United HealthCare of Louisiana, Inc.

Statutory Basis Financial Statements as of
and for the Years Ended December 31, 2009 and
2008, Supplemental Schedules as of
and for the Year Ended December 31, 2009,
Independent Auditors' Report, Qualifications Letter,
and Internal Control Letter

UNITED HEALTHCARE OF LOUISIANA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Healthcare of Louisiana, Inc.
Metairie, LA 70002

We have audited the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus of United Healthcare of Louisiana, Inc. (the "Company") as of December 31, 2009 and 2008, and the related statutory basis statements of operations, changes in capital and surplus, and cash flows for the years then ended. These statutory basis financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory basis financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory basis financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statutory basis financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1 to the statutory basis financial statements, the Company prepared these statutory basis financial statements using accounting practices prescribed or permitted by the Louisiana Department of Insurance, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such statutory basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 1.

Our 2009 audit was conducted for the purpose of forming an opinion on the basic 2009 statutory basis financial statements taken as a whole. The supplemental schedule of investment risk interrogatories and the supplemental summary investment schedule as of and for the year ended December 31, 2009, are presented for purposes of additional analysis and are not a required part of the basic 2009 statutory basis financial statements. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2009 statutory basis financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic 2009 statutory basis financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and the management of the Company and for filing with state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

May 4, 2010

UNITED HEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
CASH AND INVESTED ASSETS:		
Cash $1,004,836 and $981,776, and short-term investments $6,782,515 and $5,315,142, respectively	$ 7,787,351	$ 6,296,918
Subtotal cash and invested assets	7,787,351	6,296,918
OTHER ASSETS:		
Investment income due and accrued	7,356	10,698
Uncollected premiums	590,574	7,980
Current federal income tax recoverable	416,946	-
Net deferred tax asset	451,916	128,134
Receivables from parent, subsidiaries, and affiliates	6,000,000	586,843
Health care and other receivables	1,471	-
Other assets	-	4,173
Subtotal other assets	7,468,263	737,828
TOTAL	$ 15,255,614	$ 7,034,746
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Claims unpaid	$ 3,322,195	$ 762,788
Unpaid claims adjustment expenses	48,850	7,751
Aggregate health policy reserves	3,272,518	283,833
Premiums received in advance	126,114	164,689
General expenses due or accrued	544,939	25,403
Current federal income tax payable	-	286,390
Ceded reinsurance premiums payable	2,406	593
Amounts due to parent, subsidiaries, and affiliates	396,372	-
Other liabilities	3,760	14,477
Total liabilities	7,717,154	1,545,924
CAPITAL AND SURPLUS:		
Common capital stock, $2 par value — 1,000,000 shares authorized; 900,000 shares issued and outstanding	1,800,000	1,800,000
Gross paid-in and contributed surplus	16,138,440	10,138,440
Unassigned deficit	(10,399,980)	(6,449,618)
Total capital and surplus	7,538,460	5,488,822
TOTAL	$ 15,255,614	$ 7,034,746

See notes to statutory basis financial statements.

UNITED HEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
REVENUES:		
Net premium income	$29,156,319	$7,658,136
Change in unearned premium reserves	315	(833)
Total revenues	29,156,634	7,657,303
UNDERWRITING DEDUCTIONS:		
Hospital and medical:		
Hospital/medical benefits	22,647,020	4,016,358
Other professional services	50,048	100,027
Prescription drugs	3,556,528	884,397
Total hospital and medical	26,253,596	5,000,782
Claims adjustment expenses	772,033	162,591
General administrative expenses	4,117,386	1,403,873
Increase in reserves for health contracts	2,989,000	105,350
Total underwriting deductions	34,132,015	6,672,596
NET UNDERWRITING (LOSS) GAIN	(4,975,381)	984,707
NET INVESTMENT INCOME — Net investment income earned	42,655	180,223
OTHER INCOME	-	34
NET (LOSS) INCOME BEFORE FEDERAL INCOME TAXES	(4,932,726)	1,164,964
FEDERAL INCOME TAX (BENEFIT) INCURRED	(665,925)	431,261
NET (LOSS) INCOME	$ (4,266,801)	$ 733,703

See notes to statutory basis financial statements.

