Attachment B.31.a

WellCare LA Audited Financial Statements (2009 and 2010)

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."
Statutory-Basis Financial Statements as of
and for the years ended December 31, 2009 and 2008 and
Supplemental Schedules as of December 31, 2009
and Report of Independent Auditors'

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Financial Statements and
Other Financial Information

As of and for the years ended December 31, 2009 and 2008

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
WellCare of Louisiana, Inc.
Tampa, Florida

We have audited the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus of WellCare of Louisiana, Inc. (the "Company"), a wholly-owned subsidiary of The WellCare Management Group, Inc, as of December 31, 2009 and 2008, and the related statutory-basis statements of revenue and expenses, changes in capital and surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, the Company prepared these 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, capital and surplus of WellCare of Louisiana, Inc. 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 2.

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 WellCare of Louisiana, Inc. and for filing with state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 30, 2010

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Statements of Admitted Assets, Liabilities, Capital and Surplus

	As of December 31, 2009	2008
Admitted assets		
Cash, cash equivalents and short-term investments	$ 11,450,960	$ 12,317,245
Uncollected premiums	897,897	1,771,448
Investment income due and accrued	295	2,155
Receivable for uninsured plans	451,041	-
Receivable for retrospective premiums	-	29,862
Federal income tax recoverable	151,973	-
State tax recoverable	2,315	1,175
Net deferred tax asset	-	70,996
Healthcare and other amounts receivable	289,684	344,759
Total admitted assets	$ 13,244,165	$ 14,537,640
Liabilities, capital and surplus		
Liabilities:		
Unpaid claims	$ 7,887,664	$ 8,776,293
Unpaid claims adjustment expenses	198,048	221,992
General expenses due or accrued	240,866	224,045
Federal income tax payable	-	84,710
Remittance and items not allocated	48,852	30,590
Liability for retrospective premiums	97,762	-
Liability for amounts held under uninsured plans	-	229,091
Amounts due to affiliates	372,701	233,106
Total liabilities	8,845,893	9,799,827
Capital and surplus:		
Common stock, $.01 par value, 100 shares authorized, issued and outstanding	1	1
Gross paid-in and contributed surplus	6,550,000	6,550,000
Unassigned funds surplus (deficit)	(2,151,729)	(1,812,188)
Total capital and surplus	4,398,272	4,737,813
Total liabilities, capital and surplus	$ 13,244,165	$ 14,537,640

See Notes to Statutory-Basis Financial Statements.

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Statements of Revenue and Expenses

	Year ended December 31, 2009	2008
Revenue:		
Net premium income	$ 48,955,190	$ 52,082,600
Medical expenses:		
Hospital/medical benefits	36,044,225	38,620,821
Other professional services	944,544	949,652
Emergency room	751,963	786,945
Prescription drugs	3,688,440	3,530,235
Total medical expenses	41,429,172	43,887,653
Claims adjustment expenses	1,633,223	1,769,118
General administrative expenses	6,417,587	7,193,600
Total underwriting deductions	49,479,982	52,850,371
Net underwriting loss	(524,792)	(767,771)
Net investment income earned	32,256	305,492
Loss before federal income taxes	(492,536)	(462,279)
Federal income tax benefit	(85,303)	(157,860)
Net loss	$ (407,233)	$ (304,419)

See Notes to Statutory-Basis Financial Statements.

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Statutory-Basis Statements of Changes in Capital and Surplus

	Year ended December 31, 2009	2008
Capital and surplus, January 1	$ 4,737,813	$ 4,065,126
Prior period adjustments (Note 2)	33,637	(22,110)
Net loss	(407,233)	(304,419)
Change in deferred income tax	104,806	(40,713)
Change in non-admitted assets	(70,751)	(10,071)
Change in paid in surplus	-	1,050,000
Net change in capital and surplus	(339,541)	672,687
Capital and surplus, December 31	$ 4,398,272	$ 4,737,813

See Notes to Statutory-Basis Financial Statements.

WellCare of Louisiana, Inc.
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Statutory-Basis Statements of Cash Flows

	Year Ended December 31,	
	2009	**2008**
Operating activities:		
Premiums collected, net of reinsurance	$ 49,956,363	$ 50,529,333
Net investment income	34,116	308,225
Total revenue received	49,990,479	50,837,558
Benefits and loss related payments	(42,346,704)	(43,464,683)
Commissions, expenses paid and aggregate write-ins	(8,739,203)	(9,011,453)
Federal and foreign income taxes (paid) recovered	(151,380)	359,187
Total benefits and expenses paid	(51,237,287)	(52,116,949)
Net cash used in operating activities	(1,246,808)	(1,279,391)
Financing and miscellaneous activities:		
Capital contributions from parent	-	1,050,000
Other cash provided (applied)	380,524	(605,595)
Net cash provided by financing and miscellaneous activities	380,524	444,405
Reconciliation of cash, cash equivalents and short-term investments:		
Net change in cash, cash equivalents and short-term investments	(866,284)	(834,986)
Cash, cash equivalents and short term investments, beginning of year	12,317,244	13,152,230
Cash, cash equivalents and short term investments, end of year	$ 11,450,960	$ 12,317,244

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Notes to Statutory-Basis Financial Statements
As of and for the years ended December 31, 2009 and 2008

1. Organization and Nature of Operations

WellCare of Louisiana, Inc. ("the Company") is a wholly-owned subsidiary of The WellCare Management Group, Inc. ("WCMG"), which is a wholly-owned subsidiary of WCG Health Management, Inc. ("WCGHM"), which, in turn, is a wholly-owned subsidiary of WellCare Health Plans, Inc. ("WellCare"), a publicly traded health benefits company.

The Company is licensed in the State of Louisiana as a health maintenance organization ("HMO"). An HMO is an organization that accepts contractual responsibility for the delivery of a stated range of healthcare services to its members for a predetermined fee. The Company is a Medicare Advantage Organization offering health insurance coverage to beneficiaries pursuant to a contract with the federal Centers for Medicare and Medicaid Services ("CMS").

As described in Note 9, substantially all of the Company's administrative services are provided by Comprehensive Health Management, Inc. ("CHMI"), an affiliated third-party administrator owned by WCMG. Management believes that the fees charged by CHMI approximate fair value. However, in the event that the Company was required to purchase administrative services from an unrelated party, fees for administrative services could be significantly different.

2. Basis of Presentation and Significant Accounting Policies

The Company's financial statements have been prepared in conformity with statutory accounting principles as prescribed or permitted by the Louisiana Department of Insurance (the "Department"), which are designed primarily to demonstrate the Company's ability to meet the claims of its policyholders. These practices differ from accounting principles generally accepted in the United States of America ("GAAP").

The State of Louisiana has adopted the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* ("NAIC SAP") with certain modifications as the basis of its statutory accounting practices. These modifications had no effect on statutory-basis capital and surplus or net income in the accompanying statutory-basis financial statements.

2. Basis of Presentation and Significant Accounting Policies (Continued)

Amounts contained within the Company's Notes to the Statutory-Basis Financial Statements are presented as approximate amounts representing actual amounts rounded to the nearest thousand.

Government Investigations

As previously disclosed, in May 2009, WellCare entered into the Deferred Prosecution Agreement ("DPA") with the United States Attorney's Office for the Middle District of Florida ("USAO") and the Florida Attorney General's Office, resolving previously disclosed investigations by those offices.

Under the Information filed with the Court by the USAO pursuant to the DPA, WellCare was charged with one count of conspiracy to commit health care fraud against the Florida Medicaid Program in connection with reporting of expenditures under certain community behavioral health contracts, and against the Florida Healthy Kids programs, under certain contracts, in violation of 18 U.S.C. Section 1349. The USAO recommended to the Court that the prosecution of WellCare be deferred for the duration of the DPA. Within five days of the expiration of the DPA the USAO will seek dismissal with prejudice of the Information, provided WellCare has complied with the DPA.

The term of the DPA is thirty-six months, but such term may be reduced by the USAO to twenty-four months upon consideration of certain factors set forth in the DPA, including WellCare's continued remedial actions and compliance with all federal and state health care laws and regulations.

In accordance with the DPA, the USAO has filed, with the Court, a statement of facts relating to this matter. As a part of the DPA, WellCare has retained a Monitor for a period of 18 months from his retention in August 2009. The Monitor was selected by the USAO after consultation with WellCare and is retained at WellCare's expense. In addition, WellCare agreed to continue undertaking remedial measures to ensure full compliance with all federal and state health care laws. Among other things, the Monitor reviews WellCare's compliance with the DPA and all applicable federal and state health care laws, regulations and programs. The Monitor reviews, evaluates and, as necessary, makes written recommendations concerning certain of WellCare's policies and procedures.

2. Basis of Presentation and Significant Accounting Policies (Continued)

The DPA provides that the Monitor will undertake to avoid the disruption of WellCare's ordinary business operations or the imposition of unnecessary costs or expenses.

The DPA does not, nor should it be construed to, operate as a settlement or release of any civil or administrative claims for monetary, injunctive or other relief against WellCare, whether under federal, state or local statutes, regulations or common law. Furthermore, the DPA does not operate, nor should it be construed, as a concession that WellCare is entitled to any limitation of its potential federal, state or local civil or administrative liability. Pursuant to the terms of the DPA, WellCare has paid the USAO a total of $80.0 million.

In May 2009, WellCare resolved the previously disclosed investigation by the Securities and Exchange Commission ("SEC"). Under the terms of the Consent and Final Judgment, without admitting or denying the allegations in the complaint filed by the SEC, WellCare consented to the entry of a permanent injunction against any future violations of certain specified provisions of the federal securities laws. In addition, WellCare agreed to pay a civil penalty in the aggregate amount of $10.0 million and disgorgement in the amount of one dollar plus post-judgment interest.

As previously disclosed, WellCare remains engaged in resolution discussions as to matters under review with the Civil Division of the U.S. Department of Justice (the "Civil Division") and the Office of Inspector General of the U.S. Department of Health and Human Services (the "OIG"). Management currently estimates that the liability associated with these matters is approximately $60.0 million, plus interest. WellCare anticipates these amounts will be payable in installments over a period of four to five years.

In October 2008, the Civil Division informed WellCare that as part of the pending civil inquiry, the Civil Division is investigating a number of *qui tam* complaints filed by relators against WellCare under the whistleblower provisions of the False Claims Act, 31 U.S.C. sections 3729-3733. The seal in those cases has been partially lifted for the purpose of authorizing the Civil Division to disclose to WellCare the existence of the *qui tam* complaints. The complaints otherwise remain under seal as required by 31 U.S.C. section 3730(b)(3).

2. Basis of Presentation and Significant Accounting Policies (Continued)

In connection with the ongoing resolution discussions with the Civil Division, WellCare and its Special Committee are addressing the allegations by the *qui tam* relators.WellCare also learned from a docket search that a former employee filed a *qui tam* action on October 25, 2007 in state court for Leon County, Florida against several defendants, including WellCare and one of its subsidiaries. Because *qui tam* actions brought under federal and state false claims acts are sealed by the court at the time of filing, WellCare is unable to determine the nature of the allegations and, therefore, WellCare does not know at this time whether this action relates to the subject matter of the federal investigations. It is possible that additional *qui tam* actions have been filed against WellCare and are under seal. Thus, it is possible that WellCare is subject to liability exposure under the False Claims Act, or similar state statutes, based on *qui tam* actions other than those discussed herein.

In addition, WellCare is responding to subpoenas issued by the State of Connecticut Attorney General’s Office involving transactions between WellCare and its affiliates and their potential impact on the costs of Connecticut’s Medicaid program. WellCare has communicated with regulators in states in which its health maintenance organization and insurance operating subsidiaries are domiciled regarding the investigations, and WellCare is cooperating with federal and state regulators and enforcement officials in all of these matters. WellCare does not know whether, or the extent to which, any pending investigations might lead to the payment of fines or penalties, the imposition of injunctive relief and/or operating restrictions.

Class Action and Derivative Lawsuits

Two putative class action complaints, styled *Eastwood Enterprises, L.L.C. v. Farha, et al.,* and *Hutton v. WellCare Health Plans, Inc., et al.*, against WellCare, WellCare’s former chairman and chief executive officer Todd Farha, former senior vice president and chief financial officer Paul Behrens, and former senior vice president and general counsel Thaddeus Bereday are pending in the United States District Court for the Middle District of Florida. These actions have been consolidated and a group of five public pension funds have been appointed by the Court as Lead Plaintiffs. The amended consolidated complaint alleges essentially that WellCare and the individual defendants materially misstated WellCare’s financial condition with regard to revenue

2. Basis of Presentation and Significant Accounting Policies (Continued)

and expenses and violations of state and federal laws in violation of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and rules promulgated thereunder. The plaintiffs seek compensatory damages and reasonable costs and expenses, including attorneys' fees and expert fees in unspecified amounts.

