UnitedHealthcare®
A UnitedHealth Group Company

April 29, 2013

Deloitte & Touche LLP
50 South Sixth Street, Suite 2800
Minneapolis, MN 55402

We are providing this letter in connection with your audits of the statutory-basis statements of admitted assets, liabilities, and capital and surplus of UnitedHealthcare of Louisiana, Inc. (the "Company") as of December 31, 2012 and 2011 and the related statutory-basis statements of operations, changes in capital and surplus, and cash flows for the years then ended, for the purpose of expressing an opinion as to whether the statutory-basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations, and cash flows of the Company in conformity with the accounting practices prescribed or permitted by the Louisiana Department of Insurance (the "Department").

We confirm that we are responsible for the following:

a. The fair presentation in the statutory-basis financial statements of admitted assets, liabilities, and capital and surplus, statutory-basis statements of operations, and cash flows in conformity with accounting principles prescribed or permitted by the Department

b. The design, implementation, and maintenance of programs and controls to prevent and detect fraud

c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

NON MATERIALITY THRESHOLD REPRESENTATIONS

GENERAL ACCOUNTING & DISCLOSURES

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The statutory-basis financial statements referred to above are fairly presented in conformity with the accounting principles prescribed or permitted by the Department. We are responsible for the fair presentation of the supplemental schedules accompanying the statutory-basis financial statements for the year ended December 31, 2012, that are presented for the purpose of additional analysis of the statutory-basis financial statements. The supplemental schedules accompanying the statutory-basis financial statements are presented for the purpose of complying with the National Association of Insurance Commissioners ("NAIC") instructions to the Annual Audited Financial Reports and have been prepared in accordance with the NAIC instructions to Annual Audited Financial Reports.

2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter, including:

    a. Reports (and draft reports) of examinations completed or in process between regulators (including departments of insurance, Office of Inspector General (OIG), and Centers for Medicare and Medicaid Services ("CMS")) and the Company

    b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

3. The Company has provided to you:

    a. Financial records and related data

    b. Minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared

ADJUSTMENTS

4. We believe the effects of the uncorrected statutory-basis financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate to the statutory-basis financial statements for the year ended December 31, 2011 taken as a whole.

5. In preparing the statutory-basis financial statements in conformity with accounting practices prescribed and permitted by the Department, management uses estimates. Significant assumptions used by us in making accounting estimates are reasonable. All estimates have been disclosed in the statutory-basis financial statements for which known information available prior to the issuance of the statutory-basis financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the statutory-basis financial statements of a condition, situation, or set of circumstances that existed at the date of the statutory-basis financial statements will change in the near term due to one or more future confirming events

    b. The effect of the change would be material to the statutory-basis financial statements.

REGULATIONS

6. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have more than an inconsequential effect on the statutory-basis financial statements.

7. The Company has complied, in all material respects, with all state and federal regulations regarding its operations and, to the best of our knowledge, has complied with the applicable state and/or federal restricted cash and capital requirements. There are no known or expected circumstances, as of this date, that would threaten the solvency of the Company or require significant capital infusions to the Company in order to comply with statutory regulations applicable to its domiciliary state.

8. The Company does not follow any permitted or prescribed statutory accounting practices that have a material effect on statutory surplus, risk-based capital (RBC), or minimum net worth requirements, or that require disclosure in the notes to the statutory-basis financial statements.

9. The Company's RBC, computed in accordance with standards established by the NAIC, exceeds minimum required levels; therefore, no disclosure with respect to RBC is required in the statutory-basis financial statements.

10. There are no differences between the NAIC Accounting Practice and Procedures Manual and the Department prescribed or permitted practices that would need to be disclosed in the footnotes to the statutory-basis financial statements.

LEGAL

11. The Company has made available to you the results of management's risk assessment, including the assessment of the risk that the statutory-basis financial statements may be materially misstated as a result of fraud.

12. We have no knowledge of any fraud or suspected fraud affecting the Company involving:

    a. Management

    b. Employees who have significant roles in the Company's internal control over financial reporting

    c. Others, if the fraud could have a material effect on the statutory-basis financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators, short sellers, or others except as disclosed to you during quarterly updates provided by the Company's Ethics and Compliance department.

14. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Statement of Statutory Accounting Principles (SSAP) No. 5R, *Revised Liabilities, Contingencies, and Impairments of Assets*.