UNITED HEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Common Capital Stock		Gross Paid-In and Contributed Surplus	Unassigned Deficit	Total Capital and Surplus
	Shares	Amount			
BALANCE — January 1, 2008	900,000	$ 1,800,000	$ 11,738,440	$ (7,261,696)	$ 6,276,744
Net income				733,703	733,703
Change in net deferred income taxes				22,724	22,724
Change in nonadmitted assets				17,295	17,295
Dividend paid			(1,600,000)		(1,600,000)
Correction of errors (Note 2)				38,356	38,356
BALANCE — December 31, 2008	900,000	1,800,000	10,138,440	(6,449,618)	5,488,822
Net loss				(4,266,801)	(4,266,801)
Change in net deferred income taxes				215,980	215,980
Change in nonadmitted assets				100,459	100,459
Capital infusion from parent			6,000,000		6,000,000
BALANCE — December 31, 2009	900,000	$ 1,800,000	$ 16,138,440	$ (10,399,980)	$ 7,538,460

See notes to statutory basis financial statements.

UNITED HEALTHCARE OF LOUISIANA, INC.

STATUTORY BASIS STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATIONS:		
Premiums collected net of reinsurance fees	$ 28,536,963	$ 7,556,822
Net investment income	45,997	187,752
Benefit and loss related payments	(23,703,001)	(4,967,856)
Operating expenses paid	(4,328,784)	(1,462,336)
Federal income taxes received — net	(37,413)	(180,378)
Net cash provided by operations	513,762	1,134,004
CASH FLOWS FROM FINANCING AND MISCELLANEOUS ACTIVITIES:		
Cash applied through net transfers from affiliates	-	(1,036,658)
Dividend paid (Note 13)	-	(1,600,000)
Capital infusion from parent (Note 21)	6,000,000	-
Corrections of errors (Note 2)	-	38,356
Other cash applied	(5,023,329)	(1,288)
Net cash provided by (used in) financing and miscellaneous activities	976,671	(2,599,590)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS:		
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	1,490,433	(1,465,586)
CASH AND SHORT-TERM INVESTMENTS — Beginning of year	6,296,918	7,762,504
CASH AND SHORT-TERM INVESTMENTS — End of year	$ 7,787,351	$ 6,296,918

See notes to statutory basis financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

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

The Company was incorporated on April 9, 1986, as an HMO, and operations commenced in November 1986. The Company is certified as an HMO by the Louisiana Department of Insurance (LADOI). The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees.

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

The more significant differences are as follows:

- 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;

- the change in nonadmitted assets is reflected in unassigned surplus in the accompanying statutory basis financial statements, whereas these amounts would be included in total assets on the balance sheet under GAAP;

- certain debt investments under GAAP are shown at either fair value or amortized cost based on Company's intent to sell, whereas in the statutory basis financial statements, these investments are presented at either amortized cost or fair value in accordance with National Association of Insurance Commissioners (NAIC) classifications and impairment guidance;

- outstanding checks in excess of cash balances are required to be presented as cash overdrafts in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being reflected as other liabilities under GAAP;

- cash and short-term investments in the statutory basis financial statements represent cash balances and investments with remaining maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash and short-term investments includes cash balances and investments with initial maturities of one year or less;

- comprehensive income and its components are not presented in the statutory basis financial statements;

- the unexpired portion of accident and health insurance premiums is recorded as unearned premium within aggregate health policy reserves; the corresponding change in unearned premium from year to year is reflected as a change in unearned premium reserves in the statutory basis statements of operations. Under GAAP, the changes in unearned premium from year to year on the accident and health insurance premiums are reported through premium income.

The LADOI recognizes only statutory accounting practices prescribed or permitted by the State of Louisiana for determining and reporting the financial condition and results of operations of an HMO and for determining its solvency under Louisiana 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 Louisiana. No significant differences exist between prescribed or permitted practices by the State of Louisiana and NAIC SAP which would materially affect the statutory basis capital and surplus.

Use of Estimates — These statutory basis financial statements 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. The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of net (loss) income in the period in which the estimate is adjusted.

Cash and Invested Assets

Cash represents cash held by the Company in disbursement accounts. Claims and other payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments. Cash equivalents have original maturity dates of three months or less 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 and commercial paper with a maturity of one year or less at the time of purchase.

Short-term investments are stated at amortized cost if they meet NAIC designation of one or two and stated at the lower of amortized cost or fair value if they meet an NAIC designation of three or higher. Short-term investments are valued and reported using market prices published by the Securities Valuation Office of the NAIC (SVO) in accordance with the NAIC Valuations of Securities manual prepared by the SVO or an external pricing service.

The Company continually monitors the difference between the 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 (losses) less capital gains tax (benefit) in the statutory basis statements of operations. The new cost basis is not changed for subsequent recoveries in fair value.

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.

