### IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT, IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the Department of Financial Services of the State of Florida,

Relator,			
v.		CASE NO:	
Universal Health Care, Inc.,			
Respondent			
	/		

### THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES' APPLICATION FOR ORDER TO SHOW CAUSE, INJUNCTION, AND NOTICE OF AUTOMATIC STAY FOR PURPOSES OF LIQUIDATION

The Florida Department of Financial Services (hereinafter "Department") hereby applies to this Court pursuant to Sections 631.031 and 631.061, Florida Statutes, for the entry of an Order to Show Cause, Injunction, and Notice of Automatic Stay on the appointment of the Department as Receiver of Universal Health Care, Inc. ("Respondent" or "UHC") for purposes of liquidation. In support of its Application, the Department states:

- 1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
- 2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the State of Florida as a health maintenance organization ("HMO") since 2003. Respondent's principal place of business is located at 100 Central Avenue, Suite 200, St. Petersburg, Florida. As of January, 2013, UHC provided health care coverage to approximately 105,000 Medicare and Medicaid members and at least one commercial subscriber.
- 3. Universal Health Care Group, Inc. (UHCG) is the sole owner of UHC, and Universal Health Care Insurance Company, Inc. ("UHCIC"), an insurance company. UHCG

also owns American Managed Care ("AMC") which is the management company and third party administrator for UHC and UHCIC. AMC employs the corporate officers and the majority of the employees of both UHC and UHCIC. UHCG, UHC and UHCIC have identical corporate officers.

- 4. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.
- 5. Sections 631.031 and 631.061, Florida Statutes, empower the Department to apply to this Court for an order directing it to liquidate a domestic insurer upon the existence of any of the grounds specified in Sections 631.051 and 631.061, Florida Statutes. Further, Section 631.025(2), Florida Statutes, authorizes the Department to initiate delinquency proceedings against any insurer if the statutory grounds are present as to that insurer.
- 6. Pursuant to Section 631.031(1), Florida Statutes, by letter dated February 1, 2013, Kevin McCarty, Commissioner of the Office of Insurance Regulation, advised Florida's Chief Financial Officer, Jeff Atwater, that the Office of Insurance Regulation ("the Office") concluded grounds existed for the initiation of delinquency proceedings against Respondent. A copy of the letter is attached as Exhibit "A."
- 7. Based on the documentation received from the Office, the Department has determined that grounds for Respondent's liquidation exist pursuant to Section 631.061(1), Florida Statutes, in that Respondent is or is about to become insolvent. The basis for that determination is summarized as follows:

- A. On February 1, 2013, UHC filed its Monthly Statement as of December 31, 2012 with the Office (attached as Exhibit "B"). The Monthly Statement reflects that UHC is presently insolvent, as its total capital and surplus is stated to be (\$29,182,403).
- B. On January 15, 2013, UHC requested that the Centers for Medicare & Medicaid Services ("CMS") allow the company to implement enrollment capacity limits on UHC's HMO contract. On January 17, 2013, UHC again requested that CMS allow the company to implement enrollment capacity limits. By its own admission, UHC stated that the reason for this request is that the company "has reason to believe that Universal is financially impaired." See Exhibit "C", email from UHC's Chief Compliance Officer to CMS.
- C. Some of UHC's assets, as reported on previously filed financial statements, have been materially overstated, which would require adjustments to UHC's statutory financial statements causing UHC to be in worse financial condition than its previously filed financial statements make it appear, including but not limited to the Medicare Risk Adjustment Receivable ("MRA"), which was overstated by approximately \$10-15 million. See Exhibit "D", Affidavit of Toma L. Wilkerson, Director of Life & Health Financial Oversight, Office of Insurance Regulation, with attachments.
- D. UHC's 2011 audited financial statement reflected a qualified opinion indicating that UHC had not recorded the claim reserve number of the auditor. (Exhibit "E") Subsequent to receiving the audit, the Office required UHC to file an independent actuarial certification with its June 30, 2012 financial statement. The actuarial statement indicated that UHC was under reserved by \$35,834,447. Such adjustment would have made UHC insolvent; however, UHC recorded multiple receivables on its first amended June 30, 2012, statement, which were not on the original June 30, 2012, statement. These receivables were used to offset the reserve

adjustment which enabled the company to meet its surplus requirements. The Office determined that many of these receivables were not valid receivables at the time recorded. On December 6, 2012, UHC again amended the June 30, 2012, financial statement to reflect that it was impaired by \$2,187,550.

- 8. In addition, the Department has determined that grounds for Respondent's liquidation exist under Section 631.051(3), Florida Statutes, in that Respondent is found by the Department to be in such condition, as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, or the public. The basis for this determination is summarized as follows:
- A. During 2012, UHCG entered into a credit agreement with BankUnited for a total of \$60 million. On three separate occasions since October 29, 2012, BankUnited notified UHCG of certain events of default. These events include allegations that the financial statements provided at the time the Credit Agreement was entered into were incorrect, false, and/or misleading. Copies of the three letters from BankUnited to UHCG, are attached collectively as Composite Exhibit "F." The letters note misstatements in the financial statements that had been subsequently "corrected" following the closing, such as changing the previously disclosed net income from over \$10 million to a net loss of \$29 million, and EBITDA decreasing from a profit of over \$16 million to a loss of \$46 million.
- B. There has been frequent turnover in the position of UHC's Chief Financial Officer. UHC has had five Chief Financial Officers within a period of six years. UHC was without a Chief Financial Officer between May 2011 and October 2012.
- C. The Report on Significant Deficiencies in Internal Controls that accompanied the 2011 audited financial statements included a list of issues that the auditor considered material

weaknesses involving internal control over financial reporting, including but not limited to lacking processes to improve tracking of claim overpayments and processes to ensure that premiums and other health care receivables are recognized correctly as they are earned. (Exhibit "G")

- D. The claim system is compromised and attempts to convert to a new claim system have been unsuccessful. (Exhibit "H")
- E. Further, although UHCG, the parent company of UHC, has entered into a Letter Agreement with America's 1<sup>st</sup> Choice Holdings of Florida, LLC, for the purchase of UHCG and all its affiliated health plans, including UHC, completion of the transaction detailed within the letter agreement is subject to governmental and regulatory approval. Obtaining regulatory approval is unlikely, given the reluctance of America's 1<sup>st</sup> Choice Holdings of Florida, Inc. to assume the liabilities, as well as the assets, of UHCG. A copy of the Letter Agreement is attached as Exhibit "I."
- 10. Section 631.041(1), Florida Statutes, provides that the Department's Application for an Order to Show Cause operates as an automatic stay of certain actions. Notice of the automatic stay should be contained within the Order to Show Cause. However, the Court Order should provide that regulatory actions against Respondent by any regulatory body shall not be stayed. Section 631.041(3) and 63.041(4), Florida Statutes, authorize this Court to enter certain injunctions to preserve the remaining assets of the insurer.
- 11. It is in the best interest of Respondent, its creditors, its insureds and the public that the relief requested in this Application be granted.
- 12. Due to the time sensitive nature of the filing of this Petition and the imperative need for uninterrupted healthcare coverage of the Respondent's estimated 105,000 current

members, the Department requests that this Court set the appropriate hearing as expeditiously as possible to avoid further delay.

WHEREFORE, the Florida Department of Financial Services respectfully moves this Court for an Order:

- A. Directing Respondent to appear before this Court on a short day certain and show good cause, if any, as to why the Department should not be appointed Receiver of Respondent for purposes of liquidation under the provisions of Chapter 631, Florida Statutes.
- B. Requiring Respondent to file a written response along with any defenses it may have to the Department's allegations no later than twenty (20) days after the service of any Order to Show Cause issued by this Court and at least fifteen (15) days prior to hearing.
- C. Directing that in order to protect the interests of policyholders, creditors, and the public generally, pending the adjudication of this matter and to protect and preserve the assets, books, and records of Respondent pending hearing on the Department's application pursuant to Section 631.041(3) and 631.041(4), Florida Statutes, all persons, firms, corporations, associations and Respondent's affiliates as defined by Section 631.011, Florida Statutes, and all other persons or entities within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, trustees, members, agents, and employees be enjoined and restrained from removing, destroying, or otherwise disposing of any documents, books, records, including electronic records or assets of Respondent (or pertaining to Respondent), from doing, through acts of commission or omission, or permitting to be done any action which might waste or otherwise dispose of the books, records, and assets of, or directly or indirectly relating to, the Respondent; from in any manner interfering

with the Department or the conduct of these proceedings, from the removal, concealment or other disposition of the property, books, records, and accounts of, or directly or indirectly relating to, the Respondent; from commencement or prosecution of any actions against the Respondent, or the obtaining of preferences, judgments, writs of attachment or execution against Respondent or its property or assets. However, regulatory actions against Respondent by any regulatory body should not be stayed or enjoined;

D. Directing the Department be given authorization to conduct, at its discretion, an investigation authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its parent corporation, its subsidiaries and affiliates, should be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, wherever located, available for full, free and unhindered inspection and examination by the Department during normal business hours (8:00a.m. to 5:00p.m.) Monday through Friday, from the date of this Order. This investigation should include a full complete examination of any and all reviews, compilations, audits or any other work of whatever nature performed by any accounting firm to include all work papers, on behalf of, related to or in any way connected with respondent, its affiliates and/or Respondent's corporate structure and affiliations. Respondent and its affiliates should be ordered and enjoined to cooperate with the Department to the fullest extent required by Section 631,391, Florida Statutes. Such cooperation should include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractor of Respondent and its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any

segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

- E. Directing that any officer, director, manager, trustee, agent, accountants, adjuster, employee, or independent contractor of Respondent and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent to fully cooperate with the Department as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph.
- F. Directing that the failure of Respondent and its affiliates and all other persons or entities within the jurisdiction of this Court, to cooperate with the Department's investigations as required by Section 631.391, Florida Statutes, and that failure to comply with any Order to Show Cause issued by this Court shall result in the immediate entry of an order of liquidation.
- G. Giving notice of the automatic stay provisions of Section 631.041(1), Florida Statutes.
- H. Directing the Officers and Directors of Respondent to comply with the provisions of Section 626.9541(1)(w), Florida Statutes; and
  - I. Granting such other relief as the Court deems appropriate.

AND FURTHER, at hearing or on consent of Respondent, if this Court determines that a receiver should be appointed, the Department moves this Court for entry of an Order of Liquidation. A sample Liquidation Order that the Department may potentially request be entered at the conclusion of the Show Cause proceedings is attached to this Application as Exhibit "J".

RESPECTFULLY SUBMITTED on this day 4<sup>TH</sup> of FEBRUARY, 2013.

ROBERT V. ELIAS,

CHIEF ATTORNEY
Florida Bar No. 530107
TIMOTHY L. NEWHALL

DEPUTY CHIEF ATTORNEY

Florida Bar No. 391255

JODY E. COLLINS

**SENIOR ATTORNEY** 

Florida Bar No. 500445

LOURDES M. CALZADILLA

Florida Bar No. 139408

Florida Department of Financial Services

L. Newhall

Division of Rehabilitation and Liquidation

2020 Capital Circle SE, Suite 310

Tallahassee, Florida 32301

(850) 413-4501 - Telephone

(850) 413-3992 - Facsimile



### OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES
COMMISSION

RICK SCOTT GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI ATTORNEY GENERAL

ADAM PUTNAM COMMISSIONER OF AGRICULTURE

Via Email

KEVIN M. MCCARTY COMMISSIONER

February 1, 2013

The Honorable Jeff Atwater Chief Financial Officer Department of Financial Services The Capitol, PL-11 Tallahassee. FL 32399

Re: Universal Health Care, Inc.

Dear Chief Financial Officer Atwater:

Please be advised that the Office of Insurance Regulation (hereinafter referred to as the "Office") has determined that one or more grounds exist for the initiation of delinquency proceedings, pursuant to Chapter 631, Florida Statutes, against Universal Health Care, Inc. (hereinafter referred to as "UHC"), and that delinquency proceedings must be initiated. UHC is a health-maintenance organization licensed in the State of Florida, and currently services Medicare, Medicaid, Long-Term Care Diversion, and an individual commercial member. As specified in Section 631.051, Florida Statutes, the grounds that allow a petition for an order appointing the Department of Financial Services (hereinafter referred to as the "Department") as receiver include:

(1) The HMO is impaired or insolvent.

The Office finds for the reasons set forth in the attached documents that UHC is impaired or insolvent.

(2) The HMO is found by the Office to be in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public;

UHC's impairment or insolvency poses a serious danger to the financial safety of the policyholders, subscribers, claimants, creditors and citizens of the State of Florida. (3) The HMO has been the victim of embezzlement, wrongful sequestration, conversion, diversion, or encumbering of its assets; forgery or fraud affecting it; or other illegal conduct in, by, or with respect to it, which if established would threaten its solvency; or that the Office has reasonable cause to so believe any of the foregoing has occurred or may occur;

The Office has concluded, for the reasons set forth in the attached documents, that UHC has fraudulently overstated some of UHC's assets as reported on previously filed financial statements.

The Office has determined that UHC is currently impaired, insolvent, or about to become insolvent. As such, I am advising you of that determination so that delinquency proceedings can be initiated by the Division of Rehabilitation and Liquidation. The following documents are attached in support of such determination:

Exhibit 1 – Affidavit of Toma Wilkerson, Director Life & Health Financial Oversight, with Exhibits.

As always, the Office stands ready to provide any additional information or assistance the Department needs in order for this matter to proceed as expeditiously as possible. Thank you for your attention to this matter.

Sincerely.

Kevin M. McCarty Commissioner

cc: PK Jameson, General Counsel Department of Financial Services

Sha'Ron James, Division Director Division of Rehabilitation and Liquidation Department of Financial Services

### **MONTHLY STATEMENT**

OF THE

Universal Health Care, Inc.

OF

St. Petersburg

IN THE STATE OF

Florida

TO THE

**INSURANCE DEPARTMENT** 

· OF THE

STATE OF FLORIDA

AS OF

DECEMBER 31, 2012

HEALTH

2012

**EXHIBIT "B"** 



### **QUARTERLY STATEMENT**

AS OF DECEMBER 31, 2012 OF THE CONDITION AND AFFAIRS OF THE

Universal Health Care, Inc.

NAIC Group Code	4091 ,	4091	NAIC Company C	ode 11574	Employer's	ID Number	05-052870	08
•	(Current Period)	(Prior Period)					1	
Organized under the Lav	ws of	Florida		, State of Domici	le or Port of Entry	Flo	rida !	
Country of Domicile				United States			:	
icensed as business typ	Dental Sen Other [ ]	nt & Health [ ] rice Corporation [ ]		Corporation [ ]	Health Maintenar	& Dental Service nce Organization [ y Qualified? Yes [	x] 🗄	
ncorporated/Organized_		7/30/2002		ed Business	<del></del>	09/01/2002		
tatutory Home Office		100 Central Avenu (Street and Nu		·		ersburg, FL 33701 wn, State and Zip Code		
lain Administrative Offic	e 100 C	entral Avenue, Suite		St Peters	burg, FL 33701		7-822-544	6
• • • • • • • • • • • • • • • • • • • •		(Street and Number)			, State and Zip Code)		(Telephora	
lail Address		ral Avenue, Suite 20	<del></del> ,			irg, FL 33701		
rimary Location of Book		and Number or P.O. Box)		04.0		tate and Zip Code)	7 450 654	-
rimary Location of Book	s and Records	/Street a	venue, Suite 200 nd Number)		etersburg, FL 33701 Town, State and Zip Code		7-456-651 (Telephone	
nternet Web Site Addres	s	(		www.univhc.co		, (/155 000)	,, (,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	recinically
tatutory Statement Conf		Maria C Zev	alios			<b>-456-6560</b>	<del></del>	
•		(Name)			(Area Code) (Tala	phone Number) (Extens	ion)	
	nzevallos@univh (E-mail Address		<del></del>	<del></del>	727-329-00 (FAX Numb		:	
	(C-1100 Account	,	OFFICE	DC.	(FAX MUNIO	B( )	-	
Name		Title	OFFICE			-	itle :	
Akshay M. Dessi MD	MDU	President, C	EO.	Nan Sandip I				
Deepak Desa		Chief Strategy		Steven J.		CAO, General C	ounsel, se Isurer	cretary
Akshay M. Desai Mi	), MPH	DIRE	ECTORS OR	TRUSTEE:			1	
State of								
County of		58	;				i	
The officers of this reporting above, all of the herein describes statement, together with and of the condition and affiliater, or, (2) that state rule knowledge and bellef, respendent of the condition of the c	y antity being duly a writhed assets were in related exhibits, a airs of the said rep nos with the NAIC as regulations re solively. Furthermous act copy (except is	worm, each depose an he absolute property of chedules and explana- orting entity as of the in Annual Statement insi- quire differences in no e, the scope of this att or formatting difference	f the said reporting en- tions therain contained eporting period stated tructions and Account eporting not related to testation by the deacr	tity, free and clear fi d, annexed or refen I above, and of its in ting Practices and F a accounting practi- libed officers also in	rom any liens or claims rad to, is a full and tru ncome and deductions Procedures manual ex ces and procedures, a ncludes the related con	thereon, except as a statement of all the therefrom for the po- cept to the extent the according to the bear responding electronic	herein states e assets and eriod ended, nat: (1) states at of their in ic filing with	d, and the distributed in the law material of the law material of the NAK
	Lesar	· ·	Alec Mahr					
	Desai, MD resident		Chief Financia				- i	
•					a. Is this an origina	l filing?	: Yes (치) I	No [ ]
Subscribed and swor		is ery, 2013			b. If no: 1. State the ame. 2. Date filed			
May 1	Layo. Co	apple to	>		3. Number of pag	ges attached		



### STATEMENT AS OF DECEMBER 31, 2012 OF THE Universal Health Care, Inc.

### **ASSETS**

	AS	99E19			
			Current Statement Date		4
		1	2	3	_ i
	·	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Asset
1	Bonds	238.804	7,0,100111112277000	238,804	1.505.
		200,004		230,004	
	Stocks:			ا	
	2.1 Preferred stocks			D	···
	2.2 Common stocks	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		O	2,030,
3.	Mortgage loans on real estate:				1
	3.1 First liens			ο	
	3.2 Other than first liens			l ol	
	Real estate:		[		
	4.1 Properties occupied by the company (less				
	\$ encumbrances)	9,398,544	462,289	8,936,255	9,263,
	4.2 Properties held for the production of income		}		
	(less \$encumbrances)			0	
	4.3 Properties held for sale (less				
	\$encumbrances)		•	ام	
	'				
	Cash (\$8,833,249 ),			1	!
	cash equivalents (\$		· ·	]	!
	and short-term investments (\$23,847,508 )	32,680,757		32,680,757	72,041,
6.	Contract loans (Including \$premium notes)	*********		D	
	Derivatives			D	
	Other Invested assets			0	j
	Receivables for securities				
	Securities lending reinvested collateral assets			0	<b></b>
11.	Aggregate write-ins for invested assets	D	۵ـــــــــــــــــــــــــــــــــــــ	o	ļ
12.	Subtotals, cash and invested assets (Lines 1 to 11)	42,318,105	462,289	41,855,816	84,841,
	Title plants less \$		!	' '	ļ, ·· ·
	only).		1	0	
			1	1	9
	Investment income due and accrued	12,496		12,498	
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of			1	
	collection		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	D	
	15.2 Deferred premiums, agents' balances and installments booked but				. :
	deferred and not yet due (including \$eemed		ł.		
				١ .	l i
	but unbilled premiums)				
	15.3 Accrued retrospective premiums	16,/83,591		16,783,691	10,254,
16.	Reinsurance:		1	Į.	1
	15.1 Amounts recoverable from reinsurers	41,282	41,282	٥	1,980,
	16.2 Funds held by or deposited with reinsured companies				
	16.3 Other amounts receivable under reinsurance contracts			00	
47	Amounts receivable relating to uninsured plans			.819.788	
	Current federal and foreign income tax recoverable and interest thereon		<del> </del>	ļ	2,536
18.2	Net deferred tax asset	11,293,686	11,293,686	0	5,058
19.	Guaranty funds receivable or on deposit			<u> </u>	
20.	Electronic data processing equipment and software				L
	Furniture and equipment, including health care delivery assets				
	(\$)	2 647 494	2 547 494	n	ļ
	Net adjustment in assets and liabilities due to foreign exchange rates				
23.	Receivables from parent, subsidiaries and affiliates	12,031,358	12,931,358	0	
	Health care (\$) and other amounts receivable	2,189,446	2,189,446	0	2,635
25.	Aggregate write-ins for other than invested assets	2,601,051	1,803,265	797,786	606
	Total assets excluding Separate Accounts, Segregated Accounts and	,			!
20,	-	90,738,389	30,468,810	60,269,579	107,921
	Protected Cell Accounts (Lines 12 to 25)	2011001303	W, 700,010	00,200,075	1 101 1021
27.	From Separate Accounts, Segregated Accounts and Protected				1
	Cell Accounts.		<del> </del>	o	<u> </u>
28.	Total (Lines 26 and 27)	90,738,389	30,468,810	60,269,579	107,921
	DETAILS OF WRITE-INS				
1101.			l		<u> </u>
1102.					
	,	,	1	1	T
1103.	*		·		
1198.	Summary of remaining write-ins for Line 11 from overflow page	JD	ļD	D	
1199.	Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	
	Deposits for claim obligation	2,031,909	1,234,123	797,786	606
	Accounts Receivable	468,977	468,977	0	
				1 .	
2503.	Prepaid Expense.	100 , 165	1		
		L <u></u>	0	. 0	
2598.	Summary of remaining write-ins for Line 25 from overflow page	2,601,051	1,803,265	797,786	606

