical benefit manager, OptumRx, Inc. ("OptumRx"). Health care receivables also include receivables for amounts due to the Company for provider advances and claim overpayments to providers, hospitals and other health care organizations. Health care receivables are considered nonadmitted assets under the NAIC SAP 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 28).

The Company has also deemed the following to be significant accounting policies and/or differences between statutory practices and GAAP:

ASSETS

Cash and Invested Assets

- Bonds include U.S. government and agency securities, state and agency municipal securities, city and county municipal securities, and corporate debt securities, with a maturity of greater than one year at the time of purchase;
- Certain debt investments categorized as available-for-sale or held-to-maturity under GAAP are presented at the lower of book/adjusted carrying value or fair value in accordance with the NAIC designations in the statutory basis financial statements, whereas under GAAP, these investments are shown at fair value or book/adjusted carrying value, respectively;
- Cash and cash equivalents in the statutory basis financial statements represent cash balances and investments with original 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 that will mature in one year or less from the balance sheet date;
- The Company has no short-term investments;
- Cash represents cash held by the Company in operating accounts. Claims and other payments are made from the operating accounts daily;

- Outstanding checks are required to be netted against cash balances or presented as cash overdrafts if in excess of cash balances in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being presented as other liabilities under GAAP;
- Cash equivalents include money-market funds. Cash equivalents have original maturity dates of three months or less from the date of acquisition. Cash equivalents, excluding money-market funds, are reported at cost or book/adjusted carrying value depending on the nature of the underlying security, which approximates fair value. Money-market funds are reported at fair value or net asset value ("NAV") as a practical expedient;
- 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 losses less capital gains benefit in the statutory basis statements of operations;
- The Company continually monitors the difference between amortized 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, or if the Company has determined it will sell a security that is in an impaired status, the Company will record a realized loss in net realized capital losses less capital gains 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 loan-backed securities for periods subsequent to the loss recognition. The Company recognized an other-than-temporary impairment ("OTTI") of \$0 and \$1,550 for the years ended December 31, 2019 and 2018, respectively.
- The NAIC SAP requires the following captions to be taken into consideration in the reconciliation of the statutory basis statements of cash flows: cash, including cash overdrafts, cash equivalents, and short-term investments, which can include restricted cash reserves, with original maturities of one year or less from the time of acquisition, whereas under GAAP, pursuant to Accounting Standards Update 2016-18, *Statement of Cash Flows, Restricted Cash*, the statements of cash flows reconcile the corresponding captions of cash, cash equivalents and restricted cash with maturities of three months or less. Short-term investments with a final maturity of one year or less from the balance sheet date are not included in the reconciliation of GAAP cash flows. In addition, there are classification differences within the presentation of the cash flow categories between GAAP and NAIC SAP. The statutory basis statements of cash flows are prepared in accordance with the NAIC Annual Statement Instructions.

Other Assets

- **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, is reported as investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company evaluates the collectability of the amounts due and accrued and amounts determined to be uncollectible are written off in the period in which the determination is made. In addition, the remaining balance is assessed for admissibility and any balance greater than 90 days past due is considered a nonadmitted asset.
- **Premiums and Considerations** — The Company reports uncollected premium balances from groups, CMS, state Medicaid agencies and its insured members as premiums and considerations in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Uncollected premium balances 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, current balances are also considered nonadmitted if the corresponding balance greater than 90 days past due is deemed more than inconsequential. Premiums and considerations also include the following (see Note 24):

- a) risk adjustment receivables as defined in Section 1343 of the Affordable Care Act ("ACA"). Premium adjustments are based upon the risk scores (health status) of enrollees participating in risk adjustment covered plans, rather than the actual loss experience of the insured. Effective for 2018 benefit plan year, the risk adjustments and distributions are calculated using a high-cost risk pool which adds a reinsurance-like element to this program. A risk adjustment receivable is recorded when the Company estimates its average actuarial risk score for policies included in this program is greater than the average actuarial risk scores in that market and state risk pool;
- b) CMS risk corridor receivables for which adjustments are based on whether the ultimate per member per month ("PMPM") benefit costs of any Medicare program plan varies more than 5% above the level estimated in the original bid submitted by the Company and approved by CMS;
- c) CMS risk adjustment receivables. The risk adjustment model apportions premiums paid to all health plans according to the health severity and certain demographic factors of its enrollees. The CMS risk adjustment model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk-adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, and physician treatment settings. The Company and health care providers collect, capture, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. The Company estimates risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS. The Company recognizes such changes when the amounts become determinable and supportable and collectability is reasonably assured;
- d) Premium withhold receivables for a Medicaid performance guarantees. The pay for performance program is based upon the Company's performance against various quality and operational measures established in the Company's contract with the State which is based on a stated percentage of total direct premiums written. Premium adjustments for the Medicaid performance guarantee program are accounted for as premium adjustments subject to redetermination; and
- e) Hepatitis C risk corridor receivables for a Medicaid program for which adjustments are based on plan variances from the original estimated capitation rates.

Premium adjustments for the CMS and Medicaid risk corridor programs are accounted for as premium adjustments subject to retrospectively rated features (see Note 24). Premium adjustments for the ACA Section 1343 risk adjustment, CMS risk adjustment, and Medicaid performance programs are accounted for as premium adjustments subject to redetermination (see Note 24).

- **Amounts Receivable Relating to Uninsured Plans** — The Company reports amounts due to the Company from CMS, state Medicaid agency/agencies, and groups for the administrative activities it performs for which it has no insurance risk as amounts receivable relating to uninsured plans (see Note 18). Amounts receivable relating to uninsured plans includes the following:
 - a) Costs incurred in excess of the cost reimbursement under the Medicare program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy for the individual members. The Company is fully reimbursed by CMS for costs incurred for these contract elements, and accordingly, there is no insurance risk to the Company. Subsidies for individual members are received monthly and are not reflected as net premium income, but rather are accounted for as deposits. If the Company incurs costs in excess of these subsidies, a corresponding receivable is recorded. Related cash flows are presented within operating expenses paid within net cash provided by operations in the statutory basis statements of cash flows.
 - b) The ACA mandates consumer discounts of 70% in 2019 and 50% in 2018 on brand name prescription drugs for Part D plan participants in the coverage gap. As part of the CGDP, the Company records a receivable from the pharmaceutical manufacturers for reimbursement of the discounts. Related cash flows are presented within operating expenses paid within net cash provided by operations in the statutory basis statements of cash flows. The Company solely administers the application of these funds and has no insurance risk.
- **Net Deferred Tax Asset** — The NAIC SAP provides for an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax bases of assets, subject to a valuation allowance and admissibility limitations on deferred tax assets (see Note 9). In addition, under the NAIC SAP, the change in deferred tax assets is recorded directly to unassigned surplus in the statutory basis financial statements, whereas under GAAP, the change in deferred tax assets is recorded as a component of the income tax provision within the income statement and is based on the ultimate recoverability of the deferred tax assets. Based on the admissibility criteria under the NAIC SAP, any deferred tax assets determined to be nonadmitted are charged directly to surplus and excluded from the statutory basis financial statements, whereas under GAAP, such assets are included in the balance sheet.

LIABILITIES

- **Claims Unpaid and Aggregate Health Claim Reserves** — Claims unpaid and aggregate health claim reserves include 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 payments and 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 such liabilities for physician, hospital, and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. These 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 2019 and 2018. Management believes the amount of claims unpaid and aggregate health claim reserves is a best estimate of the Company's liability for unpaid claims and aggregate health claim reserves as of December 31, 2019; however, actual payments may differ from those established estimates.

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.

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.

The Company has a contract with the LDH in which the Company processes Full Medicaid Pricing ("FMP") payments to specified providers where the FMP has agreements. The Company records both the amounts collected from the LDH and the amounts disbursed to providers, excluding FMP related premium tax, as net premium income and hospital and medical expense, respectively, in the statutory basis statements of operations. Unsettled FMP payments owed to providers, net of premium tax, of \$167,688,518 and \$89,367,001 is included in claims unpaid as of December 31, 2019 and 2018, respectively, in the statutory basis statements of admitted assets, liabilities and capital and surplus.

- **Accrued Medical Incentive Pool and Bonus Amounts** — 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 in the fund are shared by the Company and the physician based upon predetermined risk-sharing percentage and the liability is included in accrued medical incentive pool and bonus amounts in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company has incentive and bonus arrangements with providers that are based on quality, utilization, and/or various health outcome measures. The estimated amount due to providers that meet the established metrics is included in accrued medical incentive pool and bonus amounts in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **Aggregate Health Policy Reserves** — The Company establishes a liability, net of ceded reinsurance, for estimated accrued retrospective and redetermination premiums due from the Company based on the actuarial method and assumptions for each respective contract.

Aggregate health policy reserves also includes:

- a) risk adjustment payables as defined in Section 1343 of the ACA. Premium adjustments are based upon the risk scores (health status) of enrollees participating in risk adjustment covered plans, rather than the actual loss experience of the insured. Effective for 2018 benefit plan year, the risk adjustments and distributions are calculated using a high-cost risk pool which adds a reinsurance-like element to this program. A risk adjustment payable is recorded when the Company estimates its average actuarial risk score for policies included in this program is less than the average actuarial risk scores in that market and state risk pool (see Note 24);
- b) CMS risk adjustment payables. The risk adjustment model apportions premiums paid to all health plans according to the health severity and certain demographic factors of its enrollees. The CMS risk adjustment model pays more for members whose medical history indicates they have certain medical conditions. Under this risk

adjustment methodology, CMS calculates the risk-adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, and physician treatment settings. The Company and health care providers collect, capture, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. If diagnosis data submitted to CMS needs to be corrected or deleted, the revised diagnosis data can be re-submitted. The Company estimates reductions to risk adjustment revenues and corresponding change in CMS risk adjustment payables based upon the diagnosis data submitted and expected to be submitted to CMS. The Company recognizes such changes when the amounts become determinable and supportable (see Note 24);

- c) estimated rebates payable on the comprehensive commercial, Medicaid and Medicare products, if the medical loss ratios on these fully insured products, as calculated under the definitions of the ACA and/or State statutes (see Note 14) and implementing regulations, fall below certain targets. The Company is required to rebate the ratable portions of the premiums annually (see Note 24); and
- d) the estimated amount for PDR (see Note 30).

- **Premiums Received in Advance** — Premiums received in full for the policies processed during the current period, but prior to the commencement of the service period, are recorded as premiums received in advance in the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- **General Expenses Due or Accrued** — General expenses that are due as of the reporting date in addition to general expenses that have been incurred but are not due until a subsequent period are reported as general expenses due or accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. General expenses due or accrued also include the amounts for unpaid assessments, premium taxes, and the unpaid portion of the contributions required under the ACA risk adjustment and reinsurance programs (see Note 24).
- **Current Federal Income Taxes Payable** — The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, 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. A liability for federal income taxes payable is recognized when its allocated intercompany estimated payments are less than its actual calculated obligation based on the Company's stand-alone federal income tax return (see Note 9).
- **Remittances and Items Not Allocated** — Remittances and items not allocated generally represent monies received from policyholders for monthly premium billings or providers that have not been specifically identified or applied prior to year-end. The majority is from monies received in the lockbox account on the last day of the year.
- **Amounts Due to Parent, Subsidiaries, and Affiliates, Net** — In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts owed as amounts due to parent, subsidiaries, and affiliates, net, in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

- **Liability for Amounts Held Under Uninsured Plans** — Liability for amounts held under uninsured plans represents amounts due from the Company to CMS, state Medicaid agency/agencies, and groups for the administrative activities it performs for which it has no insurance risk (see Note 18). Liability for amounts held under uninsured plans includes the ACA mandates consumer discounts of 70% in 2019 and 50% in 2018 on brand name prescription drugs for Part D plan participants in the coverage gap. These discounts are pre-funded for the individual members by CMS and a liability for the amount subject to recoupment is recorded. Related cash flows are presented within operating expenses paid within net cash provided by operations in the statutory basis statements of cash flows. The Company solely administers the application of these funds and has no insurance risk.

CAPITAL AND SURPLUS AND MINIMUM STATUTORY REQUIREMENTS

- **Nonadmitted Assets** — Certain assets, including certain aged premium receivables, certain health care receivables and prepaid expenses, are considered nonadmitted assets under the NAIC SAP and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus and charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheet.
- **Restricted Cash Reserves** — The Company held regulatory deposits in the amount of \$1,000,000 as of December 31, 2019 and 2018, in compliance with the State of Louisiana requirements for qualification purposes as a domestic insurer. These restricted cash reserves consist principally of industrial and miscellaneous bonds and are stated at book/adjusted carrying value, which approximates fair value. These restricted deposits are included in bonds in the 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 Louisiana, the LADOI requires the Company to maintain a minimum capital and surplus equal to \$3,000,000. The Company has \$185,013,910 and \$150,247,793 in total statutory basis capital and surplus as of December 31, 2019 and 2018, respectively, which is in compliance with the required amount.