In January 2009, WellCare and certain defendants filed a joint motion to dismiss the amended consolidated complaint, which was denied by the Court in September 2009. WellCare and the individual defendants filed an answer to the amended consolidated complaint in November 2009. Discovery is on-going. At this time, neither WellCare nor any of its subsidiaries can predict the probable outcome of these claims. The ultimate outcome of these claims could have a material adverse impact on WellCare's financial position, results of operations and cash flow statements.

Six putative shareholder derivative actions are pending against all or certain of WellCare's directors, Farha, Behrens, and Bereday and WellCare as a nominal defendant. Four of the actions have been consolidated in the United States District Court for the Middle District of Florida. Two of the actions were consolidated in the Circuit Court for Hillsborough County, Florida. All the actions contend, among other things, that the defendants allowed or caused WellCare to misrepresent its reported financial results, in amounts unspecified in the pleadings, and seek damages and equitable relief for, among other things, the defendants' alleged breach of fiduciary duty, waste, and unjust enrichment. In December 2008, WellCare filed motions to dismiss in each of the actions, which motions were denied in March and April 2009 by the federal and state courts, respectively.

In April 2009, WellCare's Board formed a Special Litigation Committee (the "SLC") to investigate the facts and circumstances underlying the claims asserted in these actions and to take such action as the SLC determined to be in the best interest of WellCare. After obtaining a stay in both consolidated actions, the SLC filed a report in November 2009 concluding, among other things, that WellCare should pursue an action against Farha, Behrens and Bereday. In December 2009, the SLC filed a motion to dismiss the claims against the director defendants and to realign WellCare as a plaintiff for purposes of pursuing claims against Farha, Behrens and Bereday.

2. Basis of Presentation and Significant Accounting Policies (Continued)

On March 3, 2010, a Stipulation of Partial Settlement (“Stipulation I”) was filed in the United States District Court for the Middle District of Florida. Under the terms of Stipulation I, the plaintiffs have agreed that the Special Litigation Committee's motions to dismiss the director defendants and to realign WellCare as a plaintiff should be granted. The plaintiffs in the consolidated federal putative shareholder derivative actions also have agreed to dismiss their claims against Farha, Behrens and Bereday. WellCare in turn has agreed to pay or cause to be paid to plaintiffs' counsel in the federal action attorneys' fees in the amount of $1,687,500. On April 28, 2010, the Court entered an Order preliminarily approving Stipulation I and directing WellCare to provide notice to the shareholders. The Court also scheduled a hearing for final approval on July 7, 2010. At such hearing, the Court will hear any objections raised, including objections raised by Farha, Behrens and Bereday.

On April 5, 2010, a second Stipulation of Partial Settlement (“Stipulation II”) was filed in the Circuit Court for Hillsborough County, Florida (the “State Court”). Under the terms of Stipulation II, the plaintiffs in the state action have agreed that the Special Litigation Committee’s motion to dismiss the director defendants and to realign WellCare as a plaintiff should be granted. In turn, WellCare has agreed to pay or cause to be paid to plaintiffs’ counsel in the state action attorneys’ fees in the amount of $562,500. Stipulation II has not yet been approved by the Court.

Other Lawsuits and Claims

Separate and apart from the legal matters described above, WellCare is also involved in other legal actions that are in the normal course of our business, some of which seek monetary damages, including claims for punitive damages, which are not covered by insurance. WellCare currently believe that none of these actions, when finally concluded and determined, will have a material adverse effect on the Company’s financial position, results of operations or cash flows.

Medical Expenses

The cost of medical benefits is recognized in the period in which services are provided and includes an estimate of the cost of medical benefits that have been incurred but not yet reported. The Company contracts with various healthcare providers for the provision

2. Basis of Presentation and Significant Accounting Policies (Continued)

of certain medical care services to its members and generally compensates those providers on a fee-for-service basis or pursuant to certain risk-sharing arrangements.

Medical expenses consist of capitation expenses and health benefit claims paid under contractual fee arrangements. Capitation expense represents fixed payments on a per-member-per-month basis to participating physicians and other medical specialists, as compensation for providing comprehensive health services. Participating physician capitation payments for the years ended December 31, 2009 and 2008 were approximately $4,648,000 and $5,026,000, respectively.

Unpaid claims consists primarily of liabilities established for reported and unreported claims and accrued capitation fees and adjustments, which are unpaid as of the balance sheet date, and contractual liabilities under risk sharing arrangements established through an estimation process utilizing company-specific, industry-wide, and general economic information and data. The liability includes both direct medical expenses and medically-related administrative costs. The estimation process also involves continuous monitoring and evaluation of the submission, adjudication, and payment cycles of claims. The Company's year-end unpaid claims are substantially satisfied through claims payment in the subsequent year. The Company estimates ultimate claims based upon historical experience and other available information as well as assumptions about emerging trends, which vary by business segment. Significant assumptions used in the estimation process include trends in benefit costs, seasonality, changes in member demographics, utilization, provider contract terms and reimbursement strategies, frequency and severity of claims incurred, known and adjudicated claims and changes in the timing of the reporting of claims. The Company includes estimates for provider settlements within its unpaid claims liability. Such settlements are typically due to clarification of contract terms, out-of-network reimbursement and claims payment differences, as well as amounts due to contracted providers under risk-sharing arrangements. Estimates are made by management using historical claims history and such losses are not expected to be significant.

The Company records reserves for estimated referral claims related to healthcare providers under contract with the Company who are financially troubled or insolvent and who may not be able to honor their obligations for the costs of medical services provided by other providers. In these instances, the Company may be required to honor these

2. Basis of Presentation and Significant Accounting Policies (Continued)

obligations for legal or business reasons. Based on the Company's current assessment of providers under contract with the Company, such losses have not been and are not expected to be significant.

Due to the numerous factors influencing this liability, the Company develops a series of estimates based upon generally accepted actuarial projection methodologies using various scenarios with respect to claim submission and payment patterns and cost trends. The Company's policy is to record management's best estimate of medical and other benefits payable that adequately provides for future payments of claims incurred but not paid under moderately adverse conditions. Deviations, whether positive or negative, between actual experience and estimates used to establish the liability are recorded in the period of claim payment on a consistent basis. The Company continually monitors the reasonableness of the assumptions and judgments used in prior estimates by comparison with actual claim patterns and considers this information in future estimates.

Medical and other benefits paid can also be significantly impacted by outcomes from court decisions, interpretations by regulatory authorities, and legislative changes involving healthcare matters. As a result, amounts ultimately paid may differ from initial estimates that did not consider such outcomes, interpretations and changes.

Use of Estimates

The preparation of financial statements in accordance with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The primary use of estimates is related to the Company's reserve for claims unpaid. Actual results could differ significantly from those estimates.

2. Basis of Presentation and Significant Accounting Policies (Continued)

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's Medicare revenue was 100% of Net premium income for the years ended December 31, 2009 and 2008. The Company expects that its Medicare contract, which expires on December 31, 2010, will be renewed. The Company's operating results would be significantly constrained in the event that the compensation provided under its Medicare contract is adjusted or if the contract is not renewed.

Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments represent cash balances and investments with initial maturities of one year or less and are stated at cost or amortized cost, which approximates fair value.

Investments

Investments are carried at values in accordance with the NAIC SAP. Bonds not backed by loans are stated at amortized cost, with amortization calculated on the scientific interest method of amortization. Estimated fair values are principally based upon market prices received from third party sources. Management regularly reviews the value of investments to determine if a decline in value is other than temporary.

Investment income is reported net of expenses and includes appropriate adjustments for amortization of premium and accretion of discount on fixed maturity securities acquired at other than par value.

Reinsurance

The Company had no reinsurance agreements in effect during 2009 or 2008.

2. Basis of Presentation and Significant Accounting Policies (Continued)

Receivable / (Liability) for Retrospective Premiums

Receivable / (Liability) for retrospective premiums at December 31, 2009 and 2008 consists of the estimated amount due to or from CMS under the prescription drug program ("PDP") relating to risk corridors established between the Company and CMS to share the risk associated with financing the ultimate costs of the program and other amounts collected in advance under government programs. Amounts relating to the risk corridors are recorded as an adjustment to premium revenue in the accompanying statutory-basis statements of revenue and expenses in accordance with Statement of Statutory Accounting Principles ("SSAP") No. 66, *Retrospectively Rated Contracts*.

Healthcare and Other Amounts Receivable

Healthcare receivables represent amounts related to pharmacy rebates receivable and other healthcare related receivables other than premiums. Pharmacy rebate receivables are recorded based upon actual rebate receivable and an estimate of receivables based upon historical utilization of specific pharmaceuticals, current utilization and contract terms. Healthcare and other amounts receivable are admitted assets, subject to various limitations based on the nature of the receivable balance and timing of the collections.

Amounts Due To/From Parent and Affiliates

Amounts due to parent and affiliates resulting from intercompany agreements, are non-interest-bearing and are normally settled within 90 days. Amounts due from parent and affiliates are admitted based on the terms of their underlying contracts in accordance with NAIC SAP. Any amounts due from parents and affiliates which are not supported by an underlying contract with specific settlement terms are non-admitted by the Company.

Receivable / (Liability) for Amounts Held Under Uninsured Plans

Receivable / (Liability) for amounts paid for uninsured plans represent government payments to be received to subsidize the member portion of medical payments for certain of the Company's PDP members. Payments to be received from CMS are included in Receivable for amounts paid for uninsured plans at the end of the period. Payments to be made to CMS are included in Liability for amounts held under uninsured plans. As the

2. Basis of Presentation and Significant Accounting Policies (Continued)

Company does not bear underwriting risk, these funds are not included in the Company’s results of operations since such funds represent pass-through payments from the Company’s government partners to fund deductibles, co-payments and other participant benefits. At the end of the contract year, CMS will settle with the Company for the difference in amounts actually used for these enhanced benefits versus amounts received from CMS.

Net Premium Income

Medicare Advantage (“MA”) premiums are billed monthly for coverage in the current month. Premiums are recognized as revenue in the month for which insurance coverage is provided. Premiums paid and received prior to the effective date are recorded in the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus as premiums received in advance and subsequently credited to income as earned during the coverage period. Uncollected premiums under Medicare, and similarly funded government insured plans, are admitted assets, including amounts over 90 days past due.

Under the Medicare Part D program, there is both risk and non-risk insurance coverage. The CMS Premium, Member Premium, and Low-Income Premium Subsidy represent payments for the Company’s insurance risk coverage under the Medicare Part D program and therefore are recorded as Net premium income in the statutory-basis statements of revenue and expenses. These premiums are billed monthly for coverage in the current month and are recognized as revenue in the month for which insurance coverage is provided. Premiums paid and received prior to the effective date are recorded in the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus as premiums received in advance and subsequently credited to income as earned during the coverage period.

If the ultimate monthly benefit costs of any Medicare Part D member plan varies more than a specified percentage above or below the level estimated in the original bid submitted by the Company and approved by CMS, there is a risk-share settlement with CMS that is completed subsequent to the end of the plan year. The risk-share adjustment, if any, is recorded as an adjustment to Net premium income in the statutory-basis statements of revenue and expenses with the corresponding unsettled balance being

2. Basis of Presentation and Significant Accounting Policies (Continued)

recorded as either a receivable or a liability. The projected net-risk share payable, included in Liability for retrospective premiums in the statutory-basis statements of admitted assets, liabilities, capital and surplus to be paid to CMS as of December 31, 2009 and 2008, are $98,000 and $0, respectively. The projected net risk-share receivable included in Receivable for retrospective premiums to be received from CMS as of December 31, 2009 and 2008 were $0 and $30,000, respectively. The Company had gross premiums written of $2,699,000 and $2,972,000 related to these agreements for the years ending December 31, 2009 and 2008, respectively. Such premium income, as a percentage of total premium income was 6% for 2009 and 2008, which reduced Net income within the statutory-basis statements of revenue and expenses.

The Catastrophic Reinsurance Subsidy and the Low-Income Member Cost Sharing Subsidy represent cost reimbursements under the Medicare Part D program. The Company is fully reimbursed by CMS for costs incurred for these contract elements and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are accounted for as deposits, with the related liability/receivable recorded in Liability for amounts held under uninsured plans or Receivable for amounts paid for uninsured plans in the statutory-basis statements of admitted assets, liabilities, capital and surplus. The deposits recorded in Receivable / (Liability) for amounts paid / (held) for uninsured plans were $451,000 at December 31, 2009 and $(229,000) at December 31, 2008.

