

UnitedHealthcare of Louisiana, Inc.

Statutory Basis Financial Statements as of and
for the Years Ended December 31, 2012 and 2011,
Supplemental Schedules as of and for the
Year Ended December 31, 2012,
Independent Auditors' Report, Qualification Letter,
and Internal Control Letter

UNITEDHEALTHCARE OF LOUISIANA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Unitedhealthcare of Louisiana, Inc.
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, 2012 and 2011, 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 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 the Company as of December 31, 2012 and 2011, 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 the Company 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 2012 audit was conducted for the purpose of forming an opinion on the 2012 statutory basis financial statements as a whole. The supplemental schedule of investment risk interrogatories and the supplemental summary investment schedule, as of and for the year ended December 31, 2012 are presented for purposes of additional analysis and are not a required part of the 2012 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 2012 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 2012 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 the Company 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 29, 2013

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Cash \$1,053,477 and \$1,048,891 and short-term investments \$7,320,498 and \$6,890,014 in 2012 and 2011, respectively	\$ 8,373,975	\$ 7,938,905
OTHER ASSETS:		
Investment income due and accrued	2,308	3,317
Uncollected premiums	10,999	12,611
Current federal income tax recoverable	1,526,108	-
Net deferred tax asset	186,322	25,486
Premium taxes recoverable	239,550	351,302
Subtotal other assets	1,965,287	392,716
TOTAL ADMITTED ASSETS	\$ 10,339,262	\$ 8,331,621
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Claims unpaid	\$ 329,330	\$ 416,307
Unpaid claims adjustment expenses	3,926	5,898
Aggregate health policy reserves, including \$261 and \$0 for medical loss ratio per the Public Health Service Act in 2012 and 2011, respectively	261,273	-
Premiums received in advance	92,145	45,504
General expenses due or accrued	19,359	5,088
Current federal income taxes payable	-	17,455
Ceded reinsurance premiums payable	398	485
Amounts due to parent, subsidiaries, and affiliates	4,522,332	9,792
Total liabilities	5,228,763	500,529
CAPITAL AND SURPLUS:		
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	18,138,440	16,138,440
Unassigned deficit	(14,827,941)	(10,107,348)
Total capital and surplus	5,110,499	7,831,092
TOTAL LIABILITIES, CAPITAL AND SURPLUS	\$ 10,339,262	\$ 8,331,621

See notes to statutory basis financial statements.

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUES:		
Net premium income	\$ 4,928,692	\$ 5,391,283
Change in unearned premium reserves	<u>(261,273)</u>	<u>-</u>
Total revenues	<u>4,667,419</u>	<u>5,391,283</u>
UNDERWRITING DEDUCTIONS:		
Hospital and medical:		
Hospital/medical benefits	2,301,731	1,759,120
Other professional services	549	740
Prescription drugs	<u>575,558</u>	<u>314,718</u>
Total hospital and medical	2,877,838	2,074,578
Claims adjustment expenses	3,020,163	55,954
General administrative expenses	6,062,449	878,162
Decrease in reserves for life and accident and health contracts	<u>-</u>	<u>(73,000)</u>
Total underwriting deductions	<u>11,960,450</u>	<u>2,935,694</u>
NET UNDERWRITING (LOSS) GAIN	(7,293,031)	2,455,589
NET INVESTMENT GAINS — Net investment income earned	6,850	10,211
NET LOSS FROM AGENTS' OR PREMIUM BALANCES CHARGED OFF	<u>(3,748)</u>	<u>-</u>
NET (LOSS) GAIN BEFORE FEDERAL INCOME TAXES (BENEFIT) PROVISION	(7,289,929)	2,465,800
FEDERAL INCOME TAXES (BENEFIT) INCURRED	<u>(2,565,517)</u>	<u>799,416</u>
NET (LOSS) INCOME	<u><u>\$ (4,724,412)</u></u>	<u><u>\$ 1,666,384</u></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, 2012 AND 2011

	Common Capital Stock		Gross Paid-In and Contributed Surplus	Unassigned Deficit	Total Capital and Surplus
	Shares	Amount			
BALANCE — January 1, 2011	900,000	\$ 1,800,000	\$ 16,138,440	\$ (11,801,005)	\$ 6,137,435
Net income	-	-	-	1,666,384	1,666,384
Change in net deferred income taxes	-	-	-	88,267	88,267
Change in nonadmitted assets	-	-	-	(60,994)	(60,994)
BALANCE — December 31, 2011	900,000	1,800,000	16,138,440	(10,107,348)	7,831,092
Net loss	-	-	-	(4,724,412)	(4,724,412)
Change in net deferred income taxes	-	-	-	98,055	98,055
Change in nonadmitted assets	-	-	-	(424,008)	(424,008)
Cumulative effect of changes in accounting principles	-	-	-	30,012	30,012
Capital contribution	-	-	2,000,000	-	2,000,000
Correction of errors (Note 2)	-	-	-	299,760	299,760
BALANCE — December 31, 2012	<u>900,000</u>	<u>\$ 1,800,000</u>	<u>\$ 18,138,440</u>	<u>\$ (14,827,941)</u>	<u>\$ 5,110,499</u>

See notes to statutory basis financial statements.

UNITEDHEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATIONS:		
Premiums collected, net of reinsurance fees	\$ 5,438,027	\$ 5,931,065
Net investment income	7,859	12,097
Benefit and loss related payments	(2,959,864)	(5,075,972)
Operating expenses paid	(8,962,869)	(1,468,567)
Federal income taxes recovered (paid) — net	<u>860,545</u>	<u>(646,510)</u>
Net cash used in operations	<u>(5,616,302)</u>	<u>(1,247,887)</u>
CASH FLOWS FROM FINANCING AND MISCELLANEOUS ACTIVITIES:		
Cash provided (used) through net transfers from (to) affiliates	4,051,372	(349,595)
Capital Contribution	2,000,000	-
Other cash provided	<u>-</u>	<u>129</u>
Net cash provided by (used in) financing and miscellaneous activities	<u>6,051,372</u>	<u>(349,466)</u>
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	435,070	(1,597,353)
CASH AND SHORT-TERM INVESTMENTS — Beginning of year	<u>7,938,905</u>	<u>9,536,258</u>
CASH AND SHORT-TERM INVESTMENTS — End of year	<u>\$ 8,373,975</u>	<u>\$ 7,938,905</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, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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), an HMO management corporation that provides services to the Company under the terms of a management agreement. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated (“UnitedHealth Group”). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated on 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.

During 2011, the Company was awarded a statewide Medicaid coordinated care network shared savings contract. This is an administrative services only contract. The Company is a primary care case manager that provides enhanced primary care case management in addition to being the entity contracting with primary care providers (PCP) for PCP care management. The implementation occurred in three phases by Geographic Service Area during 2012.

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 financial statements.

