



STATUTORY-BASIS FINANCIAL STATEMENTS

**MCNA INSURANCE COMPANY**

*(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)*

Years Ended December 31, 2020 and 2019

With Report of Independent Auditors

# MCNA INSURANCE COMPANY

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## Statutory- Basis Financial Statements

Years Ended December 31, 2020 and 2019  
With Report of Independent Auditors

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## **Independent Auditor's Report**

Board of Directors  
MCNA Insurance Company  
(A Wholly-Owned Subsidiary of MCNA Health Care Holdings, LLC)  
Fort Lauderdale, Florida

We have audited the accompanying financial statements of MCNA Insurance Company ("the Company"), which comprise the statement of admitted assets, liabilities and capital and surplus (statutory basis) as of December 31, 2020, and the related statements of operations and changes in capital and surplus and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the entity'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 financial statements.

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



***Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the statutory-basis financial statements are prepared on the basis of the financial reporting provisions prescribed by the Texas Insurance Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the accompanying statutory-basis financial statements of the variances between such practices and accounting principles generally accepted in the United States of America are described in Note 1.

***Qualified Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, except for the effects on the statutory-basis financial statements of the matters described in the "Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of MCNA Insurance Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the statements of admitted assets, liabilities and capital and surplus (statutory basis) as of December 31, 2020, and the related statements of operations and changes in capital and surplus and cash flows for the year then ended in accordance with the financial reporting provisions prescribed by the Texas Insurance Code, described in Note 1.

***Other matters - Prior Period Financial Statements***

The financial statements of MCNA Insurance Company as of and for the year ended December 31, 2019 were audited by Morrison, Brown, Argiz & Farra, LLC, ("MBAF") whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those financial statements in their report dated April 29, 2020.

*BDO USA, LLP*

Certified Public Accountants  
May 21, 2021

**MCNA INSURANCE COMPANY**  
*(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)*  
**Statutory-Basis Statements of Admitted Assets, Liabilities and Capital and Surplus**  
(\$ in thousands)

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<b><u>Admitted Assets</u></b>		
Cash, cash equivalents and short-term investments	\$ 251,126	\$ 59,498
Restricted cash	3,613	100
Restricted investments	924	2,700
Investments, net	-	114,132
Reimbursable health insurer fee	24,138	1,714
Contractual retainage and receivables	12,425	23,520
	<hr/>	<hr/>
Total admitted assets	<u><u>\$ 292,226</u></u>	<u><u>\$ 201,664</u></u>
 <b><u>Liabilities and Capital and Surplus</u></b>		
<b><u>Liabilities</u></b>		
Unpaid service provider costs	\$ 50,528	\$ 42,716
Accounts payable and accrued expenses	18,821	6,565
Aggregate health policy reserves	92,226	20,666
Due to affiliates (Note 3)	18,990	-
Other current liabilities	3,007	3,435
	<hr/>	<hr/>
Total liabilities	183,572	73,382
 <b><u>Capital and Surplus</u></b>		
Common stock, no par value, 1,000,000 shares authorized		
700,000 shares issued and outstanding	2,000	2,000
Contributed surplus	28,000	28,000
Unassigned surplus	78,654	98,282
	<hr/>	<hr/>
Total capital and surplus	108,654	128,282
	<hr/>	<hr/>
Total liabilities and capital surplus	<u><u>\$ 292,226</u></u>	<u><u>\$ 201,664</u></u>

The accompanying notes are an integral part of these statutory-basis financial statements.

**MCNA INSURANCE COMPANY**  
*(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)*  
**Statutory-Basis Statements of Income**  
(\$ in thousands)

	<b>For the Years Ended December 31,</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Revenues</b>		
Premiums earned, net	\$ 700,449	\$ 694,779
<b>Expenses</b>		
Dental service provider expenses	513,390	557,267
General and administrative	164,911	118,119
Total operating expenses	<u>678,301</u>	<u>675,386</u>
Net underwriting gain	22,148	19,393
<b>Other income and expenses</b>		
Investment income, net	<u>7,517</u>	<u>4,801</u>
<b>Net income before income taxes</b>	<b><u>29,665</u></b>	<b><u>24,194</u></b>
Income tax benefit	940	-
<b>Net income</b>	<b><u><u>\$ 30,605</u></u></b>	<b><u><u>\$ 24,194</u></u></b>

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**MCNA INSURANCE COMPANY**  
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**Statutory-Basis Statements of Changes in Capital and Surplus**  
(\$ in thousands)

	<b>Common Stock</b>	<b>Contributed Surplus</b>	<b>Unassigned Surplus</b>	<b>Total</b>
Balances - January 1, 2019	\$ 2,000	\$ 28,000	\$ 85,207	\$ 115,207
Net Income	-	-	24,194	24,194
Distributions to stockholder	-	-	(18,000)	(18,000)
Unrealized loss on investments, net	-	-	4,873	4,873
Change in non-admitted assets	<u>-</u>	<u>-</u>	<u>2,008</u>	<u>2,008</u>
Balances - December 31, 2019	2,000	28,000	98,282	128,282
Net Income	-	-	30,605	30,605
Distributions to stockholder	-	-	(49,800)	(49,800)
Unrealized gain on investments, net	-	-	(2,171)	(2,171)
Change in non-admitted assets	<u>-</u>	<u>-</u>	<u>1,738</u>	<u>1,738</u>
Balances - December 31, 2020	<u><b>\$ 2,000</b></u>	<u><b>\$ 28,000</b></u>	<u><b>\$ 78,654</b></u>	<u><b>\$ 108,654</b></u>

The accompanying notes are an integral part of these statutory-basis financial statements.

**MCNA INSURANCE COMPANY**  
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**Statutory-Basis Statements of Cash Flows**

(\$ in thousands)

	<b>For the Years Ended December 31,</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>OPERATING ACTIVITIES</b>		
Premiums and risk revenues, net - collected	\$ 965,864	\$ 910,876
Investment income, net - collected	4,992	4,999
Claims and claim adjustment expenses - paid	(697,702)	(746,267)
General and administrative expenses -paid	<u>(156,874)</u>	<u>(117,307)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	116,280	50,842
<b>INVESTING ACTIVITIES</b>		
Purchase of other assets	(262)	(153)
Proceeds from investments sold	206,380	60,820
Investments purchased	<u>(90,472)</u>	<u>(54,806)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	115,646	5,861
<b>FINANCING ACTIVITIES</b>		
Stockholder distributions	(49,800)	(18,000)
Due to affiliates	<u>13,015</u>	<u>(12,488)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(36,785)</u>	<u>(30,488)</u>
NET INCREASE IN CASH, RESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	195,141	26,215
CASH, RESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT BEGINING OF YEAR	<u>59,598</u>	<u>33,383</u>
CASH, RESTRICTED CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT END OF YEAR	<b><u>\$ 254,739</u></b>	<b><u>59,598</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Unrealized (loss) gain on investments	<u><u>(\$ 2,171)</u></u>	<u><u>\$ 4,873</u></u>

The accompanying notes are an integral part of these statutory-basis financial statements.

