



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010 OF THE CONDITION AND AFFAIRS OF THE

UnitedHealthcare Plan of the River Valley, Inc.

2011 MAR -3 AM 9:39 RECEIVED C&I TENNESSEE

NAIC Group Code 0707 (Current) 0707 (Prior) NAIC Company Code 95378 Employer's ID Number 36-3379945

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized 08/05/1985 Commenced Business 12/19/1985

Statutory Home Office 1300 River Drive, Suite 200 Moline, IL 61265 (Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1300 River Drive, Suite 200 Moline, IL 61265 (Street and Number) (City or Town, State and Zip Code) 309-736-4600 (Area Code) (Telephone Number)

Mail Address 1300 River Drive, Suite 200 Moline, IL 61265 (Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1300 River Drive, Suite 200 Moline, IL 61265 (Street and Number) (City or Town, State and Zip Code) 309-757-6285 (Area Code) (Telephone Number)

Internet Website Address UHCRiverValley.com

Statutory Statement Contact Joan G Mincer (Name) 309-757-6285 (Area Code) (Telephone Number) Joan\_G\_Mincer@uhc.com (E-mail Address) 888-250-1769 (FAX Number)

OFFICERS

CEO and President, Commercial Daniel Roger Kueter Treasurer Robert Worth Oberrender Secretary Christina Regina Palme-Krizak Chief Financial Officer James Wesley Waters

OTHER OFFICERS

Bruce Chase Steffens M.D. Chief Medical Officer Nyle Brent Cottingham Vice President-Regulatory Controller and Assistant Treasurer Michelle Huntley Dill Assistant Secretary Scott Andrew Bowers President, Medicaid Division # Timothy Gilbert Caron Assistant Secretary Juanita Bolland Luis Assistant Secretary Mark Andrew Murr General Counsel Mary Lynn Stanislav Assistant Secretary Thomas Shaun McGlinch Assistant Treasurer # Paul Timothy Runice Assistant Treasurer #

DIRECTORS

James Edward Hecker Bruce Chase Steffens M.D. William Kenneth Appelgate Ph.D. Daniel Roger Kueter Cathie Sue Whiteside Scott Andrew Bowers # Victoria Jean Kauzlarich Michael Paul Radu James Wesley Waters #

State of Illinois County of Rock Island

State of Minnesota County of Hennepin

State of NOT USED County of

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

[Signature of Daniel Roger Kueter]

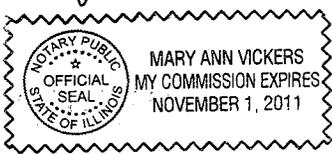
Daniel Roger Kueter CEO and President, Commercial

[Signature of Christina Regina Palme-Krizak]

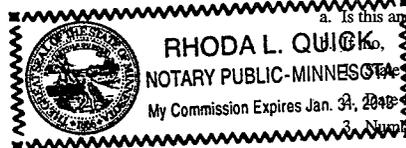
Christina Regina Palme-Krizak Secretary

NOT USED

Subscribed and sworn to before me this 25 day of January, 2011 Mary Ann Vickers



Subscribed and sworn to before me this 18 day of January 2011 Rhoda L. Quick



Subscribed and sworn to before me this day of

a. Is this an original filing? Yes [ X ] No [ ] b. The amendment number... c. Filed... d. Number of pages attached...

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	558,658,849		558,658,849	468,400,347
2. Stocks (Schedule D):				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ encumbrances) .....			0	0
5. Cash (\$ .....34,512,367 , Schedule E - Part 1), cash equivalents (\$ .....15,053,036 , Schedule E - Part 2) and short-term investments (\$ .....405,324,472 , Schedule DA) .....	454,889,875		454,889,875	251,082,820
6. Contract loans, (including \$ ..... premium notes) .....			0	0
7. Derivatives .....			0	0
8. Other invested assets (Schedule BA) .....			0	0
9. Receivables for securities .....	9		9	0
10. Securities lending reinvested collateral assets .....			0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	1,013,548,733	0	1,013,548,733	719,483,167
13. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
14. Investment income due and accrued .....	6,406,552		6,406,552	5,224,125
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	53,492,359	657,438	52,834,921	69,674,822
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
15.3 Accrued retrospective premiums .....	1,651,803		1,651,803	2,069,610
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	0		0	0
16.2 Funds held by or deposited with reinsured companies .....			0	0
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....	4,200,265		4,200,265	4,305,290
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
18.2 Net deferred tax asset .....	58,352,382	37,712,535	20,639,847	7,356,847
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software .....	0		0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....	0	0	0	0
24. Health care (\$ .....8,592,931 ) and other amounts receivable .....	10,966,935	2,374,004	8,592,931	5,364,165
25. Aggregate write-ins for other than invested assets .....	4,135,843	0	4,135,843	580,083
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,152,754,872	40,743,977	1,112,010,895	814,058,107
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
28. Total (Lines 26 and 27)	1,152,754,872	40,743,977	1,112,010,895	814,058,107
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. FEHBP Receivable .....	3,809,308		3,809,308	580,083
2502. Premium Tax Receivable .....	216,440		216,440	0
2503. Miscellaneous Receivable .....	110,095		110,095	
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	4,135,843	0	4,135,843	580,083

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....0 reinsurance ceded) .....	391,682,979	0	391,682,979	253,290,037
2. Accrued medical incentive pool and bonus amounts .....	1,952,960		1,952,960	1,631,240
3. Unpaid claims adjustment expenses .....	9,688,381		9,688,381	6,174,911
4. Aggregate health policy reserves .....	5,995,201		5,995,201	5,176,110
5. Aggregate life policy reserves .....			0	0
6. Property/casualty unearned premium reserves .....			0	0
7. Aggregate health claim reserves .....	6,922		6,922	320,070
8. Premiums received in advance .....	227,781,836		227,781,836	6,321,533
9. General expenses due or accrued .....	50,586,720		50,586,720	32,784,452
10.1 Current federal and foreign income tax payable and interest thereon (including \$ .....59,179 on realized capital gains (losses)) .....	15,174,764		15,174,764	2,905,353
10.2 Net deferred tax liability .....	0		0	1
11. Ceded reinsurance premiums payable .....	245,821		245,821	202,439
12. Amounts withheld or retained for the account of others .....			0	0
13. Remittance and items not allocated .....	22,294		22,294	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
15. Amounts due to parent, subsidiaries and affiliates .....	58,273,062		58,273,062	237,256,171
16. Derivatives .....			0	0
17. Payable for securities .....	0		0	0
18. Payable for securities lending .....			0	0
19. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ .....0 unauthorized reinsurers) .....			0	0
20. Reinsurance in unauthorized companies .....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
22. Liability for amounts held under uninsured plans .....	0		0	1
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	0	0	0	0
24. Total liabilities (Lines 1 to 23) .....	761,410,940	0	761,410,940	546,062,318
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
26. Common capital stock .....	XXX	XXX	610,000	610,000
27. Preferred capital stock .....	XXX	XXX		
28. Gross paid in and contributed surplus .....	XXX	XXX	37,441,000	37,441,000
29. Surplus notes .....	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	1,500,000	1,500,000
31. Unassigned funds (surplus) .....	XXX	XXX	311,048,955	228,444,789
32. Less treasury stock, at cost:				
32.1 ..... shares common (value included in Line 26 \$ ..... ) .....	XXX	XXX		
32.2 ..... shares preferred (value included in Line 27 \$ ..... ) .....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	350,599,955	267,995,789
34. Total liabilities, capital and surplus (Lines 24 and 33) .....	XXX	XXX	1,112,010,895	814,058,107
<b>DETAILS OF WRITE-INS</b>				
2301. ....				
2302. ....				
2303. ....				
2308. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2309. Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above) .....	0	0	0	0
2501. ....	XXX	XXX		
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	XXX	XXX	0	0
3001. Statutory Fund .....	XXX	XXX	1,500,000	1,500,000
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above) .....	XXX	XXX	1,500,000	1,500,000

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	8,755,620	8,244,539
2. Net premium income ( including \$ ..... non-health premium income) .....	XXX	3,158,019,452	2,376,528,654
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	(1,205,999)	(5,828,560)
4. Fee-for-service (net of \$ ..... medical expenses).....	XXX	.0	.0
5. Risk revenue .....	XXX	.0	.0
6. Aggregate write-ins for other health care related revenues .....	XXX	403,718	.0
7. Aggregate write-ins for other non-health revenues .....	XXX	.0	.0
8. Total revenues (Lines 2 to 7) .....	XXX	3,157,217,171	2,370,700,094
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....	0	2,400,946,287	1,868,771,109
10. Other professional services .....		10,754,265	10,269,386
11. Outside referrals .....		.0	.0
12. Emergency room and out-of-area .....		.0	.0
13. Prescription drugs .....		91,518,647	85,173,198
14. Aggregate write-ins for other hospital and medical.....	0	496,627	.0
15. Incentive pool, withhold adjustments, and bonus amounts .....		1,245,907	935,202
16. Subtotal (Lines 9 to 15) .....	0	2,504,961,733	1,965,148,895
<b>Less:</b>			
17. Net reinsurance recoveries .....		(52,370)	52,370
18. Total hospital and medical (Lines 16 minus 17) .....	0	2,505,014,103	1,965,096,525
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$ ..... 97,607,528 cost containment expenses .....		124,385,590	58,957,623
21. General administrative expenses .....	0	331,912,187	252,624,509
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only) .....		.0	.0
23. Total underwriting deductions (Lines 18 through 22).....	0	2,961,311,880	2,276,678,657
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	195,905,291	94,021,437
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		16,213,498	14,348,072
26. Net realized capital gains (losses) less capital gains tax of \$ ..... 59,179 .....		109,903	751,659
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	16,323,401	15,099,731
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
29. Aggregate write-ins for other income or expenses .....	0	(2,409,888)	(1,011,187)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	209,818,804	108,109,981
31. Federal and foreign income taxes incurred .....	XXX	80,379,115	31,782,258
32. Net income (loss) (Lines 30 minus 31) .....	XXX	129,439,689	76,327,723
<b>DETAILS OF WRITE-INS</b>			
0601. Emergency Room Diversion Grant .....	XXX	403,718	
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....	XXX	403,718	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	.0	.0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....	XXX	0	0
1401. Patient Transport .....		456,786	
1402. Other Miscellaneous Expenses .....		39,841	
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	.0	.0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....	0	496,627	0
2901. Fines & Penalties - Paid and Accrued .....		(2,409,888)	(1,011,187)
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	.0	.0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....	0	(2,409,888)	(1,011,187)

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year	2 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year.....	267,995,789	225,550,877
34. Net income or (loss) from Line 32.....	129,439,689	76,327,723
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....		
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	9,194,861	(3,396,354)
39. Change in nonadmitted assets.....	3,969,616	2,470,984
40. Change in unauthorized reinsurance.....	0	0
41. Change in treasury stock.....	0	0
42. Change in surplus notes.....	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in.....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....	0	0
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....	(60,000,000)	(35,000,000)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	2,042,559
48. Net change in capital and surplus (Lines 34 to 47).....	82,604,166	42,444,912
49. Capital and surplus end of reporting period (Line 33 plus 48)	350,599,955	267,995,789
<b>DETAILS OF WRITE-INS</b>		
4701. Corrections subsequent to issuance of the prior Y/E annual statement.....		2,042,577
4702. Income Taxes to Surplus Adj.....		(18)
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	2,042,559