- (1–8) No significant differences exist between the practices prescribed or permitted by the State of Louisiana and those prescribed or permitted by the NAIC SAP which materially affect the statutory basis net (loss) income and capital and surplus, as illustrated in the table below (in thousands):

Net (Loss) Income	State of Domicile	2012	2011
(1) Company state basis	Louisiana	\$ (4,724)	\$ 1,666
(2) State Prescribed Practices that increase/(decrease) NAIC SAP — Not applicable	Louisiana	-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP — Not applicable	Louisiana	-	-
(4) NAIC SAP	Louisiana	<u>\$ (4,724)</u>	<u>\$ 1,666</u>
Surplus			
(5) Company state basis	Louisiana	\$ 5,110	\$ 7,831
(6) State Prescribed Practices that increase/(decrease) NAIC SAP — Not applicable	Louisiana	-	-
(7) State Permitted Practices that increase/(decrease) NAIC SAP — Not applicable	Louisiana	-	-
(8) NAIC SAP	Louisiana	<u>\$ 5,110</u>	<u>\$ 7,831</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 includes 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, and aggregate health policy reserves including medical loss ratio rebates (collectively known as "aggregate health reserves"). The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of net (loss) income in the period in which the estimate is adjusted.

C. Accounting Policy

- (1–13) **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).

The more significant differences are as follows:

- Cash and short-term investments 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, cash equivalents, and short-term investments includes cash balances and investments that will mature in one year or less from the balance sheet date;

- 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;
- Under statutory accounting, the change to deferred tax assets and liabilities is recorded directly to unassigned deficit and deferred tax assets are subject to limitations regarding the realization and admissibility of the assets in the statutory basis financial statements, whereas under GAAP, the change in deferred tax assets and liabilities 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 statutory accounting, 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 sheets;
- Certain assets, including certain aged premium receivables, health care receivables, and prepaid expenses are considered nonadmitted assets for statutory purposes and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus. Nonadmitted assets are excluded from the statutory basis financial statements and are charged directly to unassigned deficit. Under GAAP, such assets are included in the balance sheet;
- The unexpired portion of accident and health insurance premiums is recorded as unearned premium; the corresponding change in unearned premium from year to year is reflected as a change in unearned premium reserves in the statutory basis statements of operations. Under GAAP, the change in unearned premium from year to year is reported through premium income;
- Comprehensive income and its components are not presented in the statutory basis financial statements;
- Cash and short-term investments in the statutory basis statements of cash flows represent cash balances and investments with original maturities of one year or less from the time of acquisition. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and cash equivalents with maturities of three months or less. The corresponding caption of short-term investments under GAAP represents securities with a final maturity of one year or less from the balance sheet date. The statutory basis statements of cash flows are prepared in accordance with the NAIC Annual Statement Instructions.

Cash and Invested Assets —

- Cash represents cash held by the Company in disbursement accounts. Claims and other payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments.
- Short-term investments represent money market instruments with a maturity of greater than three months but less than one year at the time of purchase.
- The Company has no bonds.

- Short-term investments are stated at amortized cost if they meet NAIC designation of one or two and stated at the lower of amortized cost or fair value if they meet an NAIC designation of three or higher. Short-term investments are valued and reported using market prices published by the Securities Valuation Office of the NAIC (SVO) in accordance with the NAIC Valuations of Securities manual prepared by the SVO or an external pricing service.
- The Company holds no mortgage loans on real estate.
- The Company holds no loan-backed securities.
- The Company holds no common or preferred stock.
- The Company holds no investments in subsidiaries, controlled, or affiliated entities.
- The Company has no investment interests with respect to joint ventures, partnerships or limited liability companies.
- The Company holds no derivatives.
- 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 gains (losses) less capital gains tax (benefit) in the statutory basis statements of operations. The new cost basis is not changed for subsequent recoveries in fair value. The Company has not recorded any other-than-temporary impairments for the years ended December 31, 2012 and 2011.

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

Net Investment Income Earned — Net investment income earned includes investment income collected during the period, as well as the change in investment income due and accrued on the Company's holdings. Certain external investment management costs are also included in net investment income earned (see Note 7).

Amounts Due to Parent, Subsidiaries, and Affiliates — In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts owed as amounts due to parent, subsidiaries, and affiliates, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus. 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.

Properties Occupied by the Company, Properties Held for the Production of Income, Properties Held for Sale, Furniture and Equipment and Electronic Data Processing Equipment and Software — The Company does not carry any fixed assets on the statutory basis financial statements.

Hospital and Medical Expenses, Claims Unpaid, and Aggregate Health Reserves — Hospital and medical expenses and corresponding liabilities include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and 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 2012 and 2011. Management believes the amount of claims unpaid and aggregate health reserves is adequate to cover the Company's liability for unpaid claims and aggregate health reserves as of December 31, 2012; however, actual payments may differ from those established estimates. Adjustments to claims unpaid estimates and aggregate health reserves are reflected in statutory statement of operations in the period in which the change in estimate is identified.

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

Net Deferred Tax Asset and Federal Income Taxes (Benefit) Incurred — Statutory accounting provides for an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax bases of assets and liabilities, subject to a valuation allowance and admissibility limitations on deferred tax assets (see Note 9). The provision for federal income taxes (benefit) incurred is calculated based on applying the statutory federal income tax rate of 35% to net (loss) income before federal income taxes subject to certain adjustments (see Note 9).

Claims Adjustment Expense — Claims adjustment expenses (CAE) are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UHS in exchange for administrative and management services. A detailed review of UHS' and the Company's administrative expenses is performed to determine the allocation between CAE and general administrative expenses. It is the responsibility of UHS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid claims adjustment expenses associated with incurred but unpaid claims, which is included in unpaid claims adjustment expenses in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Management believes the amount of the liability for unpaid claims adjustment expenses as of December 31, 2012 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 claims adjustment expenses are reflected in operating results in the period in which the change in estimate is identified.

General Administrative Expenses — Pursuant to the terms of the management 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 management agreement are directly

expensed as incurred. A detailed review of UHS' and the Company's administrative expenses is performed to determine the allocation between claims adjustment expenses and general administrative expenses to be reported in the statutory basis statements of operations.

Revenues — Revenues consist of commercial 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. Commercial health plans with medical loss ratios on fully insured products, as calculated under the definitions in the Patient Protection and Affordable Care Act and its related reconciliation act "Health Reform Legislation" (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 unearned premium reserves in the accompanying statutory basis statements of operations. Premiums received in full during the current period which are not due until future periods are recorded as premiums received in advance in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Unearned premiums are established for the portion of premiums received during the current period that are partially unearned at the end of the period and are included in aggregate health policy reserves in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

Administrative fee revenues consist primarily of fees derived from services performed for customers that self-insure the health care costs of their employees and employees' dependents. Under these contracts, the Company recognizes revenue in the period in which the related services are performed. The customers retain the risk of financing health care costs for their employees and employees' dependents, and the Company administers the payment of customer funds to physicians and other health care professionals from customer-funded bank accounts. As the Company has neither the obligation for funding the health care costs, nor the primary responsibility for providing the medical care, the Company does not recognize premium revenue and hospital/medical benefits for these contracts. Administrative fee revenue and related expenses are netted against general administrative expenses and claims adjustment expenses in the statutory basis statements of operations (see Note 18).

The Company reports uncollected premium balances from its insured members as uncollected premium balances 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.

Reinsurance Ceded — The Company has an insolvency-only reinsurance agreement whereby 0.1% of net premium income is ceded to UnitedHealthcare Insurance Company (UHIC). Reinsurance premiums paid and incurred are deducted from net premium income in the accompanying statutory basis financial statements.

Ceded Reinsurance Premiums Payable — The Company has an insolvency-only reinsurance agreement. The ceded reinsurance premiums payable balance represents amounts due to the reinsurer for coverage which will be paid based on the contract terms.