**MCNA INSURANCE COMPANY**  
*(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)*  
NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Organization**

MCNA Insurance Company ("MCNA TX" or the "Company") was incorporated on January 20, 2011, under the laws of the State of Texas to provide access to dental services through its network of contracted providers. Such access to services is made available to health plans as an accident and health insurance company under a Certificate of Authority received from the Texas Department of Insurance on May 4, 2011. The Company provides access to dental services with Medicaid and state agencies in the states of Texas, Louisiana, Iowa, Idaho, Nebraska, Arkansas and Utah. Federal, state and local laws and regulations concerning healthcare affect this industry.

The Company is a wholly owned subsidiary of MCNA Health Care Holdings, LLC ("Holdings"). On November 17, 2020, an indirect wholly owned subsidiary of UnitedHealth Group Incorporated (NYSE:UNH) purchased 100% of the issued and outstanding equity interests of Holdings. Prior to November 17, 2020, Holdings was privately owned.

The Company primarily achieves its purpose and objectives through contracts with the aforementioned states by servicing children's and adult Medicaid and Children's Health Insurance Program ("CHIP"). Such contracts provide among other things, for the Company to receive monthly capitation premiums per enrolled member in exchange for paying dental providers for approved services rendered. The Company is subject to economic, regulatory, or other developments in the states where it operates, and is not able to predict the content or impact of future changes to such laws and regulations.

**Basis of Presentation**

The accompanying statutory-basis financial statements have been prepared in conformity with statutory accounting practices prescribed or permitted by the Texas Insurance Code. The Texas Insurance Code has adopted the National Association of Insurance Commissioners statutory accounting practices ("NAIC SAP") as the basis of its statutory accounting practice. NAIC SAP is a comprehensive basis of accounting, which differs from generally accepted accounting principles ("GAAP") promulgated in the United States of America ("U.S."). Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations and general administrative rules.

The more significant applicable differences between NAIC SAP and GAAP are as follows:

Cash and short-term investments in the statutory basis financial statements have original maturities of one year or less from the date of acquisition, whereas under GAAP, the corresponding caption includes cash balances and investments maturing in 90 days or less from acquisition date. The statutory basis of cash flows are prepared in accordance with NAIC guidelines.

Certain assets are defined by NAIC SAP and the OIR as "non-admitted," principally premiums receivables aged greater than 90 days are charged against unassigned surplus, while under GAAP such amounts are recorded as assets, net of any valuation allowances.

Assets not specifically identified as admitted by the NAIC are designated as non-admitted under statutory accounting, these include furniture and equipment, computer software, and prepaid expenses. These amounts are excluded from the statutory financial statements of admitted assets, liabilities and surplus through a charge against unassigned surplus, while under GAAP such amounts are recorded as assets, net of any depreciation or amortization.

**MCNA INSURANCE COMPANY**  
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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

Changes in unrealized gains and losses are recorded through surplus under NAIC SAP, whereas GAAP presents these changes for fixed income securities as other comprehensive income. Under GAAP, Equity securities classified as available-for-sale are recorded on the balance sheet at fair value, with any unrealized gains and losses recorded on the income statement.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in surplus in the period that includes the enactment date.

Deferred tax assets are admitted in accordance with SSAP No. 101, *Income Taxes* which could result in additional limitations to deferred assets beyond the consideration of valuation allowances under GAAP. Under GAAP, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**Concentration of Credit Risk**

During the years ended December 31, 2020 and 2019, all premium revenues were generated from its contracts with the aforementioned state agencies. Given the concentration of revenues derived from these aforementioned states, as well as regulations affecting the industry, the loss of or certain changes to any of these contracts, or changes in healthcare laws could have a materially adverse impact on the Company's financial condition and operations.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash deposits in excess of the Federal Deposit Insurance Corporation's insured limit of \$250 thousand. The Company generally limits exposure by placing deposits with several quality financial institutions. However, at times, such cash balances may be in excess of insured amounts.

At December 31, 2020 the Company has substantial investments in United States Treasury Bills and money market securities. As disclosed in the footnote discussing the impacts of COVID-19, the significant overall negative economic impacts are having a lasting impact on the global and United States of America ("U.S.") economy which also include impacts to the securities markets, it is possible that some investments will become permanently impaired or have to be liquidated prior to regaining values that existed at December 31, 2020. At December 31, 2019 the Company had significant investments in debt and equity securities.

**Cash, cash equivalents and short-term Investments**

The Company considers cash, cash equivalents and short-term investments to include those short-term investments having an original maturity date of one year or less. Included in this caption at December 31, 2020 and 2019, are cash equivalents of \$1.619 million and \$1.619 million, respectively and short-term investments of \$1.296 million for each year.

	<u>2020</u>	<u>2019</u>
Cash, cash equivalents and short-term investments	\$251,126	\$59,498
Restricted cash	3,613	100
Cash, cash equivalents, restricted cash and short-term investments at end of year, per cash flow statement	<u><u>\$254,739</u></u>	<u><u>\$59,598</u></u>

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Restricted Cash**

The Company has \$3.6 million and \$100 thousand in restricted cash at December 31, 2020 and 2019, respectively. These amounts have been set aside to meet various solvency and other requirements specified under state insurance codes and/or contractual obligations.

**Restricted Investments**

The Company has certain investments set aside to meet various solvency and other requirements specified under state insurance codes and/or contractual obligations. The Company's restricted investments approximated \$924 thousand and \$2.7 million as of December 31, 2020 and 2019, respectively, and are reflected in the accompanying statutory-basis of admitted assets liabilities and capital and surplus.

**Investments**

The Company classifies unrestricted investments as available-for-sale securities, which are recorded at fair value. Unrealized holding gains and losses on available-for-sale debt securities that are not determined to be other than temporary are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. ASC 321, Investments – Equity Securities; require those securities having a readily determinable fair value, except for those accounted for under the equity method or those that result in consolidation of the investee, recognize changes in fair value in net income. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

**Financial Instruments**

The Company's financial instruments consist of cash, cash equivalents, short-term investments, certificate of deposits, investments, accounts receivable, bonds and accounts payable. The recorded values of these financial instruments approximate their fair values based on their short-term nature. The recorded value of long-term debt approximate their fair values, as stated interest rates approximate market rates.

**Contractual Retainage and Receivables**

Contractual retainage represents amounts due from health plans, primarily as surety for performance, for services provided by the Company (See Note 4). Retroactive premiums receivable due from health plans reflect both changes in capitation rates and membership true-ups. In 2020, various states enacted temporary premium refunds and related actions in response to the reduced demand for dental services stemming from COVID-19, which resulted in a reduction of our margins. In some cases, these premium actions were retroactive to the early part of 2020, and even earlier periods. Beginning in the fourth quarter of 2020, we have recognized retroactive premium actions that we believe to be probable, and where the ultimate premium amount is reasonably estimable.