Receivables From Parent, Subsidiaries, and Affiliates and 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 due or owed as receivables from parent, subsidiaries, and affiliates and amounts due to parent, subsidiaries, and affiliates, respectively. 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 Policy 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 2009 and 2008. Management believes the amount of claims unpaid and aggregate health policy reserves is adequate to cover the Company's liability for unpaid claims and aggregate health policy reserves as of December 31, 2009; however, actual 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.

Income Taxes — Statutory accounting requires an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax basis of assets and liabilities, subject to valuation allowance and admissibility limitations on deferred tax assets. The Company's operations are included in the consolidated federal income tax return of UnitedHealth Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis. 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 (see Note 9). UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2007 and prior. UnitedHealth Group's 2008 and 2009 tax returns are under advance review by the IRS under its Compliance Assurance Program (CAP). With the exception of a couple states, UnitedHealth Group is no longer subject to income tax examinations prior to 2003 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.

Claims Adjustment Expenses — Claims adjustment expenses (CAE) are those costs expected to be incurred in connection with the adjustment and recording of health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to UHS in exchange for administrative and management services. A detailed review of UHS's and the Company's administrative expenses is performed to determine the allocation between CAE and general administrative expenses. It is the responsibility of UHS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid CAE associated with incurred but unpaid claims. Management believes the amount of the liability for unpaid CAE as of December 31, 2009 and 2008 is adequate to cover the Company's cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. Adjustments to the estimates for unpaid CAE are reflected in operating results in the period in which the change in estimate is identified.

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

Revenues — Revenues consists 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 period which are not due until future periods are recorded as premiums received in advance in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Unearned premiums are established for the portion of premiums received during the current year that are partially unearned at the end of the period and are included in aggregate health policy reserves in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company reports uncollected premium balances from its insured members as uncollected premiums. Uncollected premiums 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 over 90 days, the Company also reserves for uncollected premium balances less than 90 days for certain groups where collectibility is uncertain or where there are associated amounts due over 90 days that are determined to be uncollectible.

Reinsurance Ceded — The Company has an insolvency-only reinsurance agreement. Reinsurance premiums paid are deducted from net premium income in the accompanying statutory basis financial statements.

Ceded Reinsurance Premiums Payable — The Company also has an insolvency-only agreement whereby 0.1% of net premium income is ceded to United Healthcare Insurance Company (UHIC). The balance represents amounts due to the reinsurer for coverage which will be paid based on the contract terms.

Health Care and Other Receivables — Health care and other 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"). 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 27).

Premium Deficiency Reserves — Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, CAE, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, CAE and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected in increase in reserves for health contracts in the accompanying statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 29).

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

The Company has one customer that accounted for approximately 80% and 0% of net premium income for 2009 and 2008, respectively. The Company has one customer that accounted for approximately 100% and 0% of uncollected premiums for 2009 and 2008, respectively.

Restricted Cash Reserves — The LADOI requires the Company to maintain a minimum regulatory deposit (currently $1,000,000). The Company is in compliance with this requirement as of December 31, 2009. This restricted cash reserve consists principally of certificates of deposit and is stated at amortized cost, which approximates fair value. This reserve is included in cash and short-term investments in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on this reserve accrues to the Company.

Minimum Capital and Surplus — Under the laws of the State of Louisiana, the LADOI requires the Company to maintain a minimum capital and surplus equal to $3,000,000. The Company has approximately $7,538,000 in capital and surplus, which is in compliance with the required amount as of December 31, 2009.

Risk-based capital (RBC) is a regulatory tool for measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The LADOI requires the Company to maintain minimum capital and surplus equal to the greater of the state statute as outlined above or the RBC calculation. The Company is in compliance with the required amount as of December 31, 2009.

Recently Issued Accounting Standards — In December 2009, the NAIC adopted Statement of Statutory Accounting Principles (SSAP) No. 10R, *Income Taxes — Revised*, *A Temporary Replacement of SSAP No. 10* (SSAP No. 10R), effective for 2009 annual financial statements, and 2010 interim and annual financial statements only. The revised standard adds a valuation allowance criterion, an elective expanded admissibility test if the relevant RBC threshold is met, and additional disclosures. A change resulting from the adoption of this revised statement shall be accounted for prospectively. The Company has assessed the impact of adopting SSAP No. 10R, which is outlined in Note 9, the results of which are not material to the overall financial condition, results of operations and cash flows presented in the accompanying statutory basis financial statements.