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 LADOI requires the Company to maintain minimum capital and surplus equal to the greater of the state statute as outlined above, the company action level as calculated by the RBC formula, or the level needed to avoid action pursuant to the trend test in the RBC formula. The Company is in compliance with the required amount.

- **Section 9010 ACA Subsequent Fee Year Assessment** — The Company is subject to the Section 9010 ACA subsequent fee year assessment. Under the NAIC SAP, an amount equal to the estimated subsequent year fee must be apportioned out of unassigned surplus and reported as Section 9010 ACA subsequent fee year assessment, in the statutory basis statements of admitted assets, liabilities, and capital and surplus, whereas under GAAP, no such special surplus designation is required. In accordance with the 2019 Health Insurer Fee (“HIF”) moratorium, no HIF was payable in 2019, therefore no amounts were apportioned out of unassigned surplus in the 2018 statutory basis statements of admitted assets, liabilities, and capital and surplus.

STATEMENTS OF OPERATIONS

- **Net Premium Income and Change in Reserve for Rate Credits** — Revenues consist of net premium income that is recognized in the period in which enrollees are entitled to receive health care services. Net premium income is shown net of reinsurance premiums paid and reinsurance premiums incurred but not paid in the statutory basis statements of operations.

Comprehensive commercial health plans with medical loss ratios on fully insured products, as calculated under the definitions in the ACA (see Note 14) and implementing regulations, that fall below certain targets are required to rebate ratable portions of premiums annually. The Company classifies its estimated rebates as change in reserve for rate credits in the statutory basis statements of operations.

Pursuant to Section 1343 of the ACA, the Company records premium adjustments for changes to the risk adjustment balances which are reflected in change in reserve for rate credits and net premium income, respectively, in the statutory basis statements of operations.

Net premium income includes premium under the Medicare Plans which includes CMS premiums, including amounts pursuant to the CMS risk adjustment program, member premiums, and the CMS 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 also records estimates related to the CMS risk corridor program. Changes to these estimates are reflected as change in reserve for rate credits in the statutory basis statements of operations.

The Company's Medicare Plans are subject to medical loss ratio requirements under the ACA. Plans with medical loss ratios that fall below certain targets are required to rebate ratable portions of premiums annually. The Company classifies its estimated rebates as change in reserve for rate credits in the statutory basis statements of operations.

Net premium income also includes amounts paid by state and federal governments on a per member basis in exchange for the provision and administration of medical benefits under the Medicaid program. Premiums are contractual and are recognized in the coverage period in which members are entitled to receive services, except in the case of maternity payments. Maternity income is billed on contractual rates and recognized as income as each birth case is identified by the Company. Included in net premium income are capitated payments, home nursing risk-sharing payments, high-dollar risk pool payments, and maternity payments. The majority of net premium income recorded is based on capitated rates, which are monthly premiums paid for each member enrolled. Home nursing risk-sharing income is payable based upon the number of members that qualify for such reimbursement.

The Medicaid plan is subject to experience rebates, risk adjustments, and performance guarantees based on various utilization measures. The Company has reported its estimated risk adjustments and experience rebates as change in net premium income and change in reserve for rate credits in the statutory basis statements of operations.

- **Full Medicaid Pricing Pass Through Program** — The LDH and the Company entered into a contract in which the Company processes FMP payments to specified providers where the FMP has agreements. Once received for the LDH, the Company disburses funds from an allocated pool to hospitals, physician groups, and ambulance groups, less any

premium taxes. The funds that have been received cannot be directly linked to a specific claim. Additionally, the Company has no obligation to pay the specified providers until funds have been received. The amounts collected, net of tax, are included in net premium income in the statutory basis statements of operations. FMP receipts of \$369,529,001 and \$346,377,610 were recorded to net premium income and other medical expenses as of December 31, 2019 and 2018 respectively.

- **Total Hospital and Medical Expenses** — Total hospital and medical expenses 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 payments and liabilities for physician, hospital, and other medical costs disputes.

Total hospital and medical expenses also include amounts incurred for incentive pool, withhold adjustments, and bonus amounts that are based on the underlying contractual provisions with the respective providers. In addition, adjustments to claims unpaid estimates and aggregate health claim reserves are reflected in the period once the change in estimate is identified and included in total hospital and medical expenses in the statutory basis statements of operations.

- **General Administrative Expenses** — Pursuant to the terms of the Agreement (see Note 10), the Company pays a management fee to UHS in exchange for administrative and management services. Costs for items not included within the scope of the Agreement are directly expensed as incurred. A detailed review of the administrative expenses of the Company and UHS is performed to determine the allocation between CAE and GAE to be reported in the statutory basis statements of operations.

The Company is subject to an annual fee under Section 9010 of the ACA. A health insurance entity's annual fee becomes payable once the entity provides health insurance for any U.S. health risk during the calendar year, which is nondeductible for tax purposes. Under the NAIC SAP, the entire amount of the estimated annual fee expense is recognized on January 1 of the fee year in GAE in the statutory basis statements of operations, whereas under GAAP, a deferred asset is created on January 1 of the fee year which is amortized to expense on a straight-line basis throughout the year.

- **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 discount on bonds and certain external investment management costs are also included in net investment income earned (see Note 7).
- **Federal Income Taxes Incurred** — The provision for federal income taxes incurred is calculated based on applying the statutory federal income tax rate of 21% to net income before federal income taxes and net realized capital losses subject to certain adjustments (see Note 9).
- **Comprehensive Income** — Comprehensive income and its components are not separately presented in the statutory basis financial statements, whereas under GAAP, it is a requirement to present comprehensive income and its components in the financial statements.

REINSURANCE

- **Reinsurance Ceded** — In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding premium to other insurance enterprises or reinsurers under excess coverage contracts or specific transfer of risk agreements. The Company remains primarily liable as the direct insurer on the risks reinsured. Reinsurance premiums paid and reinsurance premiums incurred but not paid are deducted from net premium income in the statutory basis statements of operations. Any amounts due to the Company pursuant to this agreement are recorded as amounts recoverable from reinsurers in the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 23).

The Company has an insolvency-only reinsurance agreement with UnitedHealthcare Insurance Company ("UHIC"), an affiliate whereby 0.01% of net premium income is ceded to UHIC.

- **Amounts Recoverable from Reinsurers** — The Company records amounts recoverable from reinsurers for claims paid pursuant to the reinsurance agreement with Unimerica Insurance Company, Inc., an affiliate in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as net reinsurance payments in the statutory basis statements of operations.
- **Section 1341 ACA Transitional Reinsurance** — The Company has established a receivable of \$0 and \$45,860 as of December 31, 2019 and 2018, respectively, pursuant to Section 1341 of the ACA which is included in amounts recoverable from reinsurers in the statutory basis statements of admitted assets, liabilities, and capital and surplus, for the transitional reinsurance program. This program was designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations (see Note 24).
- **Ceded Reinsurance Premiums Payable** — The ceded reinsurance premiums payable balance represents amounts due to the reinsurer for specified coverage which will be paid based on the contract terms.

OTHER

- **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.

The Company has no commercial customers that individually exceed 10% of total direct premiums written and premiums and considerations, including receivables for contracts subject to redetermination, for the years ended December 31, 2019 and 2018.

Direct premiums written and uncollected premiums, including receivables for contracts subject to redetermination, from members and CMS related to the Medicare Plans as a percentage of total direct premiums written and total premiums and considerations, including receivables for contracts subject to redetermination, are less than 1% as of December 31, 2019 and 2018.

Direct premiums written and uncollected premiums, including receivables for contracts subject to redetermination, from the State of Louisiana, LDH a percentage of total direct premiums written and total uncollected premiums, including receivables for contracts subject to redetermination, are approximately 100% as of December 31, 2019 and 98% and 99% as of December 31, 2018, respectively.

Recently Issued Accounting Standards — The Company reviewed all recently issued guidance in 2019 and 2018 that have been adopted for 2019 or subsequent years' implementation and has determined that none of the items would have a significant impact to the statutory basis financial statements.

D. Going Concern

The Company has the ability and will continue to operate for a period of time sufficient to carry out its commitments, obligations and business objectives.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

No changes in accounting principles have been recorded during the years ended December 31, 2019 and 2018.

During 2018, the Company determined that it had overstated aggregate health policy reserves and increase in reserves for life and accident and health contracts related to premium deficiency reserves by \$22,773,000 for the year ended December 31, 2017. In addition, the deferred tax asset as a result of this error was overstated by \$4,782,330 for the year ended December 31, 2017. Had the above adjustment been recorded to the 2017 statutory basis financial statements, the increase/(decrease) to net income, total capital and surplus, total assets and total liabilities would have been \$22,773,000, \$17,990,670, \$(4,782,330), and \$(22,773,000), respectively. Due to the significance of the error, the cumulative effect of the net income and deferred tax asset of this prior year error was corrected by the Company in accordance with Statements of Statutory Accounting Principles ("SSAP") No. 3, Accounting Changes and Corrections of Errors, and is reflected in the statutory basis statements of changes in capital and surplus as a correction of error and change in net deferred income tax, respectively, for the period ended December 31, 2018.

3. BUSINESS COMBINATIONS AND GOODWILL

A–D. The Company was not party to a business combination during the years ended December 31, 2019 and 2018, and does not carry goodwill in its statutory basis statements of admitted assets, liabilities, and capital and surplus.

4. DISCONTINUED OPERATIONS

A. Discontinued Operation Disposed of or Classified as Held for Sale

(1–4) The Company did not have any discontinued operations disposed of or classified as held for sale during 2019 and 2018.

B. Change in Plan of Sale of Discontinued Operation — Not applicable.

C. Nature of any Significant Continuing Involvement with Discontinued Operations after Disposal — Not applicable.

D. Equity Interest Retained in the Discontinued Operation after Disposal — Not applicable.

5. INVESTMENTS

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 long-term investments were \$163,114 and \$278,601, respectively, for 2019 and \$29,048 and \$124,442, respectively, for 2018. There were no gross realized gains and losses on sales of short-term investments for 2019 and 2018. The net realized loss is included in net realized losses less capital gains benefit in the statutory basis

statements of operations. Total proceeds on the sale of long-term investments were \$63,974,963 and \$17,709,644 as of December 31, 2019 and 2018, respectively. There were no proceeds on the sale of short-term investments in 2019 and 2018.

As of December 31, 2019 and 2018, the book/adjusted carrying value, fair value, and gross unrecognized unrealized gains and losses of the Company's investments, excluding cash and cash equivalents of \$177,638,046 and \$125,032,390, respectively, are as follows:

	2019				
	Book/Adjusted Carrying Value	Gross Unrecognized Unrealized Gains	Gross Unrecognized Unrealized Losses < 1 Year	Gross Unrecognized Unrealized Losses > 1 Year	Fair Value
U.S. government and agency securities	\$ 42,228,395	\$ 1,362,226	\$ 4,666	\$ 50,190	\$ 43,535,765
State and agency municipal securities	24,580,972	1,018,193	833	-	25,598,332
City and county municipal securities	49,751,344	1,818,467	-	-	51,569,811
Corporate debt securities	<u>118,253,362</u>	<u>3,287,318</u>	<u>62,379</u>	<u>6,740</u>	<u>121,471,561</u>
Total bonds	<u>\$ 234,814,073</u>	<u>\$ 7,486,204</u>	<u>\$ 67,878</u>	<u>\$ 56,930</u>	<u>\$ 242,175,469</u>

	2019				
	Book/Adjusted Carrying Value	Gross Unrecognized Unrealized Gains	Gross Unrecognized Unrealized Losses < 1 Year	Gross Unrecognized Unrealized Losses > 1 Year	Fair Value
Less than one year	\$ 1,952,324	\$ 3,413	\$ -	\$ -	\$ 1,955,737
One to five years	86,138,567	1,618,272	13,491	1,940	87,741,408
Five to ten years	99,608,900	4,424,325	11,368	-	104,021,857
Over ten years	<u>47,114,282</u>	<u>1,440,194</u>	<u>43,019</u>	<u>54,990</u>	<u>48,456,467</u>
Total bonds	<u>\$ 234,814,073</u>	<u>\$ 7,486,204</u>	<u>\$ 67,878</u>	<u>\$ 56,930</u>	<u>\$ 242,175,469</u>

	2018				
	Book/Adjusted Carrying Value	Gross Unrecognized Unrealized Gains	Gross Unrecognized Unrealized Losses < 1 Year	Gross Unrecognized Unrealized Losses > 1 Year	Fair Value
U.S. government and agency securities	\$ 42,206,761	\$ 202,356	\$ 115,838	\$ 723,252	\$ 41,570,027
State and agency municipal securities	32,405,673	65,326	57,845	388,393	32,024,761
City and county municipal securities	74,919,201	94,099	147,400	789,705	74,076,195
Corporate debt securities (includes commercial paper)	<u>82,424,779</u>	<u>134,886</u>	<u>585,441</u>	<u>1,030,075</u>	<u>80,944,149</u>
Total bonds	<u>\$ 231,956,414</u>	<u>\$ 496,667</u>	<u>\$ 906,524</u>	<u>\$ 2,931,425</u>	<u>\$ 228,615,132</u>

Included in U.S. government and agency securities and corporate debt securities in the tables above are mortgage-related loan-backed securities, which do not have a single maturity date. For the years to maturity table above, these securities have been presented in the maturity group based on the securities' final maturity date and at a book/adjusted carrying value of \$33,580,012 and fair value of \$34,296,952.