Accounts receivable is stated at estimated net realizable. The Company recognizes allowances for doubtful accounts to ensure receivables are not overstated. Such allowances are established based on a variety of factors, including the length of time receivables are past due, significant one-time events, discussions with clients and historical experience. If circumstances change, estimates of the recoverability of receivables would be further adjusted. As a result of the COVID-19 pandemic (see COVID-19 below) and its impacts on the economy, future collection of receivables may be subject to possible increased volatility. As of December 31, 2020, managements review concluded an allowance for doubtful accounts was unnecessary.

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Impairment of Long-Lived Assets**

The Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments were recorded during the years ended December 31, 2020 and 2019.

**Premiums and Risk Revenue**

The Company earns revenues primarily from contracts where it bears business risk. Capitation premiums are recorded based on membership and eligibility data provided by the state; which also performs monthly adjustments for retroactive additions or deletions to membership. These eligibility adjustments are estimated monthly and subsequent adjustments are made in the period known. The Company continuously reviews and updates those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

Premiums are generally recognized as revenue during the coverage month with cash collections usually occurring within the period. Retroactive premium adjustments are recognized as revenue in the month membership is trued-up by the state and the Company notified of the change.

A portion of our premium revenue may be returned if certain minimum amounts are not spent on defined dental care costs. Contracts with certain states contain profit sharing provisions under which we refund amounts to the states if our health plans generate profit above a certain specified percentage. In some cases, we are limited in the amount of administrative costs that we may deduct in calculating the refund, if any. (See Note 9).

**Unpaid Service Provider Costs**

The Company utilizes an established network of dentists to provide comprehensive services to its members for its premium business. The Company compensates these providers primarily on a fee-for-service basis utilizing specified fee schedules. These costs are accrued considering date of service to members, based in part on estimates, including an accrual for dental services incurred but not reported ("IBNR").

Liabilities for IBNR are estimated using the Company's accumulated statistical data, adjusted for current experience (See Note 6). These estimates are continually reviewed and updated. Differences between estimated IBNR and actual amounts incurred are adjusted as an increase or decrease to service provider costs in the accompanying statutory-basis statements of income in the period they become known. At year-end, the Company's IBNR estimate for the cost of dental services is re-computed by an independent actuary using standard actuarial methodologies. Management believes the amounts accrued are adequate to cover claims incurred and unpaid as of December 31, 2020 and 2019, respectively. However, as the liability for claims payable is based on estimates, the ultimate amounts paid to adjudicate the liability may vary from recorded amounts, and these differences may be material.

**Promotional Costs**

Promotional costs are generally expensed as incurred and are included in the caption general and administrative expenses in the accompanying statutory-basis statements of income. Promotional costs charged to expense totaled approximately \$1.8 million and \$795 thousand for the years ended December 31, 2020 and 2019, respectively.

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Other Income and Expenses**

Other income and expenses consist primarily of investment income and interest expense. Investment income is derived from the Company's cash, cash equivalents, restricted deposits and investments in debt and equity securities.

**Income Taxes**

On November 17, 2020, UnitedHealth Group completed the acquisition of MCNA Health Care Holdings, LLC the Company's parent, automatically triggering the termination of the Company's qualified Subchapter S - Corporation election under Section 1361(b) of the United States Federal Income Tax Code. The Company is now treated as a C Corporation for U.S. federal tax purposes. For the period November 17, 2020 through December 31, 2020, the Company recorded federal income tax benefit of \$940 thousand on pre-tax losses approximating \$4.5 million, at an effective tax rate of 20.89%. (See Note 13)

**Reinsurance**

The Company entered into a Risk Premium Reinsurance Agreement with a reinsurance company. This agreement indemnifies the Company for an agreed upon quota share (70% beginning on September 1, 2020, and 45% for prior periods) of dental services risk assumed by the reinsurer under the terms and conditions as set forth in the contract.

Since all ceded funds are held by the Company and utilized regularly for claims adjudication and continuous experience refunds, there were no amounts recoverable/payable from/to the reinsurer at each year-end.

Included in in the accompanying consolidated statements of income and comprehensive income for the years ended December 31, 2020 and 2019, the Company ceded \$281.3 million and \$195.2 million and recorded reinsurance risk charges of \$1.8 million and \$1.5 million, respectively. Reinsurance risk charges reduce earned revenues in the accompanying statutory statements of income. Net reinsurance risk charges are reported as a reduction of premium revenues earned.

**Fair Value Measurements**

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 5. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect these estimates.

**Management Estimates**

The preparation of statutory-basis financial statements requires management to make estimates and assumptions concerning dental costs, investment valuation, and other factors that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the date of the statutory-basis financial statements for the years ending December 31, 2020 and 2019. Such estimates are based on historical experience and other assumptions that are considered appropriate in the circumstances. While management believes the amounts for such liabilities are adequate, actual results could differ from these estimates and these differences may be material.

**COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. We believe that the COVID-19 outbreak and the measures taken to control it may have a large negative impact on the economy in the United

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**COVID-19 (continued)**

States. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As the pandemic advanced, access to and demand for care was most constrained from mid-March through April, began to recover mid-way through the year, and was restored to near normal seasonal levels in the third quarter. The temporary deferral of care may cause care patterns to moderately exceed normal baselines in future periods as utilization of health system capacity continues to increase. From time to time, health system capacity may be subject to possible increased volatility due to the pandemic; as such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act (the "Act") was enacted. The CARES Act is an approximately \$2 trillion emergency economic stimulus package in response to the Coronavirus outbreak, which among other things contains numerous income tax provisions. The Company did not receive any relief related to CARES Act.

**Recent Accounting Pronouncements**

Changes to statutory accounting are issued by the NAIC in the form of statutory statements of accounting principles ("SSAPs"). The Company considers the applicability and impact of all SSAPs. The SSAPs adopted by the Company during 2020 did not have a material impact on the Company's financial statements.

On March 27, 2020, former President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Provisions of the act specifically address temporary relief from troubled debt restructurings and temporary modification of loan provisions due to the economic stress caused by shutdown of the U.S. economy. Additionally, Federal and state government agencies and banking regulators have provided temporary relief measures to financial institutions to accommodate temporary loan modifications to borrowers and to insurance carriers to provide temporary relief to premiums due. The provisions of this Act did not impact the Company.

On May 20 and on April 15, 2020, the NAIC adopted interpretive accounting guidance in response to the economic effects of the COVID-19 Pandemic. The guidance adopted is temporary and applicable to the financial statements over specific periods unless extensions are adopted in the future.

In May 2020, the NAIC adopted revisions to SSAP No. 41R, Surplus Notes to require additional disclosures regarding the issuance of surplus notes, specifically those that are structured in a manner which typical cash flows have been reduced or eliminated. The adoption of these revisions did not have an impact on the Company's disclosures, as the Company does not have surplus notes.

In May 2020, the NAIC adopted revisions to SSAP No. 3, Accounting Changes and Corrections of Errors and SSAP No. 51R, Life Contracts ("SSAP 51R") to add references, disclosures and accounting requirements for Section 21 of the Valuation Manual, Requirements for Principle-Based Reserves for Variable Annuities, and phase-in requirements for reporting changes in the valuation basis. The adoption of these revisions did not have an impact on the Company's disclosures.

