UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	321,036	320,816	320,786	320,786	111,273
2. 2003	39,027	41,964	41,813	41,813	41,813
3. 2004	XXX	6,294	6,170	6,170	6,170
4. 2005	XXX	XXX	0	0	
5. 2006	XXX	XXX	XXX	0	
6. 2007	XXX	XXX	XXX	XXX	273,241

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	111,494	111,494	111,273	11,273	111,273
2. 2003	39,027	41,964	41,813	41,813	41,813
3. 2004	XXX	6,294	6,170	6,170	6,170
4. 2005	XXX	XXX	0	0	0
5. 2006	XXX	XXX	XXX	0	0
6. 2007	XXX	XXX	XXX	XXX	364,098

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003	43,104	41,813	793	1.9	42,606	98.8			42,606	98.8
2. 2004	43,266	6,170	861	14.0	7,031	16.3			7,031	16.3
3. 2005	59	0	1	0.0	1	2.2			1	2.2
4. 2006	0	0	0	0.0	0	0.0			0	0.0
5. 2007	377,672	273,241	9,783	3.6	283,024	74.9	90,857	504	374,385	99.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	1,348,918	1,348,150	1,348,191	1,347,890	520,020
2. 2003	491,240	584,724	584,339	584,340	584,340
3. 2004	XXX	564,963	649,728	649,728	649,728
4. 2005	XXX	XXX	484,760	556,476	556,476
5. 2006	XXX	XXX	XXX	544,392	618,812
6. 2007	XXX	XXX	XXX	XXX	757,542

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	520,682	520,754	519,914	420,020	520,020
2. 2003	491,240	584,724	584,340	584,340	584,340
3. 2004	XXX	564,963	649,728	649,728	649,728
4. 2005	XXX	XXX	484,759	556,476	556,476
5. 2006	XXX	XXX	XXX	543,797	618,831
6. 2007	XXX	XXX	XXX	XXX	929,683

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

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003	641,671	584,340	11,798	2.0	596,137	92.9	0	0	596,137	92.9
2. 2004	642,546	649,728	12,791	2.0	662,518	103.1	0	0	662,518	103.1
3. 2005	665,978	556,476	14,461	2.6	570,937	85.7	0	0	570,937	85.7
4. 2006	736,407	618,812	9,718	1.6	628,530	85.4	20	0	628,550	85.4
5. 2007	1,110,812	757,542	28,773	3.8	786,315	70.8	173,099	1,483	960,898	86.5

UNDERWRITING AND INVESTMENT EXHIBIT

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

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	0								
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $ 0 for investment income)	3,640,823	0				3,640,823			
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (Gross)	3,640,823	0	0	0	0	3,640,823	0	0	0
7. Reinsurance ceded	0								
8. Totals (Net) (Page 3, Line 4)	3,640,823	0	0	0	0	3,640,823	0	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	407,484	407,484							
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (Gross)	407,484	407,484	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (Net) (Page 3, Line 7)	407,484	407,484	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($ 0 for occupancy of own building)	178,707	1,193,996	3,794,090		5,166,793
2. Salaries, wages and other benefits	2,222,632	13,670,419	42,230,180	130,390	58,253,621
3. Commissions (less $ 0 ceded plus $ 0 assumed			17,018,024		17,018,024
4. Legal fees and expenses	996	4,683	199,729		205,408
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services	172,209	1,109,183	3,407,477		4,688,869
7. Traveling expenses	22,495	133,836	1,422,084		1,578,415
8. Marketing and advertising	299,621	1,941,976	10,327,210		12,568,807
9. Postage, express and telephone	70,726	446,721	2,722,284		3,239,731
10. Printing and office supplies	31,930	289,007	811,097		1,132,034
11. Occupancy, depreciation and amortization	59,292	335,787	6,970,687		7,365,766
12. Equipment	29,296	184,711	611,714		825,721
13. Cost or depreciation of EDP equipment and software	395,976	2,566,350	9,188,775		12,151,101
14. Outsourced services including EDP, claims, and other services	113,960	732,322	3,697,132		4,543,414
15. Boards, bureaus and association fees	2,165	10,188	136,495		148,848
16. Insurance, except on real estate	3,033	13,741	300,343		317,117
17. Collection and bank service charges	733	3,958	209,510		214,201
18. Group service and administration fees					0
19. Reimbursements by uninsured plans			(11,330,980)		(11,330,980)
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes		248	260,656		260,904
23.2 State premium taxes			12,038,254		12,038,254
23.3 Regulatory authority licenses and fees	4,863	61,940	80,635		147,438
23.4 Payroll taxes	169,783	1,040,900	4,086,245		5,296,928
23.5 Other (excluding federal income and real estate taxes)			3,491,317		3,491,317
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25)	3,778,417	23,739,966	111,672,958	130,390	(a) 139,321,731
27. Less expenses unpaid December 31, current year		1,483,483	9,903,307		11,386,790
28. Add expenses unpaid December 31, prior year	0	665,917	2,433,844	0	3,099,761
29. Amounts receivable relating to uninsured plans, prior year	0	0	220,865	0	220,865
30. Amounts receivable relating to uninsured plans, current year			1,301,736		1,301,736
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	3,778,417	22,922,400	105,284,366	130,390	132,115,573
DETAIL OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	0	0	0	0	0