Reserve for Experience Rated Refunds — A liability is established, net of ceded reinsurance, for estimated premium refunds on experience rated contracts based on actuarial methods and assumptions and minimum loss ratio requirements. The liability also includes the estimated rebate on the commercial health products for which the medical loss ratios on fully insured products, as calculated under the Health Reform Legislation (see Note 14) and implementing regulations, fall below certain targets. The Company is required to rebate the ratable portions of the premiums annually. Estimated accrued retrospective premiums due from the Company are recorded in aggregate health policy reserves on the

statutory basis statements of admitted assets, liabilities, and capital and surplus and a change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations.

Health Care Receivables — Health care receivables consist of pharmacy rebate receivables estimated based on the most currently available data from the Company's claims processing systems and from data provided by the Company's unaffiliated pharmaceutical benefit manager and affiliated pharmaceutical benefit manager, OptumRx, Inc. ("OptumRx"). Health care receivables are considered nonadmitted assets for statutory purposes if they do not meet admissibility requirements. Accordingly, the Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 28).

Premium Deficiency Reserves — Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, claim adjustment expenses and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected as a decrease in reserves for accident and health contracts in the accompanying statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 30).

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 customer that accounted for 10% of direct premium income and uncollected premiums as of December 31, 2012. The Company had one customer that accounted for approximately 91% of uncollected premiums as of December 31, 2011. The contract with this customer was terminated effective January 1, 2011.

Restricted Cash Reserves — The Company is required by the State of Louisiana to maintain a minimum regulatory deposit (currently \$1,000,000). The Company is in compliance with this requirement as of December 31, 2012 and 2011. This restricted cash reserve consists principally of certificates of deposits which are stated at amortized cost, which approximates fair value. This reserve is included in cash and short-term investments in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on this reserve 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 approximately \$5,110,000 and \$7,831,000 in total statutory basis capital and surplus as of December 31, 2012 and 2011, 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, or the company action level as calculated by the RBC formula. The Company is in compliance with the required amount.

Recently Issued Accounting Standards — In November 2011, the NAIC adopted Statement of Statutory Accounting Principles (SSAP) No. 101, *Income Taxes — A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP No. 101), effective for 2012 interim and annual financial statements and beyond. The new standard includes revised guidance for tax contingencies, non-elective deferred tax asset admissibility test along with significant modifications to the deferred tax asset admissibility test, and disclosure modifications. A change resulting from the adoption of this revised statement shall be accounted for prospectively. The Company adopted SSAP No. 101 in 2012 and the resulting impact is summarized in Note 2 – Accounting Changes and Correction of Errors.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

In 2012, the Company implemented SSAP No. 101. The new statement includes revised guidance for tax contingencies, a non-elective deferred tax asset admissibility test along with significant modifications to the deferred tax asset admissibility test. A change resulting from the adoption of this revised statement should be accounted for prospectively. As a result of the adoption, the Company recalculated the non-admitted deferred tax asset balance as of December 31, 2011 in accordance with SSAP No. 101. This resulted in an increase to the net deferred tax asset of approximately \$30,000 and a corresponding decrease of approximately \$30,000 to the non-admitted deferred tax asset balance. There was no impact related to the change in guidance related to tax contingencies. The cumulative effect of this change in accounting principle was recorded by the Company in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors* and is reflected as an increase to unassigned deficit in the accompanying statutory basis financial statements as of December 31, 2012.

During 2012, the Company identified an error in net premium income related to certain administrative fees paid to the Company of approximately \$461,000 for the years ended December 31, 2005 through 2011. These administrative fees cover the costs incurred by the carrier for administrative services such as claims processing, billing and enrollment, and overhead costs. In addition, the federal income taxes impact of the error was approximately \$161,000 for the years ended December 31, 2005 through 2011. The cumulative effect of this prior year error, \$300,000, was corrected by the Company in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors* and is reflected in the accompanying statutory basis statements of changes in capital and surplus for the year ended December 31, 2012..

3. BUSINESS COMBINATIONS AND GOODWILL

A–D. The Company was not party to a business combination during the years ended December 31, 2012 and 2011, and does not carry goodwill in its statutory basis statements of admitted assets, liabilities, and capital and surplus.

4. DISCONTINUED OPERATIONS

(1–5) The Company did not discontinue any operations during 2012 and 2011.

5. INVESTMENTS AND OTHER INVESTED ASSETS

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. There were no gross realized gains or losses for the year ended December 31, 2012 or 2011.

As of December 31, 2012 and 2011, the amortized cost, fair value, and gross unrealized holding gains and losses of the Company's investments, excluding cash of approximately \$1,049,000 and \$1,053,000, respectively, are as follows (in thousands):

	2012				Fair Value
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	
Money market funds	<u>\$ 7,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,320</u>
Total short-term investments	<u>\$ 7,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,320</u>

	2012				Fair Value
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	
Less than one year	<u>\$ 7,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,320</u>
Total short-term investments	<u>\$ 7,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,320</u>

	2011				Fair Value
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	
Money market funds	<u>\$ 6,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,890</u>
Total short-term investments	<u>\$ 6,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,890</u>

The Company does not have any unrealized holding losses on its investments at December 31, 2012 and 2011.

A–C. The Company has no mortgage loans, real estate loans, restructured debt, reverse mortgages or investments in low-income housing tax credits. 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. Total proceeds on the sale of short-term investments were approximately \$27,735,000 and \$12,890,000 in 2012 and 2011, respectively.

D. Loan-Backed Securities

(1–5) The Company has no loan-backed securities.

E. Repurchase Agreements and/or Securities Lending Transactions — Not applicable.

F. Real Estate — Not applicable.

G. Low-Income Housing Tax Credits — Not applicable.

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

The components of net investment income earned at December 31, 2012 and 2011 are as follows (in thousands):

	2012	2011
Investment income from cash and short-term investments	\$ 8	\$ 11
Expenses — investment management fees	<u>(1)</u>	<u>(1)</u>
Net investment income earned	<u>\$ 7</u>	<u>\$ 10</u>

B. There were no investment income amounts excluded from the statutory basis financial statements.

8. DERIVATIVE INSTRUMENTS

A–F. The Company has no derivative instruments.

9. INCOME TAXES

A. Deferred Tax Asset

- (1) The components of the net deferred tax asset for the years ended December 31, 2012 and 2011 are as follows (in thousands):

(2012 information is computed under SSAP No. 101. 2011 information was computed under SSAP No. 10R)

	2012			2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax assets	\$234	\$ -	\$234	\$ 88	\$ -	\$ 88	\$146	\$ -	\$146
(b) Statutory valuation allowance adjustments	<u>48</u>	<u>-</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>-</u>	<u>48</u>
(c) Adjusted gross deferred tax assets (1a - 1b)	186	-	186	88	-	88	98	-	98
(d) Deferred tax assets nonadmitted	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>	<u>(63)</u>	<u>-</u>	<u>(63)</u>
(e) Subtotal net admitted deferred tax asset (1c - 1d)	186	-	186	25	-	25	161	-	161
(f) Deferred tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(g) Net admitted deferred tax asset/ (net deferred tax liability)	<u>\$186</u>	<u>\$ -</u>	<u>\$186</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$161</u>	<u>\$ -</u>	<u>\$161</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 (in thousands):

(2012 information is computed under SSAP No. 101. 2011 information was computed under SSAP No. 10R.)