LIABILITIES, CAPITAL AND SURPLUS

	LIABILITIES, CAP		Current Period		Prior Year
	·	1 Covered	2 Bincovered	3 Total	4 Total
1. Claims o	npaid (less \$ reinsurance ceded)	80,638,802		80,638,802	83,615,540
	medical incentive pool and bonus amounts	l l		0	0
3. Unpaid	claims adjustment expenses				749,009
4. Aggrega	te health policy reserves including the liability of				Ï
\$	for medical loss ratio rebate per the Public Health				1
Service	Act			0	٥٥
5. Aggrage	nte life policy reserves			0	٥
6. Property	/casualty unearned premium reserve		· · · · · · · · · · · · · · · · · · ·	0	0
7. Aggrega	te health claim reserves				0
8. Premiur	ns received in advance	114,776		114,776	0
9. General	expenses due or accrued	1,797,140		1,797,140	4,584,275
10.1 Current i	ederal and foreign income tax payable and interest thereon (including				
\$	on realized gains (losses))			0	٥
10.2 Net def	erred tax liability			0	٥
11. Ceded r	einsurance premiums payable				0
	s withheld or retained for the account of others			1,026,182	583,612
13. Remitta	nces and items not allocated			0	۵ا
14. Borrowe	d money (including \$current) and				I
Interest	thereon \$ (Including				1
S	current)			0	٥
15. Amount	s due to parent, aubsidiaries and affiliates	341,011	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	341,011	Δ
	/88				۵ـــٰـــــــــــــــــــــــــــــ
17. Payable	for securities			0	ο
18. Payable	for securities lending			0	0
19. Fundsh	eld under reinsurance treaties (with \$		ļ		ì
authoriz	ed reinsurers and \$ unauthorized reinsurers)			0	٥
20. Reinsur	ance in unauthorized companies			0	0
21. Net adju	stments in assets and liabilities due to foreign exchange rates				io
-	for amounts held under uninsured plans				2,856,141
-	le write-ins for other liabilities (including \$				' '
current)		2,489,059	_ [ ه	2,489,059	1,650,656
	bilities (Lines 1 to 23)			89,451,982	94,039,233
25. Aggrege	ite write-ins for special surplus funds	xxx	xx		Δ
			xxx	316	316
27. Preferre	d capital stock	xxx	xx		io
28. Gross p	aid in and contributed surplus	xxx	xxx	11,640,884	11,640,684
	notes				13,750,000
30. Aggrega	ate write-ins for other than special surplus funds	xxx	xxx	1	io
	ned funds (surplus)				(1,508,497)
	asury stock, at cost:			,	1
	shares common (value included in Line 26				i
	)	xx			İ
. 32.2	shares preferred (value included in Line 27				
\$		xxx	xxx		. 0
	pital and surplus (Lines 25 to 31 minus Line 32)	xx	xx	(29,182,403)	13,882,503
	bilities, capital and surplus (Lines 24 and 33)	xxx	xxx	60,269,579	107,921,736
	OF WRITE-INS		2,127		
2301. Accrued	-	2,474,607		2,474,607	1,645,647
	Pran To Plan Payable.	14,452		14,452	5,009
2303	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
	ry of remaining write-ine for Line 23 from overflow page	ا م	0	0	0
	Lines 2301 through 2303 plus 2398) (Line 23 above)	2,489,059	0	2,489,059	1,650,656
2501	(100,000)	XXX	×××	-,,	1 10001000
502		×××	×××		1
503		xx			!
	ry of remaining write-ins for Line 25 from overflow page	xx		ņ	Λ
				0	· · · 0
	Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX		U	i - U
001		xxx	××		
002		×××			
003		xxx	xxx		
	ry of remaining write-ins for Line 30 from overflow page	×××	xxx	D	
3099. Totals (	Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	: 0

### STATEMENT OF REVENUE AND EXPENSES

	07711-177-1711	71105	-74: E13O		-
			1	]	
		Current Yea	ar To Date	Prior Year To Date	Prior Year Ende December 31
		1 Uncovered	2 Total	3 Total	4 Total
1. Member M	Aontha	XX	1,392,351	886.052	1.194.16
	m income (including \$ non-health premium income)	xx		401,374,747	547,065,03
•	unearned premium reserves and reserve for rate credits			0	
_	rvice (net of \$medical expenses)	Ll		0	
5. Risk rever	TURE	<u> </u>		0	ļ
6. Aggregate	write-ins for other health care related revenues	ļ	0	0	
<ol><li>Aggregate</li></ol>	write-ins for other non-health revenues	xx	0	2,004,507	
8. Total reve	nues (Unes 2 to 7)	<u> </u>	695,117,911	403,379,254	547,065,03
Hospital and Med	lost.				: 
•	nedical benefits		522, 174,619	261,581,338	376,602,16
=	essional services		10,857,724	17,722,949	15,289,46
11. Outside re	lerrals			0	
12. Emergenc	y room and out-of-area		42,564,945	25,438,887	33,555,38
13. Prescription	on drugs	<b> </b>	76,739,645	44,975,008	58,462,02
14. Aggregete	write-ine for other hospital and medical	ļ l	٥		· · · · · · · · · · · · · · · · · · ·
15. Incentive p	pool, withhold adjustments and bonus amounts	1		0	· 
16. Subtotal (l	Lines 9 to 15)		652,336,933	343,718,182	483,909,04
		li		1	Li
Less:					Į į
	rence recoveries		050 000 000	240.740.400	400 000 0
	Nati and medical (Lines 16 minus 17)	<del> </del> 0		343,718,182	483,909,04
	h claims (net)			81,874	442,35
	desired tryphology and and an arrangement of the state of			01,0/4	
•	dministrative expenses.	1i	89.995.512	54,011,351	i 69,444,91
	n reserves for life and accident and health contracts (including				
\$	increase in reserves for life only)			0	
23. Total unde	arwriting deductions (Lines 18 through 22)		<i>7</i> 42,414,570	397,811,407	553,796,31
24. Net under	writing gain or (loss) (Lines 8 minus 23)	xxx	(47 ,296 ,659)	5,567,847	(6,731,27
	ment income earned		1,843,451		2,239,55
	ed capital gains (losses) less capital gains tax of \$		70,210		1,623,05
	ment geins (losses) (Lines 25 plus 26)	ļ0	1,913,661	1,360,006	3,862,61
-	or (loss) from agents' or premium balances charged off [(amount recovered				
	(amount charged off \$) (amount charged off \$)	0	0	0	
	write-ins for other income or expenses	<u> </u>	U	V	I i
	4 plus 27 plus 28 plus 29)	xx	(45,382,998)		(2,868,66
31. Federal ar	nd foreign income taxes incurred	xx		2,414,051	(900,05
32. Net incom	e (icas) (Lines 30 minus 31)	xxx	(45, 382, 998)	4,513,802	(1,968,61
	OF WRITE-INS	<u> </u> -			
		xxx			<u> </u>
0802		xxx			<u> </u>
0603		xxx	_		ļ <del>- i</del>
	of remaining write-ins for Line 6 from overflow page	xxx	0	0	<del> </del>
	nes 0601 through 0603 plus 0698) (Line 5 above)	XXX	. 0	2 004 507	. !
	nue .	XXX XXX	<b></b>		ì
			······		
	of remaining write-ins for Line 7 from overflow page		0	0	
	nes 0701 through 0703 plus 0798) (Line 7 above)	xxx	0	2,004,507	
1401.					Ī
1402			***		!
		ļ		<b></b>	
_	of remaining write-ins for Line 14 from overflow page	ļ0 ļ	0	0	
	nes 1401 through 1403 plus 1498) (Line 14 above)	0	0	0	<u> </u>
2901					ļ <u>‡</u>
2902	4,000		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
2903		<u>-</u>	-		·
_	of remaining write-ins for Line 29 from overflow page	ļ0	0	0	
2999. Totals (Lir	nes 2901 through 2903 plus 2998) (Line 29 above)	0	0	0	<u> </u>

STATEMENT OF REVENUE AND EXPENSES (Continued)

	STATEMENT OF REVENUE AND EX	FENSES	Continue	
		Current Year To Date	Prior Year To Date	3 Prior Year Ended December 31
	•			
	CAPITAL & SURPLIIS ACCOUNT	. •		
33.	Capital and surplus prior reporting year	13,882,503	33,146,108	33,146,108
34.	Net income or (loss) from Line 32	(45,382,998)	4,513,802	(1,968,610)
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital geins (ax of \$	62,325	113,204	(166,709)
37.	Change in net unrealized foreign exchange capital gain or (loss)	***************************************		o
38.	Change in net deferred income tax			7,705,849
39.	Change in nonedmitted assets	2,255,767	(1,630,992)	(24,834,135)
40.	Change in unauthorized reinsurance	مــــــ	ا مــــــــــــــــــــــــــــــــــــ	0
41,	Change in treasury stock		ا مــــــــــــــــــــــــــــــــــــ	o
42.	Change in surplus notes		ρο	۵
43.	Cumulative effect of changes in accounting principles		ļ	0
44.	Capital Changes:		:	
	44.1 Paid In			0
	44.2 Transferred from surplus (Stock Dividend)			ا مــــــــــــــــــــــــــــــــــــ
ļ 	44.3 Transferred to surplus			
45.	Surplus adjustments:			İ
	45.1 Pald in		ļo	
	45.2 Transferred to capital (Stock Dividend)	D	ļo	
	45.3 Transferred from capital		00	<u>l</u>
48.	Dividends to stockholders		Δ	
47.	Aggregate write-ins for gains or (losses) in surplus	۵	م	
48.	Net change in capital and surplus (Lines 34 to 47)	(43,064,906	2,996,014	(19,263,605)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	(29,182,403	36,142,122	13,882,503
	DETAILS OF WRITE-INS			
4701.				
4702.				
4703.				
4798.	Summery of remaining write-ins for Line 47 from overflow page	م	D	
4799.	Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	<u> </u>	0	0

### **CASH FLOW**

		1	_ 2 .	3
		Current Year	Prior Year	Prior Year Ended
		To Date	To Date	December 31
	Cash from Operations	000 700 000	40. 000 405	500 500 8
	Premiums collected net of reinsurance.	688,703,666	434,322,125	527,532,7
	Net investment income	1,985,513	1,007,431	3,029,9
. 3.	Miscellaneous income	0	2,004,507	
	Total (Lines 1 to 3)	690,689,179	437,334,063	530,562,7
	Benefit and loss related payments	632,429,866	335,070,206	448,745,7
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0	i
	Commissions, expenses paid and aggregate write-ins for deductions	94,244,698	51 , 102 , 901	65,113,8
	Dividends paid to policyholders		0	
9.	Federal and foreign income taxes paid (recovered) net of \$tax on capital			. !
	gains (losses)	(2,570,219)	(591,879).	718,9
10.	Total (Lines 5 through 9)	724,104,345	385,581,228	514,578,5
11.	Net cash from operations (Line 4 minus Line 10)	(33,415,166)	51,752,835	i 15,984,1
	Cash from Investments			
12.	Proceeds from investments sold, matured or repeld:			
	12.1 Bonds	1,252,350	29,278,187	34 .607 .0
	12.2 Stocks		0	
	12.3 Mortgage loans	C	.0	ļ ļ
		0	20,000	
			0	
	12.8 Net gains or (loeses) on cash, cash equivalents and short-term investments	51.787	0	
	12.7 Miscellaneous proceeds	406.223	0	
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	3 694 745	29 . 298 . 187	34 607 (
13	Cost of investments acquired (long-term only):			
	13.1 Bonds	66.318	9,657,741	9.657.7
	13.2 Stocks		1,238,455	
	13.3 Mortgage loans	0		
	13.4 Real estate	0	ň	
			0	
	13.6 Miscellaneous applications	n l	1	95.3
	13.7 Total investments acquired (Lines 13.1 to 13.6)	66.318	10,896,197	11,881,3
1.4	Net increase (or decrease) in contract loans and premium notes	0,010	10,030,101	11,001,0
		3,628,427	18,401,990	22,725,6
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	3,020,421	18,401,590	ZZ,/ <u>Z</u> 3,0
	Cash from Financing and Miscellaneous Sources	ļ		i
16.	Cash provided (applied): 16.1 Surplus notes, capital notes	ا	ا	i
			0	
			0	
	16.3 Borrowed funds	0		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	
	16.5 Dividends to stockholders		0	
	16.6 Other cash provided (applied)	(9,574,466)	193,693	(415,3
17.	Net cash from finencing and miscellaneous sources (Line 18.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(9,574,466)	193,693	(415,3
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		·	
	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(39,361,205)	70,348,518	38 ,294 ,4
19.	Cash, cash equivalents and short-term investments:			! .
	19.1 Beginning of year.	72,041,962		
	19.2 End of period (Line 18 plus Line 19.1)	32,680,757	104,096,008	72,041,9

STATEMENT AS OF DECEMBER 31, 2012 OF THE Universal Health Care, Inc.

173,936,281 62,647 63,425 .65,232 778,351 56,403 67,906 1,513 \_66,867 374 ..180,107,242 203,444,967 203,444,967 Title XIX Medicaid 478,400,279 .00 19,993 726,02. 52,537 113,935 7.080 120,995 6.400 42,554 613,988 491,670,760 475,205,056 491,555,984 Title XVIII Federal Employees Health Benefit Plan EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION Only ig s Medicare Supplement 12 ...2, 184 .2,184 373 8 113,419 116,210 170,338 7,913 119,405 18,563 1,376 105,202 1,392,351 188,901 .695,003,135 .655,312,671 662,336,933 .695,117,911 18. Amount Incurred for Provision of Health Care Services 17. Amount Paid for Provision of Health Care Services Total Member Ambulatory Encounters for Period: Property/Casually Premiums Earned. 14. Property/Casualty Premiums Written 11. Number of Inpatient Admissions Hospital Patient Days Incurred 6 Current Year Member Months 12. Health Premiums Written (a)... 15. Health Premiums Earned 13. Life Premiums Direct... Total Members at end of: 3 Second Quarter 4. Third Querier .... 8. Non-Physician. 2 First Quarter .. 5. Current Year 1. Prior Year .... 7. Physician 9. Total

(a) For health premiums written: emount of Medicana Title XVIII exempt from state laxes or fees \$ 491,570,760



100 Central Avenue, Suite 200, St. Petërsburg, PL 33701 · phone 1-866-690-4842 · Jax 1-727-922-9596 · web.www.unlvhc.com

January 15, 2013

Ms. Shirley Fuguay
Account Manager
Department of Health & Human Services
Centers for Medicare & Medicald Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909

Res Universal Health Care insurance Company, Inc.
Contract No: H8098, H8820 and H5096
Universal Health Care, Inc.
Contract No: H5404
Request to Specify Plan Capacity Limit

Dear Ms. Fuquay:

In its letter to the Centers for Medicare and Medicald ("CM8") dated January 14, 2019, Universal Health Care Group ("Universal") requests to implement plan capacity limits for Universal Insurance Company, Inc. ("UHC") in keeping with the provisions stated at A2 CFR 422:50 (b) (2),(3). Universal expects that this capacity limit will ensure that neither UHCIC nor UHC will accept any new enrollments during the effective period of the capacity limit.

This decision pertains to UHCIC'S Network PFFS (Contract No. H8098). Non-Network PFFS (Contract No. H8820) and PPO (Contract No. H8096) and UHC's HMO contract (Contract No. H5404).

Specifically Universal would like to specify the following capacity limits per contract:

H8008 - 14,106

H5820 - 20,659

H5096 - 2,705

HB404 -- 38,199

Please note that specified gian limits are based on the plan's current membership enrolled as of January 18, 2013.

**EXHIBIT** 

**EXHIBIT "C"** 

Please also note that this decision does NOT affect the subsidiaries of Universal Health Care Group Inc., Universal HMO of Texas, Inc. and Universal Health Care of Nevade, Inc.

If you have any questions or need additional information, please do not hesitate to contact Francoise Trainen, Chief Compliance Clificer at 727-456-6589 or at firefrant@univhe.com.

Sincerely,

kehev Desal, M.D., MPI

President & CEO

Co. FL Office of insurance Regulation
Clariase Owens Centers for Medicare and Medicald Services (CMS/CM)

encl

From:

Wilkerson, Toma

Sent:

Thursday, January 17, 2013 4:40 PM

To:

Schoenecker, Catharine; Threadgill, Dennis; Johns, Paul; Struk, Christopher; Regiat,

Valerie; Davis, Heather; Kennedy, Ray; Davis, LaTasha; Davis, Rebecca

Subject:

Fw: Universal's Request - Enrollment Capacity Limits

Categories:

**UHC** 

From: Françoise Trotman [mallto:FTrotman@univhc.com]

Sent: Thursday, January 17, 2013 04:12 PM

**To:** Fuquay, Shirley (CMS/CMHPO) (<u>SHIRLEY.FUQUAY@cms.hhs.gov</u>) <<u>SHIRLEY.FUQUAY@cms.hhs.gov</u>> **Cc:** Wilkerson, Toma; Akshay Desai, M.D., M.P.H. <<u>adesai@univhc.com</u>>; <u>mitchell@sostrategy.com</u>

<mitchell@sostrategy.com>

Subject: Re: Universal's Request - Enrollment Capacity Limits

Ms. Fuquay,

On January 15, 2013 Universal Health Care ("UHC") requested that CMS allow the plan to implement enrollment capacity limits on the following contracts: H8090, H5820, H5096 and H5404. The Universal management team is requesting that CMS assist with expediting its decision. The company has assessed its financial acumen and has reason to believe that Universal is financially impaired. We believe that expediting this matter allows the company, CMS and the State to protect our existing members and avoid risk to any new Medicare beneficiaries through continued enrollment.

Thank you,

### **Francoise Trotman**

Chief Compliance Officer



Universal Health Care 100 Central Avenue, Suite 200 St. Petersburg, FL 33701

Office: 727-456-6585
Fax: 727-329-0745
FTrotman@univhc.com
http://www.univhc.com

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### AFFIDAVIT OF TOMA L. WILKERSON

**BEFORE ME**, the undersigned authority, personally appeared Toma L. Wilkerson, Director of Life & Health Financial Oversight, Office of Insurance Regulation, who after being duly sworn, deposes and says:

- 1. I, Toma L. Wilkerson, am over the age of eighteen (18), sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.
- 2. I, Toma L. Wilkerson, currently hold the position of Director with Life & Health Financial Oversight, Office of Insurance Regulation (hereinafter referred to as the "Office"). I graduated from the University of West Florida in 1995 with a Bachelor of Science degree in Management. I have been employed by the Office for approximately 15 years.
- 3. Universal Health Care Group, Inc. ("UHCG") is the sole owner of Universal Health Care, Inc. ("UHC"), an HMO, and Universal Health Care Insurance Company, Inc. ("UHCIC"), an insurance company. UHCG also owns American Managed Care ("AMC") which is the management company and third party administrator for UHC and UHCIC. AMC employs the corporate officers and the majority of the employees of both UHC and UHCIC. UHC and UHCIC have identical corporate officers.
- 4. UHC was licensed on February 3, 2003, in the State of Florida as a health maintenance organization and was authorized to write Medicare and Medicaid HMO products and Commercial Coverage (large group only). Since licensure, UHC has been authorized to write Long-Term Care Diversion, Healthy Kids, and Individual Commercial. UHC currently services Medicare, Medicaid, Long-Term Care Diversion, and an individual commercial member.
- 5. The Office has determined that grounds exist for the Department of Financial Services (hereinafter referred to as the "Department") to petition for an order, under Section 631.051(1), (3), and (13) Florida Statutes, directing the Department to initiate delinquency proceedings against UHC. The basis for this determination is summarized as follows:
- (a) UHC is currently in such condition as to render its further transaction of insurance presently hazardous to its policyholders, creditors, stockholders, and the public.
- (b) On January 14, 2013, the Office received a copy of UHCG's Management Presentation, which was presented by the management of UHCG to

potential buyers of UHC and UHCIC. This presentation shows, by its own admission, that UHC is insolvent by \$12.6 million as of December 2012. (Exhibit A).