The following table illustrates the fair value and gross unrecognized unrealized losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrecognized unrealized loss position as of December 31, 2019 and 2018:

	2019					
	< 1 Year		> 1 Year		Total	
	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses
U.S. government and agency securities	\$ 1,471,061	\$ 4,666	\$ 6,224,024	\$ 50,190	\$ 7,695,085	\$ 54,856
State and agency municipal securities	829,844	833	-	-	829,844	833
Corporate debt securities	10,002,349	62,379	1,121,687	6,740	11,124,036	69,119
Total bonds	<u>\$ 12,303,254</u>	<u>\$ 67,878</u>	<u>\$ 7,345,711</u>	<u>\$ 56,930</u>	<u>\$ 19,648,965</u>	<u>\$ 124,808</u>

	2018					
	< 1 Year		> 1 Year		Total	
	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses
U.S. government and agency securities	\$ 9,361,804	\$ 115,838	\$ 17,775,912	\$ 723,252	\$ 27,137,716	\$ 839,090
State and agency municipal securities	5,670,244	57,845	20,433,253	388,393	26,103,497	446,238
City and county municipal securities	20,124,624	147,400	44,744,159	789,705	64,868,783	937,105
Corporate debt securities	34,022,101	585,441	35,092,630	1,030,075	69,114,731	1,615,516
Total bonds	<u>\$ 69,178,773</u>	<u>\$ 906,524</u>	<u>\$ 118,045,954</u>	<u>\$ 2,931,425</u>	<u>\$ 187,224,727</u>	<u>\$ 3,837,949</u>

The unrecognized unrealized losses on investments in U.S. government and agency securities, state and agency municipal securities, city and county municipal securities, and corporate debt securities at December 31, 2019 and 2018, 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 book/adjusted carrying value. The contractual cash flows of the U.S. government and agency securities are guaranteed either 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 municipal, local agency and corporate debt securities, noting whether a significant deterioration since purchase or other factors that may indicate an OTTI, 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 loan-backed securities for a period of time sufficient to recover the amortized cost. As a result of these reviews, the Company recorded an OTTI of \$0 and \$1,550 as of December 31, 2019 and 2018, respectively, which are included in net realized capital losses less capital gains benefit in the statutory basis statements of operations.

A–C. The Company has no mortgage loans, real estate loans, restructured debt, or reverse mortgages. The Company also has no real estate property occupied by the Company, real estate property held for the production of income, or real estate property held for sale.

D. Loan-Backed Securities

- (1) U.S. government and agency securities and corporate debt securities include loan-backed securities (mortgage-backed securities and asset-backed securities), which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the book/adjusted carrying value, commonly referred to as amortized cost, of loan-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors.

- (2) The Company did not recognize any OTTIs on loan-backed securities as of December 31, 2019 and 2018.
- (3) The Company did not have any loan-backed securities with OTTIs to report by CUSIP as of December 31, 2019 or 2018.
- (4) The following table illustrates the fair value, gross unrecognized unrealized losses, and length of time that the loan-backed securities have been in a continuous unrecognized unrealized loss position as of December 31, 2019 and 2018:

	2019
The aggregate amount of unrealized losses:	
1. Less than 12 months	\$ 43,019
2. 12 months or longer	54,990
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	5,382,753
2. 12 months or longer	6,547,982
	2018
The aggregate amount of unrealized losses:	
1. Less than 12 months	\$ 16,767
2. 12 months or longer	768,266
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	2,669,374
2. 12 months or longer	19,563,680

- (5) The Company believes that it will collect all principal and interest due on all investments that have an amortized cost in excess of fair value. The unrecognized unrealized losses as of December 31, 2019 and 2018 were primarily caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities.

- E. Dollar Repurchase Agreements and/or Securities Lending Transactions** — Not applicable.
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing** — Not applicable.
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing** — Not applicable.
- H. Repurchase Agreements Transactions Accounted for as a Sale** — Not applicable.
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale** — Not applicable.
- J. Real Estate** — Not applicable.
- K. Low-Income Housing Tax Credits** — Not applicable.

L. Restricted Assets —

(1) Restricted assets, including pledged securities as of December 31, 2019 and 2018, are presented below:

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted From Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	3 Increase/ (Decrease) (1 Minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	- %	- %
b. Collateral held under security lending agreements	-	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale — excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	-	-	-	-	-	-	-
j. On deposit with states	1,000,000	1,000,000	-	-	1,000,000	-	-
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-
n. Other restricted assets	-	-	-	-	-	-	-
o. Total restricted assets	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>- %</u>	<u>- %</u>

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

(2–4) The Company has no assets pledged as collateral not captured in other categories and no other restricted assets as of December 31, 2019 or 2018.

M. Working Capital Finance Investments — Not applicable.

N. Offsetting and Netting of Assets and Liabilities

The Company does not have any offsetting or netting of assets and liabilities as it relates to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending activities.

O. 5GI Securities

The Company does not have any investments with an NAIC designation of 5GI as of December 31, 2019 and 2018.

P. Short Sales — Not applicable.

Q. Prepayment Penalty and Acceleration Fees —

The following table illustrates prepayment penalty and acceleration fees as of December 31, 2019:

	General Account
1. Number of CUSIPs	3
2. Aggregate amount of investment income	\$ 38,771

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

A–B. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of admitted assets and did not recognize any impairment write-down for its investments in joint ventures, partnerships, and limited liability companies during the statement periods.

7. INVESTMENT INCOME

- A.** The Company excludes all investment income due and accrued amounts that are over 90 days past due from the statutory basis statements of admitted assets, liabilities, and capital and surplus.
- B.** There were no investment income amounts excluded from the statutory basis financial statements.

8. DERIVATIVE INSTRUMENTS

A–B. The Company has no derivative instruments.

9. INCOME TAXES**A. Deferred Tax Asset/Liability**

- (1)** The components of the net deferred tax asset at December 31, 2019 and 2018, are as follows:

	2019			2018			Change		
	1	2	3	4	5	6	7	8	9
	Ordinary	Capital	Col 1 + 2 Total	Ordinary	Capital	Col 4 + 5 Total	(Col 1 - 4) Ordinary	(Col 2 - 5) Capital	Col 7 + 8 Total
(a) Gross deferred tax assets	\$ 13,585,830	\$ 13	\$ 13,585,843	\$ 14,966,439	\$ 13	\$ 14,966,452	\$ (1,380,609)	\$ -	\$ (1,380,609)
(b) Statutory valuation allowance adjustments	-	-	-	-	-	-	-	-	-
(c) Adjusted gross deferred tax assets (1a - 1b)	13,585,830	13	13,585,843	14,966,439	13	14,966,452	(1,380,609)	-	(1,380,609)
(d) Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
(e) Subtotal net admitted deferred tax asset (1c - 1d)	13,585,830	13	13,585,843	14,966,439	13	14,966,452	(1,380,609)	-	(1,380,609)
(f) Deferred tax liabilities	288,750	3,283	292,033	373,655	1,347	375,002	(84,905)	1,936	(82,969)
(g) Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	<u>\$ 13,297,080</u>	<u>\$ (3,270)</u>	<u>\$ 13,293,810</u>	<u>\$ 14,592,784</u>	<u>\$ (1,334)</u>	<u>\$ 14,591,450</u>	<u>\$ (1,295,704)</u>	<u>\$ (1,936)</u>	<u>\$ (1,297,640)</u>

- (2) The components of the adjusted gross deferred tax assets admissibility calculation under SSAP No. 101, *Income Taxes — A Replacement of SSAP No. 10R and SSAP No. 10*, are as follows:

Admission Calculation Components SSAP No. 101	2019			2018			Change		
	1 Ordinary	2 Capital	3 (Col 1 + 2) Total	4 Ordinary	5 Capital	6 (Col 4 + 5) Total	7 (Col 1 - 4) Ordinary	8 (Col 2 - 5) Capital	9 (Col 7 + 8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 13,585,830	\$ -	\$ 13,585,830	\$ 14,966,439	\$ 13	\$ 14,966,452	\$(1,380,609)	\$ (13)	\$(1,380,622)
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below)	-	-	-	-	-	-	-	-	-
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	-	-	-	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	17,172,010	XXX	XXX	13,565,634	XXX	XXX	3,606,376
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	-	13	13	-	-	-	-	13	13
(d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total 2(a) + 2(b) + 2(c)	<u>\$ 13,585,830</u>	<u>\$ 13</u>	<u>\$ 13,585,843</u>	<u>\$ 14,966,439</u>	<u>\$ 13</u>	<u>\$ 14,966,452</u>	<u>\$(1,380,609)</u>	<u>\$ -</u>	<u>\$(1,380,609)</u>

- (3) The ratio percentage and adjusted capital and surplus used to determine the recovery period and threshold limitations for the admissibility calculation are presented below:

	2019	2018
(a) Ratio percentage used to determine recovery period and threshold limitation amount	249 %	255 %
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)(2) above	\$ 171,720,100	\$ 135,656,343

- (4) The impact to the gross deferred tax assets balances as a result of tax-planning strategies as of December 31, 2019 and 2018, is presented below:

Impact of Tax-Planning Strategies	2019		2018		Change	
	1	2	3	4	5	6
	Ordinary	Capital	Ordinary	Capital	(Col 1 - 3) Ordinary	(Col 2 - 4) Capital
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets by tax character as a percentage.						
1. Adjusted gross DTAs amount from Note 9A1(c)	\$ 13,585,830	\$ 13	\$ 14,966,439	\$ 13	\$(1,380,609)	\$ -
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax-planning strategies	- %	- %	- %	- %	- %	- %
3. Net admitted adjusted gross DTAs amount from Note 9A1(e)	13,585,830	13	14,966,439	13	(1,380,609)	-
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax-planning strategies	- %	- %	- %	- %	- %	- %
(b) Does the Company's tax-planning strategies include the use of reinsurance?			Yes	No		X

B. Unrecognized Deferred Tax Liabilities

- (1-4) There are no unrecognized deferred tax liabilities for the years ended December 31, 2019 and 2018.

C. Significant Components of Income Taxes

- (1) The current federal and foreign income taxes incurred for the years ended December 31, 2019 and 2018 are as follows:

	1	2	3
	2019	2018	(Col 1 - 2) Change
1. Current income tax			
(a) Federal	\$ 7,633,194	\$ 9,072,302	\$(1,439,108)
(b) Foreign	-	-	-
(c) Subtotal	7,633,194	9,072,302	(1,439,108)
(d) Federal income tax on net capital gains (losses)	(15,440)	(16,237)	797
(e) Utilization of capital loss carryforwards	-	-	-
(f) Other	-	-	-
(g) Total federal and foreign income taxes incurred	<u>\$ 7,617,754</u>	<u>\$ 9,056,065</u>	<u>\$(1,438,311)</u>

(2-4) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2019 and 2018, are as follows:

	1	2	3
	2019	2018	(Col 1 - 2) Change
2 Deferred tax assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 1,022,393	\$ 809,482	\$ 212,911
(2) Unearned premium reserve	5,956	7,447	(1,491)
(3) Policyholder reserves	4,878,930	9,169,650	(4,290,720)
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivables — nonadmitted	7,678,158	4,978,992	2,699,166
(11) Net operating loss carryforward	-	-	-
(12) Tax credit carryforward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	393	868	(475)
(99) Subtotal	13,585,830	14,966,439	(1,380,609)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	13,585,830	14,966,439	(1,380,609)
(e) Capital:			
(1) Investments	-	-	-
(2) Net capital loss carryforward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	13	13	-
(99) Subtotal	13	13	-
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	13	13	-
(i) Admitted deferred tax assets (2d + 2h)	13,585,843	14,966,452	(1,380,609)
3 Deferred tax liabilities:			
(a) Ordinary:			
(1) Investments	23,956	19,851	4,105
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	264,794	353,804	(89,010)
(99) Subtotal	288,750	373,655	(84,905)
(b) Capital:			
(1) Investments	3,212	1,347	1,865
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	71	-	71
(99) Subtotal	3,283	1,347	1,936
(c) Deferred tax liabilities (3a99 + 3b99)	292,033	375,002	(82,969)
4 Net deferred tax assets/liabilities (2i - 3c)	\$ 13,293,810	\$ 14,591,450	\$(1,297,640)

The other capital deferred tax asset of \$13 for 2019 and 2018 consist of unrealized losses. The other ordinary deferred tax liability of \$264,794 for 2019 consists of discounting of unpaid losses. The other ordinary deferred tax liability of \$353,804 of 2018 consists of discounting of unpaid loss of \$352,087 and \$1,717 of premium acquisition expenses.