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	3,395,736,499	2,321,776,259
2. Net investment income .....	21,474,630	9,256,877
3. Miscellaneous income .....	403,718	0
4. Total (Lines 1 through 3) .....	3,417,614,847	2,331,033,136
5. Benefit and loss related payments .....	2,371,267,751	1,933,216,900
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	435,657,760	289,933,112
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ .....59,179 tax on capital gains (losses) .....	68,169,482	26,598,450
10. Total (Lines 5 through 9) .....	2,875,094,993	2,249,748,462
11. Net cash from operations (Line 4 minus Line 10) .....	542,519,854	81,284,674
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	40,157,398	134,701,400
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0
12.7 Miscellaneous proceeds .....	252	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	40,157,650	134,701,400
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	136,680,402	295,026,920
13.2 Stocks .....	0	0
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	9	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	136,680,411	295,026,920
14. Net increase (decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(96,522,761)	(160,325,520)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock .....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	60,000,000	35,000,000
16.6 Other cash provided (applied) .....	(182,190,040)	211,005,226
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(242,190,040)	176,005,226
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	203,807,054	96,964,380
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	251,082,821	154,118,441
19.2 End of year (Line 18 plus Line 19.1) .....	454,889,875	251,082,821

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.  
**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	3,158,019,452	396,471,036				21,125,394	617,004,380	2,123,419,642		
2. Change in unearned premium reserves and reserve for rate credit	(1,205,999)	0				(417,807)	(788,192)			
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	403,718	0	0	0	0	0	0	403,718	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	3,157,217,171	396,471,036	0	0	0	20,707,587	616,216,188	2,123,622,360	0	0
8. Hospital/medical benefits	2,400,946,287	262,809,452	0	0	0	20,219,185	460,553,592	1,657,364,058	0	XXX
9. Other professional services	10,754,265	1,765,774	0	0	0	90,565	2,840,077	6,057,849	0	XXX
10. Outside referrals	0	0	0	0	0	0	0	0	0	XXX
11. Emergency room and out-of-area	0	0	0	0	0	770,710	44,649,987	0	0	XXX
12. Prescription drugs	91,518,647	46,087,950	0	0	0	0	496,627	0	0	XXX
13. Aggregate write-ins for other hospital and medical	496,627	0	0	0	0	0	197,604	1,042,421	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	1,245,907	5,882	0	0	0	21,080,460	508,737,887	1,664,464,328	0	XXX
15. Subtotal (Lines 8 to 14)	2,504,961,733	310,679,058	0	0	0	21,080,460	508,737,887	1,664,464,328	0	XXX
16. Net reinsurance recoveries	(52,370)	(52,370)	0	0	0	0	0	0	0	XXX
17. Total medical and hospital (Lines 15 minus Line 16)	2,505,014,103	310,731,428	0	0	0	21,080,460	508,737,887	1,664,464,328	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 97,607,528 cost containment expenses	124,385,590	7,692,351				99,878	11,114,834	105,478,527		
20. General administrative expenses	331,912,187	70,806,261				919,266	34,854,152	225,332,488		
21. Increase in reserves for accident and health contracts	0	0				0	0	0		XXX
22. Increase in reserves for life contracts	0	0				0	0	0		XXX
23. Total underwriting deductions (Lines 17 to 22)	2,951,311,880	389,230,040	0	0	0	22,099,624	554,706,873	1,995,275,343	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	195,905,291	7,240,996	0	0	0	(1,382,037)	61,509,315	128,547,017	0	0
<b>DETAILS OF WRITE-INS</b>										
0501. Emergency Room Diversions Grant	403,718							403,718		XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	403,718	0	0	0	0	0	0	403,718	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Patient Transport	456,786	0					456,786			XXX
1302. Other Miscellaneous Expenses	39,841	0					39,841			XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	496,627	0	0	0	0	0	496,627	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	396,883,978		412,942	396,471,036
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan	21,147,397		22,003	21,125,394
6. Title XVIII - Medicare	617,615,534		611,154	617,004,380
7. Title XIX - Medicaid	2,125,508,486		2,089,844	2,123,418,642
8. Other health	0			0
9. Health subtotal (Lines 1 through 8)	3,161,155,395	0	3,135,943	3,158,019,452
10. Life	0			0
11. Property/casualty	0			0
12. Totals (Lines 9 to 11)	3,161,155,395	0	3,135,943	3,158,019,452

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	2,370,291,193	300,672,207				20,384,767	466,571,066	1,582,663,153		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	(52,370)	(52,370)								
1.4 Net	2,370,343,563	300,724,577	0	0	0	20,384,767	466,571,066	1,582,663,153	0	0
2. Paid medical incentive pools and bonuses	924,187	5,882					273,181	645,124		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	391,682,979	38,269,694	0	0	0	2,594,916	84,597,275	266,221,094	0	0
3.2 Reinsurance assumed			0	0	0	0	0	0	0	0
3.3 Reinsurance ceded			0	0	0	0	0	0	0	0
3.4 Net	391,682,979	38,269,694	0	0	0	2,594,916	84,597,275	266,221,094	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	6,922						6,922			
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	6,922	0	0	0	0	0	6,922	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,952,960						943,423	1,009,537		
6. Net healthcare receivables (a)	4,655,162	132,826					1,694,133	2,828,203		
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	253,290,036	27,815,829	0	0	0	1,889,223	40,940,847	182,634,137	0	0
8.2 Reinsurance assumed			0	0	0	0	0	0	0	0
8.3 Reinsurance ceded			0	0	0	0	0	0	0	0
8.4 Net	253,290,036	27,815,829	0	0	0	1,889,223	40,940,847	182,634,137	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	320,070	320,070								
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net	320,070	320,070	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	1,631,240						1,019,000	612,240		
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred Benefits:										
12.1 Direct	2,503,715,826	310,673,176	0	0	0	21,080,460	508,540,283	1,663,421,907	0	0
12.2 Reinsurance assumed			0	0	0	0	0	0	0	0
12.3 Reinsurance ceded			0	0	0	0	0	0	0	0
12.4 Net	2,503,715,826	310,725,546	0	0	0	21,080,460	508,540,283	1,663,421,907	0	0
13. Incurred medical incentive pools and bonuses	1,245,907	5,882	0	0	0	0	197,604	1,042,421	0	0

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	7,291,071	0					1,567,420	5,723,651		
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	7,291,071	0	0	0	0	0	1,567,420	5,723,651	0	0
2. Incurred but Unreported:										
2.1 Direct	384,143,786	38,032,723				2,594,916	83,002,124	260,514,023		
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	384,143,786	38,032,723	0	0	0	2,594,916	83,002,124	260,514,023	0	0
3. Amounts Withheld from Paid Claims and Capitulations:										
3.1 Direct	248,122	236,971					27,731	(16,580)		
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	248,122	236,971	0	0	0	0	27,731	(16,580)	0	0
4. TOTALS:										
4.1 Direct	391,682,979	38,269,694	0	0	0	2,594,916	84,597,275	266,221,094	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	391,682,979	38,269,694	0	0	0	2,594,916	84,597,275	266,221,094	0	0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**  
 PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	26,003,048	274,721,528	104,508	38,165,188	26,107,556	28,135,899
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan	2,254,873	18,129,895	45,578	2,549,338	2,300,451	1,899,223
6. Title XVIII - Medicare	38,304,744	428,266,323	1,210,288	83,393,907	39,515,032	40,940,847
7. Title XIX - Medicaid	164,571,350	1,418,091,802	4,775,626	261,445,468	169,346,976	182,634,137
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	231,134,015	2,139,209,548	6,136,000	385,553,901	237,270,015	253,610,106
10. Healthcare receivables (a)	1,291,368	9,391,098		284,469	1,291,368	6,311,773
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	920,642	3,545	825,218	1,127,742	1,745,860	1,631,240
13. Totals (Lines 9 - 10 + 11 + 12)	230,763,289	2,129,821,995	6,961,218	386,397,174	237,724,507	248,929,573

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
(000 Omitted)

**Section A - Paid Health Claims - Comprehensive (Hospital & Medical)**

	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	50,720	50,720	50,720	50,720	50,704
2. 2006	314,501	356,974	356,974	356,974	356,937
3. 2007	XXX	287,659	313,781	313,781	313,730
4. 2008	XXX	XXX	258,575	288,575	288,646
5. 2009	XXX	XXX	XXX	287,545	313,587
6. 2010	XXX	XXX	XXX	XXX	274,722

**Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)**

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	50,733	50,720	50,720	50,720	50,704
2. 2006	376,936	356,980	356,974	356,974	356,937
3. 2007	XXX	302,365	313,781	313,781	313,730
4. 2008	XXX	XXX	288,241	288,722	288,709
5. 2009	XXX	XXX	XXX	315,534	313,629
6. 2010	XXX	XXX	XXX	XXX	312,887

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)**

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2006	446,338	356,937	5,890	1.7	362,827	81.3			362,827	81.3
2. 2007	380,056	313,730	9,845	3.1	323,575	85.1			323,575	85.1
3. 2008	363,344	288,646	8,671	3.0	297,317	81.8	63	1	297,381	81.8
4. 2009	367,676	313,587	9,121	2.9	322,708	87.8	41	1	322,750	87.8
5. 2010	396,884	274,722	7,974	2.9	286,696	71.2	38,165	670	321,531	81.0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	1,240	1,239	1,239	1,239	1,238
2. 2006	10,741	11,958	11,958	11,958	11,955
3. 2007	XXX	9,980	11,494	11,494	11,489
4. 2008	XXX	XXX	13,157	15,799	15,805
5. 2009	XXX	XXX	XXX	15,190	17,448
6. 2010	XXX	XXX	XXX	XXX	18,130

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	1,239	1,239	1,239	1,239	1,238
2. 2006	12,046	11,958	11,958	11,958	11,955
3. 2007	XXX	11,306	11,494	11,494	11,489
4. 2008	XXX	XXX	14,928	15,800	15,805
5. 2009	XXX	XXX	XXX	17,087	17,493
6. 2010	XXX	XXX	XXX	XXX	20,679

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2006	13,103	11,955	173	1.4	12,128	92.6			12,128	92.6
2. 2007	11,927	11,489	309	2.7	11,798	98.9			11,798	98.9
3. 2008	10,145	15,805	242	1.5	16,047	158.2			16,047	158.2
4. 2009	17,098	17,448	424	2.4	17,872	104.5	46	1	17,919	104.8
5. 2010	20,729	18,130	90	0.5	18,220	87.9	2,549	53	20,822	100.4

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
Year in Which Losses Were Incurred					
1. Prior	19,591	19,591	19,591	19,591	19,577
2. 2006	212,282	243,580	243,580	243,580	243,559
3. 2007	XXX	221,231	260,481	260,481	260,461
4. 2008	XXX	XXX	278,741	318,645	318,497
5. 2009	XXX	XXX	XXX	350,349	389,129
6. 2010	XXX	XXX	XXX	XXX	428,266

Section B - Incurred Health Claims - Title XVIII

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
Year in Which Losses Were Incurred					
1. Prior	19,651	19,591	19,591	19,591	19,577
2. 2006	239,147	243,591	243,580	243,580	243,559
3. 2007	XXX	267,440	260,481	260,481	260,461
4. 2008	XXX	XXX	320,984	318,820	318,493
5. 2009	XXX	XXX	XXX	392,134	391,029
6. 2010	XXX	XXX	XXX	XXX	511,918

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2006	276,967	243,559	3,655	1.5	247,214	89.3			247,214	89.3
2. 2007	341,157	260,461	9,837	3.4	269,298	78.9			269,298	78.9
3. 2008	401,426	318,497	9,560	3.0	328,077	81.7	0		328,077	81.7
4. 2009	507,853	389,129	12,599	3.2	401,728	79.1	1,896	154	403,778	79.5
5. 2010	616,827	428,266	5,471	1.3	433,737	70.3	83,652	6,808	524,197	85.0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Title XIX