- (c) On January 15, 2013, UHC requested that CMS allow the company to implement enrollment capacity limits on UHC's HMO contract (Contract No. H5404). (Exhibit B). On January 17, 2013, UHC again requested that CMS allow the company to implement enrollment capacity limits, and requested that the decision be expedited. By its own admission, UHC stated that the reason for this request is that the company "has reason to believe that Universal is financially impaired." (Exhibit C).
- (d) The Office has concluded that some of UHC's assets, as reported on previously filed financial statements, have been materially overstated, which would require adjustments to UHC's statutory financial statements causing UHC to be in worse financial condition than its filed financial statements make it appear.
  - i. The Office has concluded that the Medicare Risk Adjustment Receivable ("MRA") reported by the company is inaccurate and shows UHC to be much healthier than it actually is.
    - 1. The Office suspected that the MRA receivable amount that UHC was reporting was not accurate. The Office retained Kirsha Consulting, Inc. to provide an estimate of the MRA receivable. On December 18, 2012, Kirsha Consulting, Inc. reported a projection for December 31, 2012, of \$10,764,280 for the two UHC contracts (Contract No. H5404 and H5429). (Exhibit D). As of September 30, 2012, UHC has booked a MRA receivable of \$25,092,258. Because of this discrepancy, the Office began questioning UHC about the validity of the amount booked.
    - 2. The Office's exam has determined that UHC management has instructed individuals with UHC to inflate the MRA receivable with no justification.
    - 3. The Office's exam has determined that UHC's MRA accruals were improperly calculated, resulting in MRA receivables being substantially inflated. The Office has concluded that management was aware of the error and did not want the matter discussed.
    - 4. The Office's exam has determined of UHC that the MRA receivable has been improperly allocated between UHC and UHCIC causing the actual amount of the receivable to be greatly misstated. It has been reported that management directed individuals to allocate approximately \$25 million of the MRA receivable to

UHC, even though only approximately \$9 million could be justified.

- ii. UHC's 2011 audited financial statement reflected a qualified opinion indicating that UHC had not recorded the claim reserve number of the auditor. (Exhibit E) Subsequent to receiving the audit, the Office required UHC to file an independent actuarial certification with its June 30, 2012 financial statement. The actuarial statement indicated that UHC was under reserved by \$35.834.447. Such adjustment would have made UHC insolvent; however, UHC recorded multiple receivables on its first amended June 30, 2012, statement, which were not on the original June 30, 2012, statement. These receivables were used to offset the reserve adjustment which enabled the company to meet its surplus requirements. The Office has determined that many of these receivables were not valid receivables at the time recorded. On December 6, 2012, UHC again amended the June 30, 2012. financial statement to reflect that it was impaired by \$2,187,550 as calculated pursuant to Section 641.225, F.S. (Exhibits F, G, and H).
- (e) UHC has a pattern of mismanagement, which has resulted in UHC operating in such a condition as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, and the public.
  - i. There has been frequent turnover in the position of Chief Financial Officer. UHC has had five Chief Financial Officers within a period of six years. UHC was without a Chief Financial Officer between May 2011 and October 2012.
  - ii. The Report on Significant Deficiencies in Internal Controls that accompanied the 2011 audited financial statements included a list of issues that the auditor considered material weakness involving internal control over financial reporting. (Exhibit I).
  - iii. The claim system is compromised and attempts to convert to a new claim system have been unsuccessful. (Exhibit J).
- 6. UHC has been given a reasonable amount of time to improve its financial condition. Multiple companies have initialized due diligence for acquiring the company and a deal has not been finalized. The most recent termination of negotiations indicates that the company needs in excess of \$30 million. (Exhibit K).

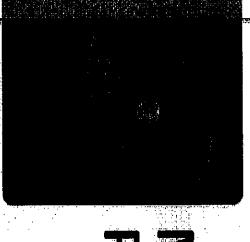
to render its further transaction of insurance hazardous to it policyholders, creditors, stockholders, or the public. Thus, grounds for issuing an Order for entry into receivership exist under Sections 631.051(1), (3), and (13), Florida Statutes. FURTHER AFFIANT SAYETH NOT. Toma L. Wilkerson, Director Life & Health Financial Oversight Office of Insurance Regulation STATE OF Florida COUNTY OF Les The foregoing instrument was acknowledged before me this 31 day of Innuary 2013, by Toma lexikerson as Director of L+H Financial oversight (type of authority (name of person) .... e.g. officer, trustee attorney in fact) for FLOIR (company name) DEBRAIL CSYLL ... MY COMMISSION 2 (50 ) (65% EXPIRES: Augus: 6, 20 (Pint: Type or Stamp Commissioned Name of Notary) OR Produced Identification Personally Known

Based on the above admissions from UHC and other conclusions of the

Office, the Office has determined that UHC is impaired or insolvent, is in an unsound financial condition, and is in such a condition and is using such methods and practices as

7.

Type of Identification Produced



### 

Privileged and Confidential

January 2013



EXHIBIT

## Cautionary Statement:

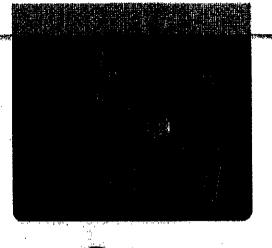
question and answer part of this presentation, are therefore only statements within the meaning of the Safe Harbor provisions of the US statements. Universal Health Care Group, Inc. does not undertake any made, there are matters discussed here that are forward-looking Except for the historical information contained in the presentation to be predictions and actual events or results may differ materially. You are to have been correct. These statements, including those given during the at this time, no assurance can be given that such expectations will prove expectations reflected in such forward-looking statements are reasonable Care Group, Inc. ("UHCG" or the "Company") believes that the Private Securities Litigation Reform Act of 1995. Although Universal Health otherwise. this presentation, whether as a result of new information, future events or obligation to update publicly any forward-looking statements discussed in cautioned not to place undue reliance on such forward-looking



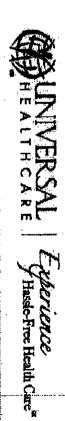
### ndex:

- 1. Company Overview
- 2. Benefit Changes
- 3. Segment Overview
- Medicare HMO
- Medicare PFFS
- Medicaid
- Nursing Home Diversion
- 4. Operational Improvements and Potential Synergies
- 5. Financial Overview
- Appendices





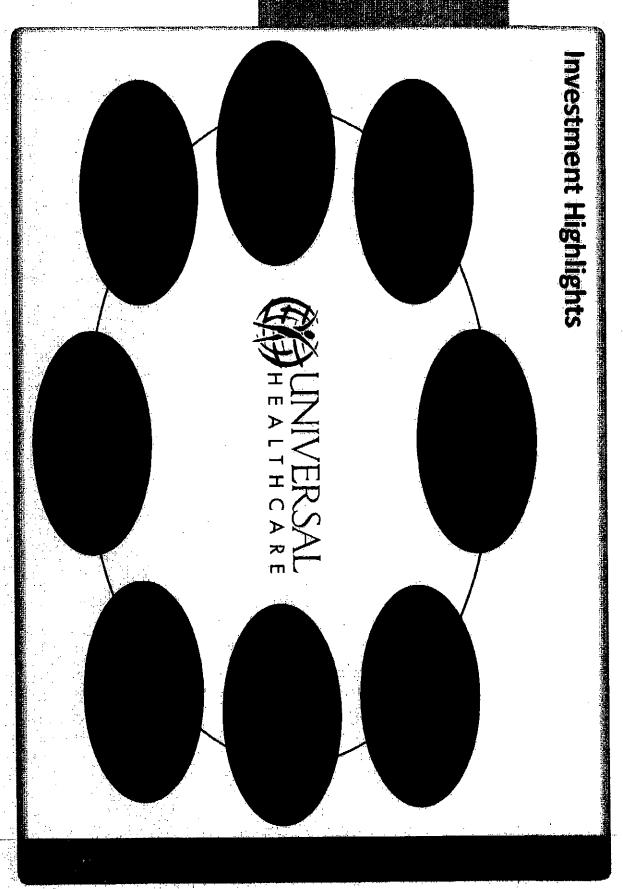
# Company Overview



## Management Overview

Healthcare USA			
Prior to HealthMarkets, served as CFO and COO of	•		
Most recently served as CFO for HealthMarkets, Inc.	•		
experience within the health care industry			
Over 20 years of executive-level financial and operational	•	Chief Financial Officer	Alec Mahmood
and implementation		İ	
integration, centralization initiatives supply chain optimization			
Operational expertise through process standardization, business	•		
WellCare			
experience; including start-up of PDP and PFFS business at			
Over 20 years of business, operations, finance and IT	•	Chief Operating Officer	Michael P Holohan
NASDAQ in April 2000			
Took Hong Kong based Asiacontent.com public as CFO on	•		
Valley			
Former President and CEO of GlobalEnglish Corporation, Silicon	•		
Consultant to Universal since inception of the company in 2002	•		
Board Member of Universal since July 2006	•	Chief Strategy Officer	Deenak Desai
MSO serving the greater Tampa Bay Area			
Successful management of multiple global contracts through an	•		
managec	•		
Administrator ("TPA")			
Founded Universal in 2002 as an HMO, as well as a Third-Party	•	Founder, Chairman & CEO	A.K. Desai, MD, MPH
Background	······································	Title	Name
	1		





HEALTH CARE | Typerience

- Growth in membership
- Member-centric operations focused on delivering positive outcomes

Free Healthcare

ambassadors member tenure and create brand Robust retention strategy to enhance

- Grew membership from 172K at end of 2011 to 194K at the end of 2012 - Growth of 13%
- CTM count was 126 in Q4 2012 (0.34 per 1,000) vs. 147 in Q4 2011 ( 0.45 per 1,000 )

### containment and MLR management Care Management initiatives for cost

Improvement in MRA risk scores

Management

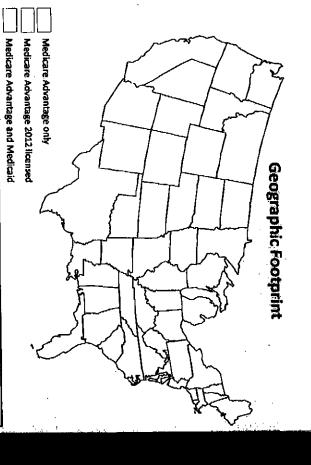
- Reduction in MLR from 93.3% in 2011 to 88.3% in 2012
- Increase in MRA scores of 8% ... from 0.92 (initial 2012) to 1.00 (final 2012)
- Organizational goal to achieve SG&A of low teens
- cost efficiency and enhance profitability Process refinements to drive long-term

SG&A

Excluding one-time costs of \$10 million (IT S;G& A for 2012 is 11.1% of Revenue, down implementation and Network Development). from 12.2% of revenue in 2011

## Company Overview

- services with a suite of network-Diversion populations state of Florida's Nursing Home Advantage (MA), Medicaid and the based products for Medicare Leading provider of managed care
- as of 2012 licensed to offer PFFS/PPO products in nineteen states and the HMO operations in FL, TX and NV and District of Columbia
- membership growth while effectively plans ("CCPs") are highly focused on managing medical costs The Company's coordinated care



	Medicare Advantage	Medicaid	Total
Membership as of 1/1/2013 (thousands)	90	64	154
Geographies (states)	20 + Washington DC	1 (FL)	21 (includes DC)
2013E Revenue (\$mm)	\$1,017	\$200	\$1,247*
*Total includes \$28million of nursing home diversion revenues and \$2million of investment income.	million of nursing ho went income.	me diversion revenu	es and



typerience
Y Hassle-Free Health Care\*

## Corporate Milestones

Scale and Diversification  2011: Received NCOA	Growth and Expansion	Founding
2011 - 2012	2006 – 2010	2002 — 2005

inding	Growth and Expansion	State and Classical Control
Founded in 2002 in	2007: Received NCQA	2011: Received NCQA
St. Petersburg, Florida	accreditation with Commendation	accreditation with Commendation.
Mid-2003: Medicare	<ul> <li>2007: Began offering PFFS, "Any,</li> </ul>	<ul> <li>2011: Added:HMO-POS &amp; PPO</li> </ul>
enrollment began	Any, Any Plan"	plans in Nevada
2004: Received	<ul> <li>2009: Named among the Top 6</li> </ul>	<ul> <li>2011: Expanded into six new PFFS</li> </ul>
NCQA accreditation	Medicare Plans in Florida by US	states for a total of 20 States plus
2005: Medicaid enrollment began	News and World Report	District of Columbia
	<ul> <li>2010: Added HMO-POS product</li> </ul>	<ul> <li>2011: Added HMO in Georgia</li> </ul>
	in Texas	<ul> <li>2012: Began offering a</li> </ul>
	<ul> <li>All membership growth has been</li> </ul>	national PPO
	strictly organic	

## **Operating Model**

### **Shared Services**



- **Executive Management**
- Care Management
- **Customer Service**
- Sales and Marketing
- Operations and IT
- Finance and Accounting
- Compliance, Legal, HR

## **Local Market Presence**



- **Network Administration**
- **Redundant Operational Departments**
- Mississippi 100-Seat Call Center in Jackson,

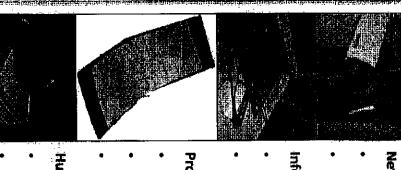
### **Network Building Overview**

 Company has been increasingly focused on network-based products and has made significant progress to build out network capabilities

Network (as 1/1/2013)	Primary Care Physicians	Hospitals	Facilities	Specialists
Florida HMO	2,758	130	1,822	7,298
Texas HMO	1,029	94	469	2,803
Nevada HMO	83	6	83	299
Medicaid	1,726	111	1,675	5,499
PFFS / PPO	18,649	847	6,300	42,655
Total	24,245	1,188	10,349	58,554



#### Operational Update



#### **Network Building**

- Over \$15 million spent in the last three years for network expansion
- Footprint in 20 States plus D.C.

#### Information Technology

- Significant investments in operational technology
- Launched several applications to enhance member experience

#### **Product Expansion**

- Expanded Dual Eligibles and C-SNP in Texas and C-SNP in Nevada
- Potential Medicaid expansion pending capital investments
- Continuing to build robust networks for PFFS and National PPO

#### **Human Resources**

- Recent experienced Senior Management hires
- accountability Clear commitment to talent management, leadership development and building a culture of
- Voted as one of the Top Places to Work in 2011 & 2012 in the Large Company Category in Tampa



## Summary Financials ('11 – '15E)

Historical and Projected Financials

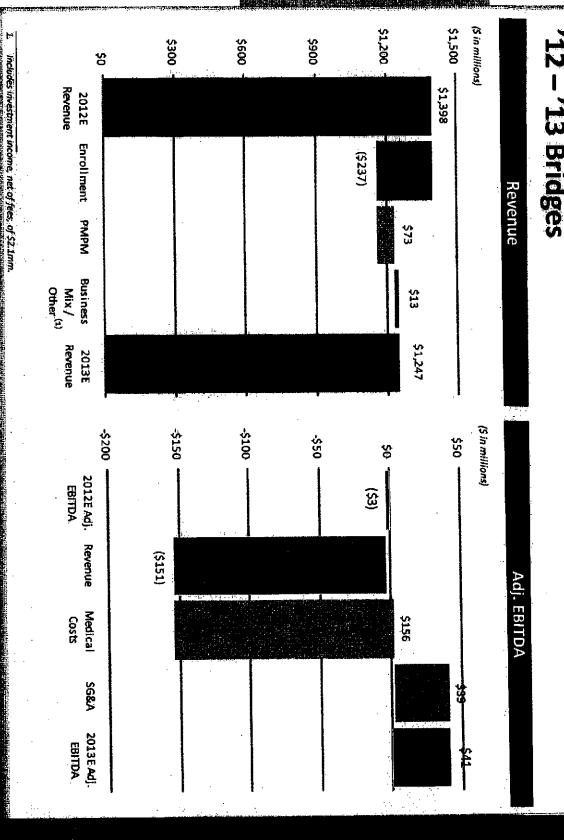
		Grou	Group Consolidated	8		Company ha
		. 1	2013€		2015E	improveme
	\$1,105	\$1,398	\$1,247	\$1,364	\$1,514	- Continu
			(10.8%)		11.0%	from 76
Medical Expenses			1,079		1,305	400K ch
			86.5%		86.2%	- Increase
			168	- 1	209	- Increase
			13.5%		13.8%	. HICI cas
			127		145	<ul> <li>Significa</li> </ul>
% of Revenue			10.2%	9.8%	9.6%	provide
			41	Í	2	- Reducti
			3.3%		4.2%	of rever
						2013-

#### 2013 Priorities

- Company has made significant operational improvements:
- Continue to improve MRA scores went from 76K charts reviewed in 2011 to over 400K charts in 2012
- Increased Utilization review
- Increased claims payment accuracy
- Significant re-contracting with our key providers including Bay Care, and HCA
- Reductions in SG&A costs (as a percentage of revenue: 2011 12.2%; 2012 11.9%; 2013 10.2%)
- Opportunities exist for an increased presence in the growing government health care sector
- Preparation for upcoming Florida Medicaid
   RFP
- Positioning for future dual-eligible opportunities

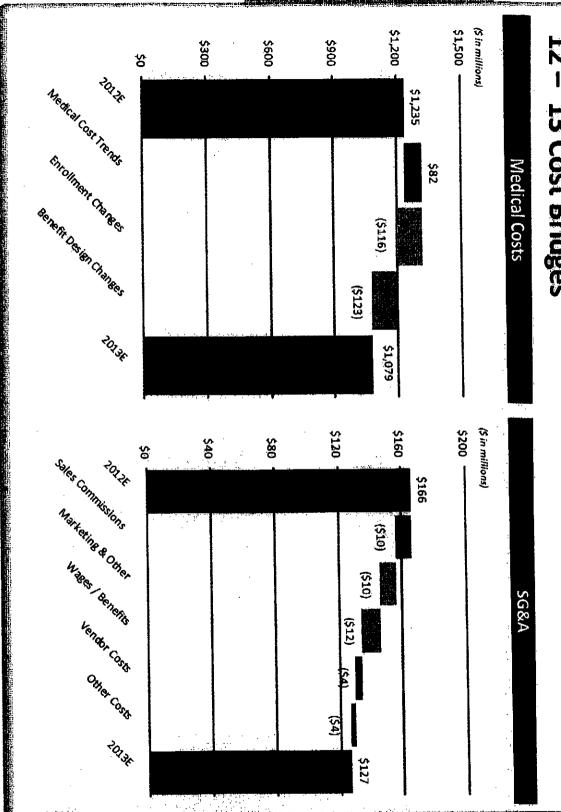
Adj. EBITDA includes "\$20 million reduction for claims recovery and \$23 million for MSO receivables and prior period adjustments



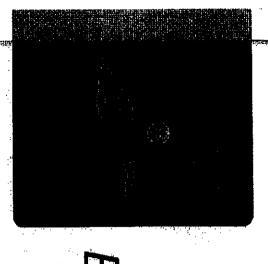


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UNIVERSAL | Experience



HEALTHCARE | Experience | Health Care"



## Benefit Changes in 2013



### **Benefits Changes Summary**

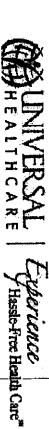
- Objective: Focus on profitable membership
- competing plans in each county Approach: Benefits changes based on MLR analysis by county and number of
- Focused on high value business for the future (SNP's and Duals)
- Results: Changes in benefit design for 2013 that includes a premium charged, benefits reduction, increased co-pay and co-insurance