Under the contract with CMS for certain Medicare products whereby periodic changes in member risk factor adjustment scores, for certain diagnoses codes, result in changes to its Medicare revenue, the Company recognizes such changes when the amounts become determinable and supportable, and collectability is reasonably assured. The estimated risk adjusted receivables due from CMS at December 31, 2009 and 2008 were $896,000 and $977,000, respectively, and are recorded in Uncollected premiums in the statutory-basis statements of admitted assets, liabilities, capital and surplus. The Company recognized income of $1,686,000 and $1,209,000, for changes in Medicare risk factor estimates for years ended December 31, 2009 and 2008, respectively, which are included in Net premium income in the statutory-basis statements of revenue and expenses.

CMS has begun a program to perform audits of selected MA plans to validate the provider coding practices under the risk-adjustment model used to calculate the premium

2. Basis of Presentation and Significant Accounting Policies (Continued)

paid for each MA member. An affiliate of the Company has been selected by CMS for audit for the 2007 contract year and it is anticipated that CMS will conduct additional audits of other contract and contract years on an ongoing basis. The CMS audit of this data involves a review of a sample of provider medical records for the contract under audit. The Company is also unable to determine whether any conclusions that CMS may make, based on the audits, will cause the Company to change its revenue estimation process.

Cost Containment Expenses

SSAP No. 85, *Claim Adjustment Expenses, Amendments to SSAP No. 55-Unpaid Claims, Losses and Loss Adjustment Expenses,* requires that claim adjustment expenses, including legal expenses, be subdivided into cost containment expenses and other claim adjustment expenses. Cost containment expenses are intended to reduce the number of health services provided or the cost of such services. Other claim adjustment expenses are all other costs which do not meet the definition of cost containment expenses. Cost containment expenses, which are included in Claims adjustment expenses on the statutory-basis statements of revenue and expenses were $621,000 and $658,000 respectively, for the years ended December 31, 2009 and 2008, and are part of a management fee paid to a related party.

Membership Acquisition Expenses

Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred. Certain broker commissions paid in advance are recorded as prepaid amounts and amortized over the coverage period. These prepaid commissions are non-admitted in the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus.

Net Investment Income Earned

Investment income included in the accompanying statutory-basis financial statements is comprised of interest and dividends earned on the Company's invested assets, which included cash, cash equivalents, and short-term investments and bonds.

2. Basis of Presentation and Significant Accounting Policies (Continued)

All investment income due and accrued with amounts that are over 90 days past due are considered non-admitted in accordance with NAIC SAP. At December 31, 2009 and 2008, there was no non-admitted accrued interest income due and accrued.

Federal Income Taxes Incurred

The Company is included in the consolidated federal income tax return of WellCare. The method of federal tax allocation between WellCare and its affiliated companies is subject to a written tax sharing allocation agreement. Allocations are based upon separate company tax computations with current year credit given for losses and credits used in consolidated returns.

Prior Period Adjustments

Subsequent to the completion and filing of the Annual Statement and related independent audit of the Company for the year ended December 31, 2008 certain adjustments were identified relating to that year affecting both the carrying value of assets and liabilities, as well as results of operations. Such amounts, totaling approximately $34,000, have been recorded directly to capital and surplus as prior period adjustments for the year ended December 31, 2009. Such treatment has been made in accordance with SSAP No. 3, *Accounting for Changes and Corrections of Errors.* Due to the significant delay in completion of the 2007 statutory-basis financial statements, events occurred subsequent to the filing of the 2007 statutory-basis financial statements were recorded directly to capital and surplus as prior period adjustments for the year ended December 31, 2008. Such amounts, totaling approximately $(22,000), have been recorded directly to capital and surplus as prior period adjustments for the year ended December 31, 2009. These adjustments are individually, and in the aggregate, not material to the financial statements.

2. Basis of Presentation and Significant Accounting Policies (Continued)

Statutory Reconciliation

Statutory accounting principles vary from GAAP. The more significant variances from GAAP, applicable to the Company, are as follows:

Non-admitted Assets: Certain assets, designated as non-admitted, including investments in affiliated companies, unsecured receivables from healthcare providers, deferred taxes in excess of certain statutory limits, premiums and certain receivables greater than 90 days old, prepaid expenses and other assets not specifically identified as an admitted asset within NAIC SAP, as modified by the State of Louisiana, are excluded from the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus and are charged directly to unassigned surplus. Under GAAP, these amounts are carried as an asset, net of a valuation allowance, if necessary.

Deferred Income Taxes: Deferred tax assets are limited to: (1) the amount of federal income taxes that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. Deferred tax assets in excess of these limitations are non-admitted. Deferred taxes do not include amounts for state taxes. Changes in deferred income taxes are recorded as adjustments directly to unassigned surplus. The reporting entity may admit a higher amount of deferred tax assets, up to 15% of statutory surplus, if the reporting entity's risk-based capital levels exceed certain thresholds. For GAAP, the change in deferred income taxes is recorded in the statement of operations. State income taxes are included in the computation of deferred taxes for GAAP. The Company has not elected to admit deferred tax assets pursuant to paragraph 10.e-f. of SSAP No.10R for the year ending December 31, 2009. This election was not available in 2008.

2. Basis of Presentation and Significant Accounting Policies (Continued)

Statements of Cash Flows: Cash, cash equivalents and short-term investments in the statutory-basis statements of cash flows represent cash balances and investments with initial maturities of one year or less. If in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset and is not recorded as a liability. For GAAP, the corresponding captions of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less and negative cash balances are reported separately as liabilities.

Recently Issued Accounting Pronouncements: The NAIC adopted SSAP No. 100, *Fair Value Measurements* with an effective date of December 31, 2010. Early adoption is permitted for December 31, 2009, annual financial statements. SSAP No. 100 provides statutory accounting guidance on defining fair value, establishing a framework for measurement of fair value, and expanding fair value disclosures.

In addition, the NAIC adopted SSAP No. 10R, *Income taxes – Revised, A Temporary Replacement of SSAP No. 10,* with an effective date of December 31, 2009. SSAP No. 10R adopts changes to SSAP No. 10 - Income Taxes, to increase the admitted deferred tax assets for companies with risk-based capital that exceeds a stated threshold. The additional admitted portion is derived from consideration of a three-year reversal provision and an increase to 15% of surplus. Additionally, gross deferred tax assets are to be reduced by a statutory valuation adjustment, if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50 percent) that some portion or all the gross deferred tax assets will not be realized. The Company's management believes that it is more likely than not that the Company will realize all of its future tax benefits, based on the weight of available evidence. As such, no valuation allowance was recorded. These pronouncements had no material impact on the Company's statutory-basis statements of admitted assets, liabilities, capital and surplus, or the related statutory-basis statements of revenue and expenses, changes in capital and surplus, and cash flows when adopted in 2009.

2. Basis of Presentation and Significant Accounting Policies (Continued)

The following schedule sets forth a reconciliation of net income and capital and surplus of the Company as determined in accordance with NAIC SAP to amounts determined in accordance with GAAP:

	Net Income (Loss) for Year ended December 31,		Capital and Surplus as of December 31,	
	2009	2008	2009	2008
Statutory-basis amounts	$ (407,000)	$ (304,000)	$ 4,398,000	$ 4,738,000
Adjustments:				
Nonadmitted assets		-	239,000	168,000
Current & deferred income taxes	102,000	48,000	94,000	47,000
Other adjustments	-	(639,000)	-	-
GAAP-basis amounts	$ (305,000)	$ (895,000)	$ 4,731,000	$ 4,953,000

In 2008, other adjustments primarily represent development of unpaid claims, unpaid claim adjustment expense and other claim-related accruals recorded in 2007 due to the extended subsequent events period after the date the Annual Statement was filed.

3. Investments and Restricted Cash

The carrying amounts of cash, cash equivalents and short-term investments in the accompanying statutory-basis statement of admitted assets, liabilities, capital and surplus are stated at amortized cost, which approximates their fair values based on quoted market prices. Restricted cash consists of cash in banks pledged in accordance with regulatory requirement. The Company obtained a $1,000,000 Letter of Credit ("LOC") as part of the licensing requirements in Louisiana. This LOC is collateralized by cash in the amount of $1,000,000 and the cash collateral is included in Cash, cash equivalents and short-term investments in the accompanying statutory-basis statement of admitted assets, liabilities, capital and surplus.

Restricted cash consists of cash in banks at December 31, 2009 and a certificate of deposit at December 31, 2008 which were pledged in accordance with regulatory requirements and are included in Cash, cash equivalents and short-term investments in the accompanying statutory-basis statements of admitted assets, liabilities, capital and surplus:

	Restricted Cash December 31, 2009	Restricted Cash December 31, 2008
Louisiana Department of Insurance	$ 1,000,000	$ 1,162,000

4. Fair Value Measurements

The Company adopted fair value accounting guidance for its financial assets as of January 1, 2009. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy is as follows:

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

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- Inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

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

The Company has no assets measured at fair value on a recurring basis subject to the disclosure requirements of fair value accounting guidance.

5. Healthcare and Other Amounts Receivable

Healthcare and other amounts receivable consist principally of amounts due to the Company through contracts with pharmaceutical companies. The recorded balance represents estimated amounts related to actual prescriptions filled during the three months preceding December 31, 2009 and billed amounts, which have been invoiced or confirmed within two months following the reporting date of such amounts and less than ninety days outstanding as of December 31, 2009. Pharmacy rebates receivable at December 31, 2009 and 2008 were $270,000 and $257,000, respectively. Of these amounts, $0 and $16,000 were non-admitted as of December 31, 2009 and 2008, respectively. During 2009, the Company had pharmacy rebate collections of approximately $129,000 in Quarter 1, $157,000 in Quarter 2, $131,000 in Quarter 3, and $151,000 in Quarter 4. During 2008, the Company had pharmacy rebate collections of approximately $79,000 in Quarter 1, $69,000 in Quarter 2, $111,000 in Quarter 3, and $112,000 in Quarter 4.

6. Unpaid Claims and Claims Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances of unpaid claims and claims adjustment expense for the years ended December 31:

	Year ended December 31, 2009	2008
Unpaid claims at January 1,	$ 8,998,000	$ 8,466,000
Unpaid claims and claims adjustment expenses incurred related to:		
Current year	44,178,000	46,775,000
Prior years	(1,116,000)	(1,118,000)
	43,062,000	45,657,000
Unpaid claims and claims adjustment expenses paid related to:		
Current year	(35,993,000)	(38,933,000)
Prior years	(7,981,000)	(6,192,000)
	(43,974,000)	(45,125,000)
Unpaid claims and claims adjustment expenses at December 31,	$ 8,086,000	$ 8,998,000

6. Unpaid Claims and Claims Adjustment Expenses (Continued)

The estimated cost of claims and claims adjustment expense attributable to insured events of the prior year decreased by $1,116,000 and $1,118,000 during 2009 and 2008, respectively. These prior period developments were primarily attributable to favorable or unfavorable variances between actual experience and key assumptions relating to trend factors and completion factors for claims incurred in prior years, and the release of the provision for moderately adverse conditions, which is included as part of the assumptions. This release was substantially offset by the provision for moderately adverse conditions established for claims incurred in the current year. Accordingly, the change in the amount of the incurred claims related to prior years in the Unpaid claims liability does not directly correspond to an increase or decrease in net income recognized during the period.

The Company consistently recognizes the actuarial best estimate of the ultimate reserve for unpaid claims within a level of confidence, as required by actuarial standards of practice, which require that the reserve for unpaid claims be adequate under moderately adverse conditions. The Company in establishing the liability for each incurable year ensures that assumptions appropriately consider moderately adverse conditions. When a portion of the development related to the prior year incurred claims is offset by an increase determined appropriate to address moderately adverse conditions for the current year incurred claims, the Company does not consider that offset amount as having any impact on net income during the period.

7. Minimum Surplus Requirements

The Louisiana Department of Insurance Statutes require that the Company maintains a minimum surplus equal to the greater of the Company Action Level Risk Based Capital (“RBC”) Calculation or $3,000,000. At December 31, 2009 and 2008, the Company’s required minimum capital and surplus was $4,051,000 and $4,216,000, respectively, and the total actual capital and surplus was $4,398,000 and $4,738,000, respectively.

The Company did not pay any dividends to WCMG in 2009 or 2008. The Company cannot pay an ordinary dividend in 2010 because it has negative unassigned funds of $2,152,000 at December 31, 2009.

7. Minimum Surplus Requirements (Continued)

The portion of unassigned funds reduced by non-admitted assets was $239,000 and $168,000 as of December 31, 2009 and 2008, respectively. There are no cumulative unrealized gains or losses included in unassigned funds surplus (deficit).