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	0	0	0	0	0
2. 2006	XXX	273,241	360,437	360,437	361,074
3. 2007	XXX	XXX	419,162	544,641	546,539
4. 2008	XXX	XXX	XXX	1,086,288	1,248,966
5. 2009	XXX	XXX	XXX	XXX	1,418,095
6. 2010	XXX	XXX	XXX	XXX	XXX

Section B - Incurred Health Claims - Title XIX

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	0	0	0	0	0
2. 2006	XXX	364,098	362,355	360,437	361,074
3. 2007	XXX	XXX	570,721	546,200	546,539
4. 2008	XXX	XXX	XXX	1,267,976	1,253,881
5. 2009	XXX	XXX	XXX	XXX	1,680,411
6. 2010	XXX	XXX	XXX	XXX	XXX

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2006	0	0	0	0.0	0	0.0	0	0	0	0.0
2. 2007	377,672	361,074	10,287	2.8	371,361	98.3	371,361	371,361	371,361	98.3
3. 2008	664,153	546,539	15,949	2.9	562,388	84.7	562,388	562,388	562,388	84.7
4. 2009	1,486,287	1,248,966	36,871	3.0	1,285,837	86.5	4,915	37	1,290,789	86.8
5. 2010	2,125,509	1,418,095	107,337	7.6	1,525,432	71.8	262,315	1,963	1,789,710	84.2

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**  
(000 Omitted)

**Section A - Paid Health Claims - Grand Total**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	71,551	71,550	71,550	71,550	71,519
2. 2006	537,524	612,512	612,512	612,512	612,451
3. 2007	XXX	772,111	946,193	946,193	946,754
4. 2008	XXX	XXX	969,820	1,167,660	1,169,487
5. 2009	XXX	XXX	XXX	1,739,372	1,969,130
6. 2010	XXX	XXX	XXX	XXX	2,139,213

**Section B - Incurred Health Claims - Grand Total**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	71,623	71,550	71,550	71,550	71,519
2. 2006	628,129	612,530	612,512	612,512	612,451
3. 2007	XXX	945,209	948,111	946,193	946,754
4. 2008	XXX	XXX	1,194,874	1,169,542	1,169,546
5. 2009	XXX	XXX	XXX	1,992,731	1,976,032
6. 2010	XXX	XXX	XXX	XXX	2,525,895

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total**

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2006	736,408	612,451	9,718	1.6	622,169	84.5	0	0	622,169	84.5
2. 2007	1,110,812	946,754	29,278	3.1	976,032	87.9	0	0	976,032	87.9
3. 2008	1,439,068	1,169,487	34,342	2.9	1,203,829	83.7	63	1	1,203,893	83.7
4. 2009	2,378,914	1,969,130	59,015	3.0	2,028,145	85.3	6,899	193	2,035,236	85.6
5. 2010	3,159,949	2,139,213	120,872	5.7	2,260,085	71.5	386,681	9,494	2,656,260	84.1

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	0								
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... ) for investment income	5,995,201						5,995,201		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	5,995,201	0	0	0	0	0	5,995,201	0	0
7. Reinsurance ceded	0								
8. Totals (Net)(Page 3, Line 4)	5,995,201	0	0	0	0	0	5,995,201	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	6,922						6,922		
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	6,922	0	0	0	0	0	6,922	0	0
13. Reinsurance ceded	0								
14. Totals (Net)(Page 3, Line 7)	6,922	0	0	0	0	0	6,922	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ ..... premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ ..... for occupancy of own building) .....	3,078,219	847,999	352,290		4,278,508
2. Salary, wages and other benefits .....	54,266,839	14,949,628	144,411,577		213,628,044
3. Commissions (less \$ ..... ceded plus \$ ..... assumed) .....			34,845,706		34,845,706
4. Legal fees and expenses .....	803,859	221,450	91,999		1,117,308
5. Certifications and accreditation fees .....	53,637	14,776	6,139		74,552
6. Auditing, actuarial and other consulting services .....	6,110,635	1,683,380	699,339		8,493,354
7. Traveling expenses .....	1,615,652	445,086	184,905		2,245,643
8. Marketing and advertising .....	4,436,285	1,222,124	511,544		6,169,953
9. Postage, express and telephone .....	4,738,347	1,305,337	542,286		6,585,970
10. Printing and office supplies .....	1,557,356	429,026	178,233		2,164,615
11. Occupancy, depreciation and amortization .....	877,437	241,720	100,419		1,219,576
12. Equipment .....	267,394	73,663	30,602		371,659
13. Cost or depreciation of EDP equipment and software .....	8,656,497	2,384,724	990,703		12,031,924
14. Outsourced services including EDP, claims, and other services .....	5,628,885	1,439,448	204,009		7,272,342
15. Boards, bureaus and association fees .....	181,951	50,125	20,824		252,900
16. Insurance, except on real estate .....	1,894,133	521,803	216,776		2,632,712
17. Collection and bank service charges .....	528,222	145,517	60,453		734,192
18. Group service and administration fees .....	330,774	91,123	37,044		458,941
19. Reimbursements by uninsured plans .....			0		0
20. Reimbursements from fiscal intermediaries .....					0
21. Real estate expenses .....					0
22. Real estate taxes .....	213,771	58,890	24,465		297,126
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....			311,558		311,558
23.2 State premium taxes .....			125,524,675		125,524,675
23.3 Regulatory authority licenses and fees .....			4,117,251		4,117,251
23.4 Payroll taxes .....			17,624,399		17,624,399
23.5 Other (excluding federal income and real estate taxes) .....	176,794	48,703	20,235		245,732
24. Investment expenses not included elsewhere .....				303,832	303,832
25. Aggregate write-ins for expenses .....	2,190,841	603,540	804,756	0	3,599,137
26. Total expenses incurred (Lines 1 to 25) .....	97,607,528	26,778,062	331,912,187	303,832	(a) 456,601,609
27. Less expenses unpaid December 31, current year .....	7,357,489	2,330,892	50,505,959	80,761	60,275,101
28. Add expenses unpaid December 31, prior year .....	3,766,603	2,408,308	32,713,920	70,532	38,959,363
29. Amounts receivable relating to uninsured plans, prior year .....			4,305,290		4,305,290
30. Amounts receivable relating to uninsured plans, current year .....			4,200,265		4,200,265
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	94,016,642	26,855,478	314,015,123	293,603	435,180,846
<b>DETAILS OF WRITE-INS</b>					
2501. Information Technology .....	510,052	140,511	58,373		708,936
2502. Interest .....	471,180	129,802	76,105		677,087
2503. Managed Care & Network Access .....	62,960	17,344	7,206		87,510
2598. Summary of remaining write-ins for Line 25 from overflow page .....	1,146,649	315,883	663,072	0	2,125,604
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	2,190,841	603,540	804,756	0	3,599,137

(a) Includes management fees of \$ 259,435,809 to affiliates and \$ ..... to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds	(a) 4,089,835	4,326,851
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 11,126,452	11,851,020
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract Loans		
6. Cash, cash equivalents and short-term investments	(e) 147,592	339,451
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	8	8
10. Total gross investment income	15,363,887	16,517,330
11. Investment expenses		(g) 303,832
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		303,832
17. Net investment income (Line 10 minus Line 16)		16,213,498
<b>DETAILS OF WRITE-INS</b>		
0901. Misc Interest Income	8	8
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	8	8
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 206,624 accrual of discount less \$ 6,639,955 amortization of premium and less \$ 662,040 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 8,936 accrual of discount less \$ 48,539 amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	193,047	0	193,047	0	0
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	178,773	(202,991)	(24,218)	0	0
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	0	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	0	0	0	0	0
7. Derivative instruments	0	0	0	0	0
8. Other invested assets	0	0	0	0	0
9. Aggregate write-ins for capital gains (losses)	0	253	253	0	0
10. Total capital gains (losses)	371,820	(202,738)	169,082	0	0
<b>DETAILS OF WRITE-INS</b>					
0901. Settlement Proceeds	0	253	253		
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	253	253	0	0

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**EXHIBIT OF NON-ADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			.0
2.2 Common stocks .....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			.0
3.2 Other than first liens .....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			.0
4.2 Properties held for the production of income .....			.0
4.3 Properties held for sale .....			.0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....			.0
6. Contract loans .....			.0
7. Derivatives .....			.0
8. Other invested assets (Schedule BA) .....			.0
9. Receivables for securities .....			.0
10. Securities lending reinvested collateral assets .....			.0
11. Aggregate write-ins for invested assets .....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	.0	.0	.0
13. Title plants (for Title insurers only) .....			.0
14. Investment income due and accrued .....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	657,438		(657,438)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			.0
15.3 Accrued retrospective premiums .....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....			.0
16.2 Funds held by or deposited with reinsured companies .....			.0
16.3 Other amounts receivable under reinsurance contracts .....			.0
17. Amounts receivable relating to uninsured plans .....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon .....			.0
18.2 Net deferred tax asset .....	37,712,535	41,800,673	4,088,138
19. Guaranty funds receivable or on deposit .....			.0
20. Electronic data processing equipment and software .....			.0
21. Furniture and equipment, including health care delivery assets .....			.0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0
23. Receivable from parent, subsidiaries and affiliates .....	.0		.0
24. Health care and other amounts receivable .....	2,374,004	947,608	(1,426,396)
25. Aggregate write-ins for other than invested assets .....	.0	1,965,312	1,965,312
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	40,743,977	44,713,593	3,969,616
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			.0
28. Total (Lines 26 and 27) .....	40,743,977	44,713,593	3,969,616
<b>DETAILS OF WRITE-INS</b>			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) .....	.0	.0	.0
2501. Prepaid Commission .....		1,965,312	1,965,312
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	.0	1,965,312	1,965,312

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health Maintenance Organizations	684,162	715,497	727,659	736,165	747,921	8,755,620
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	684,162	715,497	727,659	736,165	747,921	8,755,620
<b>DETAILS OF WRITE-INS</b>						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0







ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES**

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Current	8 Admitted Non-Current
<b>NONE</b>							
0399999 Total gross amounts receivable							

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES**

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
United Healthcare Services, Inc.	Intercompany Payable	55,383,789	55,383,789	0
Rx Solutions, Inc.	Intercompany Payable	2,889,273	2,889,273	0
0199999. Individually listed payables		58,273,062	58,273,062	0
0299999. Payables not individually listed		0		
0399999 Total gross payables		58,273,062	58,273,062	0



ANNUAL STATEMENT FOR THE YEAR 2010 OF THE UnitedHealthcare Plan of the River Valley, Inc.

**EXHIBIT 8 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED**

Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1. Administrative furniture and equipment.....	<b>NONE</b>					
2. Medical furniture, equipment and fixtures.....						
3. Pharmaceuticals and surgical supplies.....						
4. Durable medical equipment.....						
5. Other property and equipment.....						
6. Total.....						

## UNITEDHEALTHCARE PLAN OF THE RIVER VALLEY, INC.

### NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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#### 1. SIGNIFICANT ACCOUNTING POLICIES

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

The Company was incorporated on August 5, 1985, as a HMO and operations commenced in December 1985. The Company is certified as a HMO by the Illinois Department of Financial and Professional Regulation, Division of Insurance (IDOI). The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees. The Company is licensed in four states.