# Benefit Changes Between 2011 - 2013 (UHC - FL HMO)

UHC	2011	2012	2013
Part B Premium Reduction/Premiums	\$75 – \$96.40 reduction in most plans \$106.74 cost of benefit	\$75–\$96.40 reduction in most plans \$124.97 cost of benefit	\$0 or \$99.90 reduction in most plans \$62.60 cost of benefit
Inpatient Hospital Cost Sharing	\$50/day, days 1 – 5 or \$150/day, days 1 – 10 in most plans	\$75/day, days 1 – 5 or \$175/day, days 1 – 10 in most plans	\$50/day, days 1 – 5 or \$75/day, days 1 – 5 in most plans
Outpatient Hospital Cost Sharing	\$100-\$200	\$100-\$200	20% coinsurance in most plans
PCP/Specialist Cost Sharing	\$0 PCP \$15 \$30 Specialist	\$0 PCP \$15 – \$30 Specialist	\$0 PCP \$10-\$20 Specialist
Part D Cost Sharing	\$0 – \$4 generics \$20 – \$69 brands	\$0 – \$8 generics \$20 – \$75 brands	\$0 generics \$15 - \$60 brands
New Benefits/ Elimination of Benefits	Added V/T benefft with \$5k limit	Eliminated V/T benefit	OTC in SNPs; Readmission prevention benefit in most plans
New Plans/Elimination of Plans	e-plans with additional cash back	Convert Diabetes C-SNP to multi-condition C-SNP. e-plans eliminated	MA-Only plan eliminated; Premier consolidated with Masterpiece

- benefit to the Company of \$62.37 The average Part B premium reduction cost has changed from \$124.97 to \$62.60 – cost
- Outpatient Hospital cost sharing moved from co-pays to coinsurance
- Additional benefits such as readmission prevention and OTC will help drive down inpatient medical expense

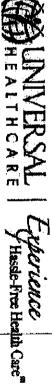




# Benefit Changes Between 2011 - 2013 (UHCIC - PFFS/PPO)

UHCIC	2011	2012	2013
Part B Premium Reduction/Premiums	\$20 — \$60 reduction in most plans \$41.53 benefit cost	\$0 reduction in most plans \$2.10 benefit cost	\$0 reduction; \$0 - \$79 in plan premium \$39.42 weighted average premium
Inpatient Hospital Cost Sharing	\$268/day, days 1 – 6	\$268/day, days 1–6	\$322/day - \$395/day, days 1 - 5
Outpatient Hospital Cost Sharing	25% – 30% coinsurance	30% coinsurance	30% coinsurance*
PCP/Specialist Cost Sharing	\$15 PCP \$40 Specialist	\$15 PCP \$40 Specialist	\$20 PCP \$50 Specialist
Part D Cost Sharing	\$4 – \$15 generics \$45 – \$80 brands	\$6 - \$15 generics \$45 - \$85 brands	\$6 – \$15 generics \$45 – \$95 brands
Supplemental Benefits	Dental included Hearing included Vision included Gym included	Dental included Hearing included Vision included Gym not included	Dental included Hearing, Vision, and Gym not included Hearing and Vision can be purchased for \$19 premium
New Plans/Elimination of Plans	New Plans/Elimination of Plans   e-plans with additional cash back	Platinum plans eliminated. UHCIC PPO plans created	UHCIC PPO split into two service areas

- member a net gain to Company of \$80.95 The average Part B premium reduction has changed from costing \$41.53 to the plan to charging \$39.42 premium to the
- Inpatient Hospital co-pays increased to drive down inpatient utilization
- Removal of supplemental benefits reduces rebate needed to offer supplemental benefits
- Split out UHCIC PPO into two service areas, one with a higher premium that includes AZ, DC, MD, NV, SC, and UT
- includes additional outpatient services not included in prior years such as cardiac rehab, PT, OT, ST, Diagnostic Radiology, and



## Revenue Changes Between 2012 - 2013

OHC		뒤	
		UHCIC PFFS	
НМО	PPO	PFFS	
\$841	\$761	\$723	2012 PMPM CMS
×	×	×	
0.2% x	6.7%		2013 Increase in Bid Revenue from CMS
×	×	×	
4.0%	3.0%	3.0%	2013 Member MRA score increase
+	+	+	
\$2	\$22	\$35	2013 Member Plan Premium (and Supplemental Premium)
11	11	n	
\$877	\$857	\$816	2013 Plan Revenue

- premium, and increase in MRA scores UHCIC increases by 12.8%, primarily due to changes in the bid, addition of a plan
- UHC revenue increases by 4.3%, primarily due to MRA score increases (as Part B reduction is eliminated in many plans)



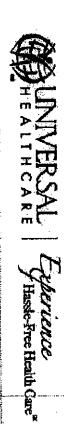
## MRA Changes Between 2011 - 2013

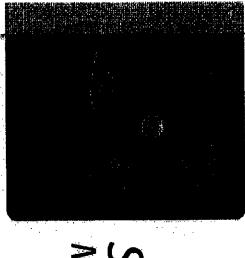
0.97	0.93	0.86	MRA Risk Score	
7.1%	7.3%	5.1%	MRA/Rev %	
\$ 819.88	\$ 725.22	\$ 706.36	Rev PMPM	
\$ 58.57	\$ 53.21	\$ 35.83	MRA PMPM	UHCIC
1.14	1.10	0.99	MRA Risk Score	
	8.6%	4.8%	MRA/Rev %	
8\$	\$ 840.86	\$ 787.11	Rev PMPM	
\$ 78.01	\$ 71.90	\$ 38.10	MRA PMPM	OHC
2013	2012	2011		

- Great intensity and effort for MRA in 2012
- Even with significant new members in 2012, we were able to improve the risk scores significantly
- We expect this effort to continue in 2013



## Segment Overview





## Segment Overview Medicare HMO



#### Universal's Strategy

#### Market Entry Strategy

- Enter the market with a non-network PFFS plan
- Build a network and offer a network PPO
- Transition PPO into HMO and provide additional Medicaid offering

#### Market Objective

Establish deeper relationships with IPAs, MSO providers to establish global risk contracts



#### **Universal HMOs**

## Three States with active HMO membership

- Florida with 41,058 members in 36 counties
- Texas with 4,540 members in 8 counties
- Nevada with 360 members in Clark County
- HMO license in Georgia which is inactive

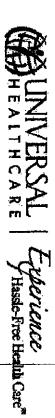
## Deep provider and MSO relationships

- Florida HMO has been in operation since 2002
- 65% of Florida HIMO members in MSO/IPA risk relationships. Majority in Global Risk arrangements
- Increasing Texas membership in risk relationships (65%)



## Florida HIMO 41,058 members by County

4	Califouri	553	Broward
	College of	FFO	Page 1
7	Liberty	645	Marion
11	Franklin	679	Orange
26	Jefferson	717	Osceola
33	Wakulla	800	Citrus
54	Miami-Dade	1,244	Volusia
69	Madison	1,441	Palm Beach
69	Gadsden	1,468	Charlotte
125	Okeechobee	1,892	St. Lucie
148	Lake	2,266	Duval
164	Collier	2,483	Hernando
173	Sumter	2,640	Sarasota
178	Leon	3,025	Brevard
197	Putnam	3,317	Hillsborough
257	Alachua	3,444	Pasco
298	Seminole	3,496	Manatee
464	Lee	3,969	Pinellas
523	Clay	4,179	Polk
# of Members	County	# of Members	County



#### **SNP Membership**

- Out of the ~45,000 HMO members ~19,300 or 43% are C-SNP / D-SNP (44% of Florida membership is C-SNP/D-SNP)
- We offer several C-SNP plans in Florida
- Diabetes, CHF, CAD
- COPD
- Dementia

in the state	FL - H5404	TX - H6642	
		County	
i i	Brevaird 1.623	Bexar 47	3
	Citrus 220		
	Dade 3		
		Galveston 170	
j.	Hemando 1,006		
21,077	Hillsborough 1,323		
and.			
nissa:	Marion 347		
igo av	Miami-Dade 3	Grand Total 1,442	
e in	Orange 258		
e de la composition della comp			
-14	Paim Beach 377	NV - H6705	
72.7	Pasco 1,460		
, co - y - n	Pinellas 1,473		
eri jw	Polk 1,767	Clark 119	
17 <b>-</b> 738	Saint Lucie 184		
লামসূত্র ব্যাধ্যক	Sarasota 737		
<del>3</del> ∧₹(74)	Seminote 94		
<u>এক</u> চ			
ere er	St. Lucie 7		
erene erene	Sumter 72		
is di			
eja v	Grand Total		
æ			

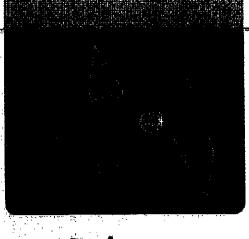


#### **Dual Membership**

- Our current Dual membership is
- 2,560 in Florida
- 245 in Texas
- membership, we have HMO membership as well Florida has Medicaid and Medicare overlap; All 15 counties in which we have Medicaid

H-11	5404	1-X1
County	D-SNP	County.
Broward.	36	Bexar
Dade	12	Collin
Duval	265	Dallas
Hemando	157	Denton
Hillsborough	4	Galveston
Manatee	196	Harris
Miami-Dade	4	Montgomery
Palm Beach	130	Tarrant
Pasco	297	Grand Total
Pinellas	455	
Polk	488	
Sarasota	78	
Grand Total	2,560	





## Segment Overview PFFS and National PPO



Experience
Hassle-Free Hea

#### Universal's Strategy

#### Current

- To date the strategy has been to grow our footprint and extend the scale of the business
- Expanded into 20 states
- Provides reach and scale to compete effectively
- Offering choice and flexibility to members is key to success

Any, Any product in 2007

Pioneers when offered the Any,

With the CMS requirement for building networks in certain counties (primarily urban ), the Company has created networks in 121 counties and laid the foundation for a business with more depth

#### Future

- The logical extension after building the networks was to offer a PPO product in those counties, which the Company did in 2012
- There is a compelling case for a Non-Network PFFS product in rural areas, where such a product gives good value vis-s-vis a Med supp product
- In places where the Company has built the network, the logical next step is to build HMOs, provide more MA choice and eventually enter the Medicaid market

### Universal PFFS/National PPO

#### Three Products

- Network Private Fee for Service (PFFS)
- Non-Network Private Fee for Service (PFFS)
- National PPO

## National Footprint – 43,051 members in 19 states

- Network Private Fee for Service (PFFS) -1/1/13 membership 15,828 in 16 states
- Non-Network Private Fee for Service (PFFS) -1/1/13 membership 24,466 in 19 states
- National PPO -1/1/13 membership 2,257 in 16 states



### PFFS/PPO Network Footprint

State	Network PFFS	Counties	National PPO	Counties	Total
Arizona	864	2	11	<b>-</b>	875
District of Columbia	10	<b>—</b>	<b>σ</b> i	<b>P</b>	15
Florida	2,088	30	797	19	2,885
Georgia	3,348	10	227	6	3,575
Louisiana	68	6	36	6	104
Marvland	500	7	86	Çī	586
Missouri	13	ω	48	ω	61
North Carolina	86	4	134	4	220
Nevada	1,778	2	194	2	1,972
New York	2	<u>г.,</u>	6	ы	
Ohio	28	on.	142	7	170
Pennsylvania	519	16	221	15	740
South Carolina	3,526	<b>oo</b>	ω	ω	3,529
Texas	1,635	15	379	11	2,014
Utah	1,296	ر د	11	ω	1,307
Virginia	67	5	457	4	524
Total	16,828	121	2,757	91	18,585





#### Network Product

- Since networks have already been created in 121 counties in HMO and offer MA as well as Medicaid. This requires regulatory capital 16 states for this product, there is an opportunity to create an
- Relationships are already in place and can be leveraged
- We have spent about \$15 million in the past three years to build these networks on our own paper



#### Non-Network Product

- networks, we offer a great value for seniors In rural areas where CMS has not required us to build
- Often their choice is traditional Medicare with an additional per month Medicare Supplement product that costs between \$150-200
- Does not cover Part D, which is an additional \$50 per month
- and offer great value Even with charging a premium, we can be very competitive
- allowable rates; we also have lower costs compared to about Since providers are deemed we pay 100% of Medicare 105% in our Network product



#### **PPO Product**

- plans the choice and flexibility that they are used to in employer The PPO product is very appealing to seniors who are used to
- We have leveraged our Network PFFS business to offer this National PPO product
- Same co-pay for in- and out-of-network results in a company competitive advantage and a less expensive option for the



## Examples of HMO Conversion Opportunity

Our established PFFS/PMO network can be translated into an HMO network and to serve Medicare eligibles across our 13 additional states

	Α	Arizona		The ball of		G	Georgia <sup>(1)</sup>		
	3	8		Medicare	Company of the second	PITS (Network)	PPO.	Penetration	Medicare Eligibles
Gila	1		11.1%	14.012	Bartow			21.4%	14,940
Maricopa	<b>78</b> 3		42.1%	534,519	Chatham	357	29	27.5%	40,405
Pima	ភ ់	<del>\$</del>	44.7%	173,473	Clayton	168	¥	31.1%	26,389
					Cobb	327		26.3%	78,365
					Columbia	79		21.8%	16,417
					DeKalb	418	<b>6</b>	31.0%	81,508
					Futton	516	<b>ಹಿ</b>	29.1%	107,822
					Gwinnett	515		26.8%	74,262
					Henry	226	£	27.7%	24,156
					Newton	0		25.5%	14,146
					Richmond	211		29.7%	31,696
					Rockdale	<b>1</b>	21	28.4%	12,109
					굷	2		22.0%	6,807
					Union	0	4	20.7%	6,572
	Lo	Louisiana		pr.		<b>V</b>	Maryland		
	,						<b> </b>		
County	PFFS (Network) Members	PPO Members	NA Penetration	Medicare Eliqubles	County	PFFS (Network) Members	Members	MA Penetration	Medicare Eligibles
Bossier	0	G; ;	13.3%	17,206	Anne Arundel	8	8	6.3%	77,919
Caddo	4	on.	15.7%	43,920	Baltimore	. 41	<b>3</b>	10.0%	138,856
East Baton Rouge	e 50	ω	34.9%	62,222	Baltimore City	56	<b>\$</b>	15.4%	93,053
Lafayette		ത	8.8%	29,766	Caroline		;	2.3%	5,789
Ouachita	0	<del>6</del>	15.4%	24,783	Howard	1 8	ű	n o.∷x	13,068
Rapides	<b>-</b>	7	11.5%	24,836	Prince George's	168	114	12.8%	101,706
1. Georgia HM	Georgia HMO license in place but currently inactive.	currently inacti			-		ř:		



# Examples of HMO Conversion Opportunity (cont'd)

serve Medicare eligibles across our 13 additional states Our established PFFS/PMO network can be translated into an HMO network and to

Jackson 3 32	PFFS (Network) PPO  Members Members Per	Missouri
32.5% 30.0%	MA Penetration	*
108,528 177,572	Medicare Eligibles	27 20 20 20 20 20 20 20 20 20 20 20 20 20
New York District Of Columbia	County	Ne
11 2	PFFS (Network) Members	w York /
7 47	Members.	Washir
30.0% 10.3%	MA Penetration	ngton DC
253,262 82,991	Medicare Eligibles	

	Vance	Mecklenburg	Guilford	Forsyth	Davidson	County	
	13	\$	9	<b>1</b>	13	PFFS (Network) Members	Nort
	8	59	<b>6</b> 6	<del>i</del>	36	PPO Members	h Carol
	45.9%	20.0%	38.5%	47.4%	45.9%	MA Penetration	ina
	30,598	107,418	78,168	59,236	30,598	Medicare Eligibles	
Stark	Montgomery	Lucas	Hamilton	Franklin	Butter	County	
.4	о (	л` <b>~</b>	ıω	. 4	0	PFFS (Network) Members	
<b>:</b>	<del>1</del> 6	<b>»</b> %	ಕಷ	:	ᄚ	PPO Members	Ohio
48.3%	44.8%	4 3 3	35.6%	41:3%	38.9%	MA Penetration	
74,685	99,421	50.768	74.003	151,153	55,998	Medicare Eligibles	



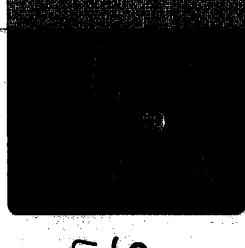


# Examples of HMO Conversion Opportunity (cont'd)

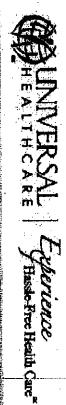
serve Medicare eligibles across our 13 additional states Our established PFFS/PMO network can be translated into an HMO network and to

	Bon	Donnewlyania	5			South	n Carolina	na	i.
	ו כומ	ilə yı v cırı							
	PFFS (Network)	PPO	NA.	Medicare		PFFS (Network)		MA	Medicare
County	Members	Members	Penetration	Eligibles	County	Members	Members	Penetration	Eliquoies
Allegheny	26	.25	61.4%	240;513	Aiken	547		15.7%	31,424
Beaver	0	30	64.6%	38,853	Beaufort	309		13.5%	37,729
Berks		<b>O</b> 1	33.9%	73,643	Berkelev	336		15.9%	25,878
Bucks	125		30.3%	113,670	Charleston	<del>6</del>	ឌ	14.0%	57,580
Butter			56.2%	34,572		54	;	26.7%	77.698
Carbon	0	o	16.5%	14,160	Glectivine	۰ {		3 18	17 776
Dauphin	0	თ	45.3%	46,782	Chandepuld	; c	?	\$ 64. 50. 50.	3 -
Delaware	49		26.9%	94,881	Pickens	4	24	27.8%	2,12
Erie	13	47	43,8%	52,228	Spartanburg	386		31.9%	54,324
Lehigh	0	9	29.9%	63,974	York	458		17.7%	34,687
Luzeme	0	<b>=</b>	22.0%	69,826					
Mercer	<b>C</b> T1	ဖ	43.3%	26,801					
Northampton	0	œ	25.0%	57,503					
Philadelphia	123	71	41.7%	236,173					
Schuylkili	-3	ω	25.9%	33,141					
Washington	0	-3	61.2%	45,572					
Westmoreland	0	ω	65.2%	81,492					
		Utah				<b>V</b>	irginia		
							3		E Com
County	PFFS (Network) Members	PPO Members	MA Penetration	Medicare Eligibles	County	Members	Members	Penetration	Bigibles
Састе	0		43.7%	10,632	Chesterneld	ō	14	18.7%	45,258
Davis	\$	7	35.1%	31,626	Fairfax	ਰੰ	ន	10.4%	121,685
Saft Lake	<del>2</del> 8	3 <b>4</b>	40.3%	113,127	Henrico	19	119	20.1%	46,104
	ដ	ω	41.5%	42,167	Richmond City	ä	83	22.3%	29,859
Weber	51		32.3%	29,658		•			
		:			THE RESERVE AND PARTY OF THE PERSON OF THE P		attention de la grande de la des	TENNED WIN CREMITARING TO A STATE OF THE STA	- market and the close to the contract of the





# Segment Overview U-First & Community First Medicaid



# Future of Florida Medicald and Universal's Strategy

#### Future of Florida Medicaid

- Managed Medical Assistance (MMA); will replace current FL 2012 2015 Medicaid contract
- State going to reform program model in all areas
- Florida will no longer manage care of Medicaid recipients (i.e., Medipass or "fee-for-service"); state will auto-assign all non-chooser eligibles to MCO's
- All MCO's, PSN's, and ACO's required to submit RFP for Medicaid beyond 2015 (contract will be 5 years)
- with state; # of selected MCO's will be based on eligible population of region Only a select number of MCO's, PSN's, and ACO's will be selected to contract

#### **Universal Medicaid Strategy**

- with award announced in June 2013 Bid on regions 4-11 (majority of state) upon release of ITN in January 2013,
- awarded) Anticipated membership is 130,000 members by 2014 (Assuming 2 regions
- Nationwide expansion efforts to take place post Florida Managed Medical



### Florida Medicaid Components

Two Medicaid Components within Florida:

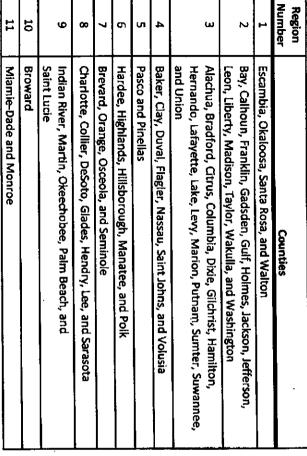
Region 2

- Medicaid Man
- **Nursing Home**

	ala and Comincio
Nursing Home Diversion	llsborough, Manatee, and Polk
Region 11	agier, Nassau, Saint Johns, and Volusia
	Laxe, Levy, Mation, Funding, Junice, Juwannes,
NEBION O	rus, Columbia, Dixie, Gilchrist, Hamilton,
Page 1	n, Taylor, Wakulla, and Washington
	n, Gadsden, Gulf, Holmes, Jackson, Jefferson,
R	santa Rosa, and Walton
Region 6	Counties
Process	-
Region 5	
Hem	
Region 7	Diversion
	naged Care Reginal
Region 4	

Region 10

Region 9



Medicaid Managed Care

Both



## Reform Program and Enrollment by County

		Medicaid Covered	Universal Expanded
Programs	Description	Services	Benefits
Reform "Pilot"	No FL state Medicaid	Physician Services	Vision Services
	(Medipass)	Outpatient Hospital	Hearing Services
	Participate in MCO or PSN	Services	Adult Comprehensive
	required	Inpatient Hospital	Dental
	Enhanced Benefit Rewards	Services	Pediatric
	Counties:	Prescribed Drug	Comprehensive Dental
	<ul> <li>Duval , Baker, Clay, Nassau</li> </ul>	Family Planning Services	OTC Medicine and
	(Region 4)	Lab and X-Ray Services	Supplies
	<ul><li>Broward (Region 10)</li></ul>	Home Health Care	Transportation
		Durable Medical	
		Equipment	
		<ul> <li>Immunizations</li> </ul>	
		Wellness	
		Podiatry	
		Dermatology	
		Chiropractor	
		Esselled & CHG	Total % CHG

County	Area	Total TANF	Total SSI	Total 1/1/2013 <sup>(1)</sup>	Enrolled Prev. Mo.	% CHG. Prev. Mo.	Total 12/31/2011	% CHG. Prev. Yr.
Broward	10	9,148	1,667	10,911	11,003	-0.84%	11,292	-3.4%
Duvai	2	7,525	1,074	8,671	8,527	1.69%	7,971	8.8%
Total		16,673	2,741	10 503	10 500	0 27%	100	1.7%
			•	79C'ET	19,530	0.67.2	19,203	



Experience Health Care"

#### Non-Reform Program

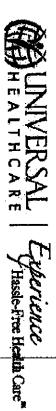
		Medicaid Covered	Universal Expanded
Programs	Description	Services	Benefits
Non-Reform	FL state Medicaid program	Physician Services	<ul> <li>Vision Services</li> </ul>
	option (Medipass). Members	<ul> <li>Outpatient Hospital</li> </ul>	<ul> <li>Hearing Services</li> </ul>
	are auto-assigned to MCOs,	Services	<ul> <li>Adult Basic Dental</li> </ul>
	but can opt-out to Medipass	<ul> <li>Inpatient Hospital</li> </ul>	<ul> <li>OTC Medicine and</li> </ul>
	<ul> <li>In all other counties than</li> </ul>	Services	Supplies
	reform	<ul> <li>Prescribed Drug</li> </ul>	
		Services	New Expanded Benefits as
		<ul> <li>Transportation</li> </ul>	of 1/1/2013
		<ul> <li>Family Planning Services</li> </ul>	<ul> <li>Hearing Aid Benefit,</li> </ul>
		<ul> <li>Lab and X-Ray Services</li> </ul>	annual if medically
		Home Health Care	necessary
		<ul> <li>Durable Medical</li> </ul>	<ul> <li>Nutritional Supplement</li> </ul>
		Equipment	Circumcision (up to 12
		<ul> <li>Immunizations</li> </ul>	weeks old)
		Weliness	
		<ul> <li>Pediatric Basic Dental</li> </ul>	
		Podiatry	,
		<ul> <li>Dermatology</li> </ul>	
		<ul> <li>Chiropractor</li> </ul>	

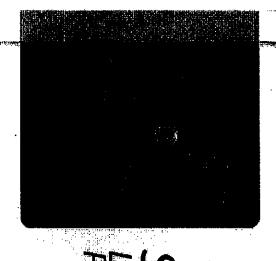




## Enrollment by County: Non-Reform

		Total			Enrolled	% СНG.	Total	% CHG.
County	Area	TANF	Total SSI	Total 1/1/13	Prev. Mo.	Prev. Mo.	12/31/2011	Prev. Yr.
DADE	11	2,674	484	3,158	3,173	-0.47%	3,615	-12.6%
GADSDEN	02	602	144	746	730	2.19%	787	-5.2%
HERNANDO	03	2,136	411	2,547	2,600	-2.04%	2,584	-1.4%
HILLSBOROUGH	96	7,870	1,144	9,014	8,824	2.15%	7,324	23.1%
JEFFERSON	02	95	23	118	117	0.85%	165	-28.5%
LEON	02	2,134	393	2,527	2,506	0.84%	2,510	0.7%
MANATEE	90	3,166	387	3,553	3,497	1.60%	3,114	14.1%
PALM BEACH	09	4,820	1,037	5,857	5,867	-0.17%	5,622	4.18%
PASCO	20	2,815	422	3,237	3,202	1.09%	2,942	10.0%
PINELLAS	05	5,166	857	6,023	5,971	0.87%	4,935	22.1%
POLK	90	3,413	639	4,052	4,089	-0.90%	4,060	-0.2%
SARASOTA	80	3,555	578	4,133	4,203	-1.67%	4,192	1.4%
St. Lucie	90	97	15	112	7	NA	0	NA
WAKULLA	02	260	32	292	287	1.74%	330	-11.5%
Total		38,803	6,566	45,369	45,073	0.66%	42,180	7.6%





# Segment Overview Long-Term Care Nursing Home Diversion Program



#### **Nursing Home Diversion**

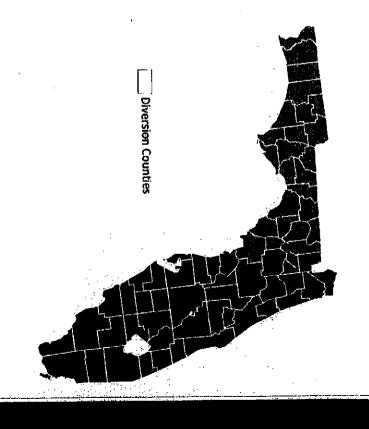
- Department of Elder Affairs (DOEA) The Program is a Florida Medicaid waiver program administered by the
- nursing homes by maintaining them in their own home or an Assisted Living The Diversion program diverts people from unnecessary early placement in Facility (ALF)
- Managers in conjunction with the member's PCP and family The program brings services to the individual, coordinated by Diversion Case
- Some of the services this program offers are; case management, companion, homemaker, emergency response systems, family training, home delivered meals, and assisted living services



## **Diversion Footprint**

## **Nursing Home Diversion Program**

- Contracted with Florida to manage Diversion members since 2004
- 1,500 members statewide as of 12/1/2012 → 6th among Plans participating in program
- Operating in 40 counties statewide
- Expanded into 16 of those counties in 2012
- Dedicated company-wide FTEs 32
- Est. staffing costs: \$1.5M





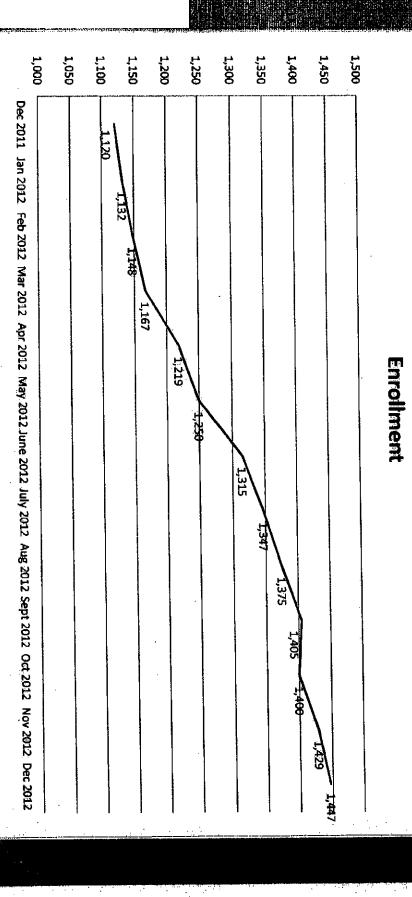
## **Nursing Home Diversion**

in the same of the			
Programs		Medicaid Covered Services	Universal Expanded Benefits
Diversion	• •	Adult Companion Adult Day Care	<ul> <li>Vision Services</li> <li>Hearing Services</li> </ul>
	•	Assisted Living	Dental Services
	•	Case Management	\$25 monthly flex reimbursement
•	٠	Chore Services	Transportation
	•	Consumable Medical Supplies	
	•	Coordination of Acute Care Services	
	•	Emergency Response Systems	
	•	Environmental Adaptation	
	•	Escort Services	
	•	Family Training	
	•	Financial Assessment and Risk Reduction	
	•	Home Delivered Meals	
	•	Home Maker Services	
	•	Nursing Facility	
	•	<b>Nutritional Assessments and Risk</b>	
		Reduction	
	•	Occupational Therapy	
	•	Personal Care	
	٠	Physical Therapy	
	•	Respiratory Therapy	
	•	Respite Care	
	•	Selected Prescribed Drug Services	
	•	Speech Therapy	

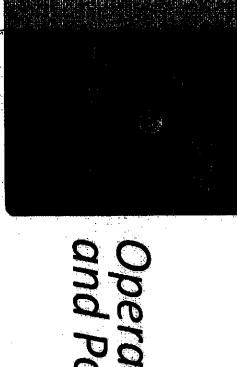




## Nursing Home Diversion



HEALTHCARE | Experience |



Operational Improvements and Potential Synergies



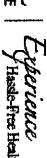
## Potential Synergy Overview

improvements are achievable in the existing cost structure We believe that a total estimated synergies of \$82.7 million across SG&A efficiencies and MLR

	\$82.7	Total
Total Opportunity (\$ in millions)	Total Opp	
<ul> <li>Assumes 2% MLR savings from increased scale and utilizing superior network discounts for acquired membership</li> </ul>	\$24.9	MLR Savings
Description	Gross Opportunity	Segment
Potential MLR Savings (\$ in millions)	Potential N	
Represents 45% of existing SG&A costs	\$57.8	Total SG&A Costs
	\$11.0	Marketing Costs
	\$5.0	Other Costs
50% of total vendor related costs	\$13.0	Vendor Costs
<ul> <li>Rationalization of headcount for directors and above</li> </ul>	\$11.9	Executives
<ul> <li>Compliance, HR, creative services, provider operations, finance and IT related costs</li> </ul>	\$16.9	Support Department
Description	Gross Opportunity	Segment
SG&A Costs (\$ in millions)	SG&A	

Additionally, the Company has NOLs of approximately \$50-55 million that can be used to offset future income





# MRA and Increased Retro Effort in 2012

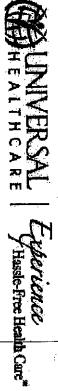
- Intense focus on retrospective chart reviews
- Team of in-house people (25) retrieves and codes charts
- MSO partners retrieve & code charts
- Several vendors retrieve & code charts
- Robust in-house Q.C. system to ensure that all HCCs are valid and well documented
- Expect a 95% quality performance
- Vendors, such as CENSEO, perform prospective chart reviews
- Increased number of chart reviews driving MRA revenue improvements

Period	2011	2012
Total Members (with at least one month's claims	119,064	155,000
Unique members for whom charts pulled	57,651	124,000
% of Total	48%	80%
Total Charts Pulled	73,750	297,182
Charts pulled per member	1.28	2.4
MRA Revenue	\$20.5 MM	\$74.5 MM
% of Total Revenue	2.2%	6.0%
Incremental Revenue		\$45 MM
Incremental Costs		\$4 MM
MRA Revenue per chart	137	175



## 2012 Risk Scores

Γ.						1	- 1	· · · ·	
	Total	National PPO	Network PFFS	OWH AN	OWH XL	Non- Network PFFS	FL PPO	FL HMO	PLAN
	126,474	2,604	23,101	314	4231	45,273	969	49,982	2012 MBRS
	07	68	71	68	69	70	72	71	AVG AGE
	9,898	325	1,639	41	363	3,588	40	3,902	New Enrollees Membership
	8%	12%	7%	13%	9%	8%	4%	8%	NEW to MEDICARE (Aged In) %
	0.61	0.62	65.0	0.60	0.60	0.63	0.57	0.60	New Enroll RAF
	70,801	N/A	17,471	105	2044	22,982	798	27,401	MBRS w/12 MONTHS in DCP
	0.92	N/A	0.86	0.86	0.77	0.82	0.97	1.03	2012 INITIAL RAF
	0.94	N/A	0.84	0.72	0.83	0.87	0.97	1.07	2012 MID YEAR RAF
,	2%	N/A	-2%	-16%	8%	6%	0%	4%	% RAF
Opportunity to Improve	(1.00)	N/A	0.90	0.75	0.91	0.95	0.99	1.10	2012 FINAL RAF
Improve I	8%	N/A	5%	-13%	18%	16%	2%	7%	% RAF CHANGE
	<del></del>	* * * * * * * * * * * * * * * * * * * *	er er		•		r		



## **Quick 5-Star YoY Recap**

		7				
		2012			2013	
Contract	Part C	Part D	Overall	Part C	Part D	Overall
H5096 (PPO)	Plan too new	Plan too new	Plan too new	Plan too new	Not enough	Plan too new
	to be	to be	to be	to be	data available	to be
	measured	measured	measured	measured		measured
H5404 (HMO)	3.0	2.5	3.0	2.5 (12.88)	2.5 <sup>(1)</sup> (4.25)	2.5
7						
H5429 (PPO)	2.5	2.5	2.5	2.0 (2.88)	2.5 (3.4)	2.5
H5820 (PFFS)	2.5	2.5	2.5	2.5 (21.48)	2.5 <sup>(1)</sup> (13.75)	2.5
н6642 (НМО) ТХ	Not enough data available	2.0	Not Enough Data Available	2.0 (18.75)	2.0 (0.5)	2.0
H6705 (HMO) Nevada	Plan too new to be measured	Not enough data available	Plan too new to be measured	Not enough data available	2.5 (5.88)	Not enough data available
H8098 (PFFS)	Plan too new to be	Plan too new to be measured	Plan too new to be measured	2.5 (19.63)	2.0 (8.63)	2.5
H5096 (PPO)	Plan too new	Plan too new	Pian too new	Plan too new	Not enough	Plan too new
,, a a bassario	measured	measured	measured	measured		measured

Low Performing Plan for three consecutive years having three stars or lower. (##) Points needed to reach the for next star.





# **UHC Current Performance (at Measure Level)**

[Received 1 to 2.5 Star] – Areas of Opportunity (Admin, HEDIS and PDE)

- Internal Administration/Operational Availability, CTMs) Foreign Language and TTY/TDD Interpreter Measures - Controlled by UHC (such as
- and Provider Behavior) **HEDIS/Medical Claims Data Measures –** Robust Data-Driven Interventions (Member
- Adherence (Member and Provider Behavior) Interventions to ensure Medication PDE/Medication Claims Data Measures –

### [Received 4 Star] – Member Experience Performance (CAHPS/HOS Surveys)

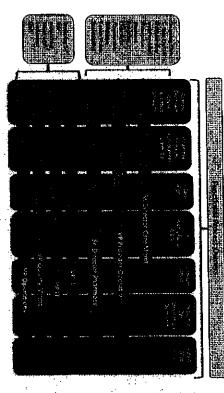
- the care they needed Getting Needed Care - Felt they were getting
- Customer Service (HMO and PFFS) Felt that when they call they were getting the information they need
- Overall Rating of Health Care Quality (HMO higher out of ten and PFFS) - Rated their overall quality 7.0 or
- they need. (PFFS) they were getting the information or help Getting Information from Drug Plan - Felt
- Getting Needed Prescription Drugs Felt it was easy to get the prescribed medicines
- Rating of Drug Plan (HMO) Rated their overall quality 7.0 or higher out of ten



# The Approach, Targets and Appeals

- Implemented a company-wide strategy to increase ratings to 3-Star by June 2013 and 4-Star by 2014
- New team (2012) focuses on identifying and driving Quality Improvements via a comprehensive quality improvement program (47 Projects, 181 Deliverables) that
- Outlines the process, systems and people infrastructure requirements necessary to deliver higher quality of care and services to our members; aligns with Quality Improvement Model approach; includes industry best practice initiatives to help increase 5-Star performance; ensures crossfunctional and vertical 5-Star awareness and ownership
- Built strong provider networks consisting of over 10,000+ physicians including 5,000 primary care physicians

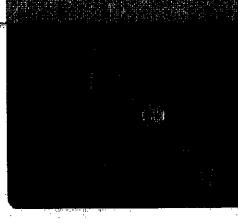
Quality Improvement Model (How to Implement Across The Enterprise)



2013 Medicare/5-Star Reconsideration (Using NCQA Accreditation)

- Currently appealing up to four measures based on incorrect data and [2011–2014] Medicare HMO/POS- Deemed Status
- Appeals are across all contracts and would have material impact in Part C and/or Part D star rating





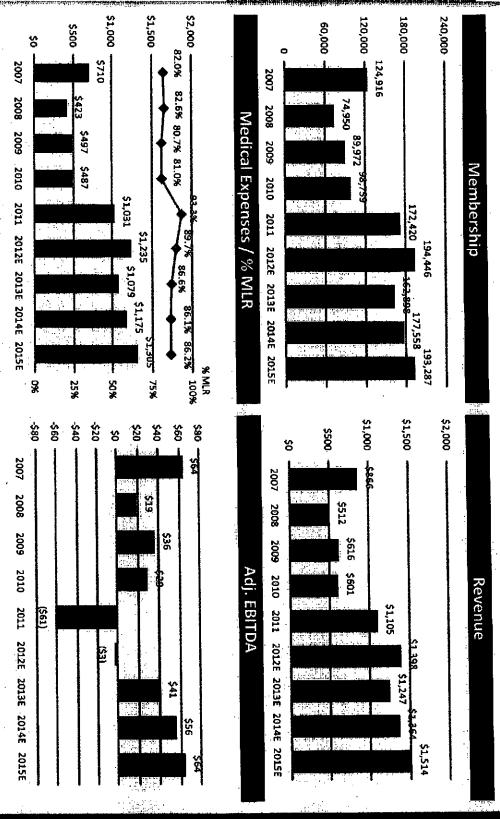
# Financial Overview



Experience
Y Hassle-Free Health Care

# Universal Healthcare — Financial Overview

(\$ in millions)

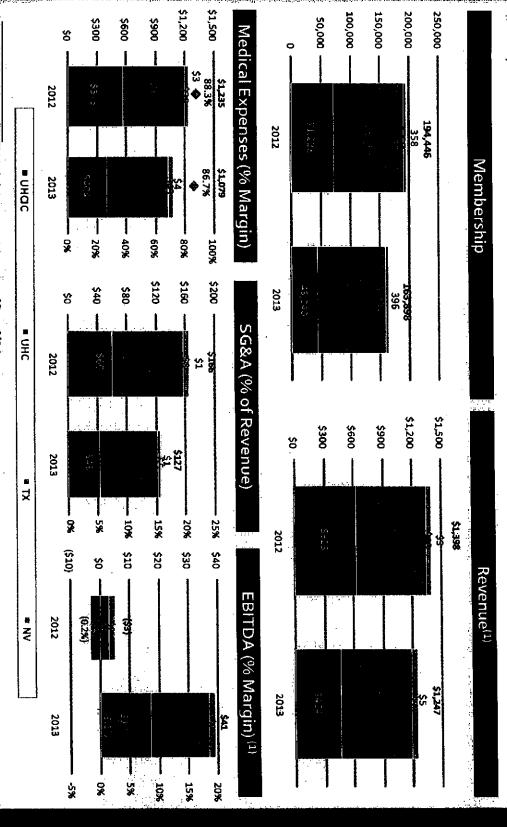






## 2012 & 2013 Comparison

(\$ in 000s)





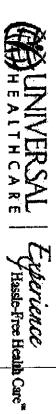
Experience
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## Statutory Capital Needs