INVESTMENTS

15. All investment balances at December 31, 2012, represent investments owned. All investments are carried at values in accordance with the guidance in the NAIC Purposes and Procedures Manual of the Securities Valuation Office ("SVO"), subject to the investment limitations of the insurance code of the Department.

16. The Company's investments are stated at amortized cost if they meet an NAIC designation of one or two and are stated at the lower of amortized cost or an NAIC determined market value if they meet an NAIC designation of three or higher. Amortization of bond premium or discount is calculated using the constant yield interest method. Fair values of investments are valued and reported using market prices published by the NAIC SVO or quoted market prices by other third party organizations.

17. With regard to the Company's investment in debt or equity securities, no events have occurred and

no facts have been discovered with respect to such investment that would indicate an other-than-temporary impairment of the investment's value as of December 31, 2012, except for those noted in Note 5 of the statutory-basis financial statements. The Company considered all available evidence to evaluate the realizable value of its investments including the following factors listed in SSAP No. 26 *Bonds, Excluding Loan-Backed and Structured Securities,* and SSAP No. 43R, *Revised Loan-Backed and Structured Securities*, SSAP No.30, *Investments in Common Stock (excluding investments in common stock of subsidiary, controlled, or affiliated entities)*,SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities,* and INT 06-7 *Definition of "Other Than Temporary"*:

a. The length of the time and the extent to which the fair value has been less than cost

b. The financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer

c. The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value

d. For loan-backed or structured securities that are impaired for which the Company intends to sell the security, an other-than-temporary impairment has been recorded

e. For loan-backed or structured securities that are impaired for which the Company does not expect to recover the entire amortized cost basis of the security, the Company has recorded an other-than-temporary impairment equal to the present value of cash flows expected to be collected less the amortized cost basis of the security.

18. 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.

19. As the Company is responsible for the determination of fair value, it performs a quarterly analysis of the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. As a result of these reviews, the Company has not historically adjusted the prices obtained from the pricing service.

20. As of December 31, 2012, the Company does not have mortgage-backed securities with declines in value that are considered to be other-than-temporary.

INTERCOMPANY

21. The financial arrangements between the Company and United Healthcare Services, Inc. ("UHS"), or with any affiliate of UHS, are recorded in accordance with the terms and conditions of the management contract. UHS (or any other affiliate) pays, on the Company's behalf, certain expenses not within the scope of the management agreement. UHS is reimbursed for these expenses by the Company and procedures used in determining such costs are reasonable.

22. The Parent (UnitedHealth Group Incorporated) and its affiliates (collectively, the "Group") provide services and pay certain expenses on behalf of the Company, including commissions, salaries, and

employee benefits, and general and administrative expenses. Procedures used in determining such costs are fair and reasonable. Certain other services and administrative costs are provided by the Group at no cost to the Company. These expenses are not allocated to the Company due to insignificance. The Company believes that its transactions with affiliates are reasonable and appropriate; however, the operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company.

23. Tax-exempt bonds issued have retained their tax-exempt status.

MATERIALITY THRESHOLD REPRESENTATIONS

GENERAL ACCOUNTING & DISCLOSURES

Except where otherwise stated below, matters less than $85,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the statutory-basis financial statements.

24. There are no transactions that have not been properly recorded in the accounting recorded underlying the statutory-basis financial statements.

25. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities, and there are no assets that the Company considers to be impaired at December 31, 2012 and 2011.

26. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the statutory-basis financial statements:

    a. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral)

    b. The amounts receivable from or payable to related parties

    c. Guarantees, whether written or oral, under which the Company is contingently liable

    d. Accruals for losses from malpractice, workers compensation, and other types of self-insured risk, including accruals for claims incurred but not reported.

27. Risks associated with concentrations, based on information known to management, that meet all of the following criteria established in SSAP No.1, *Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures*, have been disclosed in the statutory-basis financial statements:

    a. The concentration exists at the date of the statutory-basis financial statements

    b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact

    c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

28. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

29. The Company has complied with all aspects of contractual agreements, that may have an effect on the statutory-basis financial statements in the event of noncompliance.

30. Arrangements with financial institutions or related parties involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the statutory-basis financial statements.

31. The Company's aggregate reserves, account values, and related statutory-basis financial statement items are based on appropriate actuarial assumptions are fairly stated in accordance with sound actuarial principles applied on a consistent basis, and include provision for all actuarial liabilities and related statutory-basis financial statement items that should be established.