Admission Calculation Components SSAP No. 101	2012			2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$186	\$ -	\$186	\$ 25	\$ -	\$ 25	\$161	\$ -	\$161
(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	738	XXX	XXX	712	XXX	XXX	26
(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	-	-	-	-	-	-	-	-	-
(d) Deferred tax assets admitted as the result of application of SSAP No. 101 and SSAP No. 10R, respectively for 2012 and 2011									
Total (2(a) + 2(b) + 2(c))	<u>\$186</u>	<u>\$ -</u>	<u>\$186</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$161</u>	<u>\$ -</u>	<u>\$161</u>

SSAP No. 101, *Income Taxes — A Replacement of SSAP No. 10R and SSAP No. 10*, is effective for 2012 interim and annual financial statements and beyond. The new standard includes revised guidance for tax contingencies, a non-elective deferred tax asset admissibility test along with significant modifications to the deferred tax assets admissibility test, and disclosure modifications. A change resulting from this adoption would be accounted for prospectively and reflected as a change in accounting principle in accordance with SSAP No. 3 — *Accounting Changes and Corrections of Errors*. The impact of the adoption of this pronouncement is disclosed in Note 2 — *Accounting Changes and Corrections of Errors*.

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

	2012	2011
(a) Ratio percentage used to determine recovery period and threshold limitation amount	651 %	- %
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2 (b) (2) above (in thousands)	\$ 4,924	\$ -

- (4) There was no impact to the deferred tax assets as a result of tax-planning strategies.

B. Unrecognized Deferred Tax Liabilities

- (1–4) There are no unrecognized deferred tax liabilities.

C. Significant Components of Income Taxes

- (1) The current federal income taxes (benefit) incurred for the years ended December 31, 2012 and 2011 are as follows (in thousands):

	2012	2011	Change
1. Current income tax			
(a) Federal	\$ (2,566)	\$ 799	\$ (3,365)
(b) Foreign	<u>-</u>	<u>-</u>	<u>-</u>
(c) Subtotal	(2,566)	799	(3,365)
(d) Federal income tax on net capital gains	-	-	-
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	<u>-</u>	<u>-</u>	<u>-</u>
(g) Total federal and foreign income taxes (benefit) incurred	<u>\$ (2,566)</u>	<u>\$ 799</u>	<u>\$ (3,365)</u>

(2-4) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2012 and 2011, are as follows (in thousands):

(2012 information is computed under SSAP No. 101. 2011 information was computed under SSAP No. 10R.)

	2012	2011	Change
2. Deferred tax assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 2	\$ 2	\$ -
(2) Unearned premium reserve	4	2	2
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivables — nonadmitted	165	6	159
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	<u>63</u>	<u>78</u>	<u>(15)</u>
(99) Subtotal	234	88	146
(b) Statutory valuation allowance adjustment	48	-	48
(c) Nonadmitted	<u>-</u>	<u>63</u>	<u>(63)</u>
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	<u>186</u>	<u>25</u>	<u>161</u>
(e) Capital			
(1) Investments	-	-	-
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	<u>-</u>	<u>-</u>	<u>-</u>
(99) Subtotal	-	-	-
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	<u>-</u>	<u>-</u>	<u>-</u>
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	<u>-</u>	<u>-</u>	<u>-</u>
(i) Admitted deferred tax assets (2d + 2h)	<u>186</u>	<u>25</u>	<u>161</u>
3. Deferred tax liabilities:			
(a) Ordinary			
(1) Investments	-	-	-
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	<u>-</u>	<u>-</u>	<u>-</u>
(99) Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
(b) Capital			
(1) Investments	-	-	-
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	<u>-</u>	<u>-</u>	<u>-</u>
(99) Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
(c) Deferred tax liabilities (3a99 + 3b99)	<u>-</u>	<u>-</u>	<u>-</u>
4. Net deferred tax assets/liabilities (2i - 3c)	<u>\$186</u>	<u>\$25</u>	<u>\$161</u>

The other ordinary deferred tax asset of \$63,000 and \$78,000 for 2012 and 2011, respectively consists of Intangibles.

The Company assessed the potential realization of the gross deferred tax asset and established a valuation allowance of approximately \$48,000 and \$0 to reduce the gross deferred tax asset to approximately \$186,000 and \$88,000 as of December 31, 2012 and 2011, respectively which represents the amount of the asset estimated to be recoverable via carryback of losses and reduction of future taxes. The change in the valuation allowance is attributable to the change in timing of deductibility of expenses and/or expectations for future taxable income.

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

	2012	2011
Tax provision at the federal statutory rate	\$ (2,552)	\$ 863
Change in statutory valuation allowance	48	(153)
Tax effect of nonadmitted assets	<u>(160)</u>	<u>1</u>
Total	<u>\$ (2,664)</u>	<u>\$ 711</u>
Federal income taxes (benefit) incurred	\$ (2,566)	\$ 799
Change in net deferred income tax	<u>(98)</u>	<u>(88)</u>
Total statutory income taxes	<u>\$ (2,664)</u>	<u>\$ 711</u>

- E.** At December 31, 2012, the Company had no net operating loss carryforwards.

Current federal income taxes (recoverable) payable of approximately (\$1,526,000) and \$17,000 as of December 31, 2012 and 2011, respectively, are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes received was approximately \$861,000 and federal income taxes paid, net of refunds, was approximately (\$647,000) in 2012 and 2011, respectively.

Federal income taxes incurred of approximately \$0 and \$799,000 for 2012 and 2011, respectively, is 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 Code.

- F.** The Company is included in a 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 U.S. Internal Revenue Service (IRS) has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2011 and prior. UnitedHealth Group's 2012 tax return is under advance review by the IRS under its Compliance Assurance Program (CAP). With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to 2007 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

G. Tax Contingencies — Not applicable

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

A–L. Material Related Party Transactions

Effective January 1, 2011, the Company entered into a revised Management Agreement (Agreement) with UHS. This Agreement has been approved by the LADOI. UHS will continue to provide management services to the Company under a revised fee structure that is changing from a fee based on a percent of net premium income and change in unearned premiums reserves to a direct charge based on UHS' expenses for services or use of assets provided to the Company. Management fees under this arrangement totaled approximately \$27,468,000 and \$254,000 in 2012 and 2011, respectively, and are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations. Direct expenses not included in the management agreement, such as broker commissions, DOI exam fees and premium taxes are paid by UHS on the behalf of the Company. UHS is reimbursed by the Company for these direct expenses. The Company entered into an administrative services only contract effective February 2012 (see Note 1), resulting in a significant increase in management fees in 2012. This increase included start-up costs of approximately \$3,500,000 in 2012.

Management believes that its 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.

The Company expensed as hospital and medical expenses, general administrative expenses, and claims adjustment expenses approximately \$3,880,000 and \$86,000 in capitation fees to related parties during 2012 and 2011, respectively. Under the Agreement, effective for January 2011, UHS provides or arranges for services on behalf of the Company using a pass-through of charges incurred by UHS on a Per Member Per Month (PMPM) basis (where the charge incurred by UHS is on a PMPM basis) or using another allocation methodology consistent with the Agreement. These services include, but are not limited to, integrated personal health management solutions, such as disease management, treatment decision support and wellness services, including a 24-hour call-in service, access to a network of transplant providers and discount program services. OptumHealth Care Solutions, Inc. provides chiropractic and physical therapy services. Spectera, Inc. provides administrative services related to vision benefit management and claims processing. United Behavioral Health, Inc. provides mental health and substance abuse services.