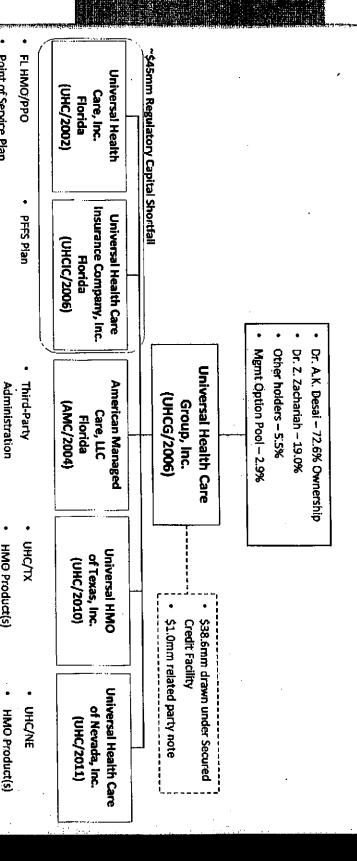
statutory capital needs At the end of January 2013 a capital injection of ~\$45 million would solve current expected

★ Millions	Dec 2012	Jan 2013	Feb 2013	Mar 2013
UHC				
Statutory Surplus	(\$12.6)	(\$11.6)	(\$10.6)	\$16.4
Capital Injected	•	ı	25.0	
Surplus After Injection	(12.6)	(11.6)	14.4	16.4
Required Surplus	17.1	17.0	17.0	17.0
(Shortfall) / Excess	(29.7)	(28.6)	(2.6)	(0.6)
UHCIC				
Statutory Surplus	\$18.1	\$19.1	\$20.1	\$41.1
Capital Injected	_	ı	20.0	
Surplus After Injection	18.1	19.1	40.1	41.1
Required Surplus	18.5	12.3	12.3	40.0
(Shortfall) / Excess	(0.4)	6.8	27.8	1.1
Total (Shortfall) / Excess	(\$30.1)	(\$21.8)	\$25.2	\$25.2 \$0.5





## Organisational Chart:





Point of Service Plan

HMO Product(s)

(Florida)

Long-Term Care Medicaid - U-First

Community Diversion

# Managed Care Companies' Debt as a % of Revenue

	As o	As of 12/31/2005	005	As o	s of 12/31/2011	11
			Debt as % of			Debt as % of
\$ Millions	Revenues	Debt	Revenue	Revenues	Debt	Revenue
Cigna	16,684	1,338	8%	21,998	5,094	23%
HealthSpring *	856	188	22%	3,135	626	20%
Coventry	6,611	770	12%	12,186	1,818	15%
Centene	1,505	93	6%	5,340	348	7%
Molina	1,650	160	10%	4,769	218	5%
Average	27,306	2,549	9%	47,428	8,104	17%
* Data as of 12/31/2010						
Universal Fiscal 2012		:		1,398	39	3%

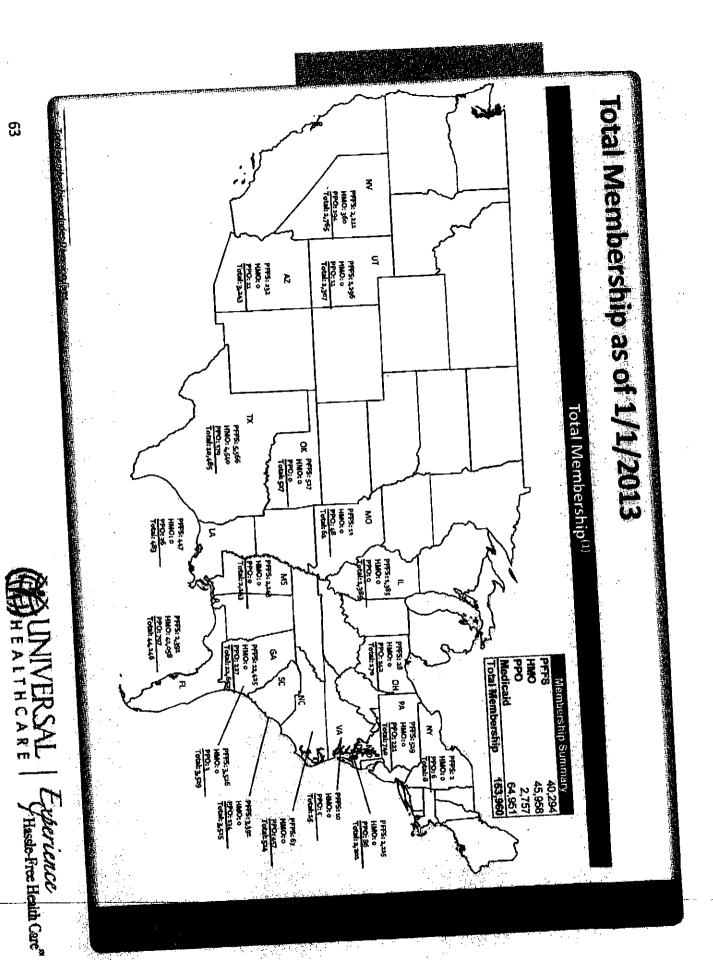
- All the companies have grown significantly
- We have the ability to change benefits every year and provider contracts on an ongoing basis
- Scale and Barriers to entry create enduring businesses



Fuperience
Y Hassle-Free Health Care\*







## Universal Health Care Group, Inc. Historical and Forecast Income Statements

H			Γ						
	56	41	(3)	(61)	29	36	19	64	EBITDA
1	133	127	166	135	85	83	70	92	S,G&A
	1,175 1,305	1,079	1,235	487 1,031	487	497	423	710	Medical Expense
	,247 1,364 1,514	1,247	1,398	1,105	601	616	512	866	Revenue
	2014	2013	2012	2011	2010	2009	2008	2007	\$ Millions



### 2012 Forecast

\$ Millions	UHCIC	CHC	Texas	Nevada	Group Consolidated
Revenue \$	625.0	722.0	48.0	3.0	1,398.0
Med Exp \$	573.0	621.5	38.0	2.5	1,235.0
Gross Margin \$	52.0	100.5	10.0	0.5	163.0
S,G&A \$	60.0	97.2	8.0	0.8	166.0
EBITDA \$	(8.0)	3.3	2.0	(0.3)	(3.0)
MLR %	91.7%	86.1%	79.2%	83.3%	88.3%
Admin %	9.6%	13.5%	16.7%	26.7%	11.9%
EBITDA %	(1.3%)	0.5%	4.2%	(10.0%)	(0.2%)



### 2013 Forecast

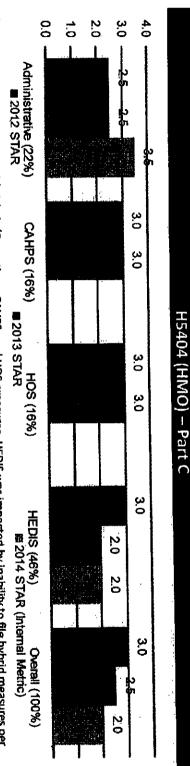
3.1%	0.0%	4.8%	2.8%	3.6%	EBITDA %
10.2%	13.3%	10.0%	10.7%	9.4%	Admin %
86.7%	86.7%	85.2%	86.5%	87.1%	MLR %
41.0(1)		2.4	20.0	16.6	EBITDA\$
127.0	0.6	5.0	78.0	43.4	S,G&A \$
166.0	0.6	7.4	98.0	60.0	Gross Margin \$
1,079.0	3.9	42.6	628.5	404.0	Med Exp \$
\$1,247.0(1)	\$4.5	\$50.0	\$726.5	\$464.0	Revenue \$(1)
Group Consolidated	Nevada	Texas	UHC	UHCIC	\$ Millions



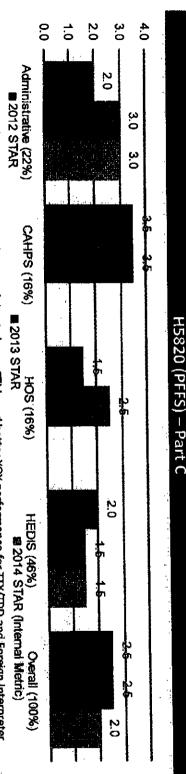
Experience
Y Hassic-Free Health Care"

<sup>2013</sup>E revenue and EBITDA include investment income, net of fees, of \$2.1mm.

## Overall 5-Star YOY Comparison



NCQA, in particular for chart dependent measures such as Controlling Blood Pressure (CBP) and Body Mass Index (BMI). YOY Summary: Held constant with Admin/Operations, CAHPS, and HOS measures. HEDIS was impacted by inability to file hybrid measures per

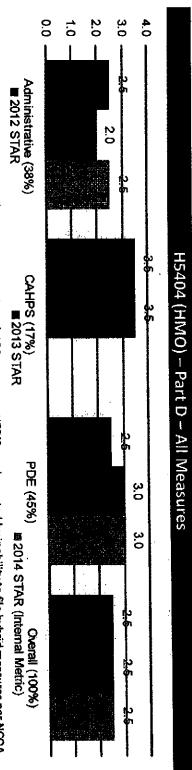


availability, held constant with CAHPS measures. Increases HOS due to better survey results on Fall Prevention and increase in Physical Activity. The HEDIS decrease was due to removal of the measure Access to Primary Care Visits in 2013, where we had a 4 STAR with a 1.5 weight. YOY Summary: Admin/Operations measures increased due to lower CTMs and better YOY performance for TTY/TDD and Foreign Interpreter



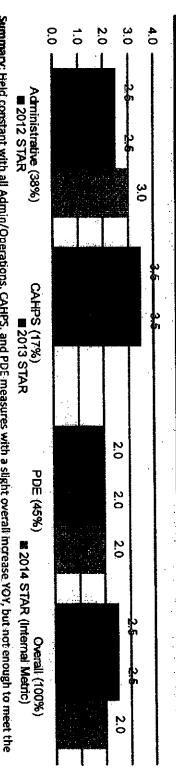
Experience
YHasde-Free Health Care\*

## Overall 5-Star YOY Comparison



<u>Summary</u>: Held constant with Admin/Operations, CAHPS, and HOS measures. HEDIS was impacted by inability to file hybrid measures per NCQA, in particular for chart dependent measures such as Controlling Blood Pressure (CBP) and Body Mass Index (BMI).

H5820 (PFFS) – Part D – All Measures



threshold to the next star. Summary: Held constant with all Admin/Operations, CAHPS, and PDE measures with a slight overall increase YOY, but not enough to meet the





100 Central Avenue, Suite 200, St. Petersburg, PL 33701 · phone 1-866-690-4842 · Jax 1-727-922-8596 · web www.com/vhc.com/

January 15, 2013

Ms. Shirley Fuguay
Account Manager
Dapartment of Health & Human Services
Centers for Medicare & Medicard Services
61 Forsyth St., Suite 4120
Atlants, Georgia 30303-8309

Res

Universal Health Care insurance Company, inc.

Contract No: H8098, H8820 and H5096

Universal Health Care, Inc.

Contract No: H5404

Request to Specify Plan Capacity Limit

Dear Ms. Fuguay:

In its letter to the Centers for Medicare and Medicaid ("CMS") dated January 14, 2013, Universal Health Care Group ("Universal") requests to implement plan capacity limits for Universal Insurance Company, Inc. ("UHCIC") and Universal Health Care, Inc. ("UHC") in keeping with the provisions stated at AZ CFR 422.60 (b) (2),(8). Universal expects that this capacity limit will ensure that neither UHCIC nor UHC will accept any new enrollments during the effective period of the capacity limit.

This decision pertains to UHCIC'S Network PFFS (Contract No. H8098). Non-Network PFFS (Contract No. H8820) and PPO (Contract No. H8096) and UHC's HMO contract (Confract No. H8404).
Specifically Universal would like to specify the following capacity limits per contract:

H8098-14,106

H5820 - 20,659

H5096 - 2,705

H\$404 -- 38,198

Please note that specified plan limits are based on the plan's current membership enrolled as of January 18, 2013.



Please also note that this decision does NOT affect the subsidiaries of Universal Health Care Group Inc., Universal HMO of Texas, Inc. and Universal Health Care of Nevada, Inc.

If you have any questions or need additional information, please do not hesitate to contact Francoise Trairnen, Chief Compliance Clifficer at 727-456-6589 or at firetman@univhe.com.

Singerely, Arm Layan Akohay Desal, M.D., MPH

President & CEO

Cc. Ft. Office of insurance Regulation
Clarisse Owens Centers for Medicara and Medicald Services (CMS/CM)

encl

From:

Wilkerson, Toma

Sent:

Thursday, January 17, 2013 4:40 PM

To:

Schoenecker, Catharine; Threadgill, Dennis; Johns, Paul; Struk, Christopher; Reglat,

Valerie; Davis, Heather; Kennedy, Ray; Davis, LaTasha; Davis, Rebecca

Subject:

Fw: Universal's Request - Enrollment Capacity Limits

Categories:

UHC

From: Francoise Trotman [mailto:FTrotman@univhc.com]

**Sent:** Thursday, January 17, 2013 04:12 PM

To: Fuguay, Shirley (CMS/CMHPO) (SHIRLEY.FUQUAY@cms.hhs.gov) <SHIRLEY.FUQUAY@cms.hhs.gov>

Cc: Wilkerson, Toma; Akshay Desai, M.D., M.P.H. <a href="mailto:adesai@univhc.com">adesai@univhc.com</a>; mitchell@sostrategy.com

<mitchell@sostrategy.com>

Subject: Re: Universal's Request - Enrollment Capacity Limits

Ms. Fuguay,

On January 15, 2013 Universal Health Care ("UHC") requested that CMS allow the plan to implement enrollment capacity limits on the following contracts: H8090, H5820, H5096 and H5404. The Universal management team is requesting that CMS assist with expediting its decision. The company has assessed its financial acumen and has reason to believe that Universal is financially impaired. We believe that expediting this matter allows the company, CMS and the State to protect our existing members and avoid risk to any new Medicare beneficiaries through continued enrollment.

Thank you,

### Françoise Trotman

Chief Compliance Officer



Universal Health Care 100 Central Avenue, Suite 200 St. Petersburg, FL 33701

Office: 727-456-6585
Fax: 727-329-0745
FTrotman@univhc.com
http://www.univhc.com

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From:

Wilkerson, Toma

Sent:

Tuesday, December 18, 2012 12:57 PM

To:

Johns, Paul; Struk, Christopher

Cc:

Davis, LaTasha; Reglat, Valerie; Kennedy, Ray; Davis, Rebecca

Subject:

FW: Universal Medicare Risk Adjusted Premiums

Categories:

UHC

FYI

From: Kirk Shanks [mailto:KirkS@KirkShanks.com] Sent: Tuesday, December 18, 2012 10:53 AM

To: Wilkerson, Toma Cc: Tan, Richard

Subject: RE: Universal Medicare Risk Adjusted Premiums

Toma,

I've taken a quick look at the table you sent to me for the MA receivable and noticed a few things (see the table below).

- 1. The Texas and Nevada contracts are included in that file (H6642 and H6705)
- 2. There are a some lines that had a "RA Factor Type Code" of NULL. It appears these are hospice members and should not be risk scored at all.
- 3. There are members with a "RA Factor Type Code" of SE or ED. These are Chronic SNP new enrollees and ESRD new enrollees that are only risk scored based on their age.

		RA		
PAYMENT	PLAN	FACTOR	ESTIMATED	
YEAR	ID	TYPE	VALUE	Kirsha Est
2012	H5096	С	\$103,923	\$103,923
2012	H5096	1	\$610	\$610
2012	H5404		\$124,914	\$0
2012	H5404	С	\$9,129,099	\$9,129,099
2012	H5404	C2	\$142,825	\$142,825
2012	H5404	D	\$1,172,256	\$1,172,256
2012	H5404	ED	\$43,882	\$0
2012	H5404	1	\$19,464	\$19,464
2012	H5404	5E	\$2,971,338	\$0
2012	H5429		\$3,851	\$0
2012	H5429	С	\$262,810	\$262,810
2012	H5429	C2	\$11,971	\$11,971
2012	H5429	D	\$25,855	\$25,855
2012	_H5820_		\$315,283	\$0_
2012	H5820	С	\$19,797,629	\$19,797,629
2012	H5820	C2	\$117,985	\$117,985



2012	H5820	D	\$1,066,200	\$1,066,200
2012	H5820	ED	\$43,543	\$0
2012	H5820	l	\$112,341	\$112,341
2012	H6642		\$5,436	\$0
2012	H6642	С	\$2,102,358	\$0
2012	H6642	C2	\$1,213	\$0
2012	H6642	D	\$151,654	\$0
2012	H6642	SE	\$581,810	\$0
2012	H6705	С	\$59,103	\$0
2012	H6705	D	\$17,081	\$0
2012	H8098		\$266,330	\$0
2012	H8098	С	\$9,263,181	\$9,263,181
2012	H8098	C2	\$207,135	\$207,135
2012	H8098	D	\$1,247,663	\$1,247,663
2012	H8098	ED	\$31,359	\$0
2012	H8098	- 1	\$108,858	\$108,858
	<u>-</u>	Total:	\$49,508,958	\$42,789,804

New contact information:



Kirk L. Shanks
Kirsha Consulting, Inc.
125 TownPark Drive
Suite 300
Kennesaw, GA 30144
770.377.1142
KirkS@KirshaConsulting.com
www.KirshaConsulting.com

From: Wilkerson, Toma [mailto:Toma.Wilkerson@floir.com]

Sent: Tuesday, December 18, 2012 6:17 AM

To: kirks@kirshaconsulting.com

Subject: FW: Universal Medicare Risk Adjusted Premiums

FYI

From: Alec Mahmood [mailto:AMahmood@univhc.com]

Sent: Monday, December 17, 2012 3:37 PM

To: Wilkerson, Toma

Cc: iblack@merid-consulting.com; Tan, Richard

Subject: Re: Universal Medicare Risk Adjusted Premiums

I will look into it. I know they were a little hesitant to speak directly about our number since they don't book it but they said they would definitely look at their reports and work with them on their data.

Alec

K. Alec Mahmood (817) 917-6422

On Dec 17, 2012, at 3:25 PM, "Wilkerson, Toma" < Toma. Wilkerson@floir.com > wrote:

Alec,

We are getting some push back on HRP discussing their work directly with Kirsha without UHC participation. See highlight below. Any idea what the problem might be? Seems like it would be a great first step for the two to simply have a discussion. Thanks - Toma

From: Kirk Shanks [mailto:KirkS@KirkShanks.com]
Sent: Monday, December 17, 2012 12:38 PM

To: 'Price, Pam'

Cc: Wilkerson, Toma; Tan, Richard

Subject: RE: Universal Medicare Risk Adjusted Premiums

Pam,

I am trying to discern what is contained in the number that UNIVHC is reporting to the state of Florida for the risk adjusted premiums. They are reporting approximately \$50,000,000 and are basing it on HRP reports.

My questions are:

- 1. Are these amounts based solely on risk adjusted premium adjustments? If not, what else is included and what are the amounts?
- 2. Are these amounts based only on the 2012 plan year?
- 3. Do these amounts contain adjustments for the Nevada (H6705) and Texas (H6642) plans?

Thank you,

New contact information:

<image002.jpg>
Kirk L. Shanks
Kirsha Consulting, Inc.
125 TownPark Drive
Suite 300
Kennesaw, GA 30144
770.377.1142
KirkS@KirshaConsulting.com
www.KirshaConsulting.com

From: Price, Pam [mailto:pam.price@veriskhealth.com]

Sent: Monday, December 17, 2012 9:55 PM

To: Kirk Shanks

Subject:-RE: Universal Medicare Risk Adjusted Premiums

Good morning, Kirk. As I mentioned in my email last week, my management team has not

authorized me to talk with you without Universal Health Care on the call . However, we are happy to respond to any written questions you may have. Please feel free to send me your questions and I will respond quickly. I know you are eager to complete your analysis.

Thank you,
Pamela Price
Senior Healthcare Consultant
Verisk Health – Revenue Integrity Division
P. 804.201.4034 C. 804.928.7454 W. www.veriskhealth.com
6802 Paragon Place, Suite 500, Richmond, VA 23230
<image003.jpg>

From: Kirk Shanks [mailto:KirkS@KirkShanks.com]
Sent: Saturday, December 15, 2012 2:22 AM

To: Price, Pam

Subject: Re: Universal Medicare Risk Adjusted Premiums

Pam,

I'm sorry, but I am unavailable during the afternoon. I can call you any morning (including weekends) between 8 and 11 AM ET.

I am currently traveling and my availability for calls is limited to the early mornings.

Kirk L. Shanks

On Dec 15, 2012, at 3:59 AM, "Price, Pam" pam.price@veriskhealth.com> wrote:

Good afternoon Kirk,

I have received written authorization from Alec Mahmood to discuss Universal Health Care business. I see that you suggest 8am on Saturday for this meeting. I would prefer to talk at 5pm today, rather than on Saturday, if that is acceptable to you.