In May 2020, the NAIC adopted revisions to Appendix A-001, Investments of Reporting Entities, Section 3, and Summary Investment Schedule to add a line for total mortgage valuation allowance. The adoption of these revisions did not have an impact on the Company's disclosures as the Company does not have mortgage investments, requiring disclosure.

In March 2020, the NAIC adopted revisions to SSAP 51R and SSAP No. 61R, Life, Deposits and Accident and Health Reinsurance ("SSAP 61R"), to add a consistency revision to ensure separate account guaranteed products are referenced in all applicable paragraphs of the withdrawal characteristics disclosures, correct an identified inconsistency in the required disclosure, and adds a cross-reference from SSAP No. 56, Separate Accounts to the

**MCNA INSURANCE COMPANY**  
*(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)*  
NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Recent Accounting Pronouncements (continued)**

existing disclosures by withdrawal characteristics in SSAP 51R and SSAP 61R. These revisions did not have an impact on the Company's disclosures.

In December 2019, the NAIC adopted changes to SSAP 61R to expand disclosure requirements to identify certain reinsurance contract features. The adoption did not have an impact on the Company's disclosures.

**Subsequent Events**

The Company has evaluated subsequent events through May 21, 2021, the date, which these statutory-basis financial statements were available to be issued.

**2. MINIMUM SURPLUS REQUIREMENTS**

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Pursuant to its Texas Certificate of Authority, MCNA TX must maintain: 1) minimum surplus of \$20 million and 2) a premium writing to capital and surplus ratio of no more than 10 to 1 (10:1) as of December 31, 2020 and 2019; or a minimum total adjusted capital to authorized control level risk-based capital of 350 percent, whichever is less. All minimum surplus requirements for state contracts awarded to MCNA TX default to the Texas Department of Insurance requirements.

At December 31, 2020 and 2019, the Company's capital and surplus was in excess of minimum statutory requirements.

**3. RELATED PARTY TRANSACTIONS**

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The Company pays fees and expenses on behalf of related and affiliated companies, as well as having payments made on its behalf. These payments are recorded as advances due to/from affiliates and are typically settled between 30 and 90 days from date incurred. Included in the caption due to affiliates on the accompanying balance sheet at December 31, 2020, is approximately \$19 million, net, which the Company owes for various expense payments made on its behalf by its parent Holdings.

As of December 31, 2019, the Company had repaid all its affiliate obligations and no amounts were owed to the Company's parent or any affiliates.

The Company is subject to approved management services and dental administrative services agreements ("DASA") with Holdings and its affiliate MCNA FL, respectively. The initial agreements became effective upon commencement of the contract with Health and Human Services commission ("HHSC"); amounts related to these agreements are reported in the caption general and administrative expenses in the accompanying statutory-basis statements of income.

The Parent's management services agreement provides for administrative, strategic planning, governmental relations, regulatory affairs and legal services. The Company incurred management services expense of \$15.7 million and \$13.5 million during the years ended December 31, 2020 and 2019, respectively. These amounts are included in the caption general and administrative expenses on the statutory-basis statements of income.

The Company executed a DASA with its affiliate, MCNA FL, beginning in March 2012; and has subsequently executed additional DASA agreements with that affiliate covering operations in the states where the Company conducts business. Included in general and administrative expenses are fees incurred and paid under these

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### 3. RELATED PARTY TRANSACTIONS (CONTINUED)

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comprehensive, per member per month fixed fee agreements with its affiliate. For the years ended December 31, 2020 and 2019 these fees approximated \$63.4 million and \$59.9 million, respectively.

### 4. CONTRACTURAL RETAINAGE AND RECEIVABLES

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Contractual retainage and receivables consist of the following (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Retroactive premiums receivable	\$8,773	\$12,473
Cost recoupment receivable	-	5,475
State contractual retainage	-	4,414
Other receivables	<u>3,652</u>	<u>1,158</u>
	<u><u>\$12,425</u></u>	<u><u>\$23,520</u></u>

Retroactive accounts receivable represent amounts due from state agencies for capitation rate adjustments and/or dental loss ratio true-up adjustments related to prior periods. At December 31, 2020 and 2019, these amounts approximated \$8.8 million and \$12.5 million, respectively. On-going communications with various state agencies were finalized during the first quarter of 2021, whereupon the Company was advised that approximately \$4.2 million of receivables related to retroactive rate increases were not going to be collectible and this amount has been written-off during the year. During the first quarter of 2021, approximately \$7 million of outstanding retroactive premiums receivable have been collected.

As of December 31, 2020 and 2019, management believes no allowance for doubtful accounts is necessary.

Also included at December 31, 2019 are provider recoupments of \$5.5 million which represent unrecovered amounts paid to providers during prior years, related to certain CDT codes that were not in accordance with Company guidelines. The Company expected to collect these amounts during 2020, however subsequent discussions with state regulators indicated the amounts were not collectible and were charged to expense during the fourth quarter of 2020.

### 5. FAIR VALUE MEASUREMENTS

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ASC 820 provides guidance for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. ASC 820 establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (e.g., the reporting entity's own data) (Level 3) and distinguishes between observable inputs and unobservable inputs.

The Company considers the carrying amounts of cash and cash equivalents and other current assets and current liabilities to approximate their fair values because of the relatively short time-period between the origination of these instruments and their expected realization or payment. For our financial instruments measured at fair value on a recurring basis, we prioritize the inputs used in measuring fair value according to a three-tier fair value hierarchy as follows:

- **Level 1 - Observable Inputs.** Level 1 financial instrument are actively traded and therefore the fair value for these securities is based on quoted market prices of identical securities on one or more active markets (e.g. securities exchanges) at the measurement date.

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**5. FAIR VALUE MEASUREMENTS (CONTINUED)**

- **Level 2 - *Directly or Indirectly Observable Inputs.*** Level 2 financial instruments are traded frequently though not necessarily daily. Fair value for these investments is determined using a market approach based on quoted prices for similar securities in active markets at the measurement date.
- **Level 3 - *Unobservable Inputs.*** Level 3 financial instruments are valued using unobservable inputs that represent management's best estimate of what market participants would use in pricing the financial instrument at the measurement date. Level 3 financial instruments usually include derivative financial instruments.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company's financial instruments at December 31, 2020, includes \$197.886 million of cash equivalents, \$825 thousand of restricted mutual fund investments and \$100 thousand of restricted certificates of deposit on the accompanying balance sheets. The Company's financial instruments are measured at fair value on a recurring basis at the closing price reported on the active market on which the individual securities are traded and are summarized below (\$ in thousands):

<b>Description</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value 12/31/2020</b>
		-	-	
US Treasury Bonds	\$95,305	-	-	\$95,305
Exempt Money Market Funds	98,961	-	-	98,961
US Government Money Market Funds	3,235	-	-	3,235
Money Market Mutual Funds	1,212	-	-	1,212
Certificates of Deposit	99	-	-	99
<b>Total assets</b>	<b>\$198,811</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$198,811</b>