32. Amounts receivable or recoverable from reinsurers represent valid reinsurance claims and realization is probable. It is the Company's opinion that no material allowance, in excess of that already recorded, is required based on available facts regarding each reinsurer's solvency and financial standing at this date.

33. We confirm that:

    a. We are not aware of any "side agreements" with any companies that are inconsistent with the applicable executed business agreements that we have entered into. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise, or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of the Company (or any subsidiary, director, employee, or agent of the Company) with a business partner in which revenue or expenses have been recognized that is not contained in the written applicable executed business agreements of the Company delivered to or generated by the Company's Accounting and Finance Department. The definition of a side agreement is not limited by any particular subject matter.

    b. We are not aware of any commitments or concessions to a business partner regarding pricing or payment terms outside of the terms documented in the executed agreements.

34. The Company has not entered into or been involved with any of the following as of December 31, 2012:

    a. Mortgage loans, restructured debt, reverse mortgage or repurchase agreements

    b. Derivative instruments

    c. Retrospectively rated contracts or contracts subject to redetermination, except as noted in Note 24 to the statutory-basis financial statements

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

    e. Policies reinsured with a company chartered in a country other than the United States (excluding US branches of such companies) that are 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

    f. Reinsurance agreements under which the reinsurer may unilaterally cancel for reasons other than nonpayment of premium or similar credit

g. Reinsurance agreements, where 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 insurer, exceed the total direct premium collected under the reinsured policies

h. New agreements or existing agreements amended, since January 1, 2012 which includes policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement

i. Termination of reinsurance agreements as of December 31, 2012

j. Reinsurance recovery receivable balances that are being disputed by any individual reinsurer

k. Provision in their reinsurance contracts to return commission to the reinsurer in the event that the Company cancels their reinsurance policy

l. Uncollectible reinsurance receivables in either 2012 or 2011

m. Retroactive reinsurance agreements in either 2012 or 2011.

35. We have disclosed to you any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

36. We confirm the following representations concerning unpaid broker commissions and broker bonuses made to you during your audits:

   a. Based on our internal review of all relevant information and the application of our judgment and estimates, the Company has calculated, and intends to pay the approximate amount of $2,109 in broker bonuses related to performance for the year ended December 31, 2012, net of payments made prior to year-end, if applicable. This amount has been accrued in the statutory-basis financial statements as of December 31, 2012, and is adequate, but not excessive, given the facts and current circumstances at that date

   b. Based on our internal review of all relevant information available to us, the $3,389 accrued for broker commissions earned but not paid at December 31, 2012, is adequate, but not excessive

   c. There are no non-contractual arrangements or "side agreements" with any brokers. For the purposes of this letter, a non-contractual arrangement or "side arrangement" is any agreement, understanding, promise, or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of the Company (or any subsidiary, director, employee, or agent of the Company) with a broker that is not contained in the official agreement with the broker. The definition of a non-contractual arrangement is not limited by any particular subject matter.

37. These statutory-basis financial statements will have limited distribution and will be used for statutory reporting purposes only.

38. Other than those described in Note 22 to the statutory-basis financial statements, no events have

occurred after December 31, 2012 but before the date the statutory-basis financial statements were issued that require consideration as adjustments to or disclosures in the statutory-basis financial statements.

39. The Company has not requested or been granted any permitted practice approvals from the Department; nor has management recorded any transactions or adjustments that would require approval in the form of a permitted practice.

40. Regarding supplementary information:

    a. We are responsible for the fair presentation of the supplementary information prepared in accordance with NAIC instructions to annual Audited Financial Reports

    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with NAIC instructions to annual Audited Financial Reports

    c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, other than those required by the NAIC

    d. There are no significant assumptions or interpretations underlying the measurement and presentation of supplementary information.

ADJUSTMENTS

41. There are no transactions that have not been properly recorded in the accounting records underlying the statutory-basis financial statements.

LEGAL

42. The Company is involved in various legal actions, which arise in the ordinary course of its business. Although the outcomes of any such legal actions cannot be predicted with certainty, in the opinion of management the resolution of any currently pending or threatened actions will not have a material adverse effect upon the admitted assets, liabilities, and capital and surplus or results of operations of the Company.