The Company assessed the potential realization of the gross deferred tax asset and as a result no statutory valuation allowance was required and no allowance was established as of December 31, 2019 and 2018.

- D.** The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 21% to net income before federal income taxes incurred, plus capital losses/less capital gains benefit. A summarization of the significant items causing this difference as of December 31, 2019 and 2018 is as follows:

	2019		2018	
	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Tax provision at the federal statutory rate	\$ 11,872,127	21 %	\$ 417,699	21 %
Tax-exempt interest	(257,722)	(1)	(291,711)	(14)
Health insurer fee	-	-	8,967,120	451
Tax effect of nonadmitted assets	(2,699,082)	(5)	(2,619,155)	(132)
Prior year true-up	6,716,220	12	-	-
Prior year audited financial statement adjustment, net with true-up above	(4,789,890)	(8)	-	-
Deferred corrections	(1,926,330)	(3)	4,782,330	240
Total statutory income taxes	\$ 8,915,323	16 %	\$ 11,256,283	566 %
Federal income taxes incurred	\$ 7,633,194	14 %	\$ 9,072,302	456 %
Capital gains tax	(15,440)	-	(16,237)	(1)
Change in net deferred income tax	1,297,569	2	2,200,218	111
Total statutory income taxes	\$ 8,915,323	16 %	\$ 11,256,283	566 %

- E.** At December 31, 2019, the Company had no net operating loss carryforwards.

Current federal income taxes payable of \$4,258,754 and \$18,724,065 as of December 31, 2019 and 2018, respectively, are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds were \$22,083,065 and \$1,243,692 in 2019 and 2018, respectively.

Federal income taxes incurred of \$7,617,755 and \$9,056,065 for 2019 and 2018, respectively, are available for recoupment in the event of future net losses.

The Company has not admitted any aggregate amounts of deposits that are included within Section 6603 ("Deposits made to suspend running of interest on potential underpayments, etc.") of the Internal Revenue Service ("IRS") Code.

- F.** The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group. The entities included within the consolidated return are included in NAIC Statutory Statement Schedule Y — Information Concerning Activities of Insurer Members Of A Holding Company 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, with the exception of net operating losses and capital losses. For these losses, 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. UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The IRS has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2016 and prior. UnitedHealth Group's 2017, 2018 and 2019 tax returns are under review by the IRS under its Compliance Assurance Program. With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to the 2013 tax year. In general, the Company is subject to examination in non-U.S. jurisdictions for years 2014 and forward. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

G. Tax Contingencies — Not applicable.

H. Repatriation Transition Tax — Not applicable

I. Alternative Minimum Tax Credit — Not applicable.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

A–O. Material Related Party Transactions

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

In the ordinary course of business, the Company contracts with several affiliates to provide a wide variety of services to the Company's members. These agreements are filed with and approved by the LADOI according to Management's understanding of the current requirements and standards. Within the confines of the applicable filed and approved agreements (including subsequent amendments thereto), the amount and types of services provided by these affiliated entities can change year over year.

The administrative services, access fees, and cost of care services provided by affiliates are calculated using one or more of the following methods: (1) a percentage of premiums; (2) use of assets; (3) direct pass-through of charges; (4) PMPM; (5) per employee per month; (6) per claim; or (7) a combination thereof consistent with the provisions contained in each contract. These amounts are included in GAE and CAE in the statutory basis statements of operations. The following table identifies the amounts for the administrative services, access fees, and cost of care services provided by related parties for the years ended December 31, 2019 and 2018, which meet the disclosure requirements pursuant to SSAP No. 25, *Affiliates and Other Related Parties*, regardless of the effective date of the contract:

	2019	2018
OptumRx	\$ 427,129,037	\$ 88,051,257
United HealthCare Services, Inc.	127,999,185	137,570,046
United Behavioral Health	26,448,952	24,884,921
AxelaCare Intermediate Holdings, LLC	8,787,370	8,590,820
OptumInsight, Inc.	3,213,028	3,286,049

OptumRx provides services that may include, but are not limited to, administrative services related to pharmacy management and pharmacy claims processing for enrollees, manufacturer rebate administration, pharmacy incentive services, specialty drug pharmacy services, durable medical equipment services including orthotics and prosthetics and personal health products catalogues showing the healthcare products and benefit credits enrollees needed to redeem the respective products.

UHS provides, or arranges for the provision of, management, administrative, and other services deemed necessary or appropriate for UHS to provide management and operational support to the Company. The services can include, but are not limited to, the categories of management and operational services outlined in the Agreement, such as human resources, legal, facilities, general administration, treasury and investment functions, claims adjudication and payment, benefit administration, disease management, health care decision support, provider networks, quality oversight and wellness management. The amount charged to the Company for the management and operational services provided by UHS are calculated pursuant to the Agreement.

United Behavioral Health provides services related to mental health and substance abuse treatment.

AxelaCare Intermediate Holdings, LLC provides home infusion therapy services.

OptumInsight, Inc. provides services that may include, but are not limited to, claim analytics and recovery of medical expense overpayments, retroactive fraud, waste and abuse, subrogation and premium audit services. All recoveries are returned to the Company by OptumInsight, Inc. on a monthly basis.

The Company has premium payments that are received, claim payments and direct expenses such as broker commissions, LADOI exam fees, ACA assessments, and premium taxes that are processed and paid by an affiliated UnitedHealth Group entity. Premiums, claims and direct expenses applicable to the Company are settled at regular intervals throughout the month via the intercompany settlement process and any amounts outstanding are reflected in payable amounts due to parent, subsidiaries, and affiliates, net in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company holds a \$100,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of London InterBank Offered Rate plus a margin of 0.50%. This credit agreement is subordinate to the extent it does not conflict with any credit facility held by either party. The credit agreement is effective until terminated by either party. No amounts were outstanding under the line of credit as of December 31, 2019 and 2018.

The Company has a Tax Sharing Agreement with UnitedHealth Group (see Note 9).

The Company did not pay any dividends in 2019 or 2018 (see Note 13).

The Company has entered into a reinsurance agreement with an affiliated entity (see Note 23).

At December 31, 2019 and 2018, the Company reported \$11,436,936 and \$11,555,554, respectively, as amounts due to parent, subsidiaries and affiliates, net which are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. 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.

The Company has not extended any guarantees or undertakings for the benefit of an affiliate or related party.

The Company does not have any amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity.

The Company does not have any investments in a subsidiary, controlled, or affiliated entity that exceeds 10% of admitted assets.

The Company does not have any investments in impaired subsidiaries, controlled, or affiliated entities.

The Company does not have any investments in foreign insurance subsidiaries.

The Company does not hold any investments in a downstream noninsurance holding company.

The Company does not have any investments in noninsurance subsidiaries, controlled, or affiliated entities.

The Company does not have any investments in insurance subsidiaries, controlled, or affiliated entities.

11. DEBT

A–B. The Company had no outstanding debt with third-parties or outstanding Federal Home Loan Bank agreements during 2019 and 2018.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A–I. The Company has no defined benefit plans, defined contribution plans, multiemployer plans, consolidated/holding company plans, postemployment benefits, or compensated absences plans and is not impacted by the Medicare Modernization Act on postretirement benefits, since all personnel are employees of UHS, which provides services to the Company under the terms of the Agreement (see Note 10).

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS, AND QUASI-REORGANIZATIONS

(1–2) The Company has 1,000,000 shares authorized and 900,000 shares issued and outstanding of \$2 par value common stock. The Company has no preferred stock outstanding. All issued and outstanding shares of common stock are held by the Company's parent, UHC.

(3) Payment of dividends may be restricted by the LADOI, which generally requires that dividends be paid out of unassigned surplus.

(4) The Company paid no dividends and no infusions were received during 2019 or 2018.

(5) The amount of ordinary dividends that may be paid out during any given period is subject to certain restrictions as specified by state statute.

(6) There are no restrictions placed on the Company's unassigned surplus.

(7) The Company is not a mutual reciprocal or a similarly organized entity and does not have advances to surplus not repaid.

- (8) The Company does not hold any stock, including stock of affiliated companies for special purposes, such as conversion of preferred stock, employee stock options, or stock purchase warrants.
- (9) For the year ended December 31, 2019, the amount of the estimated Section 9010 ACA subsequent fee year assessment apportioned out of unassigned surplus was \$43,016,618. As discussed in Note 1, in 2018 no amount was required to be apportioned out of unassigned surplus for the Section 9010 ACA subsequent fee year assessment.
- (10) The portion of unassigned surplus, excluding the apportionment of estimated Section 9010 ACA subsequent fee year assessment, correction of error, and net income (loss), represented (or reduced) by each item below is as follows:

	2019	2018	Change
Unrealized capital gains (losses) on investments	\$ 276	\$ (62)	\$ 338
Net deferred income taxes	13,293,810	14,591,450	(1,297,640)
Nonadmitted assets	<u>(36,562,656)</u>	<u>(23,709,891)</u>	<u>(12,852,765)</u>
Total	<u>\$ (23,268,570)</u>	<u>\$ (9,118,503)</u>	<u>\$ (14,150,067)</u>

- (11–13) The Company does not have any outstanding surplus notes and has never been a party to a quasi-reorganization.

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Contingent Commitments

The Company has no contingent commitments.

B. Assessments

The Company is not aware of any guaranty fund assessments or premium tax offsets, potential or accrued, that could have a material financial effect on the operations of the entity.

C. Gain Contingencies

The Company is not aware of any gain contingencies that should be disclosed in the statutory basis financial statements.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits — Not applicable.

E. Joint and Several Liabilities — Not applicable.

F. All Other Contingencies

The Company's business is regulated at the federal, state, and local levels. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products.

The ACA and the related federal and state regulations will continue to impact how the Company does business and could restrict revenue and enrollment growth in certain products and market

segments, restrict premium growth rates for certain products and market segments, increase the Company's medical and administrative costs, expose the Company to an increased risk of liability (including increasing the Company's liability in federal and state courts for coverage determinations and contract interpretation), or put the Company at risk for loss of business. In addition, the Company's statutory basis results of operations, financial condition, and cash flows could be materially adversely affected by such changes. The ACA may create new or expand existing opportunities for business growth, but due to its complexity, the long term impact of the ACA remains difficult to predict and is not yet fully known.

The Company has been, or is currently involved, in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments and other governmental authorities. The Company cannot reasonably estimate the range of loss, if any, that may result from any material government investigations, audits and reviews in which it is currently involved given the inherent difficulty in predicting regulatory action, fines and penalties, if any, and the various remedies and levels of judicial review available to the Company in the event of an adverse finding.

On February 14, 2017, the Department of Justice ("DOJ") announced its decision to pursue certain claims within a lawsuit initially asserted against the Company and filed under seal by a whistleblower in 2011. The whistleblower's complaint, which was unsealed on February 15, 2017, alleges that the Company made improper risk adjustment submissions and violated the False Claims Act. On February 12, 2018, the court granted in part and denied in part the Company's motion to dismiss. In May 2018, the DOJ moved to dismiss the Company's counterclaims, which were filed in March 2018, and moved for partial summary judgment. In March 2019, the court denied the government's motion for partial summary judgment and dismissed the Company's counterclaims without prejudice. The Company cannot reasonably estimate the outcome that may result from this matter given its procedural status.

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators, relating to the Company's businesses, including management and administration of health benefit plans and other services.

The Company records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving the Company are inherently difficult to predict, particularly where the matters involve: indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, the Company is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility or it is probable that a loss may be incurred. 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 statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

The Company routinely evaluates the collectability of all receivable amounts included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Impairment reserves are established for those amounts where collectability 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 statutory basis financial condition.

There are no other assets that the Company considers to be impaired at December 31, 2019 and 2018, except as disclosed in Note 5.

15. LEASES

A–B. According to the Agreement between the Company and UHS (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UHS. Fees associated with the lease agreements are included as a component of the Company's management fee.

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

(1–4) The Company does not hold any financial instruments with off-balance-sheet risk or have any concentrations of credit risk.

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

A–C. 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

A–B. The Company has no operations from Administrative Services Only Contracts or Administrative Services Contracts in 2019 and 2018.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

The Medicare Part D program is a partially insured plan. The Company recorded a receivable in amounts receivable relating to uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus of \$185,911 and \$260,743 at December 31, 2019 and 2018, respectively, for cost reimbursement under the Medicare Part D program for the catastrophic reinsurance and low-income member cost-sharing subsidies as described in Note 1, *Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*. The Company also recorded a receivable of \$31,823 and \$13,297 and also a payable of \$52,913 and \$24,205 at December 31, 2019 and 2018, respectively, for the Medicare Part D CGDP as described in Note 1, *Amounts Receivable Relating to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*.