In September 2009, the NAIC adopted Statement of Statutory Accounting Principles 43R, *Loan-backed and Structured Securities — Revised* (SSAP No. 43R), effective for existing and new investments held by the reporting entity on or after September 30, 2009. The revised standard provides guidance on the accounting and impairment treatment for loan-backed and structured securities. The impairment guidance within SSAP No. 43R allows bifurcation of interest and non-interest components for impairment recognition in situations when the entity does not have an intent to sell and has the intent and ability to hold the investment for a period of time sufficient to recover the amortized cost basis. SSAP No. 43R superseded SSAP No. 43 — *Loan –backed and Structured Securities* (SSAP No. 43), SSAP No. 98 — *Treatment of Cash Flows When Quantifying Changes in Valuations and Impairments, an Amendment of SSAP No. 43* (SSAP No. 98) and paragraph 13 of SSAP No. 99 — *Accounting for Certain Securities Subsequent to an Other-Than Temporary Impairment* (SSAP No. 99). The cumulative effect from the initial adoption of this revised statement shall be accounted for as an adjustment to the opening balance of unassigned surplus. The Company has assessed the adoption of SSAP No. 43R, which is outlined in Note 5, the results of which are not material to the overall financial condition, results of operations and cash flows presented in the accompanying statutory basis financial statements.

In December 2009, the NAIC issued Statement of Statutory Accounting Principles (SSAP) No. 100, *Fair Value Measurements* (SSAP No. 100). SSAP No. 100 establishes a framework for measuring fair value and establishes disclosure requirements about fair value. This statement is effective for December 31, 2010, with interim and annual financial statement reporting thereafter. Early adoption is permitted for December 31, 2009 annual financial statements, with interim and annual reporting thereafter. The Company adopted SSAP No. 100 as of December 31, 2009, and the related disclosure requirements are outlined in Note 5.

2. ACCOUNTING CHANGES AND CORRECTIONS

No changes in accounting principles have been recorded during the years ended December 31, 2009 and 2008.

During 2008, the Company determined that it had overstated hospital and medical expenses by approximately $55,000 and overstated general administrative expenses by approximately $4,000 for the year ended December 31, 2007. As the result of these items, federal income taxes incurred were overstated by approximately $21,000. 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, 2008.

3. BUSINESS COMBINATIONS AND GOODWILL

The Company was not party to a business combination during the years ended December 31, 2009 and 2008, 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 2009 and 2008.

5. INVESTMENTS

The Company has no mortgage loans, real estate loans, restructured debt, reverse mortgages, repurchase agreements, or investments in low-income housing tax credits. For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. There were no gross realized gains or losses on sales of investments for the years ended December 31, 2009 and 2008.

As of December 31, 2009 and 2008, the amortized cost, fair value, and gross unrealized gains and losses of the Company's investments, excluding cash of approximately $1,005,000 and $982,000, respectively, are as follows (in thousands):

	2009				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
Commercial paper and money market funds	$6,783	$ -	$ -	$	$6,783

	2009				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
Less than one year	$6,783	$ -	$ -	$ -	$6,783

	2008				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
Commercial paper and money market funds	$5,315	$ -	$ -	$ -	$5,315

	2008				
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses < 1 Year	Gross Unrealized Holding Losses > 1 Year	Fair Value
Less than one year	$5,315	$ -	$ -	$ -	$5,315

As of December 31, 2009, the Company does not have mortgage-backed securities with declines in value that are considered to be other-than-temporary.

SSAP No. 100 defines fair value, establishes a framework for measuring fair value, and expands disclosure about 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

Fair values of short-term investments are based on quoted market prices, where applicable. The Company obtains one price for each security primarily from the NAIC SVO or an independent pricing service, which generally uses Level 1 or Level 2 inputs for the determination of fair value in accordance with SSAP No. 100. 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, nonbinding 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 analysis on 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.

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 valuation of the assets.

The Company does not have any financial assets that are measured at fair value on a recurring basis or on a nonrecurring basis at December 31, 2009 and 2008.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

The estimated fair values of short-term investments are based on quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of investments that do not trade on a regular basis in active markets are classified as Level 2.