The capitation expenses, administrative services, and access fees paid to related parties, that are included as hospital and medical expenses, general administrative expenses, and claims adjustment expenses in the accompanying statutory basis statements of operations for the years ended December 31, 2012 and 2011, are shown below (in thousands):

	2012	2011
United HealthCare Services, Inc.	\$ 3,853	\$ 19
United Behavioral Health	22	61
OptumHealth Care Solutions, Inc.	4	4
Spectera, Inc.	<u>1</u>	<u>2</u>
Total	<u>\$ 3,880</u>	<u>\$ 86</u>

The Company contracts with affiliates (UHS and OptumRx) to provide administrative services related to pharmacy management and pharmacy claims processing for its enrollees. Fees related to these agreements, which are calculated on a per-claim basis, of approximately \$12,000 and \$12,000 in 2012 and 2011, respectively, are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations.

The Company has agreements with OptumInsight, Inc., a wholly owned subsidiary of UnitedHealth Group, for services that lead up to and include the prevention and recovery of medical expense (benefit) overpayments. Service fees are percentages of every recovery which are retained by OptumInsight, Inc. based on the services performed and recoveries, net of fees, are returned to the Company on a monthly basis. Service fees of approximately \$7,000 and \$9,000 are included in claims adjustment expenses and general administrative expenses in the accompanying statutory basis statements of operations for the years ended December 31, 2012 and 2011, respectively.

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

The Company has an insolvency-only reinsurance agreement with UHIC, a wholly owned subsidiary of UHIC Holdings, Inc. which is a wholly owned subsidiary of UHS, to provide insolvency protection for its enrollees. Reinsurance premiums, which are calculated on a percentage of member premium income, of approximately \$5,000 in 2012 and \$5,000 in 2011 are netted against net premium income in the accompanying statutory basis statements of operations.

The Company holds a \$9,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of London Interbank Offered Rate (LIBOR) 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 aggregate principal amount that may be outstanding at any time is the lesser of 3% of the Company's admitted assets or 25% of the Company's policyholder surplus as of the preceding December 31. The credit agreement is for a one-year term and automatically renews annually, unless terminated by either party. The agreement was renewed effective October 1, 2012. No amounts were outstanding under the line of credit as of December 31, 2012 and 2011.

At December 31, 2012 and 2011, the Company reported approximately \$4,522,000 and \$10,000, respectively, as amounts due to parent, subsidiaries, and affiliates, 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 entered into a Tax Sharing Agreement with UnitedHealth Group (see Note 9).

The Company does not have any amount deducted from the value of an upstream intermediate entity or ultimate parent owed, 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 subsidiary, 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 has not extended any guarantees or undertakings for the benefit of an affiliate or related party, it does not have any investments in a foreign insurance subsidiary and it does not hold any investments in a downstream noninsurance holding company.

11. DEBT

A–B. The Company had no outstanding debt with third parties or outstanding federal home loan bank agreements during 2012 and 2011.

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

A–F. The Company has no defined benefit plans, defined contribution plans, multiemployer plans, consolidated/holding company plans, postemployment benefits and 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 a management 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 require that dividends be paid out of accumulated surplus.

- (4) The Company received a cash infusion of \$2,000,000 on December 28, 2012 from UHC which was recorded as an increase to gross paid-in and contributed surplus in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.
- (5) The amount of ordinary dividends that may be paid out during any given period are subject to certain restrictions as specified by state statute.
- (6) There are no restrictions placed on the Company's unassigned surplus.
- (7) Not applicable as the Company is not a mutual reciprocal or a similarly organized entity.
- (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) The Company does not have any special surplus funds.
- (10) The portion of unassigned funds represented or (reduced by) each item below is as follows (in thousands):

	2012	2011
Net deferred income taxes	\$ 186	\$ 25
Nonadmitted assets	(473)	(79)
Correction of errors	300	-
Change in accounting principles	<u>30</u>	<u>-</u>
Total	<u>\$ 43</u>	<u>\$ (54)</u>

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

14. CONTINGENCIES

A. Contingent Commitments

The Company has no contingent commitments.

B. Assessments

The Company is not aware of any assessments, 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. All Other Contingences

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

The Company'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.

During the first quarter of 2010, the Patient Protection and Affordable Care Act and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (collectively known as Health Reform Legislation), were signed into law, and after being challenged, were substantially upheld in a U.S. Supreme Court decision in the second quarter of 2012. The Health Reform Legislation expands access to coverage and modifies aspects of the commercial insurance market, as well as the Medicaid and Medicare programs, Children's Health Insurance Program (CHIP), and other aspects of the health care system. Certain provisions of the Health Reform Legislation have already taken effect, and other provisions become effective at various dates over the next several years. The Department of Health and Human Services (HHS), the Department of Labor (DOL) and the Treasury Department have issued regulations or proposed regulations on a number of aspects of Health Reform Legislation, but final rules and interim guidance on the other key aspects of the legislation remain pending.

The Health Reform Legislation and the related federal and state regulations will 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 our 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 results of operations, financial condition and cash flows could be materially adversely affected by such changes. The Health Reform Legislation may create new or expand existing opportunities for business growth, but due to its complexity, the impact of the Health Reform Legislation remains difficult to predict and is not yet fully known.

There are no assets that the Company considers to be impaired at December 31, 2012 and 2011.

15. LEASES

A–B. According to the management 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 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. ASO Plans

On February 1, 2012, the Company began an administrative services only contract (ASO) with the State of Louisiana. The Company was awarded the statewide Medicaid coordinated care network shared savings contract during 2011 (See Note 1). The Company recorded administrative fee revenues of approximately \$23,770,000 and related expenses of approximately \$32,472,000 resulting in a net loss from operations of approximately \$8,702,000 as of December 31, 2012. These amounts are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations. This ASO contract also includes certain gain share provisions which provide the opportunity for the Company to earn additional administrative fee revenue if certain administrative and quality metrics are achieved. For the year ended December 31, 2012, the Company did not meet these metrics and did not earn gain share revenue associated with these metrics.

The net loss from operations of the uninsured portion of ASO uninsured plans and the uninsured portion of partially insured plans were as follows (in thousands):

	2012		
	ASO Uninsured Plans	Uninsured Portions of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (8,702)	\$ -	\$ (8,702)
b. Total net other income or expenses (including interest paid to or received from plans)	-	-	-
c. Net gain or (loss) from operations	<u>(8,702)</u>	<u>-</u>	<u>(8,702)</u>
d. Total claim payment volume	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. The Company has no operations from Administrative Services Contracts (ASC).

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

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

20. 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 short-term investments (investments) 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 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 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. Based on the Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, the Company has not historically adjusted the prices obtained from the pricing service.

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

A. Fair Value

- (1) The Company does not have any financial assets that are measured and reported at fair value on the statutory basis statements of admitted assets, liabilities, and capital and surplus at December 31, 2012 and 2011.
- (2) The Company does not have any financial assets with a fair value hierarchy of level 3.