The Company participates in administering payments for the LDH's Managed Care Incentive Program ("MCIP"), which incentivizes hospitals to meet certain individualized metrics. Once a hospital meets these incentives, they are compensated for their efforts in helping the Medicaid populations. There is no risk to the Company as a result of these transactions. The Company has recorded a payable of \$0 as of December 31, 2019, which is included in liability for amounts held under uninsured plans in the statutory basis statements of admitted assets, liabilities, and capital and surplus for the additional pass-through payments to providers. The payments processed for the MCIP were \$34,269,790 as of December 31, 2019.

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 in 2019 and 2018.

20. FAIR VALUE MEASUREMENT

The NAIC SAP defines fair value, establishes a framework for measuring fair value, and outlines the disclosure requirements related to 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.

The estimated fair values of bonds and cash equivalents are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service ("pricing service"), which generally uses quoted prices or other observable inputs for the determination of fair value. 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, non-binding 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 analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source, prices reported by its custodian, its investment consultant, and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in an adjustment in 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 asset or liability.

A. Fair Value

(1) Fair Value Measurements at Reporting Date

The following tables present information about the Company's financial assets that are measured and reported at fair value at December 31, 2019 and 2018, in the statutory basis statements of admitted assets, liabilities, and capital and surplus according to the valuation techniques the Company used to determine their fair values:

Description for Each Class of Asset or Liability	December 31, 2019				Total
	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	
a. Assets at fair value:					
Perpetual preferred stock:					
Industrial and misc	\$ -	\$ -	\$ -	\$ -	\$ -
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total perpetual preferred stocks	-	-	-	-	-
Bonds:					
U.S. governments	-	-	-	-	-
Industrial and misc	-	-	-	-	-
Hybrid securities	-	-	-	-	-
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total bonds	-	-	-	-	-
Common stock:					
Industrial and misc	-	-	-	-	-
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total common stock	-	-	-	-	-
Derivative assets:					
Interest rate contracts	-	-	-	-	-
Foreign exchange contracts	-	-	-	-	-
Credit contracts	-	-	-	-	-
Commodity futures contracts	-	-	-	-	-
Commodity forward contracts	-	-	-	-	-
Total derivatives	-	-	-	-	-
Money-market funds	177,592,989	-	-	-	177,592,989
Separate account assets	-	-	-	-	-
Total assets at fair value/NAV	<u>\$ 177,592,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,592,989</u>
b. Liabilities at fair value:					
Derivative liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Description for Each Class of Asset or Liability	December 31, 2018				Total
	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	
a. Assets at fair value:					
Perpetual preferred stock:					
Industrial and misc	\$ -	\$ -	\$ -	\$ -	\$ -
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total perpetual preferred stocks	-	-	-	-	-
Bonds:					
U.S. governments	-	-	-	-	-
Industrial and misc	-	-	-	-	-
Hybrid securities	-	-	-	-	-
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total bonds	-	-	-	-	-
Common stock:					
Industrial and misc	-	-	-	-	-
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total common stock	-	-	-	-	-
Derivative assets:					
Interest rate contracts	-	-	-	-	-
Foreign exchange contracts	-	-	-	-	-
Credit contracts	-	-	-	-	-
Commodity futures contracts	-	-	-	-	-
Commodity forward contracts	-	-	-	-	-
Total derivatives	-	-	-	-	-
Money-market funds	123,843,352	-	-	-	123,843,352
Separate account assets	-	-	-	-	-
Total assets at fair value/NAV	<u>\$ 123,843,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,843,352</u>
b. Liabilities at fair value:					
Derivative liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- (2) The Company does not have any financial assets with a fair value hierarchy of Level 3 that were measured and reported at fair value.
- (3) Transfers between fair value hierarchy levels, if any, are recorded as of the beginning of the reporting period in which the transfer occurs. There were no transfers between Levels 1, 2 or 3 of any financial assets or liabilities during the years ended December 31, 2019 or 2018.
- (4) The Company has no investments reported with a fair value hierarchy of Level 2 or Level 3 and therefore has no valuation technique to disclose.
- (5) The Company has no derivative assets and liabilities to disclose.

B. Fair Value Combination — Not applicable.

C. Aggregate Fair Value Hierarchy

The aggregate fair value by hierarchy of all financial instruments as of December 31, 2019 and 2018 is presented in the table below:

Type of Financial Instrument	December 31, 2019						Not Practicable (Carrying Value)
	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	
U.S. government and agency securities	\$ 43,535,765	\$ 42,228,395	\$ 10,931,140	\$ 32,604,625	\$ -	\$ -	\$ -
State and agency municipal securities	25,598,332	24,580,972	-	25,598,332	-	-	-
City and county municipal securities	51,569,811	49,751,344	-	51,569,811	-	-	-
Corporate debt securities	121,471,561	118,253,362	-	121,471,561	-	-	-
Cash equivalents	177,592,989	177,592,989	177,592,989	-	-	-	-
Total bonds and cash equivalents	<u>\$ 419,768,458</u>	<u>\$ 412,407,062</u>	<u>\$ 188,524,129</u>	<u>\$ 231,244,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Type of Financial Instrument	December 31, 2018						Not Practicable (Carrying Value)
	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	
U.S. government and agency securities	\$ 41,570,027	\$ 42,206,761	\$ 13,413,831	\$ 28,156,196	\$ -	\$ -	\$ -
State and agency municipal securities	32,024,761	32,405,673	-	32,024,761	-	-	-
City and county municipal securities	74,076,195	74,919,201	-	74,076,195	-	-	-
Corporate debt securities	80,944,149	82,424,779	-	80,944,149	-	-	-
Cash equivalents	123,843,352	123,843,352	123,843,352	-	-	-	-
Total bonds and cash equivalents	<u>\$ 352,458,484</u>	<u>\$ 355,799,766</u>	<u>\$ 137,257,183</u>	<u>\$ 215,201,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Not Practicable to Estimate Fair Value — Not applicable.

E. Investments Measured Using the NAV Practical Expedient — Not applicable.

21. OTHER ITEMS

A. Unusual or Infrequent Items

The Company did not encounter any unusual or infrequent items for the years ended December 31, 2019 and 2018.

B. Troubled Debt Restructuring: Debtors

The Company has no troubled debt restructurings as of December 31, 2019 and 2018.

C. Other Disclosures

The Company does not have any amounts not recorded in the statutory basis financial statements that represent segregated funds held for others. The Company also does not have any exposures related to forward commitments that are not derivative instruments.

D. Business Interruption Insurance Recoveries

The Company has not received any business interruption insurance recoveries during 2019 and 2018.

E. State Transferable and Non-transferable Tax Credits

The Company has no transferable or non-transferable state tax credits.

F. Sub-Prime Mortgage-Related Risk Exposure

- (1) The investment policy for the Company limits investments in loan-backed securities, which includes 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 to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered have an NAIC designation of 1 or 2.
- (2) The Company has no direct exposure through investments in sub-prime mortgage loans.
- (3) The Company has no direct exposure through other investments.
- (4) The Company has no underwriting exposure to sub-prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

G. Retained Assets

The Company does not have any retained asset accounts for beneficiaries.

H. Insurance-Linked Securities Contracts

As of December 31, 2019, the Company is not aware of any possible proceeds of insurance-linked securities.

- I. **The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy** — Not applicable.

22. EVENTS SUBSEQUENT

Subsequent events have been evaluated through April 27, 2020, which is the date these statutory basis financial statements were available for issuance.

TYPE I — Recognized Subsequent Events

Any material Type I events subsequent to December 31, 2019, have been recognized in the statutory basis financial statements and corresponding disclosures.

TYPE II — Non-Recognized Subsequent Events

The Company is subject to the annual fee under Section 9010 of the ACA. The fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of the health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, of the year the fee is due. The HIF was repealed by Congress effective January 1, 2021.

As of December 31, 2019, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2020, and estimates its portion of the annual health insurance industry fee payable on September 30, 2020 to be \$43,016,618. This amount has been apportioned out of unassigned surplus and is reflected as Section 9010 ACA subsequent fee year assessment in the statutory basis financial statements. In accordance with the 2019 HIF moratorium, no amounts were required to be apportioned out of unassigned surplus in 2018 (see Note 1). The

Company's Authorized Control Level RBC ("ACL RBC") ratio was 271% as of December 31, 2019. Reporting the ACA assessment as a liability as of December 31, 2019, would not have triggered an RBC action level.

The table below presents information regarding the annual fee under Section 9010 of the ACA as of December 31, 2019 and 2018:

	2019	2018
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (Yes/No)?	<u>Yes</u>	
B. ACA fee assessment payable for the upcoming year	\$ 43,016,618	\$ -
C. ACA fee assessment paid	-	42,700,576
D. Premium written subject to ACA 9010 assessment	2,255,081,823	-
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	185,013,910	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	141,997,292	
G. Authorized Control Level (Five-Year Historical Line 15)	66,594,139	
H. Would reporting the ACA assessment as of December 31, 2019, have triggered an RBC action level (Yes/No)?	<u>No</u>	

There are no other material non-recognized Type II events that require disclosure.

23. REINSURANCE

Reinsurance Agreements — 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 and other nonaffiliated reinsurers. The Company remains primarily liable as the direct insurer on all risks reinsured.

The Company has an insolvency-only reinsurance agreement with UHIC, an affiliate of the Company, to provide insolvency protection for its enrollees. Reinsurance premiums, which are calculated on a percentage of member premium income, of \$1,986,310 and \$1,889,471 in 2019 and 2018, respectively, are netted against net premium income in the statutory basis statements of operations.

The Company entered into a reinsurance agreement with an affiliated entity, Unimerica Insurance Company, Inc. to cede obligations relating to mental health and substance use disorder benefits and chiropractic, physical and occupational therapy treatments benefits. This reinsurance agreement was terminated effective December 31, 2017. Run-out insurance premiums of \$570,867 as of December 31, 2018 were netted against net premium income in the statutory basis statements of operations. Reinsurance recoveries of (\$693,240) and (\$6,663,928) as of December 31, 2019 and 2018, respectively are included in net reinsurance recoveries in the statutory basis statements of operations. There were \$225,986 of amounts recoverable from reinsurers related to this agreement as of December 31, 2018. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

The Company does not have any unaffiliated reinsurance agreements in place as of December 31, 2019 or 2018.

Pursuant to Section 1341 of ACA, through 2017, the Company was subject to the reinsurance provisions for compliant individual policies (see Note 24).

The effect of internal and external reinsurance agreements outlined above on net premium income and hospital and medical expenses is presented below:

	2019	2018
Premiums:		
Direct	\$ 2,344,955,006	\$ 2,257,443,108
Ceded:		
Affiliate	<u>1,986,310</u>	<u>2,460,337</u>
Net premium income	<u><u>\$ 2,342,968,696</u></u>	<u><u>\$ 2,254,982,771</u></u>
Hospital and medical expenses:		
Direct	\$ 2,012,943,549	\$ 1,889,217,023
Ceded:		
Affiliate	(693,240)	(6,663,928)
Nonaffiliate	<u>36,185</u>	<u>-</u>
Net hospital and medical expenses	<u><u>\$ 2,013,600,604</u></u>	<u><u>\$ 1,895,880,951</u></u>

The Company recognized reinsurance recoveries related to internal and external reinsurance agreements of \$(657,055) and \$(6,663,928) in 2019 and 2018, respectively, which are recorded as net reinsurance recoveries in the statutory basis statements of operations. In addition, reinsurance recoverables related to internal and external reinsurance agreements of \$0 and \$271,846 for paid losses are recorded as amounts recoverable from reinsurers and \$(1,245) and \$227,522 for unpaid losses are recorded as a reduction to claims unpaid in 2019 and 2018, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

A. Ceded Reinsurance Report

Section 1 — General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, 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)

- (2) 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 Report — 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 Report — 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, 2019.

- (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)

B. Uncollectible Reinsurance — During 2019 and 2018, there were no uncollectible reinsurance recoverables.

C. Commutation of Ceded Reinsurance — There was no commutation of reinsurance in 2019 or 2018.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation — Not applicable.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A. The Company estimates accrued retrospective premium adjustments for its group health insurance business based on mathematical calculations in accordance with contractual terms.

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

- C. Pursuant to the ACA, the Company's commercial business is subject to retrospectively rated features based on the actual medical loss ratios experienced on the commercial lines of business and redetermination features for premium adjustments for changes to each member's health scores based on guidelines determined by the ACA. The total amount of direct premiums written for the commercial lines of business subject to the retrospectively rated and redetermination features was \$2,828,201 and \$47,082,203, representing 0.1% and 2.2% of total direct premiums written as of December 31, 2019 and 2018, respectively.