Thank you,
Pamela Price
Senior Healthcare Consultant
Verisk Health – Revenue Integrity Division
P. 804.201.4034 C. 804.928.7454 W. www.veriskhealth.com
6802 Paragon Place, Suite 500, Richmond, VA 23230
<image002.jpg>

From: Wilkerson, Toma [mailto:Toma.Wilkerson@floir.com]

Sent: Friday, December 14, 2012 2:17 PM

To: Price, Pam; Kirk Shanks; AMahmood@univhc.com

Cc: Tan, Richard; Liberty Clearwater (Iclearwater@univhc.com)

### Subject: RE: Universal Medicare Risk Adjusted Premiums

Alec.

Please see the e-mails. It does not appear that Universal has provided approval for Kirsha to work directly with HRP to resolve the discrepancies. Can you please expedite this process? Thanks - Toma

From: Price, Pam [mailto:pam.price@verlskhealth.com]

Sent: Friday, December 14, 2012 2:13 PM

To: Kirk Shanks

Cc: Wilkerson, Toma; Tan, Richard; Price, Pam; Liberty Clearwater

(Iclearwater@univhc.com)

Subject: RE: Universal Medicare Risk Adjusted Premiums

### Good afternoon Kirk,

Thank you for your email. I have escalated this request to my leadership team, who has advised that I may participate in a phone call between Kirsha Consulting and Universal Health Care at Universal Health Care's request. I am not authorized, however, to meet with you separately to discuss Universal Health Care business. Can you please place a meeting request through Universal Health Care?

Thank you,
Pamela Price
Senior Healthcare Consultant
Verisk Health – Revenue Integrity Division
P. 804.201.4034 C. 804.928.7454 W. www.veriskhealth.com
6802 Paragon Place, Suite 500, Richmond, VA 23230
<image002.jpg>

From: Kirk Shanks [mailto:Kirk@KirkShanks.com]

Sent: Friday, December 14, 2012 12:53 PM

**To:** Price, Pam

Cc: 'Wilkerson, Toma'; Tan, Richard

Subject: Universal Medicare Risk Adjusted Premiums

### Pamela,

I have been asked to contact you to discuss the Medicare risk adjusted premiums being reported to the state of Florida by Universal Health Care and Universal Health Care Insurance Company. I was hoping you and I could have a high level discussion about our two reports (Health Risk Partners and Kirsha Consulting). I want to make sure that we are comparing apples to apples before we start digging too deep into the

Would 8 AM ET tomorrow work for you? I know it's a Saturday,

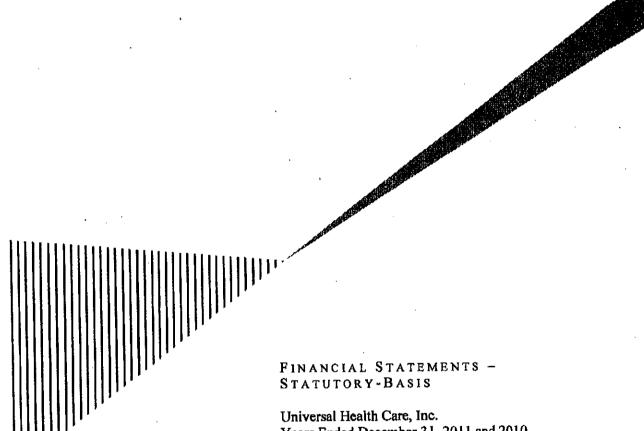
but I'm sure both of our clients would like to have this matter cleared up as quickly as possible.

Thank you,

New contact information:

<image004.jpg>
Kirk L. Shanks
Kirsha Consulting, Inc.
125 TownPark Drive
Suite 300
Kennesaw, GA 30144
770.377.1142
KirkS@KirshaConsulting.com
www.KirshaConsulting.com

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Universal Health Care, Inc. Years Ended December 31, 2011 and 2010 With Report of Independent Certified Public Accountants

Ernst & Young LLP



### Universal Health Care, Inc.

### Financial Statements - Statutory-Basis

Years Ended December 31, 2011 and 2010

### Contents

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Ernst & Young LLP Suite 1200 401 East Jackson Street Tampa, FL 33602

Tel: +1 813 225 4800 Fax: +1 813 225 4711 www.ey.com

### Report of Independent Certified Public Accountants

The Board of Directors Universal Health Care Group, Inc.

We have audited the accompanying statutory-basis balance sheets of Universal Health Care, Inc. (the Company) as of December 31, 2011 and 2010, and the related statutory-basis statements of income, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 6 to the financial statements, the Company recognizes a liability for medical claims incurred but not paid ("medical claims payable") at each balance sheet date. At December 31, 2011, the Company had recognized a liability for medical claims payable of approximately \$69,300,000. Additionally, the Company recognized a liability for accrued pharmacy claims payable of approximately \$2,000,000 at December 31, 2011 that is classified in accounts payable and accrued expenses in the accompanying statutory-basis balance sheets. The total liability for medical claims payable and accrued pharmacy claims payable was approximately \$71,300,000 at December 31, 2011. Through March 31, 2012, the Company paid medical and pharmacy claims totaling approximately \$71,500,000 for medical services rendered and pharmaceuticals provided to its members prior to December 31, 2011. The Company's historical claims experience does not provide reasonable assurance that all medical and pharmacy claims payable are paid within three months of the close of the Company's fiscal year. Accordingly, we believe that the Company's liability for medical and pharmacy claims payable at December 31, 2011 is understated. Based on the results of our audit procedures, we believe that the Company's liability for medical and pharmacy claims payable at December 31, 2011 ranges from approximately \$78,400,000 to \$79,600,000, as compared to the amounts recognized in the statutory-basis balance sheet at December 31, 2011 of approximately \$71,300,000.



As described in Note 1 to the financial statements, the Company presents its financial statements in conformity with accounting practices prescribed or permitted by the State of Florida Department of Financial Services, Office of Insurance Regulation, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles also are described in Note 1. The effects on the financial statements of these variances are not reasonably determinable but are presumed to be material.

In our opinion, because of the effects of the matter described in the immediately preceding paragraph of our report, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of Universal Health Care, Inc. at December 31, 2011 and 2010, or the results of its operations or its cash flows for the years then ended.

However, in our opinion, except for the effects of the understatement of the Company's liability for medical and pharmacy claims payable at December 31, 2011 as discussed in the third paragraph of our report that begins on page 1, the financial statements referred to above present fairly, in all material respects, the financial position of Universal Health Care, Inc. at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting practices prescribed or permitted by the State of Florida Department of Financial Services, Office of Insurance Regulation.

Ernst + Young LLP

April 12, 2012

## Balance Sheets – Statutory-Basis

	December 31			
	2011	2010		
Admitted assets		·		
Admitted assets:				
Cash, cash equivalents, and short-term investments	\$ 61,162,504	\$ 24,699,141		
Due from financial services institution	10,579,458	8,748,349		
Investments in bonds	1,505,678	24,154,907		
Investments in equity securities	2,030,520	_		
Deposits - Florida Department of Financial Services	300,000	300,000		
Investments in real estate	9,263,188	9,609,677		
Premiums and other health care receivables	10,254,671	5,374,734		
Medical deposits and other current assets	5,231,217	767,265		
Due from affiliates	·	1,675,611		
Deferred tax assets	5,765,935	2,451,118		
Total admitted assets	\$ 106,093,171	\$ 77,780,802		
Liabilities and capital and surplus Liabilities:				
Medical claims payable	\$ 69,308,699	\$ 25,050,000		
Unearned premiums	- U),000,000	13,791,024		
Accounts payable and accrued expenses	9,674,684	4,939,316		
Accrued loss-adjustment expense	749,009	• •		
Due to affiliates	714,946			
Total liabilities	80,447,338			
Capital and surplus:				
Common stock, \$0.0000025 par value; 400,000,000				
shares authorized, 126,250,000 shares				
issued and outstanding	316	316		
Gross paid-in and contributed surplus	11,640,684			
Unassigned surplus	10,254,833			
Surplus note payable, related party	3,750,000			
Total capital and surplus	25,645,833			
Total liabilities and capital and surplus	\$ 106,093,171			

## $Statements\ of\ Income-Statutory-Basis$

		Year Ended I	Dece	ember 31
	****	2011		2010
Revenues:		271 704 000	\$	190,248,723
Medicare – Title XVIII, net of Part B reimbursement	\$	371,786,009	Ф	190,246,723
Medicaid premiums		156,586,818 18,692,205		20,935,386
Other premiums revenue		2,239,558		1,701,557
Net investment income Total revenues		549,304,590		340,610,893
Total revenues		347,304,370		340,010,033
Operating expenses:				
Medical expenses		366,881,475		241,509,476
Pharmacy expenses		58,462,027		37,980,807
Change in medical claims payable		44,258,699		(1,810,000)
Total medical services		469,602,201		277,680,283
General and administrative expenses	_	70,674,145		50,468,753
Total operating expenses	_	540,276,346		328,149,036
Income before income taxes and net realized capital gains		9,028,244		12,461,857
Income tax expense		1,564,034		4,417,693
Net income before net realized capital gains		7,464,210		8,044,164
Realized capital gains, net of taxes of \$873,954 and \$57,462				406
in 2011 and 2010, respectively	_	1,623,057		106,715
Net income	_\$	9,087,267	\$_	8,150,879

Universal Health Care, Inc.

Statements of Changes in Capital and Surplus - Statutory-Basis

			Gross Paid-In			Surplus Note Payable.	<u>.</u>	
	on Stoc		Contributed	Una	Unassigned	Related	Ī	i F
	Shares	Amount	Surplus	ă	Surplus	rany		LOCAL
•	000 030 201	316	24 000 000 000 000 000 000 000 000	v	12 021 601 \$ 6 750 000	052.9	\$ 000	30.422.601
Capital and surplus at January 1, 2010	120,000	217	11,010,001	•	1006100611		í	(3,000,000)
Change in sumins notes	1	1			I	(vw,vw,c)	3	(2,000,000)
Met income	į	1	1		8,150,879		ı	8,150,879
	ı	•	i	•	39.212		ı	39,212
Change in unrealized gains and losses					220 030			060.033
Change in deferred income tax	ı	١	•		200,000		ļ	10000
Stage Latting and an accord	ı	ı	ı		(3,426,617)		-	(3,426,617)
Change in inclinations assets	126 250,000	316	11.640.684		17,755,108	3,750,000	000	33,146,108
Age in the surplus of		, 1			9,087,267		ı	797,780,6
Net income	ı	1	ı		(132,508)		ı	(132,508)
	ı	ı	ı		5.403.747		1	5,403,747
Change in deferred income tax	1	ı	ı		(21,858,781)	•	1	(21,858,781)
Carital and sumhts at December 31, 2011	126,250,000	316	26,250,000 \$ 316 \$ 11,640,684 \$	\$	10,254,833 \$ 3,750,000 \$	\$ 3,750,	S 000	25,645,833

## Statements of Cash Flows - Statutory-Basis

	Year Ended l	December 31
	2011	2010
Operating activities:		
Premiums and revenues collected, net of Part B		
reimbursement	\$ 527,718,763	\$ 342,302,616
Claims and loss-adjustment expense paid	(447,594,265)	(279,490,283)
General and administrative expenses	(67,995,753)	(53,269,573)
Net investment income	3,029,988	2,113,060
Net cash flows provided by operating activities	15,158,733	11,655,820
Investing activities:		
Cost of investments in bonds purchased	(9,657,741)	(11,728,679)
Cost of investments in common stock purchased	(2,128,238)	-
Proceeds from the sale of investments	34,607,048	17,827,455
Cost of property and equipment purchased	(804,690)	(1,631,487)
Cost of investment in real estate	-	(9,827,963)
Medical deposits paid	(264,496)	(1,372,174)
Medical deposits refunded	2,750	1,612,174
Change in due from financial services institution	(1,831,109)	(1,342,936)
Net cash flows provided by (used in) investing activities	19,923,524	(6,463,610)
Financing activities:		
Payment on surplus note payable, related parties	-	(3,000,000)
Change in due to/from affiliates	1,381,106	(4,252,398)
Net cash flows provided by (used in) financing activities	1,381,106	(7,252,398)
Net change in cash and cash equivalents	36,463,363	(2,060,188)
Cash, cash equivalents, and short-term investments at beginning of year	24,699,141	26,759,329
Cash, cash equivalents, and short-term investments at end of year	\$ 61,162,504	\$ 24,699,141

## Notes to Financial Statements – Statutory-Basis

December 31, 2011

## 1. Organization and Basis of Presentation

## Organization

Universal Health Care, Inc. (the Company) is a Florida domiciled health maintenance organization and a wholly owned subsidiary of Universal Health Care Group, Inc. (Group). The Company was incorporated in 2002 and formed for the purpose of promoting and operating a health maintenance organization (HMO). The Company commenced revenue-generating activities in August 2003. During 2006, Group was formed pursuant to a merger, whereby ownership of the Company was transferred from the existing stockholders to Group in exchange for an ownership interest in Group. Accordingly, Group became the sole stockholder of the Company at that time.

The Company has two contracts with the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) to provide health care services to Medicare enrollees in various counties in Florida. CMS awarded the Company the contracts for the period beginning July 1, 2003 and ending December 31, 2004, and has renewed the contracts through December 31, 2012. The contracts provide for annual extensions subject to agreement and approval by both parties. The Company also has contracts with the Agency for Health Care Administration (AHCA) and the Florida Department of Elder Affairs (DEA) to provide health care services to Medicaid and Diversion enrollees in various counties in Florida.

#### **Basis of Presentation**

The accompanying statutory-basis financial statements have been prepared in conformity with the statutory accounting practices prescribed or permitted by the State of Florida Department of Financial Services, Office of Insurance Regulation (OIR), which practices differ from U.S. generally accepted accounting principles (GAAP). The more significant variances from GAAP are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating. For GAAP, such fixed-maturity investments would be designated at purchase as held-to-maturity, trading, or available for sale. Held-to-maturity fixed investments would be reported at amortized cost, and trading and available-for-sale fixed-maturity investments would be reported at fair value with unrealized gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income for those designated as available-for-sale.

Notes to Financial Statements – Statutory-Basis (continued)

### 1. Organization and Basis of Presentation (continued)

Fair value for statutory purposes is based on the prices published by the Securities Valuation Office of the NAIC (SVO), if available, whereas fair value for GAAP is based on quoted market prices.

All single-class and multi-class mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows. For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS, and ABS securities), other than high-quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to fair value. If high-credit-quality securities are adjusted, the retrospective method is used.

Nonadmitted assets: Certain assets designated as "nonadmitted," principally furniture and equipment, certain deferred tax assets, and other assets not specifically identified as an admitted asset with the NAIC Accounting Practices and Procedures Manual, are excluded from the accompanying statutory-basis balance sheets and are charged directly to unassigned surplus. Under GAAP, such assets would be included in the balance sheets to the extent that those assets are not impaired. The balances of nonadmitted assets are as follows:

	December 31				
	2011	2010			
Pharmacy rebates receivable	\$ 1,675,508 \$	1,000,198			
Net deferred tax asset	3,294,051	1,170,920			
Furniture and equipment	2,360,461	1,612,930			
Accounts receivable	18,862,977	785,562			
Prepaid expenses	76,591	397,408			
Deposits	641,391	446,927			
Investments in bonds	_	100,000			
Amounts due from related parties	2,838,244	<u>2,376,4</u> 97			
Total	\$.29,749,223	7,890,442			

## Notes to Financial Statements - Statutory-Basis (continued)

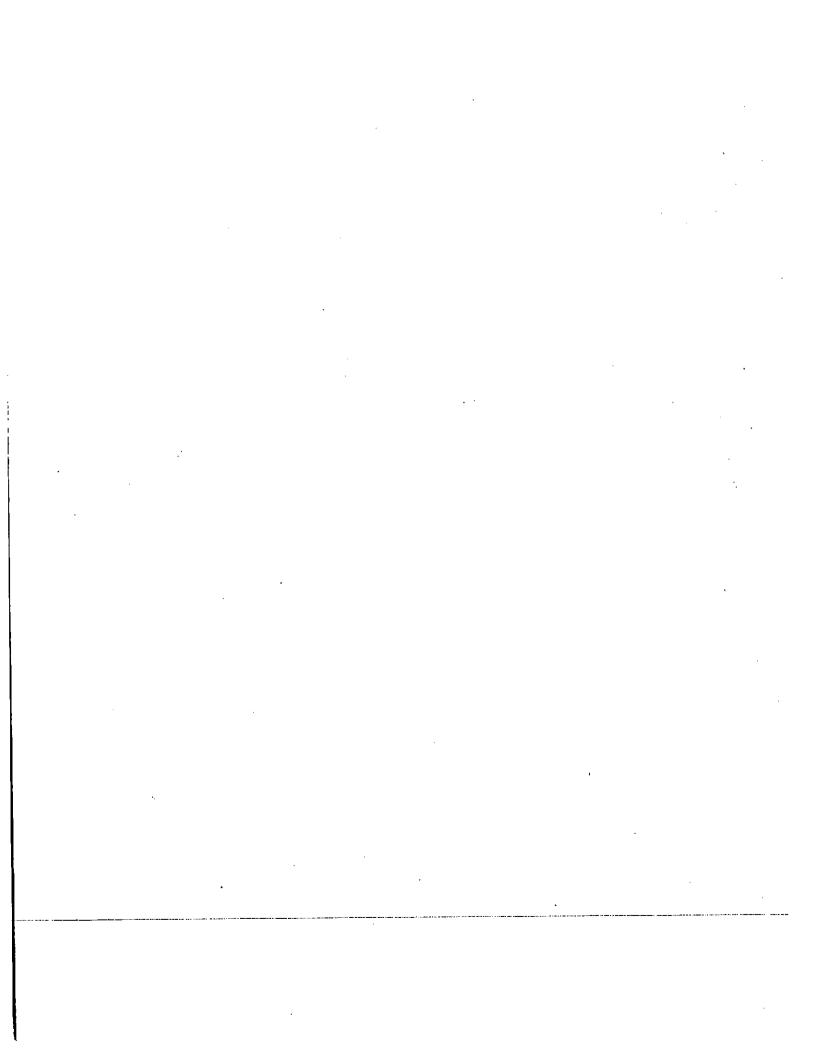
## 1. Organization and Basis of Presentation (continued)

Surplus notes payable. Notes payable issued by the Company to related parties are classified as capital and surplus on a statutory-basis, if approved by the OIR. Under GAAP, such notes payable are recorded as liabilities (see Note 8).

Deferred income taxes: Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years 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 net worth, excluding any net deferred tax assets, electronic data processing (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. Any remaining deferred tax assets are nonadmitted. Deferred taxes do not include amounts for state taxes. Under GAAP, state income taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in all future years, and a valuation allowance is established for deferred tax assets not realizable.

Statement of cash flows: Cash, cash equivalents, and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption includes cash balances and investments with initial maturities of three months or less.

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements have not been determined, but are presumed to be material.



## Notes to Financial Statements – Statutory-Basis (continued)

#### 2. Significant Accounting Policies

Significant accounting practices are as follows:

#### Investments in Bonds and Securities

Investments in bonds, securities, cash, cash equivalents, and short-term investments are stated at values prescribed by the NAIC, as follows:

Investments in bonds and securities are reported at amortized cost or fair value based on their NAIC rating. Bonds not backed by other loans are principally stated at amortized cost using the interest method. Investments in equity securities are stated at fair value.

Single-class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method, including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal or third-party estimates and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such securities.

Cash, cash equivalents, and short-term investments include cash balances and investments that are liquid and mature in one year or less when purchased, including funds maintained under statutory requirements (deposits), and consist of money market funds and bank bonds registered with the NAIC.

Realized capital gains and losses are determined using the specific-identification basis. Changes in the admitted asset carrying amounts of bonds, mortgage loans, and common and nonredeemable preferred stocks are credited or charged directly to unassigned surplus.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation settlement.

Fair values are based on quoted market prices when available. When quoted market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that

## Notes to Financial Statements – Statutory-Basis (continued)

## 2. Significant Accounting Policies (continued)

management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used.

Financial assets carried at fair value are classified, for disclosure purposes, based on a hierarchy defined by the Fair Value Measurements Disclosure Topic of the Financial Accounting Standards Board's Accounting Standards Codification. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At December 31, 2011, the Company's investments in equity securities are classified as Level 1 instruments. At December 31, 2011 and 2010, the Company's investments in bonds are classified as Level 2 instruments.