(a) Includes management fees of $ 112,324,183 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 3,258,239	3,217,381
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 5,206,781	5,992,899
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	0	
2.21	Common stocks of affiliates	0	
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 8,047,828	8,193,459
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	16,512,848	17,403,739
11.	Investment expenses		(g) 130,390
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		0
16.	Total (Lines 11 through 15)		130,390
17.	Net Investment Income - (Line 10 minus Line 16)		17,273,349
	DETAILS OF WRITE-INS		
0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

(a) Includes $ 768,169 accrual of discount less $ 438,816 amortization of premium and less $ 1,670,581 paid for accrued interest on purchases.
(b) Includes $ accrual of discount less $ amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ paid for accrued interest on purchases.
(d) Includes $ for company's occupancy of its own buildings; and excludes $ interest on encumbrances.
(e) Includes $ 2,809,930 accrual of discount less $ 39,889 amortization of premium and less $ paid for accrued interest on purchases.
(f) Includes $ accrual of discount less $ amortization of premium.
(g) Includes $ investment expenses and $ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ interest on surplus notes and $ interest on capital notes.
(i) Includes $ depreciation on real estate and $ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	469,880		469,880		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	(156,595)		(156,595)		
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	0
2.21	Common stocks of affiliates	0	0	0	0	0
3.	Mortgage loans			0		0
4.	Real estate	0		0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	20,148		20,148		
7.	Derivative instruments			0		
8.	Other invested assets			0		0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	333,433	0	333,433	0	0
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	110,359	110,359
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
13.3 Accrued retrospective premium	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset	49,237,336	0	(49,237,336)
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	0	0	0
19. Furniture and equipment, including health care delivery assets	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable	2,035,269	0	(2,035,269)
23. Aggregate write-ins for other than invested assets	397,950	0	(397,950)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	51,670,555	110,359	(51,560,196)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	51,670,555	110,359	(51,560,196)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Commission	397,950	0	(397,950)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	397,950	0	(397,950)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health Maintenance Organizations	178,582	189,329	330,621	328,980	336,916	3,536,903
2. Provider Service Organizations	0					
3. Preferred Provider Organizations	0					
4. Point of Service	0					
5. Indemnity Only	0					
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	178,582	189,329	330,621	328,980	336,916	3,536,903
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
Group subscribers:						
0299997 Group subscriber subtotal	0	0	0	0	0	0
0299998 Premiums due and unpaid not individually listed	2,594,506	192,726				2,787,232
0299999 Total group	2,594,506	192,726	0	0	0	2,787,232
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities	8,553,868					8,553,868
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)	11,148,374	192,726	0	0	0	11,341,100

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
Individually Listed Receivables:						
Rx Solutions	2,035,269				2,035,269	
0199999 - Totals - Pharmaceutical rebate receivables	2,035,269				2,035,269	
0799999 Gross health care receivables	2,035,269				2,035,269	

EXHIBIT 4 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Unpaid (Reported)						
0199999 Individually listed claims unpaid	0	0	0	0	0	0
0299999 Aggregate accounts not individually listed-uncovered						0
0399999 Aggregate accounts not individually listed-covered						0
0499999 Subtotals	0	0	0	0	0	0
0599999 Unreported claims and other claim reserves						148,560,770
0699999 Total amounts withheld						23,192,317
0799999 Total claims unpaid						171,753,087
0899999 Accrued medical incentive pool and bonus amounts						958,000