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

The Company participates state-wide as a contracted managed care organization (MCO) in the TennCare program. TennCare is a project authorized through a conditional waiver by CMS that replaced the State of Tennessee’s Medicaid program on January 1, 1994. Uninsured individuals and Medicaid eligible individuals who enroll in the TennCare program receive prepaid health care through participating MCO’s. Effective April 1, 2007, November 1, 2008, and January 1, 2009, the Company entered into a risk arrangement with TennCare servicing individuals in the Middle Tennessee region, the West Tennessee region, and the East Tennessee region, respectively.

Effective in March 2010 for individuals in the Middle Tennessee region and August 2010 for the East and West Tennessee regions, the Company provides long term care coverage for the uninsured individuals and Medicaid eligible individuals who are enrolled in the TennCare program and qualify for this benefit.

The Company has a contract with the Office of Personnel Management (OPM) to provide healthcare services to employees of the Federal government under the Federal Employee Health Benefit Plan (FEHBP). The contract has been renewed through December 31, 2011 and is subject to annual renewal provisions thereafter.

The Company has a contract with the State of Iowa, Department of Human Services, to provide healthcare services to Hawk-i (a program for uninsured children) eligible beneficiaries in Iowa. The current contract is effective through June 30, 2013, and is subject to renewal provisions as outlined in the contract.

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

The more significant differences are as follows:

- Cash, cash equivalents, 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;
- Certain debt investments categorized as held to maturity under GAAP are shown at amortized cost, whereas in the statutory basis financial statements, these investments are presented at either the

lower of amortized cost or fair value in accordance with the National Association of Insurance Commissioners' (NAIC) classifications;

- Certain assets, including certain aged premium and health care receivables are considered nonadmitted assets for statutory purposes and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus;
- Under statutory accounting, changes to deferred tax assets and liabilities are recorded directly to unassigned surplus and deferred tax assets are subject to limitations regarding the realization and admissibility of the assets, 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;
- Assets not specifically identified as an admitted asset by the NAIC are designated as nonadmitted under statutory accounting. Nonadmitted assets are excluded from the accompanying balance sheets and are charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheets;
- Minimum capital and surplus requirements calculated pursuant to the IDOI governing HMOs are reported as a contingency reserve and included as a component of aggregate write-ins for other than special surplus funds in the statutory basis statements of admitted assets, liabilities, and capital and surplus, whereas under GAAP, such reserves are included in retained earnings.
- Comprehensive income and its components are not presented in the statutory basis financial statements;
- Cash, cash equivalents, 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 statutory basis statements of cash flows are prepared in accordance with the NAIC guidelines.

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

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

#### **Cash and Invested Assets** —

- Cash and cash equivalents represent cash held by the Company in disbursement accounts and commercial paper. Cash equivalents have original maturity dates of three months or less from the date of acquisition and are reported at cost or amortized cost depending on the nature of the underlying security, which approximates fair value.
- Short-term investments represent money market instruments, commercial paper, corporate bonds, government and state and state agency obligations and municipal securities with a maturity of greater than three months but less than one year at the time of purchase. Short-term investments also consist of the Company's share of an investment pool sponsored and administered by UHS for the benefit of the UHS-owned health plans. The investment pool consists principally of investments with original maturities of less than one year, with the average life of the individual investments being less than 60 days. The Company's share of the pool represents an undivided ownership interest in the pool and is immediately convertible to cash at no cost or penalty. The participants within the pool have an individual fund number to track those investments owned by the Company. In addition the Company has executed a custodial agreement whereby the Company's share in the investment pool is segregated and separately maintained. The pool is primarily invested in

government obligations, commercial paper, certificates of deposit, and short-term agency notes and is recorded at cost or amortized cost. Interest income from the pool accrues daily to participating members based upon ownership percentage.

- Bonds include corporate bonds, government and state and state agency obligations and municipal securities with a maturity of greater than one year at the time of purchase.
- Bonds and short-term investments are stated at amortized cost if they meet NAIC designation of one or two and stated at the lower of amortized cost or fair value if they meet an NAIC designation of three or higher. Amortization of bond premium or discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported using market prices published by the 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.

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

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

The Company continually monitors the difference between amortized cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company has determined is other-than-temporary, the Company records a realized loss in net realized capital gains less capital gains tax in the statutory basis statements of operations as the Company has made the determination to sell the security. The new cost basis is not changed for subsequent recoveries in fair value. The prospective adjustment method is utilized for mortgage-backed securities for periods subsequent to the loss recognition. The Company recognized an other-than-temporary loss of approximately \$203,000 and \$418,000 as of December 31, 2010 and 2009, respectively.

**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. Amortization of premium or discounts on bonds and 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 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.

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

The estimates for incurred but not yet reported claims are developed using an actuarial process that is consistently applied, centrally controlled and automated. The actuarial models consider factors such as historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The Company estimates liabilities for physician, hospital and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during 2010 and 2009. 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, 2010; however, actual claim payments may differ from those established estimates. Adjustments to claims unpaid estimates and aggregate health reserves are reflected in operating results in the period in which the change in estimate is identified.

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

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

**Net Deferred Tax Asset and Federal Income Taxes Incurred** — Statutory accounting requires 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 incurred is calculated based on applying the statutory federal income tax rate of 35% to net income before federal income taxes plus capital gains tax subject to certain adjustments (see Note 9).

**Claims Adjustment Expenses** — Claims adjustment expenses (CAE) are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UHS-RV in exchange for administrative and management services. A detailed review of UnitedHealth Group, including UHS-RV's, and the Company's administrative expenses is performed to determine the allocation between claims adjustment expenses and general administrative expenses. It is the responsibility of UHS-RV to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid claims adjustment expenses associated with incurred but unpaid claims. Management believes the amount of the liability for unpaid claims adjustment expenses as of December 31, 2010 and 2009, 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-RV in exchange for administrative and management services. Costs for items not included within the scope of the management agreement are directly expensed as incurred. State income taxes are also a component of general administrative expenses. A detailed review of UnitedHealth Group, including UHS-RV's, and the Company's administrative expenses is performed to determine the allocation between claims adjustment expenses and general administrative expenses to be reported in the statutory basis statements of operations.

**Revenues** — Revenues consist of net premium income 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. Premiums received in full during the current periods 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.

Net premium income includes the Medicare Advantage CMS premium, and the premium under the Medicare Part D program, which includes CMS premium, member premium, and low-income premium

subsidy for the Company's insurance risk coverage. Net premium income is recognized ratably over the period in which eligible individuals are entitled to receive health care services and prescription drug benefits. The Company estimates retrospective premium adjustments based on guidelines determined by CMS (see Note 24).

The Company also has an arrangement with CMS for certain Medicare products whereby periodic changes in member risk factor adjustment scores, for certain diagnoses codes, result in changes to its Medicare revenues. The Company recognizes such changes when the amounts become determinable and supportable and collectability is reasonably assured. The estimated risk-adjusted payments due to the Company at December 31, 2010 and 2009, were approximately \$14,580,000 and \$3,538,000, respectively, and are recorded as premiums and considerations in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company recognized approximately \$665,000 and \$1,351,000 for changes in prior year Medicare risk factor estimates during the years ended December 31, 2010 and 2009, which are recorded as a reduction to net premium income within the statutory basis statements of operations.

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

Administrative fee revenues are recognized in the period in which the related services are performed based upon the fee charged to the customer for Administrative Services Only (ASO) contracts, for which the employer retains all health care service risk, while the Company assumes administrative risk. Administrative fee revenue is netted against general administrative expenses in the statutory basis statements of operations. The Company does not have any active ASO contracts currently in force. The amounts included in the statutory basis statements of operations relate to run-out activity (see Note 18).

The Company reports uncollected premium balances from its insured members as premiums and considerations. Premiums and considerations that are over 90 days past due, with the exception of amounts due from government insured plans, are considered nonadmitted assets. In addition to those balances, current balances are also considered nonadmitted if the corresponding balance greater than 90 days past due is deemed more than inconsequential.

**Reinsurance Ceded** — In the normal course of business, the Company seeks to limit its exposure to loss on point of service membership in the State of Illinois and to recover a portion of benefits paid by ceding premium to other insurance enterprises or reinsurers under excess coverage contracts. The Company remains primarily liable as the direct insurer on most risks reinsured. Reinsurance premiums paid and reinsurance premiums incurred but not paid are deducted from net premium income in the accompanying statutory basis financials statements. The Company also has an insolvency-only reinsurance agreement. Reinsurance premiums paid and reinsurance premiums incurred but not paid are deducted from net premium income in the accompanying statutory basis financial statements.

**Ceded Reinsurance Premiums Payable** — The Company has an excess loss reinsurance agreement on its point of service product with United Healthcare Insurance Company (UHIC), whereby \$0.32 per member per month is ceded to UHIC to cover certain hospital claims in excess of defined limits. The Company also has an insolvency-only agreement with UHIC whereby 0.1% of net premium income is ceded to UHIC. The ceded reinsurance premiums payable balance represents amounts due to the reinsurer for coverage which will be paid based on the contract terms.

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

**Medical Risk Share** — The Company has settlements with CMS based on whether the ultimate per member per month benefit costs of any Medicare Part D program regional plan varies more than 5% above or below the level estimated in the original bid submitted by the Company and approved by CMS in 2010 and 2009. The estimated risk share adjustment of approximately \$4,397,000 and \$5,829,000 in 2010 and 2009, respectively, is recorded as a decrease to change in unearned premium reserves and reserves for rate credits in the statutory basis statements of operations and premiums and considerations and included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

**Accrued Restrospective Premium** — A receivable is established, net of ceded reinsurance, for estimated premium refunds on FEHBP experience rated contracts based on actuarial methods and assumptions. Estimated accrued retrospective premiums due to the Company are recorded in premium and considerations on the statutory basis statements of admitted assets, liabilities, and capital and surplus and as an decrease to change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations.

**Health Care and Other 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, Rx Solutions, Inc. ("Rx Solutions"). Also included in health care receivables are claim overpayments due from providers, gross of any amounts payable due to the same provider. Health care and other 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 Reserve** — Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts. 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. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 30).

**FEHBP Excess Funds** — The FEHBP contract includes provisions for funds to be accessible to the Company when expenses are paid. Funds cannot be withdrawn from the account until the expenses have been paid. In order to ensure the availability of cash to the Company, the OPM makes provision for excess funds which is included as a liability in claims unpaid in the statutory basis statements of admitted assets, liabilities, and capital and surplus. When the Company records an amount incurred but not reported for an FEHBP member, the Company records a corresponding receivable due from the excess funds established which is included in FEHBP Excess Funds in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

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

Net premium income from members and CMS related to Medicare Advantage and the Medicare Part D program as a percentage of direct premiums written are 20% and 21% for the years ended December 31, 2010 and 2009, respectively.

Net premium income from the State of Tennessee, TennCare Division, as a percentage of direct premiums written is 67% and 62% for the years ended December 31, 2010 and 2009, respectively.

**Restricted Cash Reserves** — The Company is required to hold minimum regulatory deposits in the amount of approximately \$45,110,000 and \$37,942,000 as of December 31, 2010 and 2009, respectively, and is in compliance with the requirements. These restricted cash reserves consist principally of government obligations and are stated at amortized cost, which approximates fair value. These reserves are included in bonds in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on these deposits accrues to the Company.

**Minimum Capital and Surplus** — Under the laws of the state of Illinois, the IDOI requires the Company to provide a contingency reserve based on 2% of the net capitation revenue from risk contracts limited to \$1,500,000. The Company's contingency reserve reached \$1,500,000 during 1989 and is recorded as aggregate write-ins for other than special surplus funds as a component of capital and surplus in the accompanying statutory basis statements of admitted assets, liabilities and capital and surplus.