B. Fair Value Combination — Not applicable

- C.** The aggregate fair value by hierarchy of all financial instruments as of December 31, 2012 and 2011 is presented in the table below (in thousands):

Types of Financial Investment	2012					Not Practical Carrying Value
	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	
Bonds	\$ 7,320	\$ 7,320	\$ 7,320	\$ -	\$ -	\$ -
Common stock	-	-	-	-	-	-
Perpetual preferred stock	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-

Types of Financial Investment	2011					Not Practical Carrying Value
	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	
Bonds	\$ 6,890	\$ 6,890	\$ 6,890	\$ -	\$ -	\$ -
Common stock	-	-	-	-	-	-
Perpetual preferred stock	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-

Included as Level 1 in Bonds in the fair value hierarchy table above is money market instruments of \$7,320 and \$6,890 as of December 31, 2012 and 2011, respectively. Money market instruments are reflected in cash and short-term investments in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

D. Not Practicable to Estimate Fair Value — Not applicable

21. OTHER ITEMS

The Company's business is regulated at federal, state and local levels, and the Company must obtain and maintain regulatory approvals to market and sell many of its products. 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. State legislatures and Congress continue to focus on health care issues.

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

- A. The Company did not encounter any extraordinary items for the years ended December 31, 2012 or 2011.
- B. The Company has no troubled debt restructurings as of December 31, 2012 or 2011.
- C. 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.
- D. The Company routinely evaluates the collectability of all receivable amounts included within 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 financial condition.
- E. The Company has not received any business interruption insurance recoveries during 2012 and 2011.
- F. The Company has no transferrable or non-transferable state tax credits.
- G. (1) **Sub-Prime Mortgage Related Risk Exposure** — The investment policy for the Company limits investments in asset-backed securities, which includes the sub-prime issuers. Further, the policy limits investments in private-issuer mortgage securities to 10% of the portfolio, which also includes sub-prime issuers. The exposure to unrealized losses on sub-prime issuers is due to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered are rated NAIC rating of 1 or 2. The Company has no direct exposure through investments in sub-prime mortgage loans. The Company has no underwriting exposure to sub-prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.
- H. The Company does not have any retained asset accounts for beneficiaries.

22. EVENTS SUBSEQUENT

TYPE I — Recognized Subsequent Events:

Subsequent events have been evaluated through April 29, 2013, which is the date these statutory basis financial statements were available for issuance.

There are no events subsequent to December 31, 2012, that require disclosure.

TYPE II — Non-Recognized Subsequent Events:

Subsequent events have been evaluated through April 29, 2013, which is the date these statutory basis financial statements were available for issuance.

The Company has entered into a pharmaceutical benefits management agreement with an affiliated entity, OptumRx, Inc., with services to commence effective February 27, 2013. The agreement has been

approved by the LADOI and will replace the previous agreement with Medco Health Solutions, Inc. The Company does not anticipate this change will have a significant impact on the statutory basis financial statements.

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 (see Note 10) reinsurers. The Company remains primarily liable as the direct insurer on all risks reinsured.

The Company does not have any nonaffiliated reinsurance agreements (external reinsurance) in place as of December 31, 2012 or 2011.

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, 2012.

- (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 2012 and 2011, there were no uncollectible reinsurance recoverables.

C. Commutation of Ceded Reinsurance — There was no commutation of reinsurance in 2012 or 2011.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A–C. The Company does not have any retrospectively rated contracts or contracts subject to redetermination as of December 31, 2012 or 2011.

D. Pursuant to the Health Reform Legislation (see Note 14), the Company is required to maintain specific minimum loss ratios. These minimum loss ratios apply to comprehensive major medical coverage and vary depending on group size. The following table discloses the minimum medical loss ratio rebates required pursuant to the Health Reform Legislation for the year ended December 31, 2011 and 2012 (in thousands):

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior reporting year:					
(1) Medical loss ratio rebates incurred	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Medical loss ratio rebates paid	-	-	-	-	-
(3) Medical loss rebates unpaid	-	-	-	-	-
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	-
Current reporting year-to-date:					
(7) Medical loss ratio rebates incurred	\$ -	\$ 261	\$ -	\$ -	\$261
(8) Medical loss ratio rebates paid	-	-	-	-	-
(9) Medical loss rebates unpaid	-	261	-	-	261
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	261

25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the accompanying statutory basis statements of operations. The paid claims, incurred claims, and the balance in the claims unpaid and health care receivables for 2012 and 2011 (in thousands):

	2012		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (416)	\$ (416)
Paid claims, net of health care receivables	2,727	233	2,960
End of year claim reserve	<u>326</u>	<u>3</u>	<u>329</u>
Incurred claims excluding the change in health care receivables	3,053	(180)	2,873
Beginning of year health care receivables	-	16	16
End of year health care receivables	<u>(10)</u>	<u>(1)</u>	<u>(11)</u>
Total incurred claims	<u>\$ 3,043</u>	<u>\$ (165)</u>	<u>\$ 2,878</u>

	2011		
	Current Year Incurred Claims	Prior Years Incurred Claims	Total
Beginning of year claim reserve	\$ -	\$ (3,419)	\$ (3,419)
Paid claims, net of health care receivables	3,244	1,833	5,077
End of year claim reserve	<u>377</u>	<u>39</u>	<u>416</u>
Incurred claims excluding the change in health care receivables	3,621	(1,547)	2,074
Beginning of year health care receivables	-	17	17
End of year health care receivables	<u>(15)</u>	<u>(1)</u>	<u>(16)</u>
Total incurred claims	<u>\$ 3,606</u>	<u>\$ (1,531)</u>	<u>\$ 2,075</u>

The liability for claims unpaid and health care receivables as of December 31, 2011 were approximately \$400,000. As of December 31, 2012, approximately \$233,000 has been paid for incurred claims attributable to insured events of prior years. Reserves remaining for prior years are now approximately \$2,000 as a result of re-estimation of unpaid claims. Therefore, there has been approximately \$165,000 favorable prior year development since December 31, 2011 to December 31, 2012. The primary drivers consist of favorable development as a result of a change in the provision for adverse deviations in experience of approximately \$85,000 and favorable development of approximately \$67,000 in retroactivity for inpatient, outpatient, physician, and pharmacy claims. At December 31, 2011, the Company recorded approximately \$1,531,000 of favorable development related to insured events of prior years driven by the favorable development as a result of ongoing analysis of loss development trends related to the release and reestablishment of approximately \$379,000 in known environmental claims, approximately \$787,000 in retro activity for inpatient, outpatient, physician and

pharmacy claims, attributable to the loss of the company's largest customer, and approximately \$218,000 in changes to provider settlement reserves. Original estimates are increased or decreased, as additional information becomes known regarding individual claims, including medical loss ratios rebates.

The Company incurred claims adjustment expenses of approximately \$3,020,000 and \$56,000 in 2012 and 2011, respectively. These costs are included in the management service fees paid by the Company to UHS as a part of its management agreement (see Note 10). The following tables disclose paid CAE, incurred CAE, and the balance in the unpaid claim adjustment expenses reserve for 2012 and 2011 (in thousands):

	2012	2011
Total claims adjustment expenses incurred	\$ 3,020	\$ 56
Less current year unpaid claims adjustment expenses	(4)	(6)
Add prior year unpaid claims adjustment expenses	<u>6</u>	<u>50</u>
Total claims adjustment expenses paid	<u>\$ 3,022</u>	<u>\$ 100</u>

26. INTERCOMPANY POOLING ARRANGEMENTS

A–G. The Company did not have any intercompany pooling arrangements in 2012 or 2011.