8. Income Taxes

The Company's current federal income tax expense for the years ended December 31, 2009 and 2008 differs from the amount obtained by applying the federal statutory rate of 35% to income before federal income tax expense for the following reasons:

	Year ended December 31, 2009	Year ended December 31, 2008
Expected federal income taxes incurred	$ (172,000)	$ (94,000)
Change in non tax, non-admitted assets	56,000	(3,000)
Nontaxable, nondeductible items	1,000	1,000
Other	(75,000)	(21,000)
Total federal income taxes incurred	$ (190,000)	$ (117,000)

The Company's components of federal income tax expense and the net change in deferred taxes for the years ended December 31, 2009 and 2008 are as follows:

	Year ended December 31, 2009	Year ended December 31, 2008
Current federal income taxes incurred	$ (85,000)	$ (158,000)
Change in deferred income taxes	(105,000)	41,000
Total federal income taxes incurred	$ (190,000)	$ (117,000)

8. Income Taxes (Continued)

The components of the Company's net deferred tax asset at December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Loss reserves and loss adjustment expense	$ 123,000	$ 62,000
Healthcare receivables	-	6,000
Delegated provider accrual	20,000	-
Bad debt allowance	31,000	-
Amounts due from affiliates	1,000	3,000
Other	1,000	-
Gross deferred tax assets	176,000	71,000
Deferred tax assets non-admitted	176,000	-
Net deferred tax asset	$ -	$ 71,000

8. Income Taxes (Continued)

The Company's net deferred tax asset at December 31, 2009 and 2008 is as follows:

	December 31, 2009			December 31, 2008		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Gross deferred tax assets (admitted and nonadmitted)	$ 176,000	$ -	$ 176,000	$ 71,000	$ -	$ 71,000
Statutory valuation allowance	-	-	-	-	-	-
Adjusted deferred tax assets	176,000	-	176,000	71,000	-	71,000
Gross deferred tax liabilities	-	-	-	-	-	-
Net deferred tax asset(liability) before admissibility test	$ 176,000	$ -	$ 176,000	$ 71,000	$ -	$ 71,000
Admitted pursuant to Paragraph 10.a. carryback period	$ -	$ -	$ -	$ -	$ -	$ -
Paragraph 10.b.i. DTA's Realized within one year	-	-	-	71,000	-	71,000
Paragraph 10.b.ii. 10% surplus limitation	437,000		437,000	449,000		449,000
Admitted pursuant to Paragraph 10.b. (lesser of i. ot ii.)	-	-	-	71,000	-	71,000
Admitted pursuant to Paragraph 10.c. offset against DTLs	-	-	-	-	-	-
Paragraph 10.e.i. additional Carryback period	-	-	-	-	-	-
Paragraph 10.e.ii.a. DTA's Realized within three years	-	-	-	-	-	-
Paragraph 10.e.ii.b. 15% Surplus Limitation	-	-	-	-	-	-
Additional admitted pursuant to Paragraph 10.e.ii. (lesser of a. or b.)	-	-	-	-	-	-
Additional admitted pursuant to Paragraph 10.e.iii. Offset against DTL's	-	-	-	-	-	-
			-			-
Admitted deferred tax asset (sum of 10a, b, c, ei, eii and eiii above)	-	-	-	71,000	-	71,000
Deferred tax liabilitty	-	-	-	-	-	-
Net admitted deferred tax asset(liability)	$ -	$ -	$ -	$ 71,000	$ -	$ 71,000
			-			-
Nonadmitted Deferred Tax Asset	$ 176,000	$ -	$ 176,000	$ -	$ -	$ -

At December 31, 2009 and 2008, the Company had no net operating loss carryforwards or tax credit carryforwards.

The Company incurred federal income taxes available for recoupment were $0 in 2009 and 2008.

9. Related Party Transactions

Capital Contributions

The Company received capital contributions totaling $0 and $1,050,000 during the years ended December 31, 2009 and 2008, respectively, from its parent company, WCMG.

Comprehensive Health Management, Inc.

The Company has an affiliated management agreement with CHMI, to provide certain management, administrative services and claims processing services. CHMI is responsible for all of the administrative employees' payroll and business expenses. Additionally, CHMI is responsible for maintaining the claims related data processing equipment and software. Management fees charged for the years ended December 31, 2009 and 2008 was 11% of gross premium revenue earned. Management believes this established range to be an approximation of current market rates. During 2009 and 2008, the Company incurred $5,395,000 and $5,730,000, respectively, for services under the management agreement with CHMI, which are included in Claims adjustment expenses and General administrative expenses in the accompanying statutory-basis statements of revenue and expenses. At December 31, 2009 and 2008 the amount due to CHMI was $32,000 and $99,000, respectively, related to the management fees agreement settlement, and is included in amounts due to affiliates in the statutory-basis statements of admitted assets, liabilities, capital and surplus.

In addition to the management services agreement, CHMI also processes and pays: salary-related expenses related to the Company's sales and marketing personnel, trade payables and other direct expenses incurred by the Company. The Company reimburses CHMI for these expenses processed and paid on the Company's behalf. Amounts due to CHMI were $334,000 and $94,000 as of December 31, 2009 and 2008, respectively, and are combined with the liability due to CHMI related to the management fee agreement. Any balances resulting in a net amount due from CHMI are non-admitted in accordance with statutory accounting principles as the Company does not have a written agreement with CHMI with a specified due date. Amounts due to (from) CHMI are normally settled within 30 days.

9. Related Party Transactions (Continued)

CHMI is responsible for payments to the lessors for office space occupied by the Company. Lease payments made by CHMI to lessors amounted to $157,000 and $161,000 during the years ended December 31, 2009 and 2008, respectively, and are included in General administrative expenses in the statutory-basis statements of revenue and expenses.

Harmony Behavioral Health, Inc.

The Company has an affiliated service agreement, which was approved by the Department, with Harmony Behavioral Health, Inc. ("HBH") to provide certain mental health services to the Company. HBH charges the Company a per-case contractual rate based on the terms of the agreement. The total paid to HBH for their services was $49,000 and $39,000 for the years ended December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008 the amount due to HBH was $6,000 and $8,000, respectively, and is included in amounts due to affiliates in the statutory-basis statements of admitted assets, liabilities, capital and surplus.

10. Commitments and Contingencies

Parent Credit Agreement

As described in Note 1, the Company is an indirect wholly-owned subsidiary of WellCare. WellCare and certain of its subsidiaries, not including the Company, were parties to a credit agreement in the amount of approximately $154,800,000, which was repaid in full, on its due date, in May 2009.

10. Commitments and Contingencies (Continued)

Operating Leases

Pursuant to the management agreement with CHMI, rental expenses are the responsibility of CHMI. At December 31, 2009, the Company is the named lessee on certain noncancelable operating lease obligations which ultimately expire in 2012. Accordingly, future lease payments under such non-cancelable operating leases are as follows:

2010	$	156,000
2011		157,000
2012		98,000
Total	$	411,000

Contingencies

As discussed in Note 2, there are certain contingencies related to the Investigation and Legal Proceedings Related to Investigations of WellCare. The ultimate resolution of these matters could have a material adverse impact on the Company's financial position and results of operations.

11. Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, short-term investments, premiums receivable and healthcare receivables approximate fair value due to their short-term nature.

12. Reconciliation to Statutory Filing

The following is a reconciliation of admitted assets, liabilities, and capital and surplus in the accompanying statutory-basis financial statements to the annual statement filed with the Department resulting from the reclassification of the liability for retrospective premiums from uncollected premium assets to liabilities as of December 31, 2009:

	Admitted Assets	Liabilities	Capital and Surplus
Per Annual Statement	$ 13,146,000	$ 8,748,000	$ 4,398,000
Adjustment to Uncollected premiums	98,000	-	98,000
Adjustment to Liability for retrospective premiums	-	98,000	(98,000)
Per accompanying statutory-basis financial statements	$ 13,244,000	$ 8,846,000	$ 4,398,000

The following is a reconciliation of revenue and expenses in the accompanying statutory-basis financial statements to the annual statement filed with the Department for the year ended December 31, 2009:

	Statement of Revenue and Expenses
Net loss per Annual Statement	$ (407,000)
Adjustments	-
Per accompanying statutory-basis financial statements	$ (407,000)

There were no reconciling items as of and for the year ended December 31, 2008.

13. Subsequent Events

In June 2009, WellCare announced that Heath Schiesser (former President, Chief Executive Officer and Director of the Company) intended to resign from his positions with the Company upon the appointment of a new President and Chief Executive Officer. Mr. Schiesser resigned from his positions with the Company effective December 2009. In January 2010, the Company’s board of directors appointed Alexander Cunningham as the President and Chief Executive Officer and Mr. Cunningham was also elected as a Director by the Company’s sole Shareholder.

The Company evaluated subsequent events through April 30, 2010, which is the date the statutory-basis financial statements were available to be issued.

Note to Supplemental Schedules

Note to Other Financial Information—Basis of Presentation

The accompanying Summary Investment Schedule and Investment Risk Interrogatories present selected statutory-basis financial data as of December 31, 2009, and for the year then ended, for purposes of complying with the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual*.

Only those captions or amounts that are applicable to the Company have been presented in the accompanying Summary Investment Schedule and Investment Risk Interrogatories.

Investment Risk Interrogatories

1. The Company's total admitted assets as reported on the statutory-basis statements of admitted assets, liabilities, capital and surplus as of December 31, 2009, are $13,244,165.

2.3. The Company has no admitted assets held in bonds at December 31, 2009.

4.5.6. The Company has no admitted assets held in foreign investments at December 31, 2009.

7.8.9.10. The Company has no foreign currency exposure or investments at December 31, 2009.

11. The Company has no admitted assets held in Canadian investments or unhedged Canadian currency exposure at December 31, 2009.

12. The Company has no admitted assets held in investments with contractual sales restrictions.

13. The Company has no investments in equity securities at December 31, 2009.

14. The Company has no admitted assets held in nonaffiliated, privately placed equities.

15. The Company has no admitted assets held in general partnership interests.

16. The Company has no mortgage loans reported in Schedule B.

18. The Company has no real estate reported in Schedule A.

19. None of the Company's total admitted assets were subject to securities lending, repurchase or reverse repurchase agreements at December 31, 2009.

20. The Company had no investments in warrants at December 31, 2009.

21. The Company had no investments in collars, swaps or forwards at December 31, 2009.

22. The Company had no investments in futures contracts at December 31, 2009.

23. The Company had no investments in mezzanine real estate loans during 2009.

Summary Investment Schedule

Investment Categories	Gross Investment Holdings*	Percentage of Investment Holdings	Admitted Assets as Reported in the Statement of Admitted Assets, Liabilities, Capital and Surplus	Percentage of Admitted Total Invested Assets
Cash, cash equivalents and short-term investments	$ 11,450,960	100.0%	$ 11,450,960	100.0%
Total invested assets	$ 11,450,960	100.0%	$ 11,450,960	100.0%

*Gross Investment Holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual*.

WellCare of Louisiana, Inc.

(A Wholly-Owned Subsidiary of The WellCare Management Group, Inc.)

Statutory-Basis Financial Statements as of and for the Years Ended December 31, 2010 and 2009, Supplemental Schedules as of December 31, 2010 and Report of Independent Auditors

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Financial Statements
and Supplemental Schedules

As of and for the years ended December 31, 2010 and 2009

Contents

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INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
WellCare of Louisiana, Inc.
Tampa, Florida

We have audited the accompanying statutory-basis statements of admitted assets, liabilities, and capital and surplus of WellCare of Louisiana, Inc. (the “Company”), a wholly owned subsidiary of The WellCare Management Group, Inc, as of December 31, 2010 and 2009, and the related statutory-basis statements of revenue and expenses, changes in capital and surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, the Company prepared these 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 WellCare of Louisiana, Inc. as of December 31, 2010, and 2009, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our 2010 audit was conducted for the purpose of forming an opinion on the basic 2010 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, 2010 are presented for purposes of additional analysis and are not a required part of the basic 2010 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 2010 statutory-basis financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic 2010 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 WellCare of Louisiana, Inc. 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 9, 2011

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus

	As of December 31,	
	2010	**2009**
Admitted assets		
Cash, cash equivalents and short-term investments	$ 11,477,561	$ 11,450,960
Uncollected premiums	671,976	897,897
Investment income due and accrued	435	295
Receivable for amounts held under uninsured plans	168,137	451,041
Federal income tax recoverable	158,505	151,973
State tax recoverable	38,195	2,315
Healthcare and other amounts receivable	277,355	289,684
Total admitted assets	$ 12,792,164	$ 13,244,165
Liabilities, capital and surplus		
Liabilities:		
Unpaid claims	$ 8,113,943	$ 7,887,664
Unpaid claims adjustment expenses	184,857	198,048
Aggregate health policy reserves	261,965	97,762
General expenses due or accrued	99,305	240,866
Remittance and items not allocated	49,752	48,852
Amounts due to affiliates	137,272	372,701
Total liabilities	8,847,094	8,845,893
Capital and surplus:		
Common stock, $0.01 par value, 100 shares authorized, 100 shares issued and outstanding	1	1
Gross paid-in and contributed surplus	7,550,000	6,550,000
Unassigned deficit	(3,604,931)	(2,151,729)
Total capital and surplus	3,945,070	4,398,272
Total liabilities, capital and surplus	$ 12,792,164	$ 13,244,165

See notes to statutory-basis financial statements.