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

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, 2009 and 2008, are as follows (in thousands):

	2009	2008
Cash and short-term investments	$ 47	$ 183
Total investment income	47	183
Expenses — investment management fees	(4)	(3)
Net investment income	$ 43	$ 180

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

9. INCOME TAXES

The federal income taxes incurred for the years ended December 31, 2009 and 2008, are as follows (in thousands):

	2009	2008
Total current federal income tax (benefit) provision	$ (666)	$ 431

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2009 and 2008, are as follows (in thousands):

	2009	2008	Change	Character
Deferred tax assets:				
Claims unpaid	$ 23	$ 5	$ 18	Ordinary
Premiums received in advance	8	8	-	Ordinary
Intangibles	108	123	(15)	Ordinary
Nonadmitted assets	3	-	3	Ordinary
Other insurance reserves	1,144	99	1,045	Ordinary
Bad debt	1	1	-	Ordinary
Total gross deferred tax assets	1,287	236	1,051	
Statutory valuation allowance	(835)	-	(835)	
Adjusted gross deferred tax assets	452	236	216	
Nonadmitted deferred tax assets	-	(108)	108	
Admitted deferred tax assets	452	128	324	
Deferred tax liabilities	-	-	-	
Total deferred tax liabilities	-	-	-	
Net deferred tax asset	$ 452	$ 128	$ 324	

The components of the adjusted gross deferred tax assets admissibility calculation are as follows (in thousands):

	2009				
	Ordinary		Capital		Total
Federal income taxes paid in prior years that can be recovered through loss carrybacks		$452		$ -	$452
The lesser of:					
Adjusted gross deferred tax assets expected to be realized within one year of the balance sheet date not recovered via loss carrybacks	$ -		$ -		
Ten percent adjusted statutory capital and surplus shown on most recently filed financial statement	N/A		N/A		493
Adjusted gross deferred tax assets after application of above items that can be offset against existing gross deferred tax liabilities		-		-	-
Admitted deferred tax asset		$452		$ -	$452

	2008				
	Ordinary		Capital		Total
Federal income taxes paid in prior years that can be recovered through loss carrybacks		$128		$ -	$128
The lesser of:					
Adjusted gross deferred tax assets expected to be realized within one year of the balance sheet date not recovered via loss carrybacks	$ -		$ -		518
Ten percent adjusted statutory capital and surplus shown on most recently filed financial statement	N/A		N/A		
Adjusted gross deferred tax assets after application of above items that can be offset against existing gross deferred tax liabilities		-		-	-
Admitted deferred tax asset		$128		$ -	$128

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

There are no unrecognized deferred tax liabilities.

The change in net deferred income tax for the years ended December 31, 2009 and 2008, is comprised of the following (in thousands):

	2009	2008
Change in deferred tax assets	$ 1,051	$ 23
Change in statutory valuation allowance	(835)	-
Net deferred tax asset	216	23
Change in net deferred income tax	$ 216	$ 23

The Company assessed the potential realization of the gross deferred tax asset and established a valuation allowance of $835,000 to reduce the gross deferred tax asset to $452,000 as of December 31, 2009, which represents the amount of the asset estimated to be recoverable via carryback of losses and reduction of future taxes. The application of the statutory valuation allowance is required under SSAP No. 10R effective for 2009 and 2010. The change in the valuation allowance is caused mainly by the change in timing of deductibility of expenses and/or expectations for future taxable income.

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 gain taxes/less capital gains tax benefit. The significant items causing this difference are as follows (in thousands):

	2009	**2008**
Tax provision at the federal statutory rate	$ (1,726)	$ 408
Prior year true-up	-	(232)
Change in valuation allowance	835	-
Other	12	232
Tax effect of nonadmitted assets	(3)	-
Total	$ (882)	$ 408
Current federal income tax provision	$ (666)	$ 431
Change in net deferred income tax	(216)	(23)
Total statutory income taxes	$ (882)	$ 408

At December 31, 2009, the Company had no net operating loss.

Federal income taxes recoverable of approximately $417,000 and federal income taxes payable of approximately $286,000 as of December 31, 2009 and 2008, respectively are included in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes received, net of refunds was approximately $37,000 and $201,000 in 2009 and 2008, respectively.

Federal income taxes incurred of approximately $0 and $452,000 for 2009 and 2008, respectively, is available for recoupment in the event of future net losses.

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

The Company does not have any tax contingencies recorded as of December 31, 2009 and 2008.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

Pursuant to the terms of a management agreement, UHS 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 $3,511,000 and $920,000 in 2009 and 2008, respectively, and are included in general administrative expenses and CAE in the accompanying statutory basis statements of operations. In addition, UHS pays, on the Company's behalf, certain expenses not covered within the scope of the management agreement. UHS is reimbursed for these expenses by the Company.

The Company believes that its 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.

The Company expensed as hospital/medical benefits $635,000 and $206,000 in capitation fees to related parties during 2009 and 2008, 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 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, and Spectera Inc., provides administrative services related to vision benefit management and claims processing. The capitation is calculated on a per member per month basis.