Risk-based capital (RBC) is a regulatory tool for measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The Illinois Department of Insurance 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 model. The Company is in compliance with the required amount.

**Recently Issued Accounting Standards** — In December 2010, the NAIC adopted revisions to the Statutory Accounting Principles (SSAP) No. 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP No. 10* (SSAP No. 10R), which extended the effective date of the temporary replacement through the interim and annual financial statement periods of 2011. The revision to the temporary standard adds additional disclosures related to the impact of tax planning strategies and the nature of the net admitted deferred tax assets by percentage and tax character. These disclosures are incorporated in Note 9 – Income Taxes, as applicable.

In December 2010, the NAIC issued revisions to SSAP No. 100, *Fair Value Measurements* (SSAP No. 100). SSAP No. 100 established a framework for measuring fair value and establishes disclosure requirements about fair value. The original statement was early adopted for December 31, 2009, with interim and annual financial statement reporting thereafter. The 2010 revisions to SSAP No. 100 relate to the reporting and disclosure of investments measured and reported at fair value and are effective for December 31, 2010 annual financial statements. The Company adopted the revisions to SSAP No. 100 as of December 31, 2010, and the related disclosure requirements are outlined in Note 20– Fair Value Measurements.

In October 2010, the NAIC issued SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets – Revised* (SSAP No. 5R), effective for all guarantees issued or outstanding as of December 31, 2011. The revised standard requires entities to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. The Company has preliminarily assessed the impact of the pending adoption, the results of which are expected to be immaterial to the overall financial condition, results of operations and cash flows of the Company.

In October 2010, the NAIC issued SSAP No. 35R, *Guaranty Fund and Other Assessments – Revised* (SSAP No. 35R) which contains substantive revisions to certain paragraphs of SSAP No. 35 and is initially effective for the reporting period beginning January 1, 2011. The result of applying this revised Statement shall be considered a change in accounting principle in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*. The revised standard modifies the conditions required before recognizing liabilities for insurance-related assessments. Under SSAP No. 35R, the liability is not recognized until an assessment has been imposed or is probable and the event obligating an entity to pay an imposed or probable assessment has occurred and can be reasonably estimated. Additionally, under this revised standard an asset relating to future premium tax offsets or policy surcharges shall be recognized at the time the liability is recorded, considering expected future premiums on in-force policies for long-term contracts. The Company has assessed the impact of the pending adoption and believes the related impact will be immaterial to the overall financial condition, results of operations and cash flows of the Company.

## 2. ACCOUNTING CHANGES AND CORRECTIONS

No changes in accounting principles have been recorded during the year ended December 31, 2010 and 2009.

During the 2008 audited financial statement process, the Company identified an error that was not reflected on the 2008 annual statement. The cumulative effect of this prior year error was corrected by the Company in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*, and is reflected in the accompanying statutory basis statements of changes in capital and surplus for the year ended December 31, 2009. The correction was a cumulative effect of an overstatement of net premium income of \$2,600,000, understatement of total hospital and medical expense of \$382,000, overstated general administrative expenses of \$861,000 and overstated net realized capital gains/losses of approximately \$677,000. In addition, the federal income taxes incurred were understated by approximately \$357,000. The impact to net income was approximately \$2,043,000.

## 3. BUSINESS COMBINATIONS AND GOODWILL

The Company was not party to a business combination during the years ended December 31, 2010 and 2009, and does not carry goodwill on its statutory basis statements of admitted assets, liabilities, and capital and surplus.

## 4. DISCONTINUED OPERATIONS

The Company did not discontinue any operations during 2010 and 2009.

## 5. INVESTMENTS AND OTHER INVESTED ASSETS

The Company has no mortgage loans, real estate loans, restructured debt, reverse mortgages, repurchase agreements, or investments in low-income housing tax credits and does not participate in securities lending activities. 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 bonds and short-term investments were approximately \$5,677,198,000 and \$3,533,922,000 in 2010 and 2009, respectively.

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of investments totaled approximately \$620,000 and (\$248,000), respectively, for 2010 and approximately \$2,136,000 and (\$986,000), respectively, for 2009. The net realized gain is included in net realized capital gains less capital gains tax in the accompanying statutory basis statements of operations.

As of December 31, 2010 and 2009, the amortized cost, fair value, and gross unrealized holding gains and losses of the Company's investments, excluding cash and cash equivalents of approximately \$49,565,000 and \$31,724,000, respectively, are as follows (in thousands):

	2010				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	Fair Value
U.S. government and agency	\$190,065	\$ 3,420	\$ (310)	\$ -	\$193,175
State and state agency	163,717	5,811	(674)	-	168,854
Municipalities and local agency	94,133	2,885	(124)	-	96,894
Corporate bonds	134,171	5,278	(128)	-	139,321
Commercial paper and money market funds	381,897	-	-	-	381,897
<b>Total bonds and short-term investments</b>	<b>\$963,983</b>	<b>\$ 17,394</b>	<b>\$ (1,236)</b>	<b>\$ -</b>	<b>\$980,141</b>
Less than one year	\$467,185	\$ 460	\$ (15)	\$ -	\$467,630
One to five years	230,688	8,022	(65)	-	238,645
Five to ten years	185,376	6,590	(986)	-	190,980
Over ten years	80,734	2,322	(170)	-	82,886
<b>Total bonds and short-term investments</b>	<b>\$963,983</b>	<b>\$ 17,394</b>	<b>\$ (1,236)</b>	<b>\$ -</b>	<b>\$980,141</b>
	2009				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 year	Gross Unrealized Holding Losses > 1 year	Fair Value
U.S. government and agency	\$145,240	\$ 1,834	\$ (1,588)	\$ -	\$145,486
State and state agency	144,749	6,204	(91)	-	150,862
Municipalities and local agency	94,974	2,865	(120)	-	97,719
Corporate bonds	83,438	3,303	(78)	(1)	86,662
Commercial paper and money market funds	219,359	-	-	-	219,359
<b>Total bonds and short-term investments</b>	<b>\$687,760</b>	<b>\$ 14,206</b>	<b>\$ (1,877)</b>	<b>\$ (1)</b>	<b>\$700,088</b>

Included in U.S. government and agency securities and corporate bonds in the tables above are mortgage-backed securities, which do not have a single maturity date. For the 2010 years to maturity table above, these securities have been presented in the maturity group based on the securities' final maturity date and at an amortized cost of approximately \$68,170,000 and fair value of approximately \$69,788,000.

The following table illustrates the fair value and gross unrealized losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2010 and 2009 (in thousands):

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	< 1 year		> 1 year		Total Fair Value	Gross Unrealized Holding Losses
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses		
<b>2010</b>						
U.S. government and agency	\$ 35,937	\$ (310)	\$ -	\$ -	\$35,937	\$ (310)
State and state agency	24,422	(674)	-	-	24,422	(674)
Municipalities and local agency	4,568	(124)	-	-	4,568	(124)
Corporate bonds	<u>29,955</u>	<u>(128)</u>	<u>-</u>	<u>-</u>	<u>29,955</u>	<u>(128)</u>
Total bonds and short-term investments	<u>\$ 94,882</u>	<u>\$ (1,236)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$94,882</u>	<u>\$ (1,236)</u>

	< 1 year		> 1 year		Total Fair Value	Gross Unrealized Holding Losses
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses		
<b>2009</b>						
U.S. government and agency	\$ 61,220	\$ (1,588)	\$ -	\$ -	\$61,220	\$ (1,588)
State and state agency	6,442	(91)	-	-	6,442	(91)
Municipalities and local agency	13,842	(120)	-	-	13,842	(120)
Corporate bonds	<u>8,199</u>	<u>(78)</u>	<u>394</u>	<u>(1)</u>	<u>8,593</u>	<u>(79)</u>
Total bonds and short-term investments	<u>\$ 89,703</u>	<u>\$ (1,877)</u>	<u>\$ 394</u>	<u>\$ (1)</u>	<u>\$90,097</u>	<u>\$ (1,878)</u>

The unrealized losses on investments in U.S. government and agency obligations, state and state agency obligations, municipalities and local agency obligations, and corporate bonds at December 31, 2010 and 2009, were mainly caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities. The Company evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. The contractual cash flows of the U.S. government and agency obligations are either guaranteed by the U.S. government or an agency of the U.S. government. It is expected that the securities would not be settled at a price less than the cost of the investment, and the Company does not intend to sell the investment until the unrealized loss is fully recovered. The Company evaluated the credit ratings of the municipalities and local agency obligations and corporate obligations, noting whether a significant deterioration since purchase or other factors which may indicate an other-than-temporary impairment, such as the length of time and extent to which fair value has been less than cost, the financial condition, and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and the Company's intent to sell the investment. Additionally, the Company evaluated its intent and ability to retain mortgage-backed securities for a period of time sufficient to recover the amortized cost. As a result of this review, the Company recorded other-than-temporary impairments of approximately \$203,000 and \$418,000 as of December 31, 2010 and 2009, which is included in net realized capital gains less capital gains tax in the statutory basis statements of operations.

The Company did not recognize any other-than-temporary impairments on mortgage-backed securities as of December 31, 2010. As of December 31, 2009, the Company has classified mortgage-backed securities that have other-than-temporary impairments as intent to sell. For the remaining mortgage-backed securities, the Company has the intent and ability to retain the investment in the security for a period of time sufficient to recover the amortized cost basis and determined that the present value of cash flows to be collected is equal to or exceeds the amortized cost basis of the security, as of December 31, 2009. The table below illustrates the aggregate other-than-temporary impairments recognized on mortgage-backed securities classified on the basis for the other-than-temporary impairment during 2009 (in thousands):

2009	Amortized Cost Basis Before Other-Than-Temporary Impairment	Other-Than-Temporary Impairment Recognized in Realized Loss	Fair Value	Amortized Cost Basis After Other-Than-Temporary Impairment
Aggregate intent to sell	\$ 2,830	\$ (418)	\$ 2,412	\$ 2,412

The Company did not recognize any other-than-temporary impairments on mortgage-backed securities due to an inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or where the present value of cash flows expected to be collected is less than the amortized cost basis of the security, as of December 31, 2010 and 2009.

The following table illustrates the fair value, gross unrealized losses, and length of time that the mortgage-backed securities have been in a continuous unrealized loss position at December 31, 2010 (in thousands):

2010	< 1 year		> 1 year		Total Fair Value	Gross Unrealized Holding Losses
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses		
Fixed income - mortgage	\$ 8,801	\$ (52)	\$ -	\$ -	\$ 8,801	\$ (52)

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

## 6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

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

## 7. INVESTMENT INCOME

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

The components of net investment income earned at December 31, 2010 and 2009, are as follows (in thousands):

	2010	2009
Bonds	\$16,178	\$13,850
Cash, cash equivalents, and short-term investments	339	758
Total investment income	16,517	14,608
Expenses — investment management fees	(304)	(260)
Net investment income	\$16,213	\$14,348

## 8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

## 9. INCOME TAXES

The components of the net deferred income taxes for the years ended December 31, 2010 and 2009, are as follows (in thousands):

	2010			2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax asset	\$ 58,368	\$ -	\$ 58,368	\$ 49,207	\$ -	\$ 49,207	\$ 9,161	\$ -	\$ 9,161
Statutory valuation allowance	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax asset	58,368	-	58,368	49,207	-	49,207	9,161	-	9,161
Gross deferred tax liabilities	(15)	-	(15)	(49)	-	(49)	34	-	34
Net deferred tax asset	58,353	-	58,353	49,158	-	49,158	9,195	-	9,195
Non-admitted deferred tax asset	(37,713)	-	(37,713)	(41,801)	-	(41,801)	4,088	-	4,088
Net admitted deferred tax asset	\$ 20,640	\$ -	\$ 20,640	\$ 7,357	\$ -	\$ 7,357	\$ 13,283	\$ -	\$ 13,283

The components of the adjusted gross deferred tax assets admissibility calculation under SSAP No. 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP No. 10*, are as follows (in thousands):

SSAP 10R Paragraph	2010			2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
¶ 10.a Federal income taxes recoverable through loss carryback	20,640	-	20,640	7,357	-	7,357	13,283	-	13,283
¶ 10.b.i. Adjusted gross deferred tax assets expected to be realized within one year of the balance sheet date not recovered via loss carrybacks	-	-	-	-	-	-	-	-	-
¶ 10.b.ii. Ten percent adjusted statutory capital and surplus shown on most recently filed financial statement	N/A	N/A	35,317	N/A	N/A	27,250	N/A	N/A	8,067
Admitted pursuant to ¶ 10b (lesser of i. or ii.)	-	-	-	-	-	-	-	-	-
¶ 10.c. Adjusted gross deferred tax assets after application of above items that can be offset against existing gross deferred tax liabilities	(15)	-	(15)	(49)	-	(49)	34	-	34
Admitted deferred tax asset	20,655	0	20,655	7,406	0	7,406	13,249	0	13,249

The Company has not elected to admit additional deferred tax assets under the expanded admissibility test.