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Statements of Revenue and Expenses

	Year Ended December 31, 2010	2009
Revenue:		
Net premium income	$ 40,130,702	$ 48,955,190
Medical expenses:		
Hospital/medical benefits	30,676,975	36,044,225
Other professional services	800,901	944,544
Emergency room	825,126	751,963
Prescription drugs	3,008,454	3,688,440
Total medical expenses	35,311,456	41,429,172
Claims adjustment expenses	1,399,267	1,633,223
General administrative expenses	5,690,202	6,417,587
Total underwriting deductions	42,400,925	49,479,982
Net underwriting loss	(2,270,223)	(524,792)
Net investment income earned	42,428	32,256
Loss before federal income taxes	(2,227,795)	(492,536)
Federal income tax benefit	(808,218)	(85,303)
Net loss	$ (1,419,577)	$ (407,233)

See notes to statutory-basis financial statements.

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Statements of Changes in Capital and Surplus

	Year Ended December 31, 2010	2009
Capital and surplus, January 1,	$ 4,398,272	$ 4,737,813
Prior period adjustments (Note 2)	-	33,637
Net loss	(1,419,577)	(407,233)
Change in net deferred income tax	(175,802)	104,806
Change in non-admitted assets	142,177	(70,751)
Capital contribution from parent	1,000,000	-
Net change in capital and surplus	(453,202)	(339,541)
Capital and surplus, December 31,	$ 3,945,070	$ 4,398,272

See notes to statutory-basis financial statements

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Statutory-Basis Statements of Cash Flows

	Year Ended December 31, 2010	2009
Operating activities:		
Premiums collected, net of reinsurance	$ 40,520,826	$ 49,956,363
Net investment income	42,289	34,116
Total revenues received	40,563,115	49,990,479
Benefits and loss related payments	(35,079,549)	(42,346,704)
Commissions, expenses paid and aggregate write-ins	(6,997,196)	(8,739,203)
Federal and foreign income taxes paid	801,687	(151,380)
Total benefits and expenses paid	(41,275,058)	(51,237,287)
Net cash used in operating activities	(711,943)	(1,246,808)
Financing and miscellaneous activities:		
Capital contribution from parent	1,000,000	-
Other cash provided	(261,456)	380,524
Net cash provided by financing and miscellaneous activities	738,544	380,524
Reconciliation of cash, cash equivalents and short-term investments:		
Net change in cash, cash equivalents and short-term investments	26,601	(866,284)
Cash, cash equivalents and short term investments, beginning of year	11,450,960	12,317,244
Cash, cash equivalents and short term investments, end of year	$ 11,477,561	$ 11,450,960
Non-cash change in non-admitted assets within Other cash provided in Financing and miscellaneous activities section	$ (14,879)	$ (70,751)

1. ORGANIZATION AND NATURE OF OPERATIONS

WellCare of Louisiana, Inc. (the “Company”) is a wholly-owned subsidiary of The WellCare Management Group, Inc. (“WCMG”), which is a wholly-owned subsidiary of WCG Health Management, Inc., which, in turn, is a wholly-owned subsidiary of WellCare Health Plans, Inc. (“WellCare”), a publicly-traded managed care services company that provides services exclusively to government-sponsored health care programs.

The Company is licensed in the State of Louisiana as a health maintenance organization (“HMO”). An HMO is an organization that accepts contractual responsibility for the delivery of a stated range of healthcare services to its members for a predetermined fee. The Company is a Medicare Advantage (“MA”) Organization offering health insurance and prescription drug coverage to beneficiaries pursuant to a contract with the federal Centers for Medicare and Medicaid Services (“CMS”).

As described in Note 9, substantially all of the Company’s administrative services are provided by Comprehensive Health Management, Inc. (“CHMI”), an affiliated third-party administrator owned by WCMG. Management believes that the fees charged by CHMI approximate fair value. However, in the event that the Company was required to purchase administrative services from an unrelated party, fees for administrative services could be significantly different.

A. 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. For the year ended December 31, 2010 and 2009, the Company’s Net premium income was comprised of 100% of revenues from its Medicare line of business. The Company expects that its Medicare contract, which expires on December 31, 2011, will be renewed. The Company’s operating results could be significantly constrained in the event that the compensation provided under its Medicare contracts is adjusted or if the contracts are not renewed.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Amounts contained within the Company's Notes to the Statutory-Basis Financial Statements are rounded to the nearest thousand.

The Company's financial statements have been prepared in conformity with statutory accounting principles as prescribed or permitted by the State of Louisiana Insurance Department (the "Department"), which are designed primarily to demonstrate the ability of the Company to meet the claims incurred by the policyholders. The Department has adopted the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* with certain modifications as the basis of its statutory accounting practices ("LA SAP"). These modifications had no effect on statutory capital and surplus or net income in the accompanying Statutory-Basis Financial Statements.

These practices differ from accounting principles generally accepted in the United States of America ("GAAP"). The more significant variances from GAAP, applicable to the Company, are as follows:

Non-admitted Assets: Certain assets, designated as non-admitted, including unsecured receivables from healthcare providers, certain deferred tax assets in excess of certain statutory limits, premiums and certain receivables greater than 90 days old, prepaid expenses and other assets not specifically identified as an admitted asset within statutory accounting principles, as modified by the State of Louisiana, are excluded from the accompanying Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus and are charged directly to unassigned surplus. Under GAAP, these amounts are carried as an asset, net of a valuation allowance, if necessary.

Deferred Income Taxes: Deferred tax assets are limited to: (1) the amount of federal income taxes that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, electronic data processing equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. Deferred tax assets in excess of these limitations are non-admitted. Deferred taxes do not include amounts for state taxes. Changes in deferred

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

income taxes are recorded as adjustments directly to unassigned surplus. For GAAP, the change in deferred income taxes are recorded in the statement of operations. State income taxes are included in the computation of deferred taxes for GAAP. The Company has not elected to admit deferred tax assets pursuant to paragraph 10.e-f of Statement of Statutory Accounting Principles ("SSAP") 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP No. 10*, for the years ending December 31, 2010 and 2009.

Statement of Cash Flows: Cash, cash equivalents and short-term investments in the Statutory-Basis Statement of Cash Flows represent cash balances and investments with initial maturities of one year or less. If in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset and is not recorded as a liability. For GAAP, the corresponding captions of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less and negative cash balances are reported separately as liabilities.

The following schedule sets forth a reconciliation of net income and capital and surplus of the Company as determined in accordance with LA SAP to amounts determined in accordance with GAAP:

	Net Loss for the Year Ended December 31,		Capital and Surplus As of December 31,	
	2010	**2009**	**2010**	**2009**
Statutory-basis amounts	$ (1,420,000)	$ (407,000)	$ 3,945,000	$ 4,398,000
Adjustments:				
Current & deferred income taxes	(110,000)	102,000	160,000	94,000
Non-admitted assets	-	-	97,000	239,000
GAAP-basis amounts	$ (1,530,000)	$ (305,000)	$ 4,202,000	$ 4,731,000

For the years ended December 31, 2010 and 2009, there were no differences in Net loss and Capital and Surplus between the NAIC SAP and LA SAP.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Use of Estimates

The preparation of financial statements in accordance with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The primary uses of estimates are related to the Company's reserve for unpaid claims and premium income recognition. Actual results could differ significantly from those estimates.

C. Prior Period Adjustments

The Company did not have any prior period adjustment for the year ended December 31, 2010. For 2009, subsequent to the completion and filings of the Annual Statement and related independent audit of the Company for the year ended December 31, 2008 certain adjustments were identified relating to that year affecting both the carrying value of assets and liabilities, as well as results of operations. Such amounts, totaling approximately $34,000, have been recorded directly to capital and surplus as a prior period adjustment, as management of the Company does not believe the amounts to be material to the financial statements for the year ended December 31, 2009. Such treatment has been made in accordance with SSAP No. 3, *Accounting for Changes and Corrections of Errors*.

D. Cash, Cash Equivalents and Short-Term Investments

Cash represents amounts held by the Company in disbursement accounts at banks. Cash equivalents consist of money market mutual funds with original maturities of three months or less. Short-term investments consist of mutual funds with original maturities greater than three months but less than twelve months. Cash equivalents and short-term investments are stated at cost or amortized cost, which approximates fair value.

E. Reinsurance

The Company enters into reinsurance agreements with non-affiliated companies to limit the loss arising from large risks and to maintain its exposure to loss within its capital resources. Reinsurance premium expense incurred by the Company is accounted for as a reduction of Net premium revenue earned. Reinsurance recoveries are offset against medical expense in the period

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Reinsurance (Continued)

such recoveries are realized. The Company remains liable to its providers to the extent that its reinsurers do not meet their obligations.

F. Healthcare and Other Amounts Receivable

Healthcare receivables represent amounts related to pharmacy rebates receivable and other healthcare related receivables other than premiums. Pharmaceutical rebate receivables are recorded based upon actual rebate receivables and an estimate of receivables based upon historical utilization of specific pharmaceuticals, current utilization and contract terms. Healthcare and other amounts receivable are admitted assets, subject to various limitations based on the nature of the receivable balance and timing of the collections.

G. Amounts Due To/From Parent, Subsidiaries and Affiliates

Amounts due to parent and affiliates resulting from intercompany agreements, are non-interest-bearing and are normally settled within 30 days. Amounts due from parent and affiliates are admitted based on the terms of their underlying contracts in accordance with LA SAP. Any amounts due from parents and affiliates which are not supported by an underlying contract with specific settlement terms are non-admitted by the Company.

H. Receivable for Amounts Held Under Uninsured Plans

Receivable for amounts held under uninsured plans represent the cost reimbursement under the Medicare Part D program for the catastrophic reinsurance subsidy and the low-income member cost-sharing subsidy. The Company is fully reimbursed by the CMS for costs incurred for these contract elements and, accordingly, there is no risk to the Company. Amounts received for these subsidies are not reflected as premiums and are accounted for as deposits, with the related receivable recorded in Amounts receivable relating to uninsured plans in the Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus. At the end of the contract year CMS will settle with the Company for the difference in amounts actually used for these enhanced benefits versus amounts received from CMS for these contract elements. The estimated amount due from CMS was $168,000 and $451,000 at December 31, 2010 and 2009, respectively.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Premium Income

The Company receives premiums from CMS for the members that are assigned to, or have selected, the Company to provide health care services under Medicare. The premiums received are determined at the beginning of the contract period. These premiums are subject to adjustment throughout the term of the contract, although such adjustments are typically made at the commencement of each new contract period.

The Company recognizes premium revenues in the period in which it is obligated to provide services to its members. The Company is generally paid in the month in which it provides services. Premiums paid or received prior to their effective date are recorded in the accompanying Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus as Premiums received in advance and are subsequently credited to income as earned during the coverage period. Premiums are billed monthly for coverage in the following month and are recognized as premiums in the month for which insurance coverage is provided. Amounts that have been earned and have not been received from the state agencies by the end of the period are recorded on our Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus as Uncollected premium. The Company estimates, on an ongoing basis, the amount of member billings that may not be fully collectible or that will be returned based on historical collection experience, retroactive membership adjustments, anticipated or actual, compliance with requirements for certain contracts to expend a minimum percentage of premiums on eligible medical expense, and other factors. Because of the complexities associated with the revenue estimation process, any adjustments are treated as changes in estimates and recorded as an adjustment to premium revenue. The Company routinely monitors the collectibility of receivables, the aging of receivables, historical retroactivity trends, as well as prevailing and anticipated economic conditions, and reflects any required adjustments in current operations.

Premium payments that the Company receives are based upon eligibility lists produced by the government. The Company verifies these lists to determine whether it has been paid for the correct premium category and program. From time to time, CMS requires the Company to reimburse them for premiums that were received based on an eligibility list that CMS or the Company later discovers contains individuals who were not eligible for any government-sponsored program or belong to a different plan other than ours.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Premium Income (Continued)

Medicare

The amount of premiums the Company receives for each MA member is established by contract, although the rates vary according to a combination of factors, including upper payment limits established by CMS, the member’s geographic location, age, gender, medical history or condition, or the services rendered to the member. Our MA contract with CMS generally has a term of one year.