The capitation expenses, paid to related parties, that are included as hospital and medical expenses in the accompanying statutory basis statements of operations for the years ended December 31, 2009 and 2008, are shown below (in thousands):

	2009	**2008**
United Behavioral Health	$ 491	$ 100
OPTUM	100	17
ACN Group	29	5
Spectera, Inc.	15	84
Total	$ 635	$ 206

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 receivables from parent, subsidiaries, and affiliates, or amounts due to parent, subsidiaries, and affiliates in the accompanying statutory basis statements of admitted assets, liabilities and capital and surplus.

UHS contracts on behalf of the Company to provide administrative services related to pharmacy management and claims processing for its enrollees. Fees related to these agreements, which are calculated on a per-claim basis, of approximately $108,000 in 2009 and $1,000 in 2008 are included in CAE in the accompanying statutory basis statements of operations. Additionally, UHS collects rebates on certain pharmaceutical products and remits the rebates to the Company based on the Company's member utilization. Rebates related to these agreements of approximately $703,000 and $139,000 in 2009 and 2008, respectively, are included as a reduction of prescription drugs 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 $29,000 in 2009 and $8,000 in 2008 are netted against net premium income in the accompanying statutory basis statements of operations.

The Company holds a $9,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of 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, 2009. No amounts were outstanding under the line of credit as of December 31, 2009 and 2008.

At December 31, 2009 and 2008, the Company reported $6,000,000 and $587,000 respectively, as amounts due from parent, subsidiaries, and affiliates and $396,000 and $0 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.

11. DEBT

The Company had no outstanding debt with third parties during 2009 and 2008.

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

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

The Company paid an extraordinary dividend of $1,600,000 on August 31, 2008 to UHC, which was approved by the LADOI and recorded as a reduction to gross paid-in and contributed surplus in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

On January 20, 2010, the Company received a capital infusion from its parent company of $6,000,000. A request was filed with the LADOI to admit the $6,000,000 receivable from parent, subsidiaries and affiliates as of December 31, 2009 pursuant to SSAP No. 72, *Surplus and Quasi-reorganizations.* Approval was received on February 2, 2010.

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 deficit reduced by each item below is as follows (in thousands):

	2009	2008
Nonadmitted asset values	$ 8	$ 108

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 believes there are no assets that it considers to be impaired at December 31, 2009 and 2008.

15. LEASES

According to the management agreement between the Company and UHS (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UHS. Fees associated with the 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 Company did not have any uninsured or partially insured accident and health plans.

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. OTHER ITEMS

The Company's business is regulated at federal, state and local levels, and the Company must obtain and maintain regulatory approvals to market and sell many of its products. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. State legislatures and Congress continue to focus on health care issues as the subject of proposed legislation. During March 2010 the President of the United States signed the "Patient Protection and Affordability Act" and related "Reconciliation Act of 2010" into law. In connection with expected regulations that have not yet been drafted, these acts could change how the Company does business, restrict revenue and enrollment growth in certain products and market segments, increase the Company's medical and administrative costs and/or restrict premium growth rates for certain products and market segments, and increase the Company's liability in federal and state courts for coverage determinations, contract interpretation and other actions.

The Company did not encounter any extraordinary items during 2009.

The Company has no troubled debt restructuring.

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 2009, and does not have any state transferable tax credits or hybrid securities as of December 31, 2009.

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

21. EVENTS SUBSEQUENT

The Company has evaluated subsequent events through May 4, 2010, which is the date these statutory basis financial statements were available for issuance, no events required recording or disclosure except as disclosed below.

On January 20, 2010, the Company received a capital infusion from its parent company of $6,000,000. A request was filed with the LADOI to admit the $6,000,000 receivable from parent, subsidiaries, and affiliates as of December 31, 2009 pursuant to SSAP No. 72, *Surplus and Quasi-reorganizations.* Approval was received on February 2, 2010.

22. REINSURANCE

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) reinsurer.

Ceded Reinsurance Report

Section 1 — General Interrogatories

1. Are any nonaffiliated 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)

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

   Yes ( ) No (X)

Section 2 — Ceded Reinsurance — 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, 2009.

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 recoverable 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 2009 and 2008, there were no uncollectible reinsurance recoverables.

Commutation of Reinsurance — There was no commutation of reinsurance in 2009 or 2008.

Retroactive Reinsurance — The Company did not have a retroactive reinsurance agreement in 2009 or 2008.

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company does not have any retrospectively rated contracts or contracts subject to redetermination as of December 31, 2009 or 2008.

24. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSE

Changes in estimates related to prior year incurred claims are included in total hospital and medical expenses in the current year in the accompanying statutory basis statements of operations. The paid claims, incurred claims, and the balance in the claims unpaid and aggregate health policy reserves for 2009 and 2008, are as follows (in thousands):

	2009		
	Current Year Incurred Claims	Prior Year Incurred Claims	Total
Beginning of year claim reserve	$ -	$ (763)	$ (763)
Paid claims	23,424	279	23,703
End of year claim reserve	3,222	100	3,322
Incurred claims	$ 26,646	$ (384)	$ 26,262

	2008		
	Current Year Incurred Claims	Prior Year Incurred Claims	Total
Beginning of year claim reserve	$ -	$ (732)	$ (732)
Paid claims	4,239	729	4,968
End of year claim reserve	605	158	763
Incurred claims	$ 4,844	$ 155	$ 4,999

The liability for claims unpaid at December 31, 2008 and 2007, exceeded actual claims incurred in 2009 and 2008, respectively, related to prior years by approximately ($384,000) and $155,000, respectively. For 2009, the primary drivers of the favorable development consist of the release and reestablishment of known environment factor reserves of approximately $104,000 and the reduction of Medicare reclamation reserves of approximately $239,000. The primary drivers in 2008 consist of unfavorable retroactivity partially offset by favorable changes in incurred but not reported and unfavorable development as a result of ongoing analysis of general loss trends.

The Company incurred CAE of approximately $772,000 and $163,000 in 2009 and 2008, respectively. These costs are included in the management service fees paid by the Company to UHS as a part of its management agreements (see Note 10). The paid CAE, incurred CAE, and the balance in the unpaid CAE reserve for the years ended 2009 and 2008, are as follows (in thousands):

	2009	2008
Total claims adjustment expenses incurred	$ 772	$ 163
Less current year unpaid claims adjustment expenses	(49)	(8)
Add prior year unpaid claims adjustment expenses	8	8
Total claims adjustment expenses paid	$ 731	$ 163

25. INTERCOMPANY POOLING ARRANGEMENTS

The Company did not have any intercompany pooling arrangements in 2009 or 2008.

26. STRUCTURED SETTLEMENTS

The Company did not have any structured settlements in 2009 or 2008.

27. HEALTH CARE AND OTHER 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:

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, 2009	$ 1,471	$ -	$ -	$ -	$ -
September 30, 2009	$ -	$ 2,197	$ -	$ -	$ -
June 30, 2009	$ -	$ 1,412	$ -	$ 1,298	$ -
March 31, 2009	$ -	$ 796	$ -	$ -	$ 560
December 31, 2008	$ -	$ -	$ -	$ -	$ -

Of the amount reported as health care and other receivables $1,471 and $0 relates to pharmaceutical rebate receivables as of December 31, 2009 and 2008, respectively.

28. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2009 or 2008.

29. PREMIUM DEFICIENCY RESERVES

The Company had a liability of $3,273,000 and $284,000 for premium deficiency reserves, as of December 31, 2009 and 2008, respectively. Premium deficiency reserves are included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company did consider anticipated investment income when calculating its premium deficiency reserve.

30. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2009 and 2008, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid and aggregate health claim reserves.

* * * * * *

SUPPLEMENTAL SCHEDULES

EXHIBIT I: SUPPLEMENTAL SCHEDULE OF INVESTMENT RISKS INTERROGATORIES

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2009
(To Be Filed by April 1)

Of The United HealthCare of Louisiana, Inc.

ADDRESS (City, State and Zip Code) Minnetonka , MN 55373

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

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

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

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 15,255,614

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Northern Inst	Bonds	$ 1,036,669	6.8 %
2.02	JP Morgan	Bonds	$ 930,613	6.1 %
2.03	Fidelity Institutional	Bonds	$ 757,860	5.0 %
2.04	Goldman Sachs Fin Square	Bonds	$ 734,860	4.8 %
2.05	Fifth Third	Bonds	$ 732,165	4.8 %
2.06	Wells Fargo	Bonds	$ 693,772	4.5 %
2.07	Morgan Stanley Institutional	Bonds	$ 658,603	4.3 %
2.08	Dreyfus	Bonds	$ 644,133	4.2 %
2.09	Black Rock	Bonds	$ 314,374	2.1 %
2.10	UBS Global Asset Mgmt	Bonds	$ 201,124	1.3 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 6,782,515	44.5 %	3.07	P/RP-1	$	0.0 %
3.02	NAIC-2	$ 0	0.0 %	3.08	P/RP-2	$	0.0 %
3.03	NAIC-3	$ 0	0.0 %	3.09	P/RP-3	$	0.0 %
3.04	NAIC-4	$ 0	0.0 %	3.10	P/RP-4	$	0.0 %
3.05	NAIC-5	$ 0	0.0 %	3.11	P/RP-5	$	0.0 %
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