At December 31, 2019, MCNA's investments include \$2.7 million of restricted investments; also included is a \$100 thousand certificate of deposit classified as restricted cash; \$1.619 million of cash equivalents and \$1.809 million of short-term investments both classified within the caption cash, cash equivalents and short term investments on the accompanying statutory-basis statements of admitted assets, liabilities and capital and surplus. At December 31, 2019, these investments are summarized as shown below (\$ in thousands):

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
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**5. FAIR VALUE MEASUREMENTS (CONTINUED)**

Description	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value 12/31/2019
US Treasury Notes	\$100	-	-	\$100
US Treasury Bonds	2,700	-	-	2,700
Certificates of Deposit	100	-	-	100
Corporate Bonds	62,032	2,237	(52)	64,217
Municipal Bonds	36,334	97	(195)	36,236
Yankee Bonds	780	12	-	792
Federal Agency	1,164	32	-	1,196
Mutual Funds	1,193	-	-	1,193
Preferred Stock	3,379	63	(15)	3,427
Common Stock	225	-	(76)	149
Collateralized Mortgage Obligations	1,780	-	(10)	1,770
Mortgage Backed Security	8,402	78	-	8,480
Total assets	<u>\$118,189</u>	<u>\$2,519</u>	<u>(\$348)</u>	<u>\$120,360</u>

**6. UNPAID SERVICE PROVIDER COST**

As of December 31, 2020 and 2019, the Company accrued \$50.5 million and \$42.7 million, respectively, for unpaid service provider cost. During the year ended December 31, 2020, the Company expensed approximately \$5.5 million it had recognized related to estimated recoupments of costs charged in previous years. During the year ended December 31, 2019, the Company had recognized approximately \$8 million in earnings due to these same costs. This fluctuation was due to the favorable development of accrued claims, primarily driven by recoupment of excess amounts paid to providers in prior years, due to inconsistencies in claims rules and billing procedures current dental terminology ("CDT") codes; and also by differences in expected utilization.

Total service provider expenses for the years ended December 31, 2020 and 2019 approximated \$705.5 million and \$751 million, respectively. Activity for unpaid service provider costs is summarized below (\$ in thousands):

Balance at December 31, 2018	<u>\$ 38,012</u>
Incurrd related to:	
2019	759,807
2018	<u>(8,836)</u>
	750,971
Paid related to:	
2019	713,190
2018	<u>33,077</u>
	<u>746,267</u>
Balance at December 31, 2019	<u>\$ 42,716</u>

**MCNA INSURANCE COMPANY**  
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**6. UNPAID SERVICE PROVIDER COST (CONTINUED)**

Incurring related to:	
2020	700,039
2019	<u>5,475</u>
	705,514
Paid related to:	
2020	656,010
2019	<u>41,692</u>
	<u>697,702</u>
Balance at December 31, 2020	<u><b>\$ 50,528</b></u>

**7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at December 31, consist of the following (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Premium tax payable	\$3,776	\$1,414
Accounts payable	14,750	3,942
Accrued salaries and other expenses	<u>295</u>	<u>1,209</u>
	<u><b>\$18,821</b></u>	<u><b>\$6,565</b></u>

**8. OTHER CURRENT LIABILITIES**

The following amounts are included on the accompanying statutory-basis statements of admitted assets, liabilities and capital and surplus in the caption other current liabilities (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Capitation fees repayable	\$ 221	\$2,435
Accrued LAE	1,286	-
Accrued dental incentive program	<u>1,500</u>	<u>1,000</u>
	<u><b>\$3,007</b></u>	<u><b>\$3,435</b></u>

In 2013, the Company implemented the Stellar Treatment and Recognition Reward ("STARR") incentive program for its Texas dental providers, which rewards providers who perform a high volume of certain preventive services. Providers who qualify based on specific criteria will receive an incentive payment based on a scorecard. Management can terminate the program at any time.

As of December 31, 2020 and 2019, the Company accrued \$1.5 million and \$1 million, respectively, under this program, which was approved by HHSC, and is included on the accompanying statutory-basis statements of admitted assets, liabilities and capital and surplus.

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**9. AGGREGATE HEALTH POLICY RESERVES**

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**Experience Rebate**

The Company's contract with the Texas state Medicaid agency ("HHSC") requires payment of an Experience Rebate if pre-tax income as a percentage of revenues (Rebate Percentage) is greater than 3%, as measured by the HHSC Financial Statistical Report. The experience rebate is calculated using a graduated scale. No obligation for rebate exists if the Rebate Percentage is less than, or equal to, 3%. For every incremental increase of the Rebate Percentage scale, up to 12%, the Company's, rebate obligation increases by 20%. When the Rebate Percentage exceeds 12%, all of the excess is owed to HHSC. During 2020, the Company accrued an experience rebate approximating \$70.7 million and paid \$64.6 million. As of December 31, 2020 and 2019, the Company has calculated and accrued approximately \$6.7 million and \$500 thousand, respectively. These amounts are included on the accompanying statutory-basis statements of admitted assets, liabilities and capital and surplus in the caption accrued health policy reserves.

**Minimum Dental Loss Ratio**

Certain state contracts require member dental benefit payments to range between 85% and 88% of earned program revenues (85% - 88% DLR). To the extent a related program's DLR is less than the required minimum, the shortfall will be reimbursed to the state. During 2020, the Company accrued an additional \$65 million contracts where dental benefit payments did not equal or exceed the required minimum dental loss ratios. During 2019, the Company accrued \$23.8 million, and paid \$3.7 million, for certain contracts where dental benefit payments did not equal or exceed the required minimum dental loss ratio thresholds. As of December 31, 2020 and 2019, the Company's accrued health policy reserve liabilities approximated \$85.2 million and \$20.1 million, respectively.

**10. HEALTH INSURER FEE**

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In December 2019, the President signed into law the "Further Consolidated Appropriations Act, 2020" which repeals several ACA excise taxes including the Health Insurer Fee ("HIF") effective for years after 2020.

ACA imposed an annual insurance industry assessment of \$15.5 billion in 2020. This HIF assessment is not deductible for income tax purposes, and is allocated based on health insurers' premium revenues in the previous year. Each health insurer's fee is calculated by multiplying its market share by the annual fee. Market share is based on commercial, Medicare, and Medicaid premium revenue. The Company accrued and expensed its fee of approximately \$16.5 million during the year ending December 31, 2020. This liability was paid during September 2020, and this amount included within the general and administrative caption on the statutory-basis statements of income.

In order to meet actuarially sound plan fiscal guidelines, refunding of these fees, including a "gross-up" for income tax effect, has been approved. The Company is anticipating reimbursement of approximately \$24.2 million for the year ending December 31, 2020, of which \$2.6 million has been received during the first quarter of 2021. The Company has recorded this reimbursement in the accompanying financial statements in the caption premiums earned, net.

Legislation enacted January 2018, H.R.195: Extension of Continuing Appropriations Act, 2018; Suspension of Certain Health-Related Taxes, Section 4003; suspended collection of the health insurer provider fee for the 2019 calendar year. .