CMS employs a risk-adjustment model to determine the premium amount it pays for each member, which apportions premiums paid to all MA plans according to the health status of each beneficiary enrolled. As a result, our CMS monthly premium payments per member may change materially, either favorably or unfavorably. The CMS risk-adjustment model pays more for Medicare members with predictably higher costs. After reviewing submissions of actual claims and encounter data, CMS establishes the premium payments to MA plans generally at the beginning of the calendar year, and then adjusts premium levels on two separate occasions on a retroactive basis. This initial settlement (the “Initial CMS Settlement”) represents the updating of risk scores for the current year based on the severity of claims incurred in the prior fiscal year. CMS then issues a final retroactive risk-adjusted premium settlement for that fiscal year in the following year (the “Final CMS Settlement”). We reassess the estimates of the Initial CMS Settlement and the Final CMS Settlement, at minimum, each reporting period, and any resulting adjustments are made to MA premium revenue.

Estimates for risk-adjusted premiums are developed utilizing historical experience and predictive models as sufficient member risk score data becomes available over the course of each CMS plan year. Risk premium adjustments are based on member risk score data from the previous year. Risk score data for members who entered our plans during the current plan year, however, is not available for use in our models; therefore, we make assumptions regarding the risk scores of this subset of our member population. All such estimated amounts are periodically updated as additional diagnosis code information is reported to CMS and adjusted to actual amounts when the ultimate adjustment settlements are either received from CMS or we receive notification from CMS of such settlement amounts. Historically, we have not experienced significant differences between the amounts that we have recorded and the revenues that we ultimately receive. The data provided to CMS to determine the risk score is subject to audit by CMS even after the annual

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Premium Income (Continued)

settlements occur. These audits may result in the refund of premiums to CMS previously received by us.

The adjustment to our premium, if any, is recorded as an adjustment to Net premium income in the Statutory-Basis Statements of Revenue and Expenses with the corresponding unsettled balance being recorded as either Uncollectable premiums or Aggregate health policy reserves on the accompanying Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus. The estimated risk-adjusted premiums due to the Company from CMS at December 31, 2010 and 2009 were $636,000 and $896,000, respectively. The Company recognized income of $790,000 and $1,686,000 for changes in Medicare risk factor estimates for the years ended December 31, 2010 and 2009, respectively, which are included in Net premium income in the Statutory-Basis Statements of Revenues and Expenses.

J. Medical Expenses and Unpaid Claims

The unpaid claims liability estimate has been and continues to be the most significant estimate included in our financial statements. The Company has historically used, and continue to use, a consistent methodology for estimating its unpaid claim liability. The Company's policy is to record management's best estimate of unpaid claims based on the experience and information available to it at the time. The cost of unpaid claims is recognized in the period in which services are provided and includes an estimate of the cost of unpaid claims that have been incurred, but not yet reported ("IBNR"). The Company contracts with various health care providers for the provision of certain medical care services to its members and generally compensates those providers on a fee-for-service or capitated basis or pursuant to certain risk-sharing arrangements.

Capitation represents fixed payments generally on a per-member per-month ("PMPM") basis to participating physicians and other medical specialists as compensation for providing comprehensive health care services. By the terms of the Company's capitation agreements, capitation payments made to capitated providers alleviate any further obligation the Company has to pay the capitated provider for the actual medical expenses of the member. Participating physician capitation payments for the years ended December 31, 2010 and 2009, were $4,750,000 and $4,648,000, respectively.

Medical expenses have two main components: direct medical expenses and medically-related

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Medical Expenses and Unpaid Claims (Continued)

administrative costs. Direct medical expenses include amounts paid to hospitals, physicians and providers of ancillary services, such as laboratory and pharmacy. Medically-related administrative costs include items such as case and disease management, utilization review services, quality assurance and on-call nurses. Unpaid claims on our Statutory-Basis Statements of Assets, Liabilities and Capital and Surplus, represents amounts for claims fully adjudicated awaiting payment disbursement and estimates for IBNR. Changes in unpaid claim estimates are primarily the result of obtaining more complete claims information and medical expense trend data over time. Volatility in members’ needs for medical services, provider claims submissions and our payment processes result in identifiable patterns emerging over several months after the causes of deviations from assumed trends occur. Since our estimates are based upon PMPM claims experience, changes cannot typically be explained by any single factor, but are the result of a number of interrelated variables, all influencing the resulting experienced medical cost trend. Differences in our financial statements between actual experience and estimates used to establish the liability, which we refer to as prior period developments, are recorded in the period when such differences become known, and have the effect of increasing or decreasing the reported medical benefits expense in such periods.

In establishing the Company’s estimate of reserves for IBNR at each reporting period, the Company uses standard actuarial methodologies based upon historical experience and key assumptions consisting of trend factors and completion factors, which vary by business segment, to determine an estimate of the base reserve. These standard actuarial methodologies include using, among other factors, contractual requirements, historic utilization trends, the interval between the date services are rendered and the date claims are paid, denied claims activity, disputed claims activity, benefits changes, expected health care cost inflation, seasonality patterns, maturity of lines of business and changes in membership. Actuarial standards of practice require that a margin for uncertainty be considered in determining the estimate for unpaid claim liabilities. If a margin is included, the claim liabilities should be adequate under moderately adverse conditions. Therefore, the Company makes an additional estimate in the process of establishing the IBNR, which also uses standard actuarial techniques, to account for adverse conditions that may cause actual claims to be higher than estimated compared to the base reserve, for which the model is not intended to account. The Company refers to this additional liability as the provision for moderately adverse conditions. The provision for moderately adverse conditions is a component of our overall determination of the adequacy of our IBNR reserve. The provision for moderately adverse conditions is intended to capture the potential

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Medical Expenses and Unpaid Claims (Continued)

adverse development from factors such as our entry into new geographical markets, our provision of services to new populations such as the aged, blind and disabled, the variations in utilization of benefits and increasing medical cost, changes in provider reimbursement arrangements, variations in claims processing speed and patterns, claims payment, the severity of claims, and outbreaks of disease such as the flu. As additional information becomes known, the Company adjusts its assumptions accordingly to change its estimate of IBNR. Therefore, if moderately adverse conditions do not occur, evidenced by more complete claims information in the following period, then the prior period estimates will be revised downward, resulting in favorable development. However, any favorable prior period reserve development would affect (increase) current period net income only to the extent that the current period provision for moderately adverse conditions is less than the benefit recognized from the prior period favorable development. If moderately adverse conditions occur and are more than estimated, then the prior period estimates will be revised upward, resulting in unfavorable development, which would decrease current period net income.

K. Aggregate Health Policy Reserves

The Company's contract with CMS includes a risk-sharing provision under the Medicare Part D program. The risk-sharing provision takes effect if actual pharmacy costs are above or below a certain percentage of expected cost levels as submitted by the Company in its contract application. The amount of risk-sharing payments due to or from CMS is estimated each period based on pharmacy claims experience. The Company had gross premiums written at risk of $2,313,000 and $2,699,000 related to this portion of these agreements for the years ending December 31, 2010 and 2009, respectively. Such risk premium income, as a percentage of our total premium income, was 6% for 2010 and 2009. The Company recognized Part D risk-share estimates of $235,000 and $92,000 for years ended December 31, 2010 and 2009, respectively, both of which resulted in the return of premium. The final risk-share amounts due to or from CMS, if any, will be determined based on reconciliation approximately nine months after the end of the contract year-end. The balance due to CMS was approximately $262,000 and $98,000 at December 31, 2010 and 2009, respectively, is reflected as Aggregate health policy reserves on our Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Cost Containment Expenses

SSAP No. 85 requires that claim adjustment expenses, including legal expenses, be subdivided into cost containment expenses and other claim adjustment expenses. Cost containment expenses, which include case and disease management, utilization review services, quality assurance and on-call nurses, are intended to reduce the number of health services provided or the cost of such services. Other claim adjustment expenses are all other costs which do not meet the definition of cost containment expenses. Cost containment expenses, which are included in Claims adjustment expenses on the Statutory-Basis Statements of Revenue and Expenses, were $530,000 and $621,000 for the years ended December 31, 2010 and 2009, respectively, and are part of a management fee paid to a related party.

M. Membership Acquisition Expenses

Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred in accordance with LA SAP.

N. Net Investment Income Earned

Investment income included in the accompanying Statutory-Basis Financial Statements is comprised of interest and dividends earned on the Company's invested assets, which included cash, cash equivalents, and short-term investments. All investment income due and accrued with amounts that are over 90 days past due are considered non-admitted in accordance with LA SAP. At December 31, 2010 and 2009, there was no non-admitted accrued interest income due and accrued.

O. Federal Income Taxes Incurred

The Company is included in the consolidated federal income tax return of WellCare. The method of federal tax allocation between WellCare and its affiliated companies is subject to a written tax sharing allocation agreement. Allocations are based upon separate company tax computations with current year credit given for losses and credits used in consolidated returns.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Recently Issued and Adopted Accounting Standards

In October 2010, the NAIC adopted SSAP No. 16R - *Electronic Data Processing Equipment and Accounting for Software,* with an effective date of December 31, 2010 ("SSAP 16R"). SSAP 16R incorporates all guidance that was previously included within other SSAPs relative to software. The guidance supersedes SSAP Nos. 79, 81 and 82, supersedes paragraphs 7 and 8 of SSAP No. 87, and amends paragraph 6 of SSAP No. 17.

In October 2010, the NAIC extended SSAP No. 10R*, Income taxes – Revised, A Temporary Replacement of SSAP No. 10,* through December 31, 2011. SSAP No. 10R adopted changes to SSAP No. 10, *Income Taxes*, to increase the admitted deferred tax assets for companies with risk-based capital that exceeds a stated threshold. The additional admitted portion is derived from consideration of a three-year reversal provision and an increase to 15% of surplus. Additionally, gross deferred tax assets are to be reduced by a statutory valuation adjustment, if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50 percent) that some portion or all the gross deferred tax assets will not be realized. The Company's management concluded that it is not more likely than not that the Company will realize all of its future tax benefits, based on the weight of available evidence. As such, a valuation allowance of $157,000 was recorded at December 31, 2010.

In December 2009, the NAIC issued SSAP No. 100 – *Fair Value Measurements,* with an effective date of December 31, 2010, with early adoption permitted for December 31, 2009 ("SSAP 100"). SSAP 100 establishes a framework for measuring fair value and establishes disclosure requirements about fair value. SSAP 100 adopts with modifications the new and revised disclosures from FASB's Accounting Standards Update 2010-06, improving disclosures about Fair Value Measurements (ASU 2010-06) into SSAP 100. Various SSAPs were modified to include the guidance on impairments and accounting subsequent to impairment. The guidance modified SSAP Nos. 26, 32, 34, and supersedes No. 99.

These pronouncements had no material impact on the Company's Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus, or the related Statutory-Basis Statements of Revenue and Expenses, Changes in Capital and Surplus, and Cash Flows when adopted in 2010.

3. INVESTMENTS AND RESTRICTED CASH

The carrying amounts of Cash, cash equivalents and short-term investments in the accompanying Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus are stated at amortized cost, which approximates their fair values based on quoted market prices. Restricted cash consists of cash in banks pledged in accordance with regulatory requirements. The Company obtained a $1,000,000 Letter of Credit (“LOC”) as part of the licensing requirements in Louisiana. This LOC is collateralized by cash in the amount of $1,000,000 and the cash collateral is included in Cash, cash equivalents and short-term investments in the accompanying Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus.

Restricted cash of $1,002,000 consists of cash in banks at December 31, 2010, which was pledged in accordance with regulatory requirements and is included in Cash, cash equivalents and short-term investments in the accompanying Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus.

4. FAIR VALUE MEASUREMENTS

Our Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus includes certain financial instruments carried at fair value, such as, cash, cash equivalents, and short-term investments. The carrying amount approximates fair value because of the short-term maturity of these items.

The fair value of our financial assets is determined using a three-tier hierarchy, which prioritizes the inputs in measuring fair value. The fair value hierarchy is as follows:

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

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time);
- Inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

4. FAIR VALUE MEASUREMENTS (Continued)

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

The Company has no assets measured and reported at fair value as of December 31, 2010 and 2009.

Valuation techniques or pricing sources for each instrument type are as follows:

Cash, Cash Equivalents and Short-Term Investments: The carrying values were considered reasonable estimates of fair value due to their short-term nature.