The results from the deferred tax asset admissibility calculation in relation to total assets and total capital and surplus is presented below (in thousands):

	2010			2009			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Net admitted deferred tax asset	\$ 20,655	\$ -	\$ 20,655	\$ 7,406	\$ -	\$ 7,406	\$ 13,249	\$ -	\$ 13,249
Total assets	-	-	1,112,011	-	-	814,058	-	-	297,953
Total capital and surplus	-	-	353,168	-	-	272,499	-	-	80,669
Total capital and surplus from net deferred tax assets	-	-	350,600	-	-	267,996	-	-	82,604

No additional adjusted gross deferred tax assets are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus as a result of tax-planning strategies.

There are no unrecognized deferred tax liabilities.

The current federal income taxes incurred for the years ended December 31, 2010 and 2009, are as follows (in thousands):

	2010	2009	Change
Federal income taxes incurred	\$ 80,379	\$ 31,782	\$ 48,597
Capital gains tax	59	398	(339)
Total current federal income taxes incurred	\$ 80,438	\$ 32,180	\$ 48,258

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2010 and 2009, are as follows (in thousands):

	2010	2009	Change
Ordinary deferred tax assets:			
Unpaid losses and CAE	\$ 2,615	\$ 1,804	\$ 811
Premiums received in advance	11,901	365	11,536
Intangibles	41,850	45,973	(4,123)
Nonadmitted assets	1,061	332	729
Bad debt	241	208	33
General expenses due and accrued	700	-	700
Prepaid expenses	<u>-</u>	<u>525</u>	<u>(525)</u>
Adjusted ordinary gross deferred tax asset	58,368	49,207	9,161
Nonadmitted ordinary deferred tax asset	<u>(37,713)</u>	<u>(41,801)</u>	<u>4,088</u>
Admitted ordinary deferred tax asset	<u>20,655</u>	<u>7,406</u>	<u>13,249</u>
Total admitted deferred tax asset	<u>20,655</u>	<u>7,406</u>	<u>13,249</u>
Ordinary deferred tax liabilities:			
Investments	<u>(15)</u>	<u>(49)</u>	<u>34</u>
Total deferred tax liabilities	<u>(15)</u>	<u>(49)</u>	<u>34</u>
Net deferred tax asset	<u>20,640</u>	<u>7,357</u>	<u>13,283</u>

The Company has not established a statutory valuation allowance and does not have any capital deferred tax assets or liabilities as of December 31, 2010 and 2009.

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

	2010	2009
Tax provision at the federal statutory rate	\$ 73,458	\$ 37,977
Tax-exempt interest	(2,221)	(1,802)
Prior year true-up	(1)	15
Tax effect of nonadmitted assets	(42)	(614)
Other	<u>49</u>	<u>-</u>
Total	<u>\$ 71,243</u>	<u>\$ 35,576</u>
Federal income taxes incurred	\$ 80,379	\$ 31,782
Capital gains tax	59	398
Change in net deferred tax asset	<u>(9,195)</u>	<u>3,396</u>
Total statutory income taxes	<u>\$ 71,243</u>	<u>\$ 35,576</u>

At December 31, 2010, the Company had no net operating loss carryforwards.

Current federal income taxes payable of \$15,175,000 and \$2,905,000 as of December 31, 2010 and 2009, respectively, are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds was \$68,169,000 and \$28,031,000 in 2010 and 2009, respectively.

Federal income taxes incurred of approximately \$80,412,000 and \$32,234,000 for 2010 and 2009, 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 (IRS) Code.

The Company does not have a provision for tax contingencies recorded as of December 31, 2010 or 2009.

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. IRS has completed exams on UnitedHealth Group’s consolidated income tax returns for fiscal years 2009 and prior. UnitedHealth Group’s 2010 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 2004 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.

#### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

Pursuant to the terms of a management agreement, UHS-RV will provide management services to the Company, until terminated upon the written agreement of both parties, for a fee based on a percentage of net premium income and change in unearned premium reserves and reserve for rate credits. Management fees under this arrangement totaled approximately \$259,436,000 and \$196,716,000 in 2010 and 2009, respectively, and are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations. In addition, UHS-RV pays, on the Company’s behalf, certain expenses not covered within the scope of the management agreement. UHS-RV is reimbursed for these expenses by the Company.

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/medical benefits, general administrative expenses and claims adjustment expenses approximately \$34,756,000 and \$26,814,000 in capitation fees to related parties during 2010 and 2009, respectively. UHS’ subsidiaries and divisions provide various services to enrollees of the Company during the year. United Behavioral Health provides mental health and substance abuse services; OPTUM provides integrated personal health management solutions, such as disease management, treatment decision support and wellness services, including a 24-hour call-in service, called Care 24; United Resource Network provides access to a network of transplant providers; ACN Group provides chiropractic and physical therapy services; Spectera Inc., provides administrative services related to vision benefit management and claims processing, and Dental Benefit Providers, Inc., provides dental care assistance. The corresponding charges are calculated on a per member per month basis.

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, 2010 and 2009, are shown below (in thousands):

	2010	2009
United Behavioral Health	\$ 25,762	\$ 22,056
OPTUM	4,075	2,033
United Resource Network	1,399	1,202
ACN Group	804	353
Spectera, Inc.	2,149	1,139
Dental Benefit Providers, Inc.	<u>567</u>	<u>31</u>
Total	<u>\$ 34,756</u>	<u>\$ 26,814</u>

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

The Company contracts with affiliates (UHS and Rx Solutions) 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 \$3,266,000 and \$1,291,000 in 2010 and 2009, respectively, are included in claims adjustment expenses in the accompanying statutory basis statements of operations. Additionally, the affiliates collect rebates on certain pharmaceutical products based on member utilization. Rebates related to these agreements of approximately \$28,800,000 and \$21,147,000 in 2010 and 2009, respectively, are included as a reduction of prescription drugs in the accompanying statutory basis statements of operations.

The Company contracts with Rx Solutions to provide personal health products catalogues showing the healthcare products and benefit credits needed to redeem the respective products. Rx Solutions will mail the appropriate personal health products catalogues to the Company's members and manage the personal health products credit balance. Rx Solutions also distributes personal health products to individual members based upon the terms of the agreement. The contract provides for tiered capitation rates as a percentage of member benefit credits. Fees related to this agreement in 2010 and 2009 of approximately \$3,651,000 and \$3,033,000 are included in hospital and medical expenses in the accompanying statutory basis statements of operations.

Effective January 1, 2009 for subrogation services and February 1, 2009 for fraud and abuse services, the Company has agreements with Ingenix, Inc. (Ingenix), a wholly owned subsidiary of UnitedHealth Group, for services that lead up to and include the prevention and recovery of medical expense overpayments. Percentages of every recovery are retained by Ingenix as service fees based on the services performed. Recoveries, net of fees, are returned to the Company on a monthly basis. Service fees of approximately \$1,242,000 and \$1,914,000 are included in hospital and medical expenses, claims adjustment expenses and general administrative expenses in the accompanying statutory basis statements of operations for the years ended December 31, 2010 and 2009, respectively.

Effective January 1, 2010, the Company has an agreement with HealthAllies Inc., a wholly owned subsidiary of UHS, to provide access to preferred pricing on health and health-related products and services. Fees related to this agreement, which are calculated on a per member per month basis of approximately \$25,000 are included in general administrative expenses and claims adjustment expenses in the accompanying statutory basis statements of operations.

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 \$3,116,000 in 2010 and \$2,361,000 in 2009 are netted against net premium income in the accompanying statutory basis statements of operations.

The Company also has a reinsurance agreement on its point-of-service product with UHIC to cover certain inpatient hospital claims in excess of defined limits. Reinsurance premiums, which are calculated on a per member per month basis, of approximately \$20,000 and \$24,000 in 2010 and 2009, respectively, are netted against net premium income in the accompanying statutory basis statements of operations. There were no reinsurance recoveries or receivables as of December 31, 2010 and 2009. This agreement also has an insolvency provision which allows continued coverage to the enrollee through the date to which premiums were paid. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

The Company holds a \$12,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of LIBOR plus a margin of 0.50%. The aggregate principal amount that may be 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 December 31, 2010. No amounts were outstanding under the line of credit as of December 31, 2010 and 2009.

At December 31, 2010 and 2009, the Company reported approximately \$58,273,000 and \$237,256,000, 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.

In addition to the agreements above, UHS maintains a private short-term money market investment pool in which affiliated companies may participate (see Note 1). At December 31, 2010 and 2009, the Company's portion was approximately \$14,548,000 and \$13,743,000, respectively, and is included in cash, cash equivalents, and short-term investments in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

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

The Company paid dividends of \$60,000,000 and \$35,000,000 in 2010 and 2009, respectively, to its parent (see Note 13).

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

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**

The Company had no outstanding debt with third parties during 2010 and 2009.

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

The Company has no retirement plan, deferred compensation, or other benefit plans, since all personnel are employees of UHS-RV, 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**

The Company has 1,000 shares authorized and 10 shares issued and outstanding of no 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, UHS-RV.

Payment of dividends may be restricted by the IDOI, which generally require that dividends be paid out of accumulated surplus.

The Company paid an ordinary cash dividends of \$60,000,000 on December 8, 2010 and \$35,000,000 on November 20, 2009 to UHS-RV, which required no approval and were recorded as a reduction to unassigned surplus in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

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

The Company does not have any special surplus funds.

The portion of unassigned surplus reduced by each item below is as follows (in thousands):

	2010	2009
Net deferred income taxes	\$ 58,353	\$ 49,158
Nonadmitted assets	40,744	44,714
Correction of error	<u>-</u>	<u>(2,043)</u>
Total	<u>\$ 99,097</u>	<u>\$ 91,829</u>

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

#### 14. CONTINGENCIES

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

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

The Company has been and is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of Inspector General (OIG), the Office of Personnel Management, the Office of Civil Rights, U.S. Congressional committees, the U.S. Department of Justice, U.S. Attorneys, the SEC, the IRS, the U.S. Department of Labor, the Federal Deposit Insurance Corporation and other governmental authorities. Examples of audits include the risk adjustment data validation (RADV) audits discussed below and a review by the U.S. Department of Labor of the Company's administration of applicable customer employee benefit plans with respect to ERISA compliance.