As of December 31, 2019, approximately \$1.7 million of the aforementioned receivable from HHSC is included in the caption health insurer fee receivable on the statutory-basis statements of admitted assets, liabilities and capital and surplus, this amount was collected during 2020.

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NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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**11. EMPLOYEE BENEFIT PLAN**

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The Company's employees participate in a 401(k) "safe harbor" plan ("the Plan") established during 2012 and sponsored by the parent company (MCNA Health Care Holdings, LLC). Eligible employees are permitted to defer compensation up to IRS limitations based on their age at the end of each plan year. The Plan offers a "safe harbor" matching contribution equal to the minimum of the sum of 100% of the first 3% of annual compensation plus an additional 50% of the next 2% based on amount of compensation the employee contributes to the Plan. The plan for years ending December 31, 2020 and 2019 has accrued an estimated \$33 thousand and \$33 thousand of expense associated with the anticipated matching portion of the Plan.

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**12. COMMITMENTS AND CONTINGENCIES**

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**Operating Leases**

The Company leases its main office facilities in San Antonio, Texas and also has operating leases at Metairie, Louisiana, Lincoln, Nebraska and Little Rock, Arkansas. These leases require base monthly rent, plus the pro-rata share of common area maintenance and provide for escalating rent payments and expire through 2022.

The minimum future lease commitments are approximately as follows (\$ in thousands):

<u>Years Ended December 31,</u>	<u>Amount</u>
2021	\$ 962
2022	413
2023	68
2024	<u>70</u>
Total	<u><b>\$ 1,513</b></u>

**Litigation**

During the normal course of business, the Company is exposed to routine litigation. While the resolution of these matters cannot be predicted with certainty, management believes that their outcome will not have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

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**13. INCOME TAXES**

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On November 17, 2020, MCNA Health Care Holdings, LLC ("Parent") and the Company, a wholly owned subsidiary of its Parent, was acquired by UnitedHealth Group automatically triggering the termination of the Company's qualified S Corporation election under Sec., 1361(b) of the United States Federal Income Tax Code. The Company is now treated as a C Corporation for U.S. federal tax purposes. For the period November 17, 2020 through December 31, 2020, the Company recorded an estimated income tax benefit approximating \$940 thousand on pre-tax losses approximating \$4.5 million at an effective tax rate of 20.89%.

As of the acquisition date, the Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses.

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**13. INCOME TAXES (CONTINUED)**

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 U.S. Internal Revenue Service (IRS) has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2016 and prior. UnitedHealth Group's 2017 through 2020 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 2015 and forward. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

Prior to the aforementioned acquisition, the Company, its Parent and other affiliates filed Qualified S Corporation Subsidiary (Q Sub) elections which had been accepted by the Internal Revenue Service. Accordingly, the Company and its affiliates MCNA Insurance Company, MCNA Systems Corp and Sierra Dental, which are considered disregarded entities for Federal income tax purposes, will file a consolidated return with their common parent for the period ending November 16, 2020. Under provisions of Subchapter S of the Internal Revenue Code, in lieu of corporate income tax expense or benefit, the stockholder(s) of an S Corporation report their proportionate share of the Company's taxable income or loss. Additionally, an S Corporation is normally not subject to state taxes or state filing requirements. Therefore, no provision or liability for federal or state income tax expense nor any deferred tax benefit or liability is included in the financial statements related to the periods prior to November 16, 2020.

**14. INVESTMENT INCOME, NET**

Investment income earned for the years ended December 31, 2020 and 2019 is summarized in the table below (\$ in thousands):

Description	2020	2019
Bonds	\$7,192	\$4,716
Common and Preferred Stocks	177	189
Cash and Cash Equivalents	488	140
	7,857	5,045
Less:		
Investment expenses	(340)	(244)
Total	<u><u>\$7,517</u></u>	<u><u>\$4,801</u></u>

## SUPPLEMENTAL SCHEDULES

**MCNA INSURANCE COMPANY**  
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SCHEDULE OF INVESTMENT RISK INTERROGATORIES  
DECEMBER 31, 2020 AND 2019

1. The Company's total admitted assets as of December 31, 2020 and 2019 are \$ 292.2 million and \$201.7 million, respectively.
2. The ten largest exposures to a single issuer/borrower/investment as of December 31, 2020 are as follows (\$ in thousands):

<b>Issuer</b>	<b>Description of Exposure</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>
N/A			

The ten largest exposures to a single issuer/borrower/investment as of December 31, 2019 are as follows (\$ in thousands):

<b>Issuer</b>	<b>Description of Exposure</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>
Federal National Mortgage Association, Inc.	MBS, CMO	\$7,660	4.16%
Freddie Mac	MBS, CMO	\$3,293	1.63%
Lloyds Banking Group plc	Bonds	\$2,051	1.02%
AT&T Inc.	Bonds	\$1,432	0.71%
Priority Income Fund, Inc.	Preferred Stock	\$1,410	0.70%
General Motors Financial Company, Inc.	Bonds	\$1,385	0.69%
RPM International Inc.	Bonds	\$1,382	0.69%
Bank of America Corporation	Bonds	\$1,322	0.66%
The Goldman Sachs Group, Inc.	Bonds	\$1,309	0.65%
Citigroup Inc.	Bonds	\$1,170	0.58%

3. The amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation as of December 31, 2020 are as follows (\$ in thousands):

<b>Bonds</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>	<b>Preferred Stocks</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>
NAIC 1	\$95,921,907	32.16%	P/RP - 1	\$ -	-
NAIC 2	\$ -	-	P/RP - 2	\$ -	-
NAIC 3	\$ -	-	P/RP - 3	\$ -	-
NAIC 4	\$ -	-	P/RP - 4	\$ -	-
NAIC 5	\$ -	-	P/RP - 5	\$ -	-
NAIC 6	\$ -	-	P/RP - 6	\$ -	-

**MCNA INSURANCE COMPANY**  
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SCHEDULE OF INVESTMENT RISK INTERROGATORIES  
DECEMBER 31, 2020 AND 2019

Approximately \$2.7 million and \$1.6 million of the entity's total admitted assets held in bonds as of December 31, 2019 are included within restricted investments and cash, cash equivalents and short term investments, respectively, on the accompanying statutory-basis statements of admitted assets, liabilities and capital and surplus.

The amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation as of December 31, 2019 are as follows (in thousands):

<b>Bonds</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>	<b>Preferred Stocks</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>
NAIC 1	\$ 74,123	36.76%	P/RP - 1	\$ 3,427	1.70%
NAIC 2	\$ 40,510	20.09%	P/RP - 2	\$ -	-
NAIC 3	\$ 958	0.48%	P/RP - 3	\$ -	-
NAIC 4	\$ -	-	P/RP - 4	\$ -	-
NAIC 5	\$ -	-	P/RP - 5	\$ -	-
NAIC 6	\$ -	-	P/RP - 6	\$ -	-

Approximately \$2.7 million and \$1.6 million of the entity's total admitted assets held in bonds as of December 31, 2019 are included within restricted investments and cash, cash equivalents and short term investments, respectively, on the accompanying statutory-basis statements of admitted assets, liabilities and capital and surplus.