5. HEALTHCARE AND OTHER AMOUNTS RECEIVABLE

Healthcare and other amounts receivable consist principally of amounts due to the Company through contracts with pharmaceutical companies. The recorded balance represents estimated amounts related to actual prescriptions filled during the three months preceding December 31, 2010 and billed amounts, which have been invoiced or confirmed within two months following the reporting date of such amounts and less than ninety days outstanding as of December 31, 2010. Balances outstanding more than 90 days are considered non-admitted pursuant to LA SAP, and are adjusted directly to unassigned deficit. Pharmacy rebates receivable at December 31, 2010 and 2009 total $289,000 and $270,000, respectively. Of these amounts, $24,000 were non-admitted as of December 31, 2010. There were no non-admitted amounts as of December 31, 2009. Such amounts are recorded based on estimated amounts. During 2010, the Company had pharmacy rebate collections of approximately $134,000 in Quarter 1, $146,000 in Quarter 2, $106,000 in Quarter 3, and $116,000 in Quarter 4. During 2009, the Company had pharmacy rebate collections of approximately $129,000 in Quarter 1, $157,000 in Quarter 2, $131,000 in Quarter 3, and $151,000 in Quarter 4.

6. UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

Unpaid claims and claims adjustment expenses includes reserves for claims adjudicated, but not yet paid, an estimate of claims incurred but not reported, reserves for medically-related administrative costs and other liabilities, including estiamtes for provider settlements due to clarification of contract terms, out-of-network reimbrusement, claim payment differences and amounts due to contracted providers under risk-sharing arrangements.

6. UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES (Continued)

The following table provides a reconciliation of the beginning and ending balance of unpaid claims and claims adjustment expenses for the following periods:

	Year Ended December 31, 2010	2009
Unpaid claims and claims adjustment expenses at January 1,	$ 8,086,000	$ 8,998,000
Claims and claims adjustment expenses incurred related to:		
Current year	38,431,000	44,178,000
Prior years	(1,720,000)	(1,116,000)
	36,711,000	43,062,000
Claims and claims adjustment expenses paid related to:		
Current year	(30,814,000)	(35,993,000)
Prior years	(5,684,000)	(7,981,000)
	(36,498,000)	(43,974,000)
Unpaid claims and claims adjustment expenses at December 31,	$ 8,299,000	$ 8,086,000

The estimated cost of claims and claims adjustment expense attributable to insured events of the prior year decreased by $1,720,000 and $1,116,000 during 2010 and 2009, respectively. These prior period developments were primarily attributable to favorable variances between actual experience and key assumptions relating to trend factors and completion factors for claims incurred in prior years. The Company consistently recognizes the actuarial best estimate of the ultimate reserve for unpaid claims within a level of confidence, as required by actuarial standards of practice, which require that the reserve for unpaid claims be adequate under moderately adverse conditions.

WellCare of Louisiana, Inc.
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Notes to Statutory-Basis Financial Statements
As of and for the years ended December 31, 2010 and 2009

7. INCOME TAXES

Deferred Tax Assets

The components of the net deferred tax assets (liabilities) at December 31, which are all ordinary in character, are as follows:

	2010			2009		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Gross deferred tax assets	$ 157,000	$ -	$ 157,000	$ 176,000	$ -	$ 176,000
Statutory valuation allowance	(157,000)	-	(157,000)	-	-	-
Adjusted deferred tax assets	-	-	-	176,000	-	176,000
Gross deferred tax liabilities	-	-	-	-	-	-
Net deferred tax asset(liability) before admissibility test	$ -	$ -	$ -	$ 176,000	$ -	$ 176,000
Admitted pursuant to Paragraph 10.a. carryback period	$ -	$ -	$ -	$ -	$ -	$ -
Paragraph 10.b.i. DTA's Realized within one year	-	-	-	-	-	-
Paragraph 10.b.ii. 10% surplus limitation	-	-	-	437,000		437,000
Admitted pursuant to Paragraph 10.b. (lesser of i. ot ii.)	-	-	-	-	-	-
Admitted pursuant to Paragraph 10.c. offset against DTLs	-	-	-	-	-	-
Paragraph 10.e.i. additional Carryback period	-	-	-	-	-	-
Paragraph 10.e.ii.a. DTA's Realized within three years	-	-	-	-	-	-
Paragraph 10.e.ii.b. 15% Surplus Limitation	-	-	-	-	-	-
Additional admitted pursuant to Paragraph 10.e.ii. (lesser of a. or b.)	-	-	-	-	-	-
Additional admitted pursuant to Paragraph 10.e.iii. Offset against DTL's	-	-	-	-	-	-
Admitted deferred tax asset (sum of 10a, b, c, ei, eii and eiii above)	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Net admitted deferred tax asset(liability)	$ -	$ -	$ -	$ -	$ -	$ -
Non-admitted deferred tax asset	$ -	$ -	$ -	$ 176,000	$ -	$ 176,000

7. INCOME TAXES (Continued)

Deferred Tax Assets (Continued)

	Change		
	Ordinary	Capital	Total
Gross deferred tax assets	$ (19,000)	$ -	$ (19,000)
Statutory valuation allowance	(157,000)	-	(157,000)
Adjusted deferred tax assets	(176,000)	-	(176,000)
Gross deferred tax liabilities	-	-	-
Net deferred tax asset(liability) before admissibility test	$ (176,000)	$ -	$ (176,000)
Admitted pursuant to Paragraph 10.a. carryback period	$ -	$ -	$ -
Paragraph 10.b.i. DTA's Realized within one year	-	-	-
Paragraph 10.b.ii. 10% surplus limitation	(437,000)	-	(437,000)
Admitted pursuant to Paragraph 10.b. (lesser of i. to ii.)	-	-	-
Admitted pursuant to Paragraph 10.c. offset against DTLs	-	-	-
Paragraph 10.e.i. additional Carryback period	-	-	-
Paragraph 10.e.ii.a. DTA's Realized within three years	-	-	-
Paragraph 10.e.ii.b. 15% Surplus Limitation	-	-	-
Additional admitted pursuant to Paragraph 10.e.ii.(lesser of a. or b.)	-	-	-
Additional admitted pursuant to Paragraph 10.e.iii. offset against DTL's	-	-	-
Admitted deferred tax asset (sum of 10a, b, c, ei, eii and eiii above)	-	-	-
Deferred tax liability	-	-	-
Net admitted deferred tax asset (liability)	$ -	$ -	$ -
Non-admitted deferred tax asset	$ (176,000)	$ -	$ (176,000)

The Company has not elected to admit deferred tax assets pursuant to paragraph 10.e. of SSAP No. 10R for the years ended December 31, 2010 and 2009.

7. INCOME TAXES (Continued)

The Company is not utilizing any tax planning strategies in its determination of its adjusted Ordinary and Capital Gross Deferred Tax Assets or net admitted Deferred Tax Assets.

There are no Unrecognized Deferred Tax Liabilities as of December 31, 2010.

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

	2010	2009	Change
Federal income tax benefit	$ (808,000)	$ (85,000)	$ (723,000)

7. INCOME TAXES (Continued)

The following are the ordinary items included in deferred tax assets at December 31, 2010 and 2009 and the related change between periods.

Deferred Tax Assets:

	December 31, 2010	December 31, 2009	Change
Ordinary:			
Loss reserves and LAE	$ 114,000	$ 123,000	$ (9,000)
Delegated provider accrual	25,000	20,000	5,000
Bad debt allowance	3,000	31,000	(28,000)
Accrued vacation	6,000	1,000	5,000
Other	9,000	1,000	8,000
Subtotal	157,000	176,000	(19,000)
Statutory valuation allowance adjustment	(157,000)	-	(157,000)
Non-admitted deferred tax assets	-	(176,000)	176,000
Admitted ordinary deferred tax assets	$ -	$ -	$ -

The Company had no deferred tax liabilities and no related tax components related to unrealized gains or losses as of December 31, 2010 and 2009.

The following are the ordinary items included in deferred tax assets at December 31, 2009 and 2008 and the realted change between periods.

	December 31, 2009	December 31, 2008	Change
Ordinary:			
Healthcare receivables	$ -	$ 6,000	$ (6,000)
Loss reserves and LAE	123,000	62,000	61,000
Delegated provider accrual	20,000	-	20,000
Due to affiliates	-	3,000	(3,000)
Bad debt allowance	31,000	-	31,000
Accrued vacation	1,000	-	1,000
Other	1,000	-	1,000
Subtotal	176,000	71,000	105,000
Statutory valuation allowance adjustment	-	-	-
Non-admitted deferred tax assets	(176,000)	-	(176,000)
Admitted ordinary deferred tax assets	$ -	$ 71,000	$ (71,000)

The Company had no deferred tax liabilities and no related tax components relating to unrealized gains or losses as of December 31, 2009 and 2008.

7. INCOME TAXES (Continued)

Reconciliation of Federal Income Tax Rate to Actual Effective Rate:

The Company’s provision for federal income taxes incurred for the year ended December 31, 2010 differs from the amount obtained by applying the federal statutory rate of 35% to net loss before federal income taxes. The significant items causing this difference are as follows:

	2010	2009
Provision computed at statutory rate	$ (780,000)	$ (172,000)
Change in non-tax, non-admitted assets	(11,000)	56,000
Non-deductible expenses	2,000	1,000
Valuation allowance	157,000	-
Other	-	(75,000)
Total statutory income tax	$ (632,000)	$ (190,000)
Federal income taxes incurred	$ (808,000)	$ (85,000)
Change in net deferred income taxes	176,000	(105,000)
Total statutory income tax	$ (632,000)	$ (190,000)

At December 31, 2010, the Company had no federal operating loss carryforwards and no income taxes have been incurred in the current or prior years that will be available for recoupment in the event of future net losses:

There were no aggregate amounts of deposits reported as admitted assets under Section 6603 of the Internal Revenue Services Code as of December 31, 2010.

Consolidated Federal Income Tax Return:

The Company is included in the consolidated federal income tax return of WellCare and its includable subsidiaries. Estimated tax payment are made quarterly, at which time intercompany tax settlements are made. In the subsequent year, additional settlements are made on the unextended due date of the return and at the time that the return is filed. The method of allocation among affiliates of the Company is subject to a written agreement approved by the Board of Directors and based upon separate tax return calculation with current credit for net losses to the extent the losses provide a benefit in the consolidated tax return.

8. MINIMUM SURPLUS REQUIREMENTS

The Department's Statutes requires that the Company maintains a minimum surplus equal to the greater of 200% of the Authorized Control Level Risk-Based Capital Calculation, or $3,000,000. At December 31, 2010 and 2009, the Company's required minimum capital and surplus was $3,597,000 and $4,051,000, respectively, compared to the total recorded capital and surplus of $3,945,000 and $4,398,000, respectively.

No dividends were paid by the Company to its shareholder in 2010 or 2009. The Company's ability to pay dividends is subject to restrictions contained in the insurance laws and related regulations of Louisiana. In addition, the Department must approve any dividend declared or paid by the Company that, together with all dividends declared or distributed by the Company during the preceding twelve months, exceeds the greater of (1) 10% of capital and surplus as shown as on the latest statutory financial statement filed with the Department or (2) Net income earned in the previous year. The Company can not pay an ordinary dividend in 2011 due to having an Unassigned deficit of $3,605,000 at December 31, 2010.

The portion of unassigned funds reduced by non-admitted asset values was $97,000 and $239,000 as of December 31, 2010 and 2009, respectively. There are no cumulative unrealized gains or losses included in unassigned funds.

9. RELATED PARTY TRANSACTIONS

Capital Contributions

The Company received a capital contribution of $1,000,000 during the year ended December 31, 2010, from its parent company, WCMG. No contributions were received in 2009.

Comprehensive Health Management, Inc.

The Company has an affiliated management agreement with CHMI, to provide certain management, administrative services and claims processing services, utilization review, payroll services and the majority of the administrative functions of the Company, excluding certain sale and marketing functions and other professional consulting expenses. CHMI is responsible for all of the administrative employees' payroll and business expenses. Additionally, CHMI is responsible for maintaining the claims related data processing equipment and software. The management agreement provides for charges of 11% of gross premium income for the years ended December 31, 2010 and 2009. Management believes this established percentage to be an approximation of current market rates.

9. RELATED PARTY TRANSACTIONS (Continued)

During 2010 and 2009, the Company incurred $4,440,000 and $5,395,000, respectively, for services under the management agreement with CHMI, which are included in Claims adjustment expenses and General administrative expenses in the accompanying Statutory-Basis Statements of Revenue and Expenses. Amounts due to CHMI related to the management fees were $8,000 and $32,000 at December 31, 2010 and 2009, respectively.