INVESTMENTS

43. We have identified the significant assumptions and factors influencing the measurement of fair value as follows: security prices through recently reported trading, observable market information, quoted market prices for comparable instruments or discounted cash flow analyses, nonbinding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. The significant assumptions used in measuring fair value, taken individually and as a whole, provide a reasonable basis for the fair value measurements and disclosures in the financial statements. The assumptions are reflective of management's intent and ability to carry out specific courses of action and the significant assumptions used are consistent with the Company's plans and past experience.

44. With regard to the fair value measurements and disclosures of investments, we believe that:

    a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with statutory accounting principles

b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting practices prescribed or permitted by the Department

c. No events have occurred after December 31, 2012, but before April 29, 2013, the date the financial statements were issued that require adjustment to the fair value measurements and disclosures included in the statutory-basis financial statements.

INTERCOMPANY

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

46. The Company has properly disclosed all affiliate transactions in its statutory-basis financial statements.

47. Management believes the fees and costs of services associated with these cost reimbursement agreements are reasonable and allocation is consistent with membership or other drivers.

TAXES

48. We have only recorded (a) asserted and unsettled income tax contingencies, or (b) unasserted income tax contingencies caused by uncertain tax positions taken in our income tax returns filed with the Internal Revenue Service and state, local, and foreign tax authorities that are probable of assertion by such tax authorities under the provisions of SSAP No. 5R, *Revised Liabilities, Contingencies and Impairments of Assets*. Furthermore, we have not received either written or oral tax opinions that are contrary to our assessment.

49. Admitted and nonadmitted deferred tax assets have been determined pursuant to the provisions of SSAP Statement No. 101, *Income Taxes*, and have been reduced to an amount that is expected to be realized.

50. We have made available to you all communications with tax authorities and/or communications with outside tax advisors.

51. The Company is subject to a written tax-sharing agreement with its ultimate parent, UnitedHealth Group Incorporated, which we believe the major terms of the agreement to be correctly and adequately disclosed in the footnotes to the statutory-basis financial statements. Certain other services and administrative costs are provided by the Group at no cost to the Company. These expenses are not allocated to the Company due to insignificance.

52. The Company does not believe that any adjustments that may result from tax examinations will be material to the Company.

53. The valuation allowance has been determined pursuant to the provisions of SSAP No. 101 *Liabilities, Contingencies and Impairments of Assets*, including the Company's elimination of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized.

RECEIVABLES

54. Receivables recorded in the statutory-basis financial statements represent valid claims against debtors for services or other charges arising on or before the statements of admitted assets, liabilities, and capital and surplus date, and are proper admitted assets.

55. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.

56. The Company believes that amounts reported and disclosed related to pharmacy rebates as of December 31, 2012, meet the admissibility criteria established in SSAP No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans*.

57. Pharmacy rebates receivables recorded in the statutory-basis financial statements represent reasonably estimated amounts and billed amounts probable of collection and are proper admitted assets.

58. The Company is responsible for determining and maintaining the adequacy of the allowance for uncollectible premium installment receivables as well as estimates used to determine such amounts. In making its determination of the necessary allowance, management considered past experience and all information currently available. Management further considered information with respect to receivable aging and credit ratings of debtors, challenges or potential challenges, including litigation and arbitration proceedings, with respect to reinsurance balances and amounts due from other reinsurers as a result of loss commutations, solvency and other actions. Management believes the allowance is adequate to cover uncollectible account balances as of December 31, 2012.

PAYABLES/RESERVES

59. We agree with the findings of specialists in evaluating the medical services payable liabilities and have adequately considered the qualifications of the specialists in determining amounts and disclosures used in the statutory-basis financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have affected the objectivity of the specialists. There were no changes in methodologies, processes, and assumptions used to calculate medical services payable liabilities during 2012 and as of December 31, 2012.

60. We believe the amount of medical cost payable is adequate to cover the Company's liability for unpaid claims and aggregate health reserves as of December 31, 2012. There were no changes in methodologies and processes used to calculate medical services payable liabilities during 2012 and as of December 31, 2012.

61. Accruals have been made for amounts due or payable under multiple-period retrospectively rated contracts based on contract experience through the date of the statutory-basis financial statements.

62. Pursuant to the Health Reform Legislation, the Company is required to maintain specific minimum loss ratios. These minimum loss ratios apply to comprehensive major medical coverage and vary depending on group size. As of December 31, 2012, the Company has established an accrual for anticipated minimum loss ratio rebates, which is included in aggregate health policy reserves in the accompanying statutory-basis statements of admitted assets, liabilities, and capital and surplus. Management believes that this accrual is adequate to cover the Company's liability for minimum

loss ratio rebates as of December 31, 2012, and that actual results will not differ materially from the established estimate.