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 ☒ 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	\$	-	0.00%
4.03 Foreign-currency-denominated investments	\$	-	0.00%
4.04 Insurance liabilities denominated in that same foreign currency	\$	-	0.00%

The Company's responds (Yes) to investment risk interrogatories 11 through 13. Additional disclosure is not required.

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 ☐ No ☒

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

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities. N/A

Largest three investments held in nonaffiliated, privately placed equities: N/A

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SCHEDULE OF INVESTMENT RISK INTERROGATORIES  
DECEMBER 31, 2020 AND 2019

Ten Largest Fund Managers

	<u>1</u> <u>Fund Manager</u>	<u>2</u> <u>Total Invested</u>	<u>3</u> <u>Diversified</u>
14.06	Morgan Stanley Institutional Liquidity Funds - Treasury Portfolio	98,960,842.68	-
14.07	RBC Funds Trust - U.S. Government Money Market Fund	2,716,141.24	-
14.08	RBC Bank Deposit Program	1,209,855.48	-
14.09	US BANK MONEY MARKET	1,875.04	-

Only Total Invested Amount is provided because we are unable to identify if the funds are diversified or non-diversified. Please allocate between funds that are diversified or non-diversified in accordance with the meaning of the Investment Company Act of 1940.

Admitted Asset	\$ 298,241,565
Threshold %	<u>2.50%</u>
Threshold Amount	<u><u>\$ 7,456,039</u></u>

The Company's responds (Yes) to investment risk interrogatories 15, 16, 18 and 19. Additional disclosure is not required.

Investment risk interrogatories 11 through 13, 17 and 20 through 23 are not applicable to the Company and, therefore, have not been included in this supplemental schedule.

**MCNA INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)**  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
**DECEMBER 31, 2020**



SUPPLEMENT FOR THE YEAR 2020 OF THE MCNA Insurance Company

**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

United States Policy Forms Direct Business Only

For The Year Ending December 31, 2020

(To Be Filed by April 1)

NAIC Group Code: 4730

NAIC Company Code: 1403

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2+3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
<b>A. INDIVIDUAL BUSINESS</b>							
1. Comprehensive Major Medical							
1.1 With Contract Reserves							
1.2 Without Contract Reserves							
1.3 Subtotal							
2. Short-Term Medical							
2.1 With Contract Reserves							
2.2 Without Contract Reserves							
2.3 Subtotal							
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves							
3.2 Without Contract Reserves							
3.3 Subtotal							
4. Specified/Named Disease							
4.1 With Contract Reserves							
4.2 Without Contract Reserves							
4.3 Subtotal							
5. Limited Benefit							
5.1 With Contract Reserves							
5.2 Without Contract Reserves							
5.3 Subtotal							
6. Student							
6.1 With Contract Reserves							
6.2 Without Contract Reserves							
6.3 Subtotal							
7. Accident Only or AD&D							
7.1 With Contract Reserves							
7.2 Without Contract Reserves							
7.3 Subtotal							
8. Disability Income - Short-Term							
8.1 With Contract Reserves							
8.2 Without Contract Reserves							
8.3 Subtotal							

**MCNA INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)**  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
**DECEMBER 31, 2020**

SUPPLEMENT FOR THE YEAR 2020 OF THE MCNA Insurance Company

**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2+3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
<b>A. INDIVIDUAL BUSINESS (Continued)</b>							
9. Disability Income - Long-Term							
9.1 With Contract Reserves							
9.2 Without Contract Reserves							
9.3 Subtotal							
10. Long-Term Care							
10.1 With Contract Reserves							
10.2 Without Contract Reserves							
10.3 Subtotal							
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves							
11.2 Without Contract Reserves							
11.3 Subtotal							
12. Dental							
12.1 With Contract Reserves	939,712,222	700,871,420		74.584	4,344,908	4,344,908	49,112,539
12.2 Without Contract Reserves							
12.3 Subtotal	939,712,222	700,871,420		74.584	4,344,908	4,344,908	49,112,539
13. State Children's Health Insurance Program							
13.1 With Contract Reserves							
13.2 Without Contract Reserves							
13.3 Subtotal							
14. Medicare							
14.1 With Contract Reserves							
14.2 Without Contract Reserves							
14.3 Subtotal							
15. Medicaid							
15.1 With Contract Reserves							
15.2 Without Contract Reserves							
15.3 Subtotal							
16. Medicare Part D - Stand-Alone							
16.1 With Contract Reserves							
16.2 Without Contract Reserves							
16.3 Subtotal							
17. Other Individual Business							
17.1 With Contract Reserves							
17.2 Without Contract Reserves							
17.3 Subtotal							
18. Total Individual Business							
18.1 With Contract Reserves	939,712,222	700,871,420		74.584	4,344,908	4,344,908	49,112,539
18.2 Without Contract Reserves							
19. Grand Total Individual	939,712,222	700,871,420		74.584	4,344,908	4,344,908	49,112,539

**MCNA INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)**  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
**DECEMBER 31, 2020**

SUPPLEMENT FOR THE YEAR 2020 OF THE MCNA Insurance Company

**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2÷3) /1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
<b>B. GROUP BUSINESS</b>							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer							
1.2 Other Employer							
1.3 Single Employer Subtotal							
2. Multiple Employer Assets and Trusts							
3. Other Associations and Discretionary Trusts							
4. Other Comprehensive Major Medical							
5. Comprehensive Major Medical Subtotal							
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease							
7. Limited Benefit							
8. Student							
9. Accident Only or AD&D							
10. Disability Income - Short-term							
11. Disability Income - Long-term							
12. Long-Term Care							
13. Medicare Supplement (Medigap)							
14. Federal Employees Health Benefits Plan							
15. Tricare							
16. Dental							
17. Medicare							
18. Medicare Part D - Stand-Alone							
19. Other Group Care							
20. Grand Total Group Business							
<b>C. OTHER BUSINESS</b>							
1. Credit (Individual and Group)							
2. Stop Loss/Excess Loss							
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business							
<b>D. TOTAL BUSINESS</b>							
1. Total Non U. S. Policy Forms							
2. Grand Total Individual, Group and Other Business	939,712,222	700,871,420		74.564	4,344,908	4,344,908	49,112,539

**MCNA INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)**  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
**DECEMBER 31, 2020**

SUPPLEMENT FOR THE YEAR 2020 OF THE MCNA Insurance Company

**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

PART 1 - INDIVIDUAL POLICIES  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3) / 1
1. U. S. Forms Direct Business .....	939,712,222	700,871,420		74.584
2. Other Forms Direct Business .....				
3. Total Direct Business .....	939,712,222	700,871,420		74.584
4. Reinsurance Assumed .....				
5. Less Reinsurance Ceded .....				
6. Total .....	939,712,222	700,871,420		74.584

PART 2 - GROUP POLICIES  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3) / 1
1. U. S. Forms Direct Business .....				
2. Other Forms Direct Business .....				
3. Total Direct Business .....				
4. Reinsurance Assumed .....				
5. Less Reinsurance Ceded .....				
6. Total .....				