Pursuant to the ACA, the Company's Medicare business is subject to retrospectively rated features based on the actual medical loss ratios experienced on the Medicare line of business. The formula is calculated pursuant to the ACA guidance. The total amount of direct premiums written for the Medicare line of business subject to the retrospectively rated features was \$9,355,681 and \$5,085,865, representing 0.4% and 0.2% of total direct premiums written as of December 31, 2019 and 2018, respectively.

The Company has Medicare Part D risk-corridor amounts from CMS which are subject to a retrospectively rated feature related to Part D premiums. The Company has estimated accrued retrospective premiums related to certain Part D premiums based on guidelines determined by CMS. The formula is tiered and based on the bid medical loss ratio. The amount of Medicare Part D direct premiums written subject to the retrospectively rated feature was \$553,351 and \$370,152 representing, 0.1% and less than 0.1% of total direct premiums written for 2019 and 2018, respectively.

The Company has risk-adjustment amounts from CMS which are subject to a redetermination feature related to Medicare premiums. The Company has estimated premium adjustments for changes to each member's health scores based on guidelines determined by CMS. The total amount of Medicare direct premiums written for which a portion is subject to the redetermination feature was \$9,355,681 and \$5,085,865 representing, 0.4% and 0.2% of total direct premiums written for 2019 and 2018, respectively.

CMS has released the final Medicaid Managed Care Rule which is subject to each State's administration elections. This rule is the first major update to the Medicaid Managed Care regulations in more than a decade. Many items including a minimum loss ratio requirement were implemented for contracts with an effective date starting on or after July 1, 2017 while other elements of the regulation will be implemented over the following decade. Pursuant to the regulations, for contracts effective on or after July 1, 2017 premiums associated with the Company's Medicaid line of business is subject to retrospectively rated features based on the actual medical loss ratios experienced on this product. The calculation is pursuant to the Medicaid Managed Care guidance. The total amount of direct premiums written for the Medicaid line of business for which a portion is subject to the retrospectively rated features was \$2,332,771,124 and \$1,858,897,429, representing 99.5% and 82.3% of total direct premiums written as of December 31, 2019 and December 31, 2018, respectively.

The Medicaid contract, with the State of Louisiana has risk adjustment amounts from LDH which are subject to a redetermination feature related to Medicaid premiums. The Company has estimated premium adjustments based on guidelines by LDH. The total amount of direct premiums written from the Medicaid contract for which a portion is subject to the redetermination feature was \$2,332,771,124 and \$1,858,897,429, representing 99.5% and 82.3% of the Company's total direct premiums written as of December 31, 2019 and 2018, respectively.

The Medicaid contract, with the State of Louisiana includes a provision for which a stated percentage of total direct premiums written can be eligible for a performance guarantee payment, based on various quality measures. The total amount of direct premiums written from the Medicaid contract, for which a portion is subject to the redetermination feature was \$2,332,771,124 and \$1,858,897,429, representing 99.5% and 82.3%, of the Company's total direct premiums written, as of December 31, 2019 and 2018, respectively.

The Medicaid contract with the State of Louisiana includes a retrospectively rated feature related to the Value Added Benefits and Services program. The Company has estimated accrued retrospective premiums pursuant to the contract. The total amount of direct premiums written from the Medicaid contract for which a portion is subject to the retrospectively rated feature was \$1,858,897,429, representing 82.3% of the Company's total direct premiums written as of December 31, 2018.

The Medicaid contract with the State of Louisiana includes a retrospectively rated feature related to the Hepatitis C Risk corridor program. The Company has estimated accrued retrospective premiums pursuant to the contract. The total amount of direct premiums written from the Medicaid contract for which a portion is subject to the retrospectively rated feature was \$2,332,771,224 representing 99.5% of the Company's total direct premiums written as of December 31, 2019.

- D.** The Company is required to maintain specific minimum loss ratios on the comprehensive commercial and Medicare lines of business. The Company's actual loss ratios on the comprehensive commercial and Medicare lines of business were in excess of the minimum requirements and as a result, no minimum medical loss ratio rebate liability was required to be established at December 31, 2019 and 2018.

Pursuant to the Medicaid Managed Care Rule based on state contractual minimum loss ratio requirements, the Company is required to maintain specific minimum loss ratios on its Healthy Louisiana and Healthy Louisiana populations. The Company has estimated \$36,273,605 and \$35,664,587 in estimated Medicaid Managed Care Rule rebates as of December 31, 2019 and December 31, 2018, respectively, which is included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

E. Risk-Sharing Provisions of the Affordable Care Act

- (1)** The Company has accident and health insurance premiums in 2019 and 2018 subject to the risk-sharing provisions of the ACA.

The ACA imposed fees and premium stabilization provisions on health insurance issuers offering comprehensive commercial health insurance. The three premium stabilization programs are commonly referred to as the 3Rs — risk adjustment, reinsurance, and risk corridors.

Risk Adjustment — The permanent risk adjustment program, designed to mitigate the potential impact of adverse selection and provide stability for health insurance issuers, applies to all non-grandfathered plans not subject to transitional relief in the individual and small group markets both inside and outside of the insurance exchanges. Effective for 2018 benefit plan year, the risk adjustments and distributions are calculated using a high-cost risk pool which adds a reinsurance-like element to this program. The operation of the high-cost risk pools exclude a percentage of costs above a threshold level determined by federal regulations. The program operates two national high-cost risk pools, one for individuals and one for small groups. The data used by CMS to determine the risk adjustment amount is subject to risk adjustment data validation audits along with the true-up to the final CMS report, which may result in a material change to arrive at the final risk adjustment amount from the initial risk adjustment estimate recorded. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments.

Reinsurance — The transitional reinsurance program was designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations. The transitional reinsurance program was effective from 2014 through 2016 and applied to all issuers of major medical commercial products and third-party administrators. Contributions attributable to enrollees in the ACA compliant

individual plans, including program administrative costs, were accounted for as ceded premium and payments received were accounted for as ceded benefit recoveries. The portion of the individual contributions earmarked for the U.S. Treasury was accounted for as an assessment. Contributions made for enrollees in fully insured plans other than the ACA compliant individual plans, including program administrative costs and payments to the U.S. Treasury, were treated as assessments.

Risk Corridors — The temporary risk corridors program, designed to provide some aggregate protection against variability for issuers in the individual and small group markets during the period 2014 through 2016, applied to Qualified Health Plans in the individual and small group markets both inside and outside of the insurance exchanges. Premium adjustments pursuant to the risk corridors program were accounted for as premium adjustments for retrospectively rated contracts.

- (2) The following table presents the current year impact of risk-sharing provisions of the ACA on assets, liabilities and operations:

a. Permanent ACA Risk Adjustment Program		December 31, 2019
<u>Assets</u>		
1. Premium adjustments receivable due to ACA Risk Adjustment (including high risk pool payments)	\$	6,381
<u>Liabilities</u>		
2. Risk adjustment user fees payable for ACA Risk Adjustment		240
3. Premium adjustments payable due to ACA Risk Adjustment (including high risk pool premium)		122,193
<u>Operations (Revenue & Expense)</u>		
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment		(156,288)
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)		242
b. Transitional ACA Reinsurance Program		
<u>Assets</u>		
1. Amounts recoverable for claims paid due to ACA Reinsurance	\$	-
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)		-
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance		-
<u>Liabilities</u>		
4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium		-
5. Ceded reinsurance premiums payable due to ACA Reinsurance		-
6. Liability for amounts held under uninsured plans contributions for ACA Reinsurance		-
<u>Operations (Revenue & Expense)</u>		
7. Ceded reinsurance premiums due to ACA Reinsurance		-
8. Reinsurance recoveries (income statement) due to ACA reinsurance payments or expected payments		36,185
9. ACA Reinsurance contributions - not reported as ceded premium		-
c. Temporary ACA Risk Corridors Program		
<u>Assets</u>		
1. Accrued retrospective premium due to ACA Risk Corridors	\$	-
<u>Liabilities</u>		
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors		-
<u>Operations (Revenue & Expense)</u>		
3. Effect of ACA Risk Corridors on net premium income (paid/received)		-
4. Effect of ACA Risk Corridors on change in reserves for rate credits		-

(3) The following table is a rollforward of the prior year ACA risk-sharing provisions for asset and liability balances, along with reasons for adjustments to prior year balances:

	Accrued During the Prior Year on Business Written before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written before December 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)				Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	To Prior Year Balances 7	To Prior Year Balances 8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium Adjustment Receivable (including high risk pool payments)	\$ 15,547	\$ -	\$ 15,547	\$ -	\$ -	\$ -	\$ 5,407	\$ -	A	\$ 5,407	\$ -
2. Premium Adjustment (Payable) (including high risk pool premium)	-	(163,200)	-	(203,676)	-	40,476	-	(40,476)	B	-	-
3. Subtotal ACA Permanent Risk Adjustment Program	15,547	(163,200)	15,547	(203,676)	-	40,476	5,407	(40,476)		5,407	-
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	45,860	-	82,045	-	(36,185)	-	36,185	-	C	-	-
2. Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-	D	-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-	E	-	-
4. Liabilities for contributions payable due to ACA Reinsurance — not reported as ceded premium	-	-	-	-	-	-	-	-	F	-	-
5. Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-	G	-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-	H	-	-
7. Subtotal ACA Transitional Reinsurance Program	45,860	-	82,045	-	(36,185)	-	36,185	-		-	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	I	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	J	-	-
3. Subtotal ACA Risk Corridors Program	-	-	-	-	-	-	-	-		-	-
d. Total for ACA Risk-Sharing Provisions	\$ 61,407	\$ (163,200)	\$ 97,592	\$ (203,676)	\$ (36,185)	\$ 40,476	\$ 41,592	\$ (40,476)		\$ 5,407	\$ -

Explanation of Adjustments

- A. The risk adjustment receivable as of December 31, 2019 was adjusted based on the final CMS Summary Report on Permanent Risk Adjustment Transfers for the 2018 Benefit Year. The risk adjustment receivable as of December 31, 2018 utilized paid claims through October 31, 2018. The adjustment to the December receivable balance reflects the true up to final results for the 2018 Benefit Year. The risk adjustment receivable was further adjusted based on the CMS Summary Report of 2017 Benefit Year Risk Adjustment Data Validation Adjustments to Risk Adjustment Transfers.
- B. The risk adjustment payable as of December 31, 2019 was adjusted based on the final CMS Summary Report on Permanent Risk Adjustment Transfers for the 2018 Benefit Year. The risk adjustment payable as of December 31, 2018 utilized paid claims through October 31, 2018. The adjustment to the December payable balance reflects the true up to final results for the 2018 Benefit Year. The risk adjustment payable as of December 31, 2019 was further adjusted based on the CMS Summary Report of 2017 Benefit Year Risk Adjustment Data Validation Adjustments to Risk Adjustment Transfers.
- C. Actual reinsurance receipts exceeded anticipated results due to a higher final coinsurance rate.
- D. N/A
- E. N/A
- F. N/A
- G. N/A
- H. N/A
- I. N/A
- J. N/A

- (4) The Company does not have any risk corridor receivables or payables to present in the table below.