Government actions can result in assessment of damages, civil or criminal fines or penalties, or other sanctions, including loss of licensure or exclusion from participation in government programs and could have a material adverse impact on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

- Risk Adjustment Data Validation Audit. CMS adjusts capitation payments to Medicare Advantage and Medicare Part D Program plans according to the predicted health status of each beneficiary, as supported by data provided by health care providers. The Company collects claim and encounter data from providers, who the Company generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted and member demographic information.

In 2008, CMS announced that it would perform RADV audits of selected Medicare Advantage health plans each year to validate the coding practices of and supporting documentation maintained by health care providers. These audits involve a review of medical records maintained by providers and may result in retrospective adjustments to payments made to health plans. Certain UnitedHealth group health plans have been selected for audit. These audits are focused on medical records supporting risk adjustment data for 2006 that were used to determine 2007 payment amounts. Although these audits are ongoing, the Company does not believe they will have a material impact on the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

In December 2010, CMS published for public comment a new proposed RADV audit and payment adjustment methodology. The proposed methodology contains provisions allowing retroactive contract level payment adjustments for the year audited using an extrapolation of the error rate identified in audit samples. The Company has submitted comments to CMS regarding concerns the Company has with CMS's proposed methodology. The concerns include, among others, the fact that the proposed methodology does not take into account the error rate in the original Medicare fee-for-service data that was used to develop the risk adjustment system. Additionally, payments received from CMS, as well as benefits offered and premiums charged to members, are based on actuarially certified bids that did not include any assumption of retroactive audit payment adjustments. The Company believes that applying retroactive audit and payment adjustments after CMS acceptance of bids undermines the actuarial soundness of the bids. On February 3, 2011, CMS notified the Company that CMS was evaluating comments and anticipated making changes to the draft methodology, based on input received by CMS. CMS indicated that the final revised RADV audit and payment adjustment methodology will be issued in the near future. Depending on the methodology utilized, potential payment adjustments could 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 is also in discussions with the OIG for Health and Human Services regarding audits of UnitedHealth Group's risk adjustment data for two of its health plans. While the Company does not believe OIG has governing authority to directly impose payment adjustments for risk adjustment audits of Medicare health plans operated under the regulatory authority of CMS, the OIG can recommend to CMS a proposed payment adjustment, and the Company is unable to predict the outcome of these discussions and audit.

The Company is not aware of any assessments, potential or accrued, that could have a material financial effect on the operations of the entity or any gain contingencies that should be recorded or disclosed in the financial statements.

The Company believes there are no other assets that it considers to be impaired at December 31, 2010 and 2009, except as disclosed in Note 5 and Note 21.

**15. LEASES**

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

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

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

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

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

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

The Medicare Part D program is a partially insured plan. The Company recorded a receivable of approximately \$2,309,000 and \$3,019,000 at December 31, 2010 and 2009, respectively, for cost reimbursements under the Medicare Part D program for the catastrophic reinsurance and low-income member cost-sharing subsidies as described in Note 1 *Amounts Receivable Related to Uninsured Plans and Liability for Amounts Held Under Uninsured Plans*.

Prior to January 1, 2009, the Company had an ASO contract in eastern Tennessee for the TennCare product, for which the State of Tennessee retains all health care service risk, while the Company assumes administrative risk. The Company recorded administrative fee revenues of approximately \$6,000 and \$67,000 in 2010 and 2009, respectively, related to retroactive premiums for those ASO contracts. These amounts are included as a reduction to general administrative expenses in the accompanying statutory basis statements of operations.

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

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

**20. FAIR VALUE MEASUREMENT**

The NAIC SAP defines fair value, establishes a framework for measuring fair value, and outlines the disclosure requirements related to fair value measurements. The fair value hierarchy is as follows:

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

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

- Quoted prices for similar assets in active markets

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

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

The estimated fair values of bonds and 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.

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, 2010 and 2009.

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

## 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. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products. State legislatures and Congress continue to focus on health care issues.

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. 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, 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 the Company awaits final rules and interim guidance on other key aspects of the legislation. Certain aspects of the Health Reform Legislation are also being challenged in federal court, with the proponents of such challenges seeking to limit the scope of or have all or portions of the Health Reform Legislation declared unconstitutional. Congress may also withhold the funding necessary to implement the Health Reform Legislation, or may attempt to replace the legislation with amended provisions or repeal it altogether.

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, including the ability to maintain the value of goodwill, 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.

The Company did not encounter any extraordinary items during 2010 and 2009.

The Company has no troubled debt restructuring as of December 31, 2010 and 2009.

The Company routinely evaluates the collectability of all receivable amounts included within the statutory basis statements of admitted assets, liabilities, and capital and surplus. Reserves are established for those amounts where 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.

The Company has not received any business interruption insurance recoveries during 2010 and 2009, and does not have any state transferable tax credits or hybrid securities as of December 31, 2010 and 2009.

The Company recorded receivables related to retroactive TennCare policies of approximately \$65,745,000 as of December 31, 2009. As of December 31, 2010, the Company has collected prior year premium receipts related to this receivable of approximately \$85,691,000. Currently, there are no receivables recorded for prior year. Therefore, there has been approximately \$19,946,000 in favorable prior year development.

The Company has determined that the hold harmless clauses with contracting providers, in addition to the insolvency-only reinsurance contract with UnitedHealthcare Insurance Company, Inc, protects members from risk in the event of the Company's inability to pay future claims. As a result, the Company is no longer reporting uncovered amounts in the accompanying statutory financial statements.

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

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

	Cost or Amortized Cost	Book Adjusted Carrying Value	Fair Value	Other Than Temporary Loss Recognized to Date
Residential mortgage-backed securities	\$ 238	\$ 239	\$ 250	\$ (195)
Alternative A Paper Mortgages	<u>141</u>	<u>142</u>	<u>154</u>	<u>(223)</u>
Total	<u>\$ 379</u>	<u>\$ 381</u>	<u>\$ 404</u>	<u>\$ (418)</u>

## 22. EVENTS SUBSEQUENT

The Company has evaluated subsequent events through March 1, 2011, which is the date these statutory basis financial statements were available for issuance.

Effective January 1, 2011 the Company novated contracts with CMS from affiliates, UnitedHealthcare of Tennessee, Inc. and Unison Health Plan of Tennessee, Inc. The novation agreements resulted in full control of the contract being transferred to the Company for dates of service on and after January 1, 2011. Approved was received by the IDOI, Tennessee Department of Insurance, and CMS. There were no transfers of assets or surplus as a result of the novation.

There are no other events subsequent to December 31, 2010 that require disclosure.

**23. REINSURANCE**

The Company does not have any external reinsurance agreements in place as of December 31, 2010 or 2009.

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

**Ceded Reinsurance Report —**

**Section 1 — General Interrogatories**

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

Yes ( ) No (X)

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

Yes ( ) No (X)

**Section 2 — Ceded Reinsurance — Part A**

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

Yes ( ) No (X)

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

Yes ( ) No (X)

**Section 3 — Ceded Reinsurance — Part B**

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

The Company estimates there should be no aggregate reduction in surplus for termination of all reinsurance agreements as of December 31, 2010.

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)

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

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

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

**Uncollectible Reinsurance** — During 2010 and 2009, there were no uncollectible reinsurance recoverables.

**Commutation of Reinsurance** — There was no commutation of reinsurance in 2010 or 2009.

**Retroactive Reinsurance** — The Company did not have a retroactive reinsurance agreement in 2010 or 2009.

**24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION**

The Company has Medicare Part D program business that is subject to a retrospective rating feature related to Part D Premiums. The Company has estimated accrued retrospective premiums related to certain Part D premiums based on guidelines determined by the CMS. The formula is tiered and based on the bid medical loss ratio. The amount of Part D earned premiums subject to retrospective rating was approximately \$36,032,000 and \$43,781,000 representing 1.1% and 1.8% of total net premium income for 2010 and 2009, respectively.

During 2010 and 2009, the Company contracted with the federal government through the Office of Personnel Management to administer the FEHBP. The Company is subject to rate adjustments through audits by the Office of Personnel Management. The amount of earned premiums subject to retrospective rating was approximately \$22,178,000 and \$15,890,000 representing 0.7% and 0.7% of total net premium income as of December 31, 2010 and 2009, respectively.

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

The Company does not have any other retrospectively rated contracts or contracts subject to redetermination as of December 31, 2010 or 2009.

**25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSE**

Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the accompanying statutory basis statements of operations. The following tables disclose paid claims, incurred claims, and the balance in the claims unpaid, accrued medical incentive pool and bonus amounts, aggregate health claim reserves, and health care receivables for 2010 and 2009 (in thousands):

	<b>2010</b>		<b>Total</b>
	<b>Current Year Incurred Claims</b>	<b>Prior Year Incurred Claims</b>	
Beginning of year claim reserve	\$ -	\$ (255,241)	\$ (255,241)
Paid claims	2,139,212	232,055	2,371,267
End of year claim reserve	<u>386,682</u>	<u>6,961</u>	<u>393,643</u>
Incurred claims excluding health care receivables	2,525,894	(16,225)	2,509,669
Beginning of year health care receivables		6,312	6,312
End of year health care receivables	(9,676)	(1,291)	(10,967)
Total incurred claims	<u>\$2,516,218</u>	<u>\$ (11,204)</u>	<u>\$2,505,014</u>

	2009		Total
	Current Year Incurred Claims	Prior Years Incurred Claims	
Beginning of year claim reserve	\$ -	\$ (228,303)	\$ (228,303)
Paid claims	1,739,371	198,786	1,938,157
End of year claim reserve	<u>253,359</u>	<u>1,882</u>	<u>255,241</u>
Total incurred claims	1,992,730	(27,635)	1,965,095

The liability for claims unpaid, accrued medical incentive pool and bonus amounts, aggregate health claim reserves, and health care receivables at December 31, 2009 and 2008, exceeded actual claims incurred in 2010 and 2009, respectively, related to prior years by approximately \$11,204,000 and \$27,635,000. The primary drivers consist of favorable development as a result of ongoing analysis of loss development trends and changes to the provider settlement reserves, and provider withholds.

The Company incurred claims adjustment expenses of approximately \$124,386,000 and \$58,958,000 in 2010 and 2009, respectively. These costs are included in the management service fees paid by the Company to UHS-RV as a part of its management agreement (see Note 10). The following tables disclose paid CAE, incurred CAE, and the balance in the unpaid claim adjustment expenses reserve for 2010 and 2009 (in thousands):

	2010	2009
Total claims adjustment expenses incurred	\$ 124,386	\$ 58,958
Less current year unpaid claims adjustment expenses	(9,688)	(6,175)
Add prior year unpaid claims adjustment expenses	<u>6,175</u>	<u>2,273</u>
Total claims adjustment expenses paid	<u>\$ 120,873</u>	<u>\$ 55,056</u>

## 26. INTERCOMPANY POOLING ARRANGEMENTS

The Company did not have any intercompany pooling arrangements in 2010 or 2009.

## 27. STRUCTURED SETTLEMENTS

The Company did not have any structured settlements in 2010 or 2009.