27. STRUCTURED SETTLEMENTS

A–B. The Company did not have structured settlements in 2012 or 2011.

28. HEALTH CARE RECEIVABLES

- A.** Pharmacy rebates receivable are recorded when reasonably estimated or billed by the affiliated pharmaceutical benefit manager in accordance with pharmacy rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the pharmaceutical benefit manager and adjusted for significant changes in pharmaceutical contract provisions. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus. There were no admitted health care receivables as of December 31, 2012 and 2011 as all were nonadmitted.

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

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
12/31/2012	\$ 4	\$ -	\$ -	\$ -	\$ -
9/30/2012	3	5	-	-	-
6/30/2012	2	4	-	4	-
3/31/2012	2	4	-	3	-
12/31/2011	1	3	-	3	-
9/30/2011	3	2	-	2	-
6/30/2011	6	-	-	-	-
3/31/2011	6	1	-	1	-
12/31/2010	5	10	-	8	2
9/30/2010	7	5	-	5	1
6/30/2010	4	5	-	2	3
3/31/2010	1	7	-	6	1

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

29. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2012 or 2011.

30. PREMIUM DEFICIENCY RESERVES

The Company has not recorded any premium deficiency reserves as of December 31, 2012 or 2011. This analysis of the premium deficiency reserve was completed as of December 31, 2012 and 2011. The Company did consider anticipated investment income when calculating the premium deficiency reserve.

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2012 and 2011, 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.

* * * * *

SUPPLEMENTAL SCHEDULES

**EXHIBIT I: SUPPLEMENTAL SCHEDULE OF
INVESTMENT RISKS INTERROGATORIES — STATUTORY BASIS**



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2012

(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\$10,339,262

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 Govt MMKT	Bonds	\$404,955	.....3.9 %
2.02	UBS Global Asset Mgmt	Bonds	\$381,507	.....3.7 %
2.03	Bank of America MMKT	Bonds	\$345,286	.....3.3 %
2.04	Wells Fargo MMKT	Bonds	\$330,689	.....3.2 %
2.05	Dreyfus Advantage MMKT	Bonds	\$320,949	.....3.1 %
2.06	Hancock Bank	Bonds	\$100,000	.....1.0 %
2.07	Whitney National Bank	Bonds	\$100,000	.....1.0 %
2.08	Crescent Bank & Trust	Bonds	\$100,000	.....1.0 %
2.09	Progressive Bank	Bonds	\$100,000	.....1.0 %
2.10	Red River Bank (fmr Lecompte)	Bonds	\$100,000	.....1.0 %

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

	Bonds	1	2	Preferred Stocks	3	4
3.01	NAIC-1	\$7,320,498	.....70.8 %	3.07	P/RP-1	\$0.0 %
3.02	NAIC-2 .....	\$ .....	.....0.0 %	3.08	P/RP-2	\$0.0 %
3.03	NAIC-3 .....	\$ .....	.....0.0 %	3.09	P/RP-3	\$0.0 %
3.04	NAIC-4 .....	\$ .....	.....0.0 %	3.10	P/RP-4	\$0.0 %
3.05	NAIC-5 .....	\$ .....	.....0.0 %	3.11	P/RP-5	\$0.0 %
3.06	NAIC-6 .....	\$ .....	.....0.0 %	3.12	P/RP-6	\$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 %

4.03 Foreign-currency-denominated investments \$0.0 %

4.04 Insurance liabilities denominated in that same foreign currency \$0.0 %

SUPPLEMENT FOR THE YEAR 2012 OF THE UnitedHealthcare of Louisiana, Inc.

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

		<u>1</u>	<u>2</u>
5.01	Countries rated NAIC-1 .....	\$ .....	.....0.0 %
5.02	Countries rated NAIC-2 .....	\$ .....	.....0.0 %
5.03	Countries rated NAIC-3 or below .....	\$ .....	.....0.0 %

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

		<u>1</u>	<u>2</u>
	Countries rated NAIC - 1:		
6.01	Country 1: .....	\$ .....	.....0.0 %
6.02	Country 2: .....	\$ .....	.....0.0 %
	Countries rated NAIC - 2:		
6.03	Country 1: .....	\$ .....	.....0.0 %
6.04	Country 2: .....	\$ .....	.....0.0 %
	Countries rated NAIC - 3 or below:		
6.05	Country 1: .....	\$ .....	.....0.0 %
6.06	Country 2: .....	\$ .....	.....0.0 %

		<u>1</u>	<u>2</u>
7.	Aggregate unhedged foreign currency exposure .....	\$ .....	.....0.0 %

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

		<u>1</u>	<u>2</u>
8.01	Countries rated NAIC-1 .....	\$ .....	.....0.0 %
8.02	Countries rated NAIC-2 .....	\$ .....	.....0.0 %
8.03	Countries rated NAIC-3 or below .....	\$ .....	.....0.0 %

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

		<u>1</u>	<u>2</u>
	Countries rated NAIC - 1:		
9.01	Country 1: .....	\$ .....	.....0.0 %
9.02	Country 2: .....	\$ .....	.....0.0 %
	Countries rated NAIC - 2:		
9.03	Country 1: .....	\$ .....	.....0.0 %
9.04	Country 2: .....	\$ .....	.....0.0 %
	Countries rated NAIC - 3 or below:		
9.05	Country 1: .....	\$ .....	.....0.0 %
9.06	Country 2: .....	\$ .....	.....0.0 %

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

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Issuer	NAIC Rating		
10.01	\$0.0 %
10.02	\$0.0 %
10.03	\$0.0 %
10.04	\$0.0 %
10.05	\$0.0 %
10.06	\$0.0 %
10.07	\$0.0 %
10.08	\$0.0 %
10.09	\$0.0 %
10.10	\$0.0 %

SUPPLEMENT FOR THE YEAR 2012 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 [☒] No [☐]

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

	<u>1</u>	<u>2</u>	
11.02 Total admitted assets held in Canadian investments	\$	0.0 %
11.03 Canadian-currency-denominated investments	\$	0.0 %
11.04 Canadian-denominated insurance liabilities	\$	0.0 %
11.05 Unhedged Canadian currency exposure	\$	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 [☒] No [☐]

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

	<u>1</u>	<u>2</u>	<u>3</u>	
12.02 Aggregate statement value of investments with contractual sales restrictions	\$	0.0 %
Largest three investments with contractual sales restrictions:				
12.03	\$	0.0 %
12.04	\$	0.0 %
12.05	\$	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 [☒] No [☐]

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

	<u>1</u>	<u>2</u>	<u>3</u>	
<u>Issuer</u>				
13.02	\$	0.0 %
13.03	\$	0.0 %
13.04	\$	0.0 %
13.05	\$	0.0 %
13.06	\$	0.0 %
13.07	\$	0.0 %
13.08	\$	0.0 %
13.09	\$	0.0 %
13.10	\$	0.0 %
13.11	\$	0.0 %

SUPPLEMENT FOR THE YEAR 2012 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 [☒] No [☐]

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

	<u>1</u>	<u>2</u>	<u>3</u>
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities	\$0.0 %
Largest three investments held in nonaffiliated, privately placed equities:			
14.03	\$0.0 %
14.04	\$0.0 %
14.05	\$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 [☒] No [☐]

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

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

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 [☒] No [☐]

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

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

SUPPLEMENT FOR THE YEAR 2012 OF THE UnitedHealthcare of Louisiana, Inc.