Risk Corridors Program Year	Accrued during the Prior Year on Business Written before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written before December 31 of the Prior Year		Differences		Adjustments		Ref	Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. 2014											
1. Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -	\$ -
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	B	-	-
b. 2015											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	C	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	D	-	-
c. 2016											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	E	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	F	-	-
d. Total for Risk Corridors	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

Explanation of Adjustments

- A. N/A
B. N/A
C. N/A
D. N/A
E. N/A
F. N/A

- (5) The following table discloses ACA risk corridor receivable balances by risk corridor program year:

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts Received from CMS	4 Asset Balance (Gross of Non-Admissions) (1 - 2 - 3)	5 Non-Admitted Amount	6 Net Admitted Asset (4 - 5)
a. 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. 2015	4,251,826	4,251,826	-	-	-	-
c. 2016	<u>209,226</u>	<u>209,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
d. Total (a + b + c)	<u>\$ 4,461,052</u>	<u>\$ 4,461,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

- A. Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the statutory basis statements of operations. The following tables disclose paid claims, incurred claims, and the balance in claims unpaid, accrued medical incentive pool and bonus amounts, aggregate health claim reserves, health care receivables and reinsurance recoverables for the years ended December 31, 2019 and 2018:

	2019		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (249,603,543)	\$ (249,603,543)
Paid claims — net of health care receivables and reinsurance recoveries collected	1,765,087,819	185,001,624	1,950,089,443
End of year claim reserve	<u>285,432,095</u>	<u>33,439,407</u>	<u>318,871,502</u>
Incurred claims excluding the change in health care receivables and reinsurance recoverables as presented below	2,050,519,914	(31,162,512)	2,019,357,402
Beginning of year health care receivables and reinsurance recoverables	-	33,603,739	33,603,739
End of year health care receivables and reinsurance recoverables	<u>(2,642,606)</u>	<u>(36,717,931)</u>	<u>(39,360,537)</u>
Total incurred claims	<u>\$ 2,047,877,308</u>	<u>\$ (34,276,704)</u>	<u>\$ 2,013,600,604</u>

	2018		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (234,053,825)	\$ (234,053,825)
Paid claims — net of health care receivables and reinsurance recoveries collected	1,711,424,208	156,138,681	1,867,562,889
End of year claim reserve	<u>237,606,753</u>	<u>11,996,790</u>	<u>249,603,543</u>
Incurred claims excluding the change in health care receivables and reinsurance recoverables as presented below	1,949,030,961	(65,918,354)	1,883,112,607
Beginning of year health care receivables and reinsurance recoverables	-	46,372,083	46,372,083
End of year health care receivables and reinsurance recoverables	<u>(11,769,211)</u>	<u>(21,834,528)</u>	<u>(33,603,739)</u>
Total incurred claims	<u>\$ 1,937,261,750</u>	<u>\$ (41,380,799)</u>	<u>\$ 1,895,880,951</u>

The liability for claims unpaid, accrued medical incentive pool and bonus amounts, aggregate health claim reserves, net of health care receivables and reinsurance recoverables as of December 31, 2018 was \$215,999,804. As of December 31, 2019, \$185,001,624 has been paid

for incurred claims attributable to insured events of prior years. Reserves remaining for prior years, net of health care receivables and reinsurance recoverables are now (\$3,278,524), as a result of re-estimation of unpaid claims. Therefore, there has been \$34,276,704 favorable prior year development since December 31, 2018 to December 31, 2019. The primary drivers consist of favorable development of \$25,883,178 in retroactivity for inpatient, outpatient, physician, and pharmacy claims and favorable development as a result of a change in the provision for adverse deviations in experience of \$7,570,058.

At December 31, 2018, the Company recorded \$41,380,799 of favorable development as a result of a change in the provider gain share provisions of \$29,244,163, favorable development of \$17,965,966 in retroactivity for inpatient, outpatient, physician, and pharmacy claims and favorable development of \$5,871,255 as a result of a change in the provision for adverse deviations in experience, offset by unfavorable development of \$11,555,552 in behavioral and other health reserves. Original estimates are increased or decreased, as additional information becomes known regarding individual claims, which could have an impact to the accruals for medical loss ratio rebates and retrospectively rated contracts. As a result of the prior year effects, on a regular basis, the Company adjusts revenue and the corresponding liability and/or receivable related to retrospectively rated policies and the impact of the change is included as a component of change in reserve for rate credits in the statutory basis statements of operations.

The Company incurred CAE of \$95,129,543 and \$88,909,905 in 2019 and 2018, respectively. These costs are included in the management service fees paid by the Company to UHS as a part of the Agreement (see Note 10). The following table discloses paid CAE, incurred CAE, and the balance in unpaid CAE reserve for 2019 and 2018:

	2019	2018
Total claims adjustment expenses	\$ 95,129,543	\$ 88,909,905
Less current year unpaid claims adjustment expenses	(1,111,430)	(1,351,967)
Add prior year unpaid claims adjustment expenses	<u>1,351,967</u>	<u>1,370,586</u>
Total claims adjustment expenses paid	<u>\$ 95,370,080</u>	<u>\$ 88,928,524</u>

- B.** The Company did not make any significant changes in methodologies and assumptions used in the calculation of the liability for claims unpaid and unpaid CAE in 2019.

26. INTERCOMPANY POOLING ARRANGEMENTS

- A–G.** The Company did not have any intercompany pooling arrangements in 2019 or 2018.

27. STRUCTURED SETTLEMENTS

- A–B.** The Company did not have structured settlements in 2019 or 2018.

28. HEALTH CARE RECEIVABLES

- A.** Pharmacy 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 evaluates admissibility of all pharmacy rebates receivable based on the administration of each underlying pharmaceutical benefit management agreement. The Company has nonadmitted and excluded all pharmacy rebates receivable that do not meet the admissibility criteria of SSAP No. 84, *Certain Health Care Receivables and Receivables under Government Insured Plans* ("SSAP No. 84") from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

For each pharmaceutical management agreement for which a portion of the total pharmacy rebates receivable can be admitted based on the admissibility criteria of SSAP No. 84, the pharmacy rebate transaction history is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received within 90 Days of Billing	Actual Rebates Received within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days after Billing
12/31/2019	\$ 985,672	\$ -	\$ -	\$ -	\$ -
9/30/2019	532,900	1,008,564	155,944	-	-
6/30/2019	2,110,736	2,661,764	1,710,608	787,932	-
3/31/2019	5,890,908	6,014,316	3,300,991	1,715,908	681,083
12/31/2018	7,084,291	6,941,159	4,797,119	1,840,214	92,733
9/30/2018	6,505,071	6,508,045	3,843,911	2,059,957	524,916
6/30/2018	6,775,195	6,685,348	3,797,795	2,248,025	567,565
3/31/2018	6,788,436	6,536,372	3,031,387	2,776,322	681,224
12/31/2017	6,505,624	6,531,690	3,462,157	2,780,431	275,131
9/30/2017	6,070,663	5,812,606	2,392,970	2,847,846	540,421
6/30/2017	6,470,423	5,832,036	997,521	3,952,323	875,530
3/31/2017	6,412,539	5,850,962	553,168	4,057,423	1,203,022

Of the amount reported as health care receivable, \$1,838,636 and \$9,878,575 relates to pharmacy rebates receivable as of December 31, 2019 and 2018, respectively. This decrease is primarily due to the change in benefit design.

- B.** The Company does not have any risk-sharing receivables.

The Company has admitted claim overpayments of \$975,414 and \$258,655 in 2019 and 2018, respectively, which are included in health care receivables in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

29. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2019 or 2018.

30. PREMIUM DEFICIENCY RESERVES

The following table summarizes the Company's PDR as of December 31, 2019 and 2018:

	2019
1. Liability carried for premium deficiency reserves	\$ 23,233,000
2. Date of the most recent evaluation of this liability	12/31/2019
3. Was anticipated investment income utilized in this calculation?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	2018
1. Liability carried for premium deficiency reserves	\$ 43,655,000
2. Date of the most recent evaluation of this liability	12/31/2018
3. Was anticipated investment income utilized in this calculation?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

PDR is included in aggregate health policy reserves (see Note 1 — *Basis of Presentation*) in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2019 and 2018, 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.

32. RECONCILIATION TO THE ANNUAL STATEMENT

During the audit of 2019 statutory basis financial statements, necessary adjustments were discovered during the subsequent event review related to changes in the PDR from what was previously filed by the Company to the 2019 Annual submission on March 1, 2020.

The following table reconciles the 2019 Annual Statement previously filed to the 2019 statutory basis financial statements:

	Per Audited Statutory Basis Financial Statements	Per Annual Statement	Variance
Assets	\$ 626,088,108	\$ 627,272,088	\$ (1,183,980)
Liabilities	441,074,198	446,712,198	(5,638,000)
Capital and surplus	185,013,910	180,559,890	4,454,020
Expenses	2,299,158,018	2,327,605,018	(28,447,000)
Net income	48,916,184	20,469,184	28,447,000

The following table is also provided for additional information regarding the impact of the adjustments to capital and surplus:

Capital and surplus per annual statement	\$ 180,559,890
Change in net deferred income taxes	(1,183,980)
Adjustment to decrease in reserves for accident and health contracts	<u>5,638,000</u>
Capital and surplus per statutory basis financial statements	<u>\$ 185,013,910</u>

The following table is also provided for additional information regarding the impact of the adjustments to 2019 net income:

Net loss per annual statement	\$ 20,469,184
Adjustment to decrease in reserves for accident and health contracts	<u>28,447,000</u>
Net income per statutory basis financial statements	<u>\$ 48,916,184</u>

The result of the adjustments made to the 2019 statutory basis financial statements is an increase to total capital and surplus of \$4,454,020 and an increase in net income of \$28,447,000.

During 2018, the Company determined that it had overstated the PDR for the year ended December 31, 2017. In 2018, the Company reflected this change as a correction of error in the statutory basis statements of changes in capital and surplus (see Note 2). During the audits of the 2018 and 2017 statutory basis financial statements, necessary adjustments were discovered during the subsequent event review related to changes in the PDR from what was previously filed by the Company with the LADOI. The below adjustments for 2018 were the result of a change in estimate based on new information received subsequent to the 2018 Annual Statement submission on March 1, 2019, and the 2017 adjustments that were reported in the 2018 Annual Statement field by the Company with the LADOI.

The following table reconciles the 2018 Annual Statement previously filed to the 2018 statutory basis financial statements:

	Per Audited Statutory Basis Financial Statements	Per Annual Statement	Variance
Assets	\$ 566,939,918	\$ 562,150,028	\$ 4,789,890
Liabilities	416,692,125	393,883,125	22,809,000
Capital and surplus	150,247,793	168,266,903	(18,019,110)
Expenses	2,256,655,453	2,253,197,453	3,458,000
Net income	(7,067,021)	(3,609,021)	(3,458,000)

The following table is also provided for additional information regarding the impact of the adjustments to capital and surplus:

Capital and surplus per annual statement	\$ 168,266,903
Adjustment to net deferred income taxes	4,789,890
Adjustment to decrease in reserves for accident and health contracts	<u>(22,809,000)</u>
Capital and surplus per statutory basis financial statements	<u>\$ 150,247,793</u>

The following table is also provided for additional information regarding the impact of the adjustments to 2018 net income:

Net loss per annual statement	\$ (3,609,021)
Adjustment to decrease in reserves for accident and health contracts	<u>(3,458,000)</u>
Net income per statutory basis financial statements	<u>\$ (7,067,021)</u>

The result of the adjustments made to the 2018 statutory basis financial statements is a net decrease in total capital and surplus of \$18,019,110 and a decrease in net income of \$3,458,000.

* * * * *

SUPPLEMENTAL SCHEDULES

**EXHIBIT I:
SUPPLEMENTAL INVESTMENT
RISKS INTERROGATORIES**



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2019
(To Be Filed by April 1)

Of The UnitedHealthcare of Louisiana, Inc.

ADDRESS (City, State and Zip Code) Minnetonka , MN 55343

NAIC Group Code 0707 NAIC Company Code 95833 Federal Employer's Identification Number (FEIN) 72-1074008

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$ 626,088,108

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Goldman Sachs - FGTX	Bonds	\$ 25,517,494	4.1 %
2.02	DEUTSCHE GOV - ICAX	Bonds	\$ 24,248,270	3.9 %
2.03	HSBC - HGIX	Bonds	\$ 23,664,647	3.8 %
2.04	TUGX US Equity - TUGX	Bonds	\$ 22,151,464	3.5 %
2.05	Fannie Mae	Bonds	\$ 10,915,886	1.7 %
2.06	FHLMC	Bonds	\$ 10,710,255	1.7 %
2.07	Dreyfus - DGCX	Bonds	\$ 10,354,709	1.7 %
2.08	Morgan Stanley Institutional - MVRX	Bonds	\$ 5,573,333	0.9 %
2.09	Invesco AIM - AGPX	Bonds	\$ 3,858,253	0.6 %
2.10	BANK OF AMERICA	Bonds	\$ 3,857,982	0.6 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds		1	2	Preferred Stocks		3	4
3.01	NAIC-1	\$199,396,193	.....31.8 %	3.07	P/RP-1	\$0	.....0.0 %
3.02	NAIC-2	\$35,417,880	.....5.7 %	3.08	P/RP-2	\$0	.....0.0 %
3.03	NAIC-3	\$0	.....0.0 %	3.09	P/RP-3	\$0	.....0.0 %
3.04	NAIC-4	\$0	.....0.0 %	3.10	P/RP-4	\$0	.....0.0 %
3.05	NAIC-5	\$0	.....0.0 %	3.11	P/RP-5	\$0	.....0.0 %
3.06	NAIC-6	\$0	.....0.0 %	3.12	P/RP-6	\$0	.....0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02 Total admitted assets held in foreign investments \$ 0 0.0 %
4.03 Foreign-currency-denominated investments \$ 0 0.0 %
4.04 Insurance liabilities denominated in that same foreign currency \$ 0 0.0 %

SUPPLEMENT FOR THE YEAR 2019 OF THE UnitedHealthcare of Louisiana, Inc.