In addition to the management services agreement, CHMI also processes and pays: salary related expenses related to the Company’s sales and marketing personnel, trade payables and other direct expenses incurred by the Company. The Company reimburses CHMI for these expenses processed and paid on the Company’s behalf. Amounts due to CHMI related to these transactions were $128,000 and $334,000 as of December 31, 2010 and 2009, respectively.

Any balances resulting in a net amount due from CHMI are non-admitted in accordance with statutory accounting principles. Amounts due to or from CHMI are normally settled within 30 days.

Harmony Behavioral Health, Inc.

The Company has an affiliated service agreement, which was approved by the Department, with Harmony Behavioral Health, Inc. (“HBH”) to provide certain mental health services to the Company. HBH charges the Company a per-case contractual rate based on the terms of the agreement. The total paid to HBH for their services was 24,000 and 49,000 for the years ended December 31, 2010 and 2009, respectively. There was no amount due to HBH as of December 31, 2010, but as of December 31, 2009 there was $6,000 due and accrued and is included in Amounts due to affiliates in the Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus. This agreement was terminated effective August 16, 2010. Subsequent to this date, the Company entered into an agreement with an unaffiliated entity to provide mental health services to the Company’s members.

10. COMMITMENTS AND CONTINGENCIES

Summary:

The Company's ultimate Parent, WellCare, is a party to a number of legal actions and regulatory investigations as described below. These matters do not involve the Company and we do not expect them to have an impact on the Company's financial position, however, they have been included here to provide complete disclosure for contingencies affecting WellCare.

Government Investigations

Deferred Prosecution Agreement

As previously disclosed, in May 2009, the Company's ultimate parent, WellCare, entered into a Deferred Prosecution Agreement (the "DPA") with the United States Attorney's Office for the Middle District of Florida (the "USAO") and the Florida Attorney General's Office, resolving investigations by those offices.

Under the one-count criminal information (the "Information") filed with the United States District Court for the Middle District of Florida (the "Federal Court") by the USAO pursuant to the DPA, WellCare was charged with one count of conspiracy to commit health care fraud against the Florida Medicaid Program in connection with reporting of expenditures under certain community behavioral health contracts, and against the Florida Healthy Kids programs, under certain contracts, in violation of 18 U.S.C. Section 1349. The USAO recommended to the Court that the prosecution be deferred for the duration of the DPA. Within five days of the expiration of the DPA the USAO will seek dismissal with prejudice of the Information, provided that WellCare has complied with the DPA.

In accordance with the DPA, the USAO has filed, with the Federal Court, a statement of facts relating to this matter. As a part of the DPA, WellCare retained an independent monitor (the "Monitor") from August 2009 to February 2011. In addition, WellCare agreed to continue undertaking remedial measures to ensure full compliance with all federal and state health care laws. Among other things, the Monitor reviewed and evaluated WellCare's compliance with the DPA and all applicable federal and state health care laws, regulations and programs. The Monitor has also reviewed, evaluated and, as necessary, made written recommendations concerning certain policies and procedures.

10. COMMITMENTS AND CONTINGENCIES (Continued)

The DPA does not, nor should it be construed to, operate as a settlement or release of any civil or administrative claims for monetary, injunctive or other relief against WellCare, whether under federal, state or local statutes, regulations or common law. Furthermore, the DPA does not operate, nor should it be construed, as a concession that WellCare is entitled to any limitation of potential federal, state or local civil or administrative liability.

Civil Division of the United States Department of Justice

In October 2008, the Civil Division of the United States Department of Justice (the "Civil Division") informed WellCare that as part of the pending civil inquiry, it was investigating four *qui tam* complaints filed by relators against WellCare under the whistleblower provisions of the False Claims Act, 31 U.S.C. sections 3729-3733.

On April 26, 2011, WellCare entered into certain settlement agreements, described below, which will resolve the pending inquiries of the Civil Division, the USAO and the United States Attorney's Office for the District of Connecticut (the "USAO Connecticut"). The settlement agreements are with (a) the United States, acting through the Civil Division and on behalf of the Office of Inspector General of the Department of Health and Human Services ("OIG-HHS") with additional signatories of the Civil Divisions of the USAO and the USAO Connecticut (the "Federal Settlement Agreement") and (b) the following states: Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Missouri, New York and Ohio (collectively, the "State Settlement Agreements"). Under the terms of the Federal Settlement Agreement and the State Settlement Agreements, WellCare has agreed, among other things, to pay the Civil Division a total of $137,500,000 (the "Settlement Amount"), which is to be paid in installments over a period of up to 36 months after the date of the Federal Settlement Agreement (the "Payment Period") plus interest at the rate of 3.125% per year. The settlement includes an acceleration clause that would require immediate payment of the remaining balance of the Settlement Amount in the event that WellCare is acquired or otherwise experiences a change in control during the Payment Period. In addition, the settlement provides for a contingent payment of an additional $35,000,000 in the event that WellCare is acquired or otherwise experiences a change in control within three years of the execution of the Federal Settlement Agreement and provided that the change in control transaction exceeds certain minimum transaction value thresholds as specified in the Federal Settlement Agreement.

10. COMMITMENTS AND CONTINGENCIES (Continued)

The Federal Settlement Agreement has not been executed by one of the relators. Under its terms, if any relator fails to timely execute or refuses to execute, the relator will be deemed to have objected to the Federal Settlement Agreement. In the case of such an objection, the Federal Court will conduct a hearing (a "Fairness Hearing") to determine whether the proposed settlement is fair, adequate and reasonable under all the circumstances. The Federal Settlement Agreement and the State Settlement Agreements will not be effective until the earlier of (a) the execution of the Federal Settlement Agreement by the relators or (b) entry by the Federal Court of a final order determining that the settlement is fair, adequate and reasonable under all the circumstances.

WellCare and the Company can make no assurances that all relators will execute the Federal Settlement Agreement or that the Federal Court will approve the settlement at a Fairness Hearing and the actual outcome of these matters may differ materially from the terms of the settlement.

United States Department of Health and Human Services

On April 26, 2011, WellCare entered into a Corporate Integrity Agreement (the "Corporate Integrity Agreement") with the OIG-HHS. The Corporate Integrity Agreement has a term of five years and concludes the matters relating to WellCare under review by OIG-HHS.

The Corporate Integrity Agreement formalizes various aspects of WellCare's ethics and compliance program and contains other requirements designed to help ensure ongoing compliance with federal health care program requirements. The terms of the Corporate Integrity Agreement include certain organizational structure requirements, internal monitoring requirements, compliance training, screening processes for new employees, reporting requirements to OIG-HHS, and the engagement of an independent review organization to review and prepare written reports regarding, among other things, WellCare's reporting practices and bid submissions to federal health care programs.

Class Action Complaints

Putative class action complaints were filed against WellCare in October 2007 and November 2007. These putative class actions, entitled Eastwood Enterprises, L.L.C. v. Farha, et al. and Hutton v. WellCare Health Plans, Inc. et al., respectively, were filed in Federal Court against WellCare, Todd Farha, WellCare's former chairman and chief executive officer, and Paul Behrens, WellCare's former senior vice president and chief financial officer. Messrs. Farha and Behrens were also officers of various subsidiaries of WellCare, including the Company. The Eastwood Enterprises complaint alleged that the defendants materially misstated the reported

10. COMMITMENTS AND CONTINGENCIES (Continued)

financial condition of WellCare by, among other things, purportedly overstating revenue and understating expenses in amounts unspecified in the pleading in violation of the Securities Exchange Act of 1934, as amended. The Hutton complaint alleged that various public statements supposedly issued by the defendants were materially misleading because they failed to disclose that WellCare was purportedly operating its business in a potentially illegal and improper manner in violation of applicable federal guidelines and regulations.

In August 2010, WellCare reached agreement with the Lead Plaintiffs on the material terms of a settlement to resolve these matters. In December 2010, the terms of the settlement were documented in a formal settlement agreement (the “Stipulation Agreement”) that was subject to approval by the Federal Court following notice to all class members.

On May 4, 2011, the Federal Court entered an order approving the Stipulation Agreement (the “Approval Order”). As required by the Stipulation Agreement, in March 2011 WellCare paid $52,500,000 into an escrow account for the benefit of the class. The Stipulation Agreement also provides, among other things, that WellCare will make an additional cash payment to the class of $35,000,000 by July 31, 2011 (the “July 2011 Payment”). It also requires, among other things, that WellCare issue to the class tradable, unsecured, subordinated notes having an aggregate face value of $112,500,000, with a fixed coupon of 6% and a maturity date of December 31, 2016.

Other Lawsuits and Claims

Separate and apart from the legal matters described above, the Company from time to time has been involved in actions or disputes that are in the normal course of its business, including, without limitation, provider disputes regarding payment of claims and disputes relating to the performance of contractual obligations with state agencies, some of which may seek monetary damages. The Company currently believes that none of these actions, when finally concluded and determined, will have a material adverse effect on the Company’s financial position, results of operations or cash flow.

10. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

Pursuant to the management agreement with CHMI, rental expenses are the responsibility of CHMI. At December 31, 2010, the Company is the named lessee on certain non-cancelable operating leases. Rental expense paid by CHMI for operating leases used in the Company's operations in each of the years ended December 31, 2010 and 2009 was $157,000 and are included in General administrative expenses in the Statutory-Basis Statements of Revenue and Expenses.

Future minimum lease payments under noncancelable operating leases with initial lease terms in excess of one year at December 31, 2010 were:

2011	$	157,000
2012		98,000
Total	$	255,000

11. RECONCILIATION TO STATUTORY FILING

There were no reconciling items as of and for the year ended December 31, 2010.

The following is a reconciliation of Admitted Assets, Liabilities, and Capital and Surplus in the accompanying Statutory-Basis Financial Statements to the Annual Statement filed with the Department resulting from audit adjustments relating to the classification of retrospective premiums as of December 31, 2009:

	Admitted Assets	Liabilities	Capital and Surplus
Per Annual Statement	$ 13,146,000	$ 8,748,000	$ 4,398,000
Adjustment to Uncollected premiums	98,000	-	98,000
Adjustment to Liability for retrospective premiums	-	98,000	(98,000)
Per accompanying statutory-basis financial statements	$ 13,244,000	$ 8,846,000	$ 4,398,000

12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and/or disclosure through May 9, 2011, the date the Statutory-Basis Financial Statements are available to be issued. No such events have occurred.

WellCare of Louisiana, Inc.
"a wholly-owned subsidiary of The WellCare Management Group, Inc."

Note to Supplemental Schedules

Note to Other Financial Information—Basis of Presentation

The accompanying Summary Investment Schedule and Investment Risks Interrogatories present selected Statutory-Basis Financial Data as of December 31, 2010, and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual.*

Only those captions or amounts that are applicable to the Company have been presented in the accompanying Summary Investment Schedule and Investment Risks Interrogatories.

WellCare of Louisiana, Inc.
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Investment Risks Interrogatories

1. The Company's total admitted assets as reported on the Statutory-Basis Statements of Admitted Assets, Liabilities, Capital and Surplus for the year ended December 31, 2010, are $12,792,164.

2. The Company has no admitted assets held in bonds at December 31, 2010.

4.5.6. The Company has no admitted assets held in foreign investments at December 31, 2010.

7.8.9.10. The Company has no foreign currency exposure or investments at December 31, 2010.

11. The Company has no admitted assets held in Canadian investments or unhedged Canadian currency exposure at December 31, 2010.

12. The Company has no admitted assets held in investments with contractual sales restrictions.

13. The Company has no investments in equity securities at December 31, 2010.

14. The Company has no admitted assets held in nonaffiliated, privately placed equities.

15. The Company has no admitted assets held in general partnership interests.

16. The Company has no mortgage loans reported in Schedule B.

18. The Company has no real estate reported in Schedule A.

19. None of the Company's total admitted assets were subject to securities lending, repurchase or reverse repurchase agreements in 2010.

20. The Company has no investment in warrants at December 31, 2010.

21. The Company had no investments in collars, swaps or forwards during 2010.

22. The Company had no investments in futures contracts during 2010.

23. The Company had no investments in mezzanine real estate loans during 2010.

WellCare of Louisiana, Inc.
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Summary Investment Schedule
December 31, 2010

Investment Categories	Gross Investment Holdings*	Percentage of Investment Holdings	Admitted Assets as Reported in the Statement of Admitted Assets, Liabilities, Capital and Surplus	Percentage of Total Invested Assets
Cash, cash equivalents and short-term investments	$ 11,477,561	100.0%	$ 11,477,561	100.0%
Total invested assets	$ 11,477,561	100.0%	$ 11,477,561	100.0%

*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices and Procedures Manual*.