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

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

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

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

		1	2
5.01	Countries rated NAIC-1	$	0.0 %
5.02	Countries rated NAIC-2	$	0.0 %
5.03	Countries rated NAIC-3 or below	$	0.0 %

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

		1	2
	Countries rated NAIC - 1:		
6.01	Country 1:	$	0.0 %
6.02	Country 2:	$	0.0 %
	Countries rated NAIC - 2:		
6.03	Country 1:	$	0.0 %
6.04	Country 2:	$	0.0 %
	Countries rated NAIC - 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

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

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

		1	2
8.01	Countries rated NAIC-1	$	0.0 %
8.02	Countries rated NAIC-2	$	0.0 %
8.03	Countries rated NAIC-3 or below	$	0.0 %

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

		1	2
	Countries rated NAIC - 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries rated NAIC - 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries rated NAIC - 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTAL SCHEDULES

EXHIBIT II: SUPPLEMENTAL SUMMARY INVESTMENT SCHEDULE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities		0.000		0.000
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)		0.000		0.000
2.2 Unaffiliated non-U.S. securities (including Canada)		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including $ .... of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including $ .... property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	7,787,351	100.000	7,787,351	100.000
9. Other invested assets		0.000		0.000
10. Total invested assets	7,787,351	100.000	7,787,351	100.000

OTHER ATTACHMENTS

Deloitte.

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May 4, 2010

To the Board of Directors of
United Healthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
Metairie, LA 70002

To the Management of
United Healthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
Metairie, LA 70002

Dear Members of the Board of Directors and Management:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory basis financial statements of United Healthcare of Louisiana, Inc. (the "Company") for the years ended December 31, 2009, and 2008, and have issued our report thereon dated May 4, 2010. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the *Code of Professional Conduct* and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Michigan Board of Public Accountancy.

b. The engagement partner and engagement manager, who are certified public accountants, have 16 years and 10 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 55 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Company intends to file its audited statutory basis financial statements and our report thereon with the Louisiana Department of Insurance (the "Department") and other state insurance departments in states in which the Company is licensed and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory basis financial condition of the Company.

d. While we understand that an objective of issuing a report on the statutory basis financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and insurance commissioners should understand that the objective of an audit of statutory basis financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the statutory basis financial statements present fairly, in all material respects, the statutory basis statements of admitted assets, liabilities, and capital and surplus, results of operations and cash flows in conformity with accounting practices prescribed or permitted by the Department. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the statutory basis financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment and falsified documentation (including forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit mean that matters may exist that would have been assessed differently by insurance commissioners.

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

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

e. We will retain the working papers prepared in the conduct of our audit until the Department has filed a Report of Examination covering 2009, but no longer than seven years. After notification to the Company, we will make the working papers available for review by the Department at the offices of the insurer, at our offices, at the Department, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Department, photocopies of pertinent audit working papers may be made (under the control of Deloitte & Touche LLP) and such copies may be retained by the Department.

f. The engagement partner has served in this capacity with respect to the Company since 2009, is licensed by the Michigan Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

g. To the best of our knowledge and belief, we are in compliance with the requirements of section 7 of the NAIC's Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the Board of Directors and management of the Company and for filing with the Department and other state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte + Touche LLP

Deloitte.

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May 4, 2010

To the Board of Directors of
United Healthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
Metairie, LA 70002

To the Management of
United Healthcare of Louisiana, Inc.
3838 North Causeway Boulevard, Suite 2100
Metairie, LA 70002

Dear Members of the Board of Directors and Management:

In planning and performing our audit of the statutory basis financial statements of United Healthcare of Louisiana, Inc. (the "Company") as of and for the year ended December 31, 2009 (on which we have issued our report dated May 4, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Additionally, this report is being prepared consistent with the guidance in the NAIC/AICPA Working Group letter to regulators on the interpretation of Section 11 of the NAIC Model Audit Rule dated March 9, 2005. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above, as of December 31, 2009.

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

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and state insurance departments to whose jurisdiction the Company is subject and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

Deloitte + Touche LLP

APPENDIX I

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

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

Management's Responsibility

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

Objectives of Internal Control Over Financial Reporting

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

Inherent Limitations of Internal Control Over Financial Reporting

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