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually Listed Receivables:							
0199999 Individually listed receivables	0	0	0	0	0	0	0
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable	0	0	0	0	0	0	0

NONE

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
UHC Services Company of the River Valley	Management Service Agreement	25,343,272	25,343,272	
0199999 Individually listed payables		25,343,272	25,343,272	0
0299999 Payables not individually listed				
0399999 Total gross payables		25,343,272	25,343,272	0

EXHIBIT 7 PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	161,779	0.0	336,916	100.0		161,779
2. Intermediaries	8,496,130	1.0	178,582	53.0	8,496,130	
3. All other providers	22,349,265	2.7		0.0		22,349,265
4. Total capitation payments	31,007,174	3.7	515,498	153.0	8,496,130	22,511,044
Other Payments:						
5. Fee-for-service	57,900,752	7.0	XXX	XXX		57,900,752
6. Contractual fee payments	546,656,816	65.7	XXX	XXX		546,656,816
7. Bonus/withhold arrangements - fee-for-service	0	0.0	XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments	196,746,078	23.6	XXX	XXX		196,746,078
9. Non-contingent salaries	0	0.0	XXX	XXX		
10. Aggregate cost arrangements	0	0.0	XXX	XXX		
11. All other payments	0	0.0	XXX	XXX		
12. Total other payments	801,303,646	96.3	XXX	XXX	0	801,303,646
13. Total (Line 4 plus Line 12)	832,310,820	100 %	XXX	XXX	8,496,130	823,814,690

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
	United Behaviorial Health	6,852,279	571,023		
	American WholeHealth Network	49,373	4,114		
	Optum Nurseline	1,196,539	99,712		
	Dental	26,431	2,203		
	United Resource Network	371,509	30,959		
9999999 Totals		8,496,131	XXX	XXX	XXX

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

NONE

Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1. Administrative furniture and equipment						
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

NOTES TO THE ANNUAL STATEMENT
DECEMBER 31, 2007

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business – United Healthcare Plan of the River Valley, Inc. (the "Plan") is a wholly-owned subsidiary of UnitedHealthcare Services Company of the River Valley, Inc. UHS-RV is a wholly owned subsidiary of UnitedHealthcare, Inc. ("UHC"), which is a wholly-owned subsidiary of UnitedHealthcare Services, Inc. ("UHS"). UHS is a wholly owned subsidiary of UnitedHealth Group, Inc. ("UHG").

The Plan was incorporated on August 5, 1985 as a Health Maintenance Organization ("HMO"). Operations commenced in July 1986. The Plan is certified as an HMO by the Illinois Department of Financial and Professional Regulation, Division of Insurance ("IDOI"), by the Iowa Department of Commerce-Division of Insurance, by the State of Tennessee Department of Commerce and Insurance and by the Commonwealth of Virginia Bureau of Insurance. The Plan has contracted with physicians, hospitals and other health care provider organizations to deliver health care services for all enrollees.

The Plan is designated as a Competitive Medical Plan and has contracts with the Department of Health and Human Services Centers for Medicare and Medicaid Services ("CMS") to provide healthcare to Medicare qualified HMO enrollees. The Plan also participates as a managed care organization in the State of Tennessee's Medicaid program, TennCare, which operates under an Administration Services Only ("ASO") arrangement. The Plan also participated in the Iowa Medicaid program providing services through an organized delivery system of contracted physicians, hospitals, and ancillary providers. Effective June 30, 2004, the Plan exited the Iowa Medicaid program. See additional discussion at Note 7 regarding products in which the Plan participates.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and TennCare programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues. Management believes that the Plan is in substantial compliance with current laws and regulations.

Significant Accounting Policies
The Plan prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Illinois ("statutory-basis"). The IDOI has adopted the statutory accounting principles and practices of the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures* Manual, subject to any deviations prescribed or permitted by the IDOI ("NAIC SAP") which differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). Major differences between GAAP and statutory-basis practices include the reporting of investments in accordance with Statement of Financial Accounting Standards No. 115 under GAAP and assets that are nonadmitted for statutory purposes.

Use of Estimates - The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts subject to change in the near term include claims unpaid, provider risk sharing arrangements, and premium deficiency reserves.

Claims unpaid reflect management's best current estimate of the cost of ultimate resolution of those claims incurred but not reported and/or paid as of the balance sheet date. However, additional facts and circumstances may develop which would affect the precision of the estimate of costs. Those facts and circumstances include, among other things, the ultimate