63. The Company is responsible for determining and maintaining the adequacy of reserve for premium deficiencies as well as estimates used to determine such amounts. Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts and are recorded as aggregate health policy reserves in the statutory-basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, claim adjustment expenses and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected in operating results in the period in which the change in estimate is identified. The Company has appropriately recognized reserves for all premium deficiencies in the statutory-basis financial statements. No premium deficiency reserves have been recorded as of December 31, 2012 and 2011.

64. The Company has reserved for all guaranty fund assessments that meet the provision of SSAP No. 35R, *Revised Guaranty Fund and Other Assessments*. These reserves represent the Company's best estimate of its liability resulting from assessments in which the Company is required to participate.

CLAIMS ADJUSTMENT EXPENSE

65. With respect to the Company's reserves for claims and claims adjustment expenses:
    a. For the year ended December 31, 2012, we have processed claims received by the Company in a manner and timing consistent with prior years.
    b. We have considered all information that, in our judgment, is necessary to adequately estimate the claim and claim adjustment expense reserves at the balance sheet date, including, among other things:
        i. Anticipated and historical claims experience of the Company
        ii. Anticipated and historical claims experience of the health care industry
        iii. Expected impact of inflation and other economic or social factors on future payments of losses incurred at the balance sheet date
        iv. Lines and geographical locations of the business written and assumed by the Company
        v. The Company's underwriting and claims policies and procedures
        vi. The timeliness and reliability of reports from reinsurers
        vii. Estimates of claim recoveries, exclusive of reinsurance recoveries.
    c. The Company has considered and properly disclosed in the statutory-basis financial statements all the information with respect to claim and claims adjustment expense reserves and related claim recoveries, which in our judgment, is necessary to adequately identify and understand the nature of reserving estimates and underlying coverage issues, including the potential volatility,

complexity, and uncertainty of such estimates and the possibility that the ultimate liability may vary significantly from the recorded reserve and related recovery amounts.

d. The reserve for unpaid claims and claims adjustment expenses for the Company at December 31, 2012, is management's best estimate and makes a reasonable provision for all reported and unreported claims incurred as of December 31, 2012, is based upon the consideration of all information available at the date those statutory-basis financial statements were prepared, including actuarial indications and other factors.

66. We have reviewed the NAIC requirements related to the composition of claims adjustment expenses and to the best of our knowledge, have included only those expenses that are directly related to claims processing.

CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS)

67. There are no violations or possible violations of laws or regulations, including but not limited to the Anti-Kickback Act, Limitations on Certain Physicians Referrals (commonly referred to as "Stark Law"), and the False Claims Act, in any jurisdiction whose effects should be considered for disclosure in the statutory-basis financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the statutory-basis financial statements.

RECENT ACCOUNTING PRONOUNCMENTS

68. In November 2011, the NAIC adopted SSAP No. 101, Income Taxes — A Replacement of SSAP No. 10R and SSAP No. 10, effective for 2012 interim and annual financial statements and beyond. The new standard includes revised guidance for tax contingencies, non-elective deferred tax asset admissibility test along with significant modifications to the deferred tax asset admissibility test, and disclosure modifications. A change resulting from the adoption of this revised statement shall be accounted for prospectively. In 2012, the Company implemented SSAP No. 101. As a result of the adoption, the Company recalculated the non-admitted deferred tax asset balance as of December 31, 2011 in accordance with SSAP No. 101. This resulted in an increase to the net deferred tax asset of approximately $30,000 and a corresponding decrease of approximately $30,000 to the non-admitted deferred tax asset balance. There was no impact related to the change in guidance related to tax contingencies. The cumulative effect of this change in accounting principle was recorded by the Company in accordance with SSAP No. 3, Accounting Changes and Corrections of Errors and is reflected as an increase to unassigned deficit in the accompanying statutory basis financial statements as of December 31, 2012.

Glen John Golemi, Chair, President and Chief Executive Officer

Bridget Leigh Galatas, Chief Financial Officer

N. Brent Cottington, Assistant Treasurer

Mika Yamada, Regulatory Reporting Director

Glen John Golemi, Chair, President and Chief Executive Officer

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Mika Yamada

Mika Yamada, Regulatory Reporting Director