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC-1	\$0	.....0.0 %
5.02	Countries designated NAIC-2	\$0	.....0.0 %
5.03	Countries designated NAIC-3 or below	\$0	.....0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
6.01	Country 1:	\$0	.....0.0 %
6.02	Country 2:	\$0	.....0.0 %
	Countries designated NAIC - 2:		
6.03	Country 1:	\$0	.....0.0 %
6.04	Country 2:	\$0	.....0.0 %
	Countries designated NAIC - 3 or below:		
6.05	Country 1:	\$0	.....0.0 %
6.06	Country 2:	\$0	.....0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	\$0	.....0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC-1	\$0	.....0.0 %
8.02	Countries designated NAIC-2	\$0	.....0.0 %
8.03	Countries designated NAIC-3 or below	\$0	.....0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
9.01	Country 1:	\$0	.....0.0 %
9.02	Country 2:	\$0	.....0.0 %
	Countries designated NAIC - 2:		
9.03	Country 1:	\$0	.....0.0 %
9.04	Country 2:	\$0	.....0.0 %
	Countries designated NAIC - 3 or below:		
9.05	Country 1:	\$0	.....0.0 %
9.06	Country 2:	\$0	.....0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1	2	3	4
	Issuer	NAIC Designation		
10.01	\$0	.....0.0 %
10.02	\$0	.....0.0 %
10.03	\$0	.....0.0 %
10.04	\$0	.....0.0 %
10.05	\$0	.....0.0 %
10.06	\$0	.....0.0 %
10.07	\$0	.....0.0 %
10.08	\$0	.....0.0 %
10.09	\$0	.....0.0 %
10.10	\$0	.....0.0 %

SUPPLEMENT FOR THE YEAR 2019 OF THE UnitedHealthcare of Louisiana, Inc.

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

		1	2
11.02 Total admitted assets held in Canadian investments	\$	0	0.0 %
11.03 Canadian-currency-denominated investments	\$	0	0.0 %
11.04 Canadian-denominated insurance liabilities	\$	0	0.0 %
11.05 Unhedged Canadian currency exposure	\$	0	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

		1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions	\$	0	0.0 %	
Largest three investments with contractual sales restrictions:				
12.03	\$	0	0.0 %	
12.04	\$	0	0.0 %	
12.05	\$	0	0.0 %	

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

		1 Issuer	2	3
13.02	\$	0	0.0 %	
13.03	\$	0	0.0 %	
13.04	\$	0	0.0 %	
13.05	\$	0	0.0 %	
13.06	\$	0	0.0 %	
13.07	\$	0	0.0 %	
13.08	\$	0	0.0 %	
13.09	\$	0	0.0 %	
13.10	\$	0	0.0 %	
13.11	\$	0	0.0 %	

SUPPLEMENT FOR THE YEAR 2019 OF THE UnitedHealthcare of Louisiana, Inc.

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities	\$0	.....0.0 %	
Largest three investments held in nonaffiliated, privately placed equities:			
14.03	\$0	.....0.0 %	
14.04	\$0	.....0.0 %	
14.05	\$0	.....0.0 %	

Ten largest fund managers:

	1	2	3	4
	Fund Manager	Total Invested	Diversified	Nondiversified
14.06		\$0	\$0	\$0
14.07		\$0	\$0	\$0
14.08		\$0	\$0	\$0
14.09		\$0	\$0	\$0
14.10		\$0	\$0	\$0
14.11		\$0	\$0	\$0
14.12		\$0	\$0	\$0
14.13		\$0	\$0	\$0
14.14		\$0	\$0	\$0
14.15		\$0	\$0	\$0

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02 Aggregate statement value of investments held in general partnership interests	\$0	.....0.0 %	
Largest three investments in general partnership interests:			
15.03	\$0	.....0.0 %	
15.04	\$0	.....0.0 %	
15.05	\$0	.....0.0 %	

SUPPLEMENT FOR THE YEAR 2019 OF THE UnitedHealthcare of Louisiana, Inc.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02	\$0	.....0.0 %
16.03	\$0	.....0.0 %
16.04	\$0	.....0.0 %
16.05	\$0	.....0.0 %
16.06	\$0	.....0.0 %
16.07	\$0	.....0.0 %
16.08	\$0	.....0.0 %
16.09	\$0	.....0.0 %
16.10	\$0	.....0.0 %
16.11	\$0	.....0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	\$0	.....0.0 %
16.13	Mortgage loans over 90 days past due	\$0	.....0.0 %
16.14	Mortgage loans in the process of foreclosure	\$0	.....0.0 %
16.15	Mortgage loans foreclosed	\$0	.....0.0 %
16.16	Restructured mortgage loans	\$0	.....0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan to Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%.....	\$0	.....0.0 %	\$0	.....0.0 %	\$0	.....0.0 %
17.02 91 to 95%.....	\$0	.....0.0 %	\$0	.....0.0 %	\$0	.....0.0 %
17.03 81 to 90%.....	\$0	.....0.0 %	\$0	.....0.0 %	\$0	.....0.0 %
17.04 71 to 80%.....	\$0	.....0.0 %	\$0	.....0.0 %	\$0	.....0.0 %
17.05 below 70%.....	\$0	.....0.0 %	\$0	.....0.0 %	\$0	.....0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02	\$0	.....0.0 %
18.03	\$0	.....0.0 %
18.04	\$0	.....0.0 %
18.05	\$0	.....0.0 %
18.06	\$0	.....0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	\$0	.....0.0 %
19.03	Largest three investments held in mezzanine real estate loans:	\$0	.....0.0 %
19.04	.....	\$ .....0	.....0.0 %
19.05	.....	\$ .....0	.....0.0 %

SUPPLEMENT FOR THE YEAR 2019 OF THE UnitedHealthcare of Louisiana, Inc.

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year End		1st Quarter		At End of Each Quarter		3rd Quarter	
		1	2	3		4		5	
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	\$0	.....0.0 %	\$0		\$0		\$0	
20.02	Repurchase agreements	\$0	.....0.0 %	\$0		\$0		\$0	
20.03	Reverse repurchase agreements	\$0	.....0.0 %	\$0		\$0		\$0	
20.04	Dollar repurchase agreements	\$0	.....0.0 %	\$0		\$0		\$0	
20.05	Dollar reverse repurchase agreements	\$0	.....0.0 %	\$0		\$0		\$0	

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
		1	2	3	4
21.01	Hedging	\$0	.....0.0 %	\$0	.....0.0 %
21.02	Income generation	\$0	.....0.0 %	\$0	.....0.0 %
21.03	Other	\$0	.....0.0 %	\$0	.....0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At Year End		1st Quarter		At End of Each Quarter		3rd Quarter	
		1	2	3		4		5	
22.01	Hedging	\$0	.....0.0 %	\$0		\$0		\$0	
22.02	Income generation	\$0	.....0.0 %	\$0		\$0		\$0	
22.03	Replications	\$0	.....0.0 %	\$0		\$0		\$0	
22.04	Other	\$0	.....0.0 %	\$0		\$0		\$0	

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

		At Year End		1st Quarter		At End of Each Quarter		3rd Quarter	
		1	2	3		4		5	
23.01	Hedging	\$0	.....0.0 %	\$0		\$0		\$0	
23.02	Income generation	\$0	.....0.0 %	\$0		\$0		\$0	
23.03	Replications	\$0	.....0.0 %	\$0		\$0		\$0	
23.04	Other	\$0	.....0.0 %	\$0		\$0		\$0	

**EXHIBIT II:
SUMMARY INVESTMENT SCHEDULE**

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	20,602,255	4.995	20,602,255	0	20,602,255	4.995
1.02 All other governments	0	0.000	0	0	0	0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	11,114,598	2.695	11,114,598	0	11,114,598	2.695
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	26,310,621	6.379	26,310,621	0	26,310,621	6.379
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	57,702,561	13.990	57,702,561	0	57,702,561	13.990
1.06 Industrial and miscellaneous	119,084,038	28.872	119,084,038	0	119,084,038	28.872
1.07 Hybrid securities	0	0.000	0	0	0	0.000
1.08 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
1.09 SVO identified funds	0	0.000	0	0	0	0.000
1.10 Unaffiliated Bank loans	0	0.000	0	0	0	0.000
1.11 Total long-term bonds	234,814,073	56.931	234,814,073	0	234,814,073	56.931
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	0	0.000	0	0	0	0.000
2.02 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
2.03 Total preferred stocks	0	0.000	0	0	0	0.000
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	0	0.000	0	0	0	0.000
3.02 Industrial and miscellaneous Other (Unaffiliated)	0	0.000	0	0	0	0.000
3.03 Parent, subsidiaries and affiliates Publicly traded	0	0.000	0	0	0	0.000
3.04 Parent, subsidiaries and affiliates Other	0	0.000	0	0	0	0.000
3.05 Mutual funds	0	0.000	0	0	0	0.000
3.06 Unit investment trusts	0	0.000	0	0	0	0.000
3.07 Closed-end funds	0	0.000	0	0	0	0.000
3.08 Total common stocks	0	0.000	0	0	0	0.000
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages	0	0.000	0	0	0	0.000
4.02 Residential mortgages	0	0.000	0	0	0	0.000
4.03 Commercial mortgages	0	0.000	0	0	0	0.000
4.04 Mezzanine real estate loans	0	0.000	0	0	0	0.000
4.05 Total mortgage loans	0	0.000	0	0	0	0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company	0	0.000	0	0	0	0.000
5.02 Properties held for production of income	0	0.000	0	0	0	0.000
5.03 Properties held for sale	0	0.000	0	0	0	0.000
5.04 Total real estate	0	0.000	0	0	0	0.000
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	45,057	0.011	45,057	0	45,057	0.011
6.02 Cash equivalents (Schedule E, Part 2)	177,592,989	43.058	177,592,989	0	177,592,989	43.058
6.03 Short-term investments (Schedule DA)	0	0.000	0	0	0	0.000
6.04 Total cash, cash equivalents and short-term investments	177,638,046	43.069	177,638,046	0	177,638,046	43.069
7. Contract loans	0	0.000	0	0	0	0.000
8. Derivatives (Schedule DB)	0	0.000	0	0	0	0.000
9. Other invested assets (Schedule BA)	0	0.000	0	0	0	0.000
10. Receivables for securities	0	0.000	0	0	0	0.000
11. Securities Lending (Schedule DL, Part 1)	0	0.000	0	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0	0.000	0	0	0	0.000
13. Total invested assets	412,452,119	100.000	412,452,119	0	412,452,119	100.000

OTHER ATTACHMENT

To the Audit Committee of
UnitedHealthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2600
Metairie, LA 70002

The Management of
UnitedHealthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2600
Metairie, LA 70002

Dear Members of the Audit Committee and Management:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory basis financial statements of UnitedHealthcare of Louisiana, Inc. (the "Company") for the years ended December 31, 2019, and 2018, and have issued our report thereon dated April 27, 2020. In connection therewith, we advise you as follows:

1. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the *Code of Professional Conduct* and pronouncements of the American Institute of Certified Public Accountants, the rules and regulations of the Louisiana Department of Insurance, and the Rules of Professional Conduct of the Minnesota State Board of Accountancy.
2. The engagement managing director and engagement manager, who are certified public accountants, have 15 years and 7 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 33% percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.
3. We understand that the Company intends to file its audited statutory basis financial statements and our report thereon with the Louisiana Department of Insurance and other state insurance departments in states in which the Company is licensed and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory basis financial condition of the Company.

While we understand that an objective of issuing a report on the statutory basis financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and insurance commissioners should understand that the objective of an audit of statutory basis financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flows in accordance with accounting practices prescribed or permitted by the Louisiana Department of Insurance. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance regarding whether the statutory basis financial statements are

free from material misstatement, whether due to error or fraud, and to exercise due professional care in the conduct of the audit. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. Our audit included consideration of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit mean that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory basis financial position of insurers and should not rely solely on the independent auditors' report.

4. We will retain the working papers (including those kept in a hard copy or electronic medium) prepared in the conduct of our audit until the Louisiana Department of Insurance has filed a Report of Examination covering 2019, but no longer than seven years. After notification to the Company, we will make the working papers available for review by the Louisiana Department of Insurance or its delegates, at the offices of the insurer, at our offices, at the Louisiana Department of Insurance, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Louisiana Department of Insurance, photocopies of pertinent audit working papers may be made (under the control of Deloitte & Touche LLP) and such copies may be retained by the Louisiana Department of Insurance. In addition, to the extent requested, we may provide the Louisiana Department of Insurance with copies of certain audit working papers (such as unlocked copies of Excel spreadsheets that do not contain password protection or encryption). As such, these audit working papers will be subject to potential modification by Louisiana Department of Insurance or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the Louisiana Department of Insurance; and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance, or outcome of your regulatory examination.

5. The engagement managing director has served in this capacity with respect to the Company since 2019, is licensed by the Minnesota State Board of Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.
6. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the *NAIC's Model Rule (Regulation) Requiring Annual Audited Financial Reports* regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Audit Committee and management of UnitedHealthcare of Louisiana, Inc. and for filing with the Louisiana Department of Insurance and other state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 27, 2020