PART 3 - CREDIT POLICIES (Individual and Group)  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3) / 1
1. U. S. Forms Direct Business .....				
2. Other Forms Direct Business .....				
3. Total Direct Business .....				
4. Reinsurance Assumed .....				
5. Less Reinsurance Ceded .....				
6. Total .....				

PART 4 - ALL INDIVIDUAL, GROUP AND CREDIT POLICIES  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3) / 1
1. U. S. Forms Direct Business .....	939,712,222	700,871,420		74.584
2. Other Forms Direct Business .....				
3. Total Direct Business .....	939,712,222	700,871,420		74.584
4. Reinsurance Assumed .....				
5. Less Reinsurance Ceded .....				

**MCNA INSURANCE COMPANY**  
(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
DECEMBER 31, 2019

SUPPLEMENT FOR THE YEAR 2019 OF THE MCNA INSURANCE COMPANY



**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

United States Policy Forms Direct Business Only

For The Year Ending December 31, 2019

(To Be Filed by April 1)

NAC Group Code: 4730

NAC Company Code: 14063

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2+3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
<b>A. INDIVIDUAL BUSINESS</b>							
1. Comprehensive Major Medical							
1.1 With Contract Reserves							
1.2 Without Contract Reserves							
1.3 Subtotal							
2. Short-Term Medical							
2.1 With Contract Reserves							
2.2 Without Contract Reserves							
2.3 Subtotal							
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves							
3.2 Without Contract Reserves							
3.3 Subtotal							
4. Specified/Named Disease							
4.1 With Contract Reserves							
4.2 Without Contract Reserves							
4.3 Subtotal							
5. Limited Benefit							
5.1 With Contract Reserves							
5.2 Without Contract Reserves							
5.3 Subtotal							
6. Student							
6.1 With Contract Reserves							
6.2 Without Contract Reserves							
6.3 Subtotal							
7. Accident Only or AD&D							
7.1 With Contract Reserves							
7.2 Without Contract Reserves							
7.3 Subtotal							
8. Disability Income - Short-Term							
8.1 With Contract Reserves							
8.2 Without Contract Reserves							
8.3 Subtotal							

NONE

**MCNA INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)**  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
**DECEMBER 31, 2019**

SUPPLEMENT FOR THE YEAR 2019 OF THE MCNA INSURANCE COMPANY

**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2+3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
<b>A. INDIVIDUAL BUSINESS (Continued)</b>							
9. Disability Income - Long-Term							
9.1 With Contract Reserves							
9.2 Without Contract Reserves							
9.3 Subtotal							
10. Long-Term Care							
10.1 With Contract Reserves							
10.2 Without Contract Reserves							
10.3 Subtotal							
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves							
11.2 Without Contract Reserves							
11.3 Subtotal							
12. Dental							
12.1 With Contract Reserves	908,070,435	790,560,598		83.756	3,748,992	3,748,992	45,967,632
12.2 Without Contract Reserves							
12.3 Subtotal	908,070,435	790,560,598		83.756	3,748,992	3,748,992	45,967,632
13. State Children's Health Insurance Program							
13.1 With Contract Reserves							
13.2 Without Contract Reserves							
13.3 Subtotal							
14. Medicare							
14.1 With Contract Reserves							
14.2 Without Contract Reserves							
14.3 Subtotal							
15. Medicaid							
15.1 With Contract Reserves							
15.2 Without Contract Reserves							
15.3 Subtotal							
16. Medicare Part D - Stand-Alone							
16.1 With Contract Reserves							
16.2 Without Contract Reserves							
16.3 Subtotal							
17. Other Individual Business							
17.1 With Contract Reserves							
17.2 Without Contract Reserves							
17.3 Subtotal							
18. Total Individual Business							
18.1 With Contract Reserves	908,070,435	790,560,598		83.756	3,748,992	3,748,992	45,967,632
18.2 Without Contract Reserves							
19. Grand Total Individual	908,070,435	790,560,598		83.756	3,748,992	3,748,992	45,967,632

**MCNA INSURANCE COMPANY**  
**(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)**  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
**DECEMBER 31, 2019**

SUPPLEMENT FOR THE YEAR 2019 OF THE MCNA INSURANCE COMPANY

**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (243) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
<b>B. GROUP BUSINESS</b>							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer							
1.2 Other Employer							
1.3 Single Employer Subtotal							
2. Multiple Employer Assets and Trusts							
3. Other Associations and Discretionary Trusts							
4. Other Comprehensive Major Medical							
5. Comprehensive Major Medical Subtotal							
Other Medical (Non-Comprehensive)							
6. Specified Named Disease							
7. Limited Benefits							
8. Student							
9. Accident Only or AD&D							
10. Disability Income - Short-term							
11. Disability Income - Long-term							
12. Long-Term Care							
13. Medicare Supplement (Medgap)							
14. Federal Employees Health Benefits Plan							
15. Tricare							
16. Dental							
17. Medicare							
18. Medicare Part D - Stand-Alone							
19. Other Group Care							
20. Grand Total Group Business							
<b>C. OTHER BUSINESS</b>							
1. Credit (Individual and Group)							
2. Stop Loss/Excess Loss							
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business							
<b>D. TOTAL BUSINESS</b>							
1. Total Non U.S. Policy Forms							
2. Grand Total Individual, Group and Other Business	908,070,435	790,560,595		83.756	3,748,952	3,748,952	45,967,632

**MCNA INSURANCE COMPANY**  
(A Wholly Owned Subsidiary of MCNA Health Care Holdings, LLC)  
**ACCIDENT AND HEALTH EXPERIENCE EXHIBIT**  
DECEMBER 31, 2019

SUPPLEMENT FOR THE YEAR 2019 OF THE MCNA INSURANCE COMPANY  
**ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR**

PART 1 - INDIVIDUAL POLICIES  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2÷3) / 1
1. U.S. Forms Direct Business	908,070,435	760,960,598		83.796
2. Other Forms Direct Business				
3. Total Direct Business	908,070,435	760,960,598		83.796
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total	908,070,435	760,960,598		83.796

PART 2 - GROUP POLICIES  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2÷3) / 1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. Total Direct Business	NONE			
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total				

PART 3 - CREDIT POLICIES (Individual and Group)  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2÷3) / 1
1. U.S. Forms Direct Business				
2. Other Forms Direct Business				
3. Total Direct Business	NONE			
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total				

PART 4 - ALL INDIVIDUAL, GROUP AND CREDIT POLICIES  
SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2÷3) / 1
1. U.S. Forms Direct Business	908,070,435	760,960,598		83.796
2. Other Forms Direct Business				
3. Total Direct Business	908,070,435	760,960,598		83.796
4. Reinsurance Assumed				
5. Less Reinsurance Ceded				
6. Total	908,070,435	760,960,598		83.796