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 %
16.13	Mortgage loans over 90 days past due	\$	0.0 %
16.14	Mortgage loans in the process of foreclosure	\$	0.0 %
16.15	Mortgage loans foreclosed	\$	0.0 %
16.16	Restructured mortgage loans	\$	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 %
17.02 91 to 95%.....	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.03 81 to 90%.....	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.04 71 to 80%.....	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.05 below 70%.....	\$	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 [☒] 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			2		3	
	1						
18.02		\$			0.0 %	
18.03		\$			0.0 %	
18.04		\$			0.0 %	
18.05		\$			0.0 %	
18.06		\$			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 [☒] 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 %
	Largest three investments held in mezzanine real estate loans:		
19.03	.....	\$ .....	0.0 %
19.04	.....	\$ .....	0.0 %
19.05	.....	\$ .....	0.0 %

SUPPLEMENT FOR THE YEAR 2012 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 %	\$		\$		\$	
20.02	Repurchase agreements	\$	0.0 %	\$		\$		\$	
20.03	Reverse repurchase agreements	\$	0.0 %	\$		\$		\$	
20.04	Dollar repurchase agreements	\$	0.0 %	\$		\$		\$	
20.05	Dollar reverse repurchase agreements	\$	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 %
21.02	Income generation	\$	0.0 %	\$	0.0 %
21.03	Other	\$	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 %	\$		\$		\$	
22.02	Income generation	\$0	0.0 %	\$		\$		\$	
22.03	Replications	\$0	0.0 %	\$		\$		\$	
22.04	Other	\$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 %	\$		\$		\$	
23.02	Income generation	\$	0.0 %	\$		\$		\$	
23.03	Replications	\$	0.0 %	\$		\$		\$	
23.04	Other	\$	0.0 %	\$		\$		\$	

**EXHIBIT II: SUMMARY
INVESTMENT SCHEDULE — STATUTORY BASIS**

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities		0.000			0	0.000
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.000			0	0.000
1.22 Issued by U.S. government sponsored agencies		0.000			0	0.000
1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities)		0.000			0	0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :						
1.41 States, territories and possessions general obligations		0.000			0	0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000			0	0.000
1.43 Revenue and assessment obligations		0.000			0	0.000
1.44 Industrial development and similar obligations		0.000			0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA		0.000			0	0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000			0	0.000
1.513 All other		0.000			0	0.000
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000			0	0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000			0	0.000
1.523 All other		0.000			0	0.000
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)		0.000			0	0.000
2.2 Unaffiliated non-U.S. securities (including Canada)		0.000			0	0.000
2.3 Affiliated securities		0.000			0	0.000
3. Equity interests:						
3.1 Investments in mutual funds		0.000			0	0.000
3.2 Preferred stocks:						
3.21 Affiliated		0.000			0	0.000
3.22 Unaffiliated		0.000			0	0.000
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated		0.000			0	0.000
3.32 Unaffiliated		0.000			0	0.000
3.4 Other equity securities:						
3.41 Affiliated		0.000			0	0.000
3.42 Unaffiliated		0.000			0	0.000
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.000			0	0.000
3.52 Unaffiliated		0.000			0	0.000
4. Mortgage loans:						
4.1 Construction and land development		0.000			0	0.000
4.2 Agricultural		0.000			0	0.000
4.3 Single family residential properties		0.000			0	0.000
4.4 Multifamily residential properties		0.000			0	0.000
4.5 Commercial loans		0.000			0	0.000
4.6 Mezzanine real estate loans		0.000			0	0.000
5. Real estate investments:						
5.1 Property occupied by company		0.000	0		0	0.000
5.2 Property held for production of income (including \$ of property acquired in satisfaction of debt)		0.000	0		0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0		0	0.000
6. Contract loans		0.000	0		0	0.000
7. Derivatives		0.000	0		0	0.000
8. Receivables for securities		0.000	0		0	0.000
9. Securities Lending (Line 10, Asset Page reinvested collateral)		0.000	0	XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	8,373,975	100.000	8,373,975		8,373,975	100.000
11. Other invested assets		0.000			0	0.000
12. Total invested assets	8,373,975	100.000	8,373,975	0	8,373,975	100.000

OTHER ATTACHMENTS

To the Audit Committee and Management of
UnitedHealthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
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, 2012, and 2011, and have issued our report thereon dated April 29, 2013. In connection therewith, we advise you as follows:

- a. 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, and the Rules of Professional Conduct of the Minnesota Board of Public Accountancy.
- b. The engagement partner and engagement manager, who are certified public accountants, have thirteen years and twelve 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 53 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.
- c. We understand that the Company intends to file its audited statutory basis financial statements and our report thereon with the Louisiana Department of Insurance (the “Department”) 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 conformity with accounting practices prescribed or permitted by the Department. 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 about whether the statutory basis financial statements are free of material misstatement, whether caused by 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 statutory basis 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 statutory basis financial statements in conformity with accounting practices prescribed or permitted by the Department.

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.

- d. We will retain the working papers prepared in the conduct of our audit until the Department has filed a Report of Examination covering 2012, but no longer than seven years. After notification to the Company, we will make the working papers available for review by the Department at the offices of the insurer, at our offices, at the Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Insurance Department, photocopies of pertinent audit working papers may be made (under the control of Deloitte & Touche LLP) and such copies may be retained by the Department.
- e. The engagement partner has served in this capacity with respect to the Company since 2011 is licensed by the Minnesota Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.
- f. 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 the Company and for filing with the Department 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.

Yours truly,

Deloitte & Touche LLP

April 29, 2013

April 29, 2013

To the Audit Committee of
UnitedHealthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
Metairie, LA 70002

The Management of
UnitedHealthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
Metairie, LA 70002

Dear Members of the Audit Committee and Management:

In planning and performing our audit of the statutory basis financial statements of UnitedHealthcare of Louisiana, Inc. (the "Company") as of and for the year ended December 31, 2012 (on which we have issued our report dated April 29, 2013), in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as of December 31, 2012.

The definitions of a deficiency and a material weakness are set forth in the attached Appendix I.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix II and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Audit Committee, others within the organization, and 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.

Yours truly,

Deloitte & Touche LLP

DEFINITIONS

The definitions of a deficiency and a material weakness that are established in AU 325, *Communicating Internal Control Matters Identified in an Audit*, are as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's statutory basis financial statements will not be prevented, or detected and corrected on a timely basis.

MANAGEMENT’S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management’s responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management’s Responsibility

The Company’s management is responsible for the overall accuracy of the statutory basis financial statements and their conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance (the “Department”). In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of statutory basis financial statements are those that pertain to the entity’s objective of reliable financial reporting (i.e., the preparation of reliable statutory basis financial statements that are fairly presented in conformity with accounting practices prescribed or permitted by the Department).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

* * * * *