## 28. HEALTH CARE RECEIVABLES

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

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

Quarter	Estimated Pharmacy Rebates	Pharmacy Billed	Rebates Collected Within 90 Days of Invoicing/ Confirmation	Rebates Received Within 91 to 180 Days of Invoicing/ Confirmation	Rebates Received More than 181 Days of Invoicing/ Confirmation
December 31, 2010	\$ 5,987	\$ -	\$ -	\$ -	\$ -
September 30, 2010	5,603	5,637	3,218	-	-
June 30, 2010	4,993	5,040	3,836	1,152	-
March 31, 2010	4,553	4,715	3,774	796	81
December 31, 2009	4,141	4,405	3,743	519	119
September 30, 2009	3,749	3,973	3,350	461	128
June 30, 2009	3,103	3,382	2,891	396	86
March 31, 2009	2,861	3,040	1,952	999	108
December 31, 2008	3,450	3,848	2,519	895	309
September 30, 2008	3,442	3,595	2,455	512	651
June 30, 2008	2,994	3,381	2,331	594	458
March 31, 2008	2,357	3,067	1,662	1,138	271

Of the amount reported as health care receivables, approximately \$8,051,000 and \$5,364,000 relates to pharmaceutical rebate receivables as of December 31, 2010 and 2009, respectively. Provider capitation receivables of approximately \$542,000 were determined to be admissible at December 31, 2010.

**29. PARTICIPATING POLICIES**

The Company did not have any participating contracts in 2010 or 2009.

**30. PREMIUM DEFICIENCY RESERVES**

The Company had no premium deficiency reserves recorded as of December 31, 2010 and 2009, respectively. The analysis of the premium deficiency reserves was completed as of December 31, 2010 and 2009, respectively. The Company did anticipate investment income when calculating its premium deficiency reserves.

**31. ANTICIPATED SALVAGE AND SUBROGATION**

Due to the type of business being written, the Company has no salvage. As of December 31, 2010 and 2009, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid and aggregate health claim reserves.

\* \* \* \* \*

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? ..... Illinois
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2007
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2007
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 06/22/2009
- 3.4 By what department or departments?  
Illinois Department of Insurance .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [ ] No [ ] N/A [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [ X ] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? ..... Yes [ ] No [ X ]  
4.12 renewals? ..... Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? ..... Yes [ ] No [ X ]  
4.22 renewals? ..... Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
|                     |                        |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [ X ]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [ ] No [ X ]
- 7.2 If yes,  
7.21 State the percentage of foreign control; ..... %  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

## GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ X ] No [ ]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche LLP, Minneapolis, MN
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? ..... Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:  
.....
- 10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation? ..... Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:  
.....
- 10.5 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? ..... Yes [ ] No [ X ]
- 10.6 If the response to 10.5 is yes, provide information related to this exemption:  
.....
- 10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? ..... Yes [ X ] No [ ] N/A [ ]
- 10.8 If the response to 10.7 is no or n/a, please explain  
.....
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Tim Feeser, FSA, MAAA, Eden Prairie, MN, Vice President, Actuarial Consulting, Ingenix Consulting, Affiliate of UnitedHealthcare Services Company of River Valley, Inc. ....
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? ..... Yes [ ] No [ X ]
- 12.11 Name of real estate holding company .....
- 12.12 Number of parcels involved .....
- 12.13 Total book/adjusted carrying value ..... \$ .....
- 12.2 If, yes provide explanation:  
.....
- 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
.....
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws, rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is No, please explain:  
.....
- 14.2 Has the code of ethics for senior managers been amended? ..... Yes [ ] No [ X ]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).  
.....
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes [ ] No [ X ]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).  
.....

**GENERAL INTERROGATORIES**

**BOARD OF DIRECTORS**

- 15. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? ..... Yes [ X ] No [ ]
- 16. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? ..... Yes [ X ] No [ ]
- 17. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? ..... Yes [ X ] No [ ]

**FINANCIAL**

- 18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? ..... Yes [ ] No [ X ]
- 19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
  - 19.11 To directors or other officers.....\$ .....
  - 19.12 To stockholders not officers.....\$ .....
  - 19.13 Trustees, supreme or grand (Fraternal Only).....\$ .....
- 19.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
  - 19.21 To directors or other officers.....\$ .....
  - 19.22 To stockholders not officers.....\$ .....
  - 19.23 Trustees, supreme or grand (Fraternal Only).....\$ .....
- 20.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? ..... Yes [ ] No [ X ]
- 20.2 If yes, state the amount thereof at December 31 of the current year:
  - 20.21 Rented from others.....\$ .....
  - 20.22 Borrowed from others.....\$ .....
  - 20.23 Leased from others.....\$ .....
  - 20.24 Other.....\$ .....
- 21.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? ..... Yes [ X ] No [ ]
- 21.2 If answer is yes:
  - 21.21 Amount paid as losses or risk adjustment \$ .....
  - 21.22 Amount paid as expenses .....\$ ..... 4,202,529
  - 21.23 Other amounts paid .....\$ .....
- 22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [ ] No [ X ]
- 22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....\$ .....

**INVESTMENT**

- 23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3)..... Yes [ X ] No [ ]
- 23.2 If no, give full and complete information relating thereto  
.....
- 23.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)  
N/A .....
- 23.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? ..... Yes [ ] No [ ] N/A [ X ]
- 23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs. ....\$ .....
- 23.6 If answer to 23.4 is no, report amount of collateral for other programs. ....\$ .....
- 23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? ..... Yes [ ] No [ ] N/A [ X ]
- 23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? ..... Yes [ ] No [ ] N/A [ X ]
- 23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? ..... Yes [ ] No [ ] N/A [ X ]

**GENERAL INTERROGATORIES**

24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3) ..... Yes [ X ] No [ ]

24.2 If yes, state the amount thereof at December 31 of the current year:

24.21 Subject to repurchase agreements .....	\$ .....	0
24.22 Subject to reverse repurchase agreements .....	\$ .....	0
24.23 Subject to dollar repurchase agreements .....	\$ .....	0
24.24 Subject to reverse dollar repurchase agreements .....	\$ .....	0
24.25 Pledged as collateral .....	\$ .....	0
24.26 Placed under option agreements .....	\$ .....	0
24.27 Letter stock or other securities restricted as to sale .....	\$ .....	0
24.28 On deposit with state or other regulatory body .....	\$ .....	46,666,237
24.29 Other .....	\$ .....	0

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

25.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]

25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ] N/A [ ]  
If no, attach a description with this statement.

26.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [ ] No [ X ]

26.2 If yes, state the amount thereof at December 31 of the current year. .... \$ .....

27. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [ X ] No [ ]

27.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank .....	801 Pennsylvania, Kansas City, MO 64105 .....
Bank of New York Mellon .....	Global Liquidity Services, 1 Wall St, 14th Floor, New York, NY 10286 .....

27.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year? ..... Yes [ ] No [ X ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

27.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
113972 .....	Standish Mellon Asset Management Company .....	201 Washington Street, Suite 2900, Boston, MA 02108-4408 .....
107038 .....	JPMorgan Investment Management Inc. ....	245 Park Avenue New York, NY 10167 .....
	Internally Managed .....	

## GENERAL INTERROGATORIES

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

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
28.2999 - Total		0

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1 Bonds .....	979,036,357	995,945,011	16,908,654
29.2 Preferred stocks .....	0		0
29.3 Totals	979,036,357	995,945,011	16,908,654

- 29.4 Describe the sources or methods utilized in determining the fair values:

For those securities that had prices in the NAIC SVO ISIS database, those prices were used; for those securities that did not have prices in the NAIC SVO ISIS database, GAAP pricing was used. GAAP pricing was obtained from HUB which is an external data sources vendor. Hub utilizes various pricing sources. ....

- 30.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? ..... Yes [ ] No [ X ]
- 30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? ..... Yes [ ] No [ ]
- 30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
<http://www.hubdata.com/homepage.asp> .....
- 31.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes [ X ] No [ ]
- 31.2 If no, list exceptions:  
 .....

## GENERAL INTERROGATORIES

### OTHER

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

32.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid

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

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

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

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

1 Name	2 Amount Paid

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]  
 1.2 If yes, indicate premium earned on U.S. business only. .... \$ \_\_\_\_\_  
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ \_\_\_\_\_  
 1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above ..... \$ \_\_\_\_\_  
 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. .... \$ \_\_\_\_\_ 0

- 1.6 Individual policies: Most current three years:  
 1.61 Total premium earned ..... \$ \_\_\_\_\_ 0  
 1.62 Total incurred claims ..... \$ \_\_\_\_\_ 0  
 1.63 Number of covered lives ..... 0  
All years prior to most current three years:  
 1.64 Total premium earned ..... \$ \_\_\_\_\_ 0  
 1.65 Total incurred claims ..... \$ \_\_\_\_\_ 0  
 1.66 Number of covered lives ..... 0

- 1.7 Group policies: Most current three years:  
 1.71 Total premium earned ..... \$ \_\_\_\_\_ 0  
 1.72 Total incurred claims ..... \$ \_\_\_\_\_ 0  
 1.73 Number of covered lives ..... 0  
All years prior to most current three years:  
 1.74 Total premium earned ..... \$ \_\_\_\_\_ 0  
 1.75 Total incurred claims ..... \$ \_\_\_\_\_ 0  
 1.76 Number of covered lives ..... 0

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator .....	3,158,019,452	2,376,528,654
2.2 Premium Denominator .....	3,158,019,452	2,376,528,654
2.3 Premium Ratio (2.1/2.2) .....	1.000	1.000
2.4 Reserve Numerator .....	399,638,062	260,417,456
2.5 Reserve Denominator .....	399,638,062	260,417,457
2.6 Reserve Ratio (2.4/2.5) .....	1.000	1.000

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

3.2 If yes, give particulars:

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

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

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

5.2 If no, explain:

- 5.3 Maximum retained risk (see instructions) 5.31 Comprehensive Medical ..... \$ \_\_\_\_\_  
5.32 Medical Only ..... \$ \_\_\_\_\_  
5.33 Medicare Supplement ..... \$ \_\_\_\_\_  
5.34 Dental & Vision ..... \$ \_\_\_\_\_  
5.35 Other Limited Benefit Plan ..... \$ \_\_\_\_\_  
5.36 Other ..... \$ \_\_\_\_\_ 290,000

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

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

7.2 If no, give details

8. Provide the following information regarding participating providers: 8.1 Number of providers at start of reporting year ..... 59,298  
8.2 Number of providers at end of reporting year ..... 62,263

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

- 9.2 If yes, direct premium earned: 9.21 Business with rate guarantees between 15-36 months ..... \$ \_\_\_\_\_  
9.22 Business with rate guarantees over 36 months ..... \$ \_\_\_\_\_

## GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? ..... Yes [  ] No [  ]

10.2 If yes: 10.21 Maximum amount payable bonuses.....\$ .....  
10.22 Amount actually paid for year bonuses.....\$ .....0  
10.23 Maximum amount payable withholds.....\$ .....248,122  
10.24 Amount actually paid for year withholds.....\$ .....4,955,292

11.1 Is the reporting entity organized as: 11.12 A Medical Group/Staff Model, ..... Yes [  ] No [  ]  
11.13 An Individual Practice Association (IPA), or, ..... Yes [  ] No [  ]  
11.14 A Mixed Model (combination of above)? ..... Yes [  ] No [  ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? ..... Yes [  ] No [  ]

11.3 If yes, show the name of the state requiring such net worth. .... Illinois

11.4 If yes, show the amount required. .... \$ 288,353,328

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? ..... Yes [  ] No [  ]

11.6 If the amount is calculated, show the calculation  
 Used 2010 Risk Based Calculation at 300% authorized control level as outlined by the State of Illinois since this is higher than the State of Illinois required minimum surplus and capital.

12. List service areas in which reporting entity is licensed to operate:

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

13.1 Do you act as a custodian for health savings accounts? ..... Yes [  ] No [  ]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. .... \$ .....

13.3 Do you act as an administrator for health savings accounts? ..... Yes [  ] No [  ]

13.4 If yes, please provide the balance of funds administered as of the reporting date. .... \$ .....