Notes to Financial Statements – Statutory-Basis (continued)

## 2. Significant Accounting Policies (continued)

#### Investments in Real Estate

Investments in real estate represent a building that is occupied by the Company and meets the criteria for recognition of an admitted asset. Investments in real estate are recorded at cost, less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful life of the building -30 years. Depreciation expense is included as an offset to net investment income in the accompanying statutory-basis statements of income.

Rental revenue related to the Company's own occupancy of the building and occupancy of the building by American Managed Care, LLC (AMC), a related company, is included in net investment income in the accompanying statutory-basis statements of income. Rent was determined based on arm's-length rent transactions of similar commercial properties. Rental expense related to the Company's own occupancy of the building is included in general and administrative expenses in the accompanying statutory-basis statements of income (see Note 8). Maintenance and repairs costs are charged to expense during the period incurred. Major improvements that extend the life of the building are capitalized and the useful life is adjusted as necessary.

The investment in real estate and other property and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the asset is not recoverable, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. If the assets are determined to be recoverable and the useful lives are shorter than originally estimated, the net book value of the asset is depreciated over the newly determined remaining useful lives. The Company believes that no impairment existed at December 31, 2011; therefore, no impairment loss was recorded for the year then ended.

## Risk-Sharing Receivables and Payables

Risk-sharing receivables and payables are billed or refunded in accordance with the risk-sharing agreement contractual provisions. To the extent a risk-sharing receivable meets the setoff conditions provided by Statement of Statutory Accounting Principle (SSAP) No. 64 and the right of offset is supported by the contractual agreement, the receivable may be offset against payables to the provider for known claims (i.e., excluding incurred but not reported claims). As of December 31, 2011, there were no risk-share receivables offset against payables. Evaluation

## Notes to Financial Statements – Statutory-Basis (continued)

#### 2. Significant Accounting Policies (continued)

of the collectibility of risk-sharing receivables is made periodically. If, in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable is written off and charged to income in the period the determination is made.

### Minimum Capital and Surplus Requirements

Pursuant to Section 641.225(1) of Florida Statutes, the Company is required to maintain a minimum surplus in an amount that is the greater of \$1,500,000, or 10.0% of total liabilities, or 2.0% percent of total annualized premiums. Additionally, according to a Consent Order filed with the OIR on September 25, 2008, the Company must maintain a minimum surplus in an amount that is greater than 120% of the statutory requirement. As of December 31, 2011, the Company's capital and surplus of \$25,645,833 exceeded the \$13,129,561 minimum level prescribed by Consent Order and the Florida Statutes by \$12,516,272 (hereinafter referred to as the "excess minimum capital and surplus level").

#### Recognition of Premium Revenue and Medical Expenses

The Company may receive premiums in advance of providing services. However, the Company recognizes premium revenue during the period in which the Company is obligated to provide services to its members. Premiums are billed monthly for coverage in the following month and are recognized as revenue in the month for which insurance coverage is provided. Accordingly, the portion of premiums applicable to future periods is recorded as unearned premiums.

The Company reconciles the membership for its Medicare, Medicaid, and Diversion plans in its administrative system to the enrollment data provided by CMS, AHCA, and DEA (collectively, the Agencies). There are timing differences between the addition of a member to the Company's administrative system and the approval, or accretion, of the member by the Agencies. Additionally, the monthly payments from the Agencies include adjustments to reflect changes in membership as a result of retroactive terminations, additions, or other changes. Current period membership, net premiums, and claims expense are adjusted to reflect retroactive changes in membership.

Premium and other receivables consist of premiums due from federal and state agencies and members, based on enrolled membership and other related health care plan receivables. On an ongoing basis, management estimates the amount of premium billings that may not be fully collectible, based on historical trends and other factors. Amounts deemed uncollectible are written off against premium revenue in the period the determination is made.

## Notes to Financial Statements – Statutory-Basis (continued)

### 2. Summary of Significant Accounting Policies (continued)

Medical expenses consist of claim payments, capitation payments, and pharmacy costs, net of rebates, as well as estimates of future payments of claims provided for services rendered prior to the end of the reporting period. Capitation payments represent monthly contractual fees disbursed to physicians and other providers who are responsible for providing medical care to members. Pharmacy costs (including Medicare Part D costs) represent payments for members' prescription drug benefits, net of rebates from drug manufacturers. Rebates are recognized when the rebates are earned according to the contractual arrangements with the respective vendors.

Premiums the Company pays to reinsurers are reported as medical expenses and related reinsurance recoveries are reported as reductions of medical expenses.

Medical claims liability represents the Company's payment responsibility for services that have been rendered by medical service providers to members. These costs have not been settled as of the balance sheet dates. The liability consists of medical claims reported by the medical service providers, as well as an actuarially determined estimate of claims that have been incurred but not yet reported (IBNR) by the medical service providers.

Due to the numerous factors influencing this liability, the Company develops estimates based upon generally accepted actuarial projection methodologies using claim submission and payment patterns and cost trends. 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 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 health care matters. As a result, amounts ultimately paid may differ from initial estimates that did not consider such outcomes, interpretations, and changes.

#### **Medicare Plans**

CMS uses risk-adjusted rates per member to determine the monthly payments to the Company's Medicare plans. CMS has implemented a risk-adjustment model, which apportions premiums paid according to health diagnoses. The risk-adjustment model uses health-status indicators, or risk scores, to improve the accuracy of payment. The CMS risk-adjustment model pays more for

# Notes to Financial Statements - Statutory-Basis (continued)

# 2. Summary of Significant Accounting Policies (continued)

members with increasing health severity. Under this risk-adjustment methodology, diagnosis data from inpatient and ambulatory treatment settings are used by CMS to calculate the risk-adjusted premium payment to the Medicare plans. The monthly risk-adjusted premium per member is determined by CMS based on normalized risk scores of each member from the prior year. Annually, CMS provides the updated risk scores to the Company and revises premium rates prospectively, beginning with the July remittance for current plan year members. CMS will also calculate the retroactive adjustments to premium related to the revised risk scores for the current year for current plan year members and for the prior year for prior plan year members.

All health benefit organizations must capture, collect, and submit the necessary diagnosis code information to CMS within prescribed deadlines. Accordingly, the Company collects, captures, and submits the necessary and available diagnosis data to CMS within prescribed deadlines for its HMO plans. The Company estimates changes in CMS premiums related to revenue adjustments based upon the diagnosis data submitted to CMS and ultimately accepted by CMS. Risk scores are updated annually by CMS, and the Company reconciles the data to estimated amounts recorded by the Company with any adjustments recorded in premium revenue.

The Company's Medicare plans offer prescription drug benefits under Part D of the Medicare federal health insurance program to individuals eligible for benefits under Part A or Part B. As such, the Company receives additional premium and cost-reimbursement components as described below.

For qualifying low-income status (LIS) members of the Medicare Advantage Plans, CMS pays the Company for some or all of the LIS members' monthly premium. The CMS payment is dependent upon a member's income level, which is determined by the Social Security Administration. Low-income premium is recognized over the contract period and reported as premium revenue. Additionally, for qualifying LIS members, CMS will reimburse the Company for all or a portion of the LIS member's deductible, coinsurance, and co-payment amounts above the out-of-pocket threshold for low-income beneficiaries. Low-income cost-sharing subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience to low-income cost-sharing subsidies paid to the plan and any differences are settled between CMS and the Company.

## Notes to Financial Statements - Statutory-Basis (continued)

## 2. Summary of Significant Accounting Policies (continued)

The Company also receives payments from CMS for catastrophic reinsurance for members of its Medicare plans. CMS reimburses the Company for 80% of the drug costs after a member reaches his or her out-of-pocket catastrophic threshold through a catastrophic reinsurance subsidy. Catastrophic reinsurance subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience compared to catastrophic reinsurance subsidies paid to the Company and any differences are settled between CMS and the Company.

Effective January 1, 2011, CMS began providing the Medicare Coverage Gap Discount Program, where CMS provides monthly prospective payments for pharmaceutical manufacturer discounts made available to members. The prospective discount payments are determined based upon the plan year bid submitted by plan sponsors to CMS and current plan enrollment. Following the plan year, CMS performs an annual reconciliation of the prospective discount payments received by the plan sponsor to the cost of actual manufacturer discounts made available to each plan sponsor's enrollees under the program.

Low-income cost-sharing, catastrophic reinsurance subsidies and coverage gap discount subsidies represent funding from CMS for which the Company assumes no risk and amounts received from CMS are reported net of payments of the actual prescription drug costs related to the low-income cost-sharing, catastrophic reinsurance and coverage gap discounts in the accompanying statutory-basis balance sheets. The Company does not recognize premium revenue or medical claims expense for these activities.

Premiums from CMS for members of Medicare plans with Part D benefits are subject to risk corridor provisions. The CMS risk corridor calculation compares the target amount of prescription drug costs (limited to costs under the standard coverage as defined by CMS) less rebates in the Company's annual plan bid (target amount) to actual experience. Variances of more than 5% above the target amount will result in CMS making additional payments to the Company, and variances of more than 5% below the target amount will require the Company to refund to CMS a portion of the premiums received. Risk corridor payments due to or from CMS are estimated throughout the year and are recognized as adjustments to premium revenues and due and unpaid premiums. This estimate requires the Company to consider factors that may not be certain, including membership, risk scores, prescription drug events, and rebates. After the close of the annual plan year, CMS reconciles actual experience to the target amount and any differences are settled between CMS and the Company.

1204-1349923

## Notes to Financial Statements - Statutory-Basis (continued)

## 2. Summary of Significant Accounting Policies (continued)

Medicare Part D activity resulted in a payable to CMS of \$2,856,141 at December 31, 2011, which is included in accounts payable and accrued expenses in the accompanying statutory-basis balance sheet. Such activity resulted in a receivable from CMS of \$861,325 at December 31, 2010, which is included premiums and other health care receivables in the accompanying statutory-basis balance sheet. Actual amounts of Medicare Part D related assets and liabilities could differ materially from amounts recorded.

## Accrued Loss-Adjustment Expense

Claim processing expenses for unpaid claims, including claims incurred but not yet reported, are accrued based on estimated expenses necessary to process such claims. Claims processing expense are included in general and administrative expenses in the accompanying statutory-basis statements of income.

## Advertising Expense

Advertising costs are expensed as incurred. For the years ended December 31, 2011 and 2010, the Company incurred \$632,044 and \$892,505, respectively, of advertising expense.

#### **Income Taxes**

On September 27, 2007, the Company elected to memorialize its tax-sharing arrangement by participating in an Intercompany Tax-Sharing Agreement (the Agreement) with Group, Universal Health Care Insurance Company, Inc. (UHCIC), and AMC. UHCIC and AMC are entities wholly owned by Group. Beginning with the 2007 tax year, Group has filed a consolidated federal tax return that includes the operations of the Company, Group, UHCIC, and AMC. On May 27, 2009, the Agreement was amended to include participation by Universal HMO of Texas, Inc. (UHMOT). UHMOT was incorporated during the year ended December 31, 2009, and is wholly owned by Group. The Company obtained final approval of the amended Agreement from the OIR in October 2009. On July 27, 2010, the Agreement was amended to include participation by Universal Health Care of Nevada, Inc. (UHCNV). UHCNV was incorporated during the year ended December 31, 2010, and is wholly owned by Group. The Company obtained final approval of the amended Agreement from the OIR in March 2011.

1204-1349923

## Notes to Financial Statements – Statutory-Basis (continued)

#### 2. Summary of Significant Accounting Policies (continued)

Under terms of the Agreement, each company shall be responsible for and shall reimburse Group for its separately calculated share of the consolidated tax benefit or expense. Further, per the Agreement, each company shall pay promptly to Group, on a quarterly basis not later than the due date for the estimated quarterly payment of taxes, its share of such payment, estimated in the same manner as specified above. Any final adjustments to payments shall be made following the preparation of the consolidated federal income tax return.

#### Use of Estimates

The presentation of the financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant accounts that are largely determined based on management's estimates and assumptions include incurred but not reported claims and accrued pharmacy reimbursement due to CMS, which are included in medical claims payable and accounts payable and accrued expenses, respectively; premiums receivable due from CMS related to retro-premium adjustments and risk-sharing adjustments; and unallocated premiums received from CMS included in unearned premium. Actual results could differ from those estimates, and those differences could be material. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported herein.

#### Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation. Such reclassifications had no effect on capital and surplus or net income.

#### 3. Invested Assets

Included in cash, cash equivalents, and short-term investments at December 31, 2011 and 2010, is \$4,333,972 and \$3,953,216, respectively, of minimum deposits required to be maintained under contracts with certain health care agencies.

At December 31, 2011 and 2010, cash and investments with an admitted-asset value of \$300,000 were on deposit with state insurance departments to satisfy regulatory requirements and are included in deposits – Florida Department of Financial Services in the accompanying statutory-basis balance sheets.

# Notes to Financial Statements - Statutory-Basis (continued)

## 3. Invested Assets (continued)

The Company entered into a sweep repurchase agreement with a financial services institution to increase its return on invested assets. The transactions involve the transfer of excess cash to a regulated financial institution that is collateralized by securities. On the next business day, the transferred cash, along with any interest thereon, is transferred back to the Company and the collateralized securities are returned. The arrangements meet the requirements to be accounted for as secured borrowings under SSAP No. 91R. The Company requires that at all times, securities obtained as collateral are sufficient to fund substantially all of the cost of purchasing replacement assets.

As of December 31, 2011 and 2010, the amounts outstanding under repurchase agreement of \$10,579,458 and \$8,748,349, respectively, are classified as due from financial services institution in the accompanying statutory-basis balance sheets. At December 31, 2011 and 2010, securities with a fair market value of approximately \$10,791,000 and \$8,923,000, respectively, were held as collateral under this agreement.

The carrying value and fair value of investments in bonds and equity securities at December 31, 2011, are summarized as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed and asset- backed securities Corporate debt securities Bank bonds Equity securities Total bonds and equity securities	\$ 552,367 233,311 720,000 2,128,238 \$ 3,633,916	\$ 4,412 1,222 490 585 \$ 6,709	\$ 1,605 220 98,303 \$ 100,128	\$ 555,174 234,533 720,270 2,030,520 \$ 3,540,497

The carrying value and fair value of investments in bonds at December 31, 2010, are summarized as follows:

	Ca	rrying Value	Gross Uarealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies States, territories, and possessions and political subdivisions	\$	6,109,023	\$ 336,246	\$ 13,088	\$ 6,432,181
Mortgage-backed and asset- backed securities		9,300,447	78,889	150,051	9,229,285
Corporate debt securities Bank bonds		5,241,979 2,503,458 1,000,000	188,764 77,926 4,372	62 222	5,430,681 2,581,162
Total bonds	\$	24,154,907	\$ 686,197	\$ 163,423	\$ 1,004,372 24,677,681

## Notes to Financial Statements - Statutory-Basis (continued)

### 3. Invested Assets (continued)

The following table shows gross unrealized losses and fair values of bonds and equity securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2011.

	Less Than	ess Than 12 Months		hs or More	To	Total			
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses			
Mortgage-backed and asset- backed securities	192,649	1,605			192,649	1,605			
Bank bonds	239,780	220	-		239,780	220			
Equity securities	<u>2,030,520</u>	98,303		<del>-</del> -	2,030,520	98,303			
	\$ 2,462,949	100,128	\$ -	- \$ - 5	2,462,949				

The Company reviews its investment securities at least quarterly to determine if an other-than-temporary impairment is present, based on certain quantitative and qualitative factors. The primary factors considered in evaluating whether a decline in value is other-than-temporary include (a) the length of time and the extent to which the fair value has been or is expected to be less than cost or amortized cost, (b) the financial condition, credit rating, and near-term prospects of the issuer, (c) whether the debtor is current on contractually obligated interest and principal payments, and (d) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery. In addition, the Company compares the carrying amount of securities with potential other-than-temporary impairment with undiscounted anticipated cash flows on the security. There is no impairment unless the undiscounted anticipated cash flows are less than the carrying amount.

Each quarter, during this analysis, the Company asserts its intent and ability to retain until recovery those securities judged to be temporarily impaired. Once identified, the Company will only authorize the sale of these securities based on criteria that relate to events that could not have been foreseen. Examples of the criteria include, but are not limited to, the deterioration in the issuer's creditworthiness, a change in regulatory requirements, or a major business combination or major disposition.

## Notes to Financial Statements - Statutory-Basis (continued)

#### 3. Invested Assets (continued)

Based on that analysis, management makes a judgment as to whether the loss is other-thantemporary. If the loss is other-than-temporary, an impairment charge is recorded within net realized capital gains (losses) in the statutory-basis statements of income in the period the determination is made. The Company has reviewed its investment portfolio and there were no other-than-temporary impairments during the years ended December 31, 2011 and 2010.

A summary of the amortized cost and fair value of the Company's investments in bonds and equity securities at December 31, 2011, by contractual maturity, is as follows:

		rying alue	Fair Value
Years to maturity:			 
One or less	\$ 4	180,000	\$ 479,924
After one through five	4	73,311	474,879
Mortgage-backed and asset-backed securities		552,367	555,174
Equity securities	2,1	28,238	2,030,520
Total	\$ 3,6	33,916	\$ 3,540,497

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2011 and 2010, there were no bonds or marketable securities carried at market value because their NAIC rating required a reduction in carrying value (market value lower than amortized cost).

In May 2010, the Company purchased, with cash, the commercial condominium units in the building previously leased by AMC from an unrelated third party. As part of the transaction, the lease held by AMC was terminated. The cost of the building of \$9,807,992, net of accumulated amortization of \$544,804, is included in investments in real estate in the accompanying statutory-basis balance sheet. Depreciation expense related to the building was \$343,453 and \$218,286 for the years ended December 31, 2011 and 2010, respectively.

Notes to Financial Statements – Statutory-Basis (continued)

#### 3. Invested Assets (continued)

Major categories of net investment income are summarized as follows:

	Year Ended December 31				
		2011		2010	
Income:					
Cash, cash equivalents, and short term investments	\$	63,419	\$	83,818	
Bonds		638,239		747,584	
Real estate rent revenue		2,672,676		1,731,492	
Total investment income		3,374,334		2,562,894	
Investment expenses		(81,261)		(67,192)	
Real estate investment expenses		(710,062)		(575,859)	
Real estate depreciation		(343,453)	١.	(218,286)	
Total investment expenses		(1,134,776)		(861,337)	
Net investment income	· <u>\$</u>	2,239,558	\$	1,701,557	

All accrued investment income was included in admitted assets at December 31, 2011 and 2010.

Gross gains of \$2,497,054 and \$178,177 were realized on sales of investments during the years ended December 31, 2011 and 2010, respectively. Gross losses of \$43 and \$14,000 were realized from the sales of investments during the years ended December 31, 2011 and 2010, respectively.

#### 4. Fair Values

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments in the accompanying financial statements and notes thereto:

Cash, Cash Equivalents, and Short Term Investments: The carrying amounts reported in the accompanying statutory-basis balance sheets for these financial instruments approximate their fair values.

Investments: Fair values for investment securities are based on unit prices published by the SVO or, in the absence of SVO published unit prices or when amortized cost is used by the SVO as the unit price, quoted market prices by other third-party organizations, where available. For certain mortgage-backed and asset-backed securities, inputs used in the

## Notes to Financial Statements – Statutory-Basis (continued)

#### 3. Invested Assets (continued)

Major categories of net investment income are summarized as follows:

	Year Ended December 31				
		2011		2010	
Income:					
Cash, cash equivalents, and short term investments	\$	63,419	\$	83,818	
Bonds		638,239		747,584	
Real estate rent revenue		2,672,676		1,731,492	
Total investment income		3,374,334		2,562,894	
Investment expenses		(81,261)	)	(67,192)	
Real estate investment expenses		(710,062)	)	(575,859)	
Real estate depreciation		(343,453)	)	(218,286)	
Total investment expenses		(1,134,776)	)	(861,337)	
Net investment income	\$	2,239,558	\$	1,701,557	

All accrued investment income was included in admitted assets at December 31, 2011 and 2010.

Gross gains of \$2,497,054 and \$178,177 were realized on sales of investments during the years ended December 31, 2011 and 2010, respectively. Gross losses of \$43 and \$14,000 were realized from the sales of investments during the years ended December 31, 2011 and 2010, respectively.

#### 4. Fair Values

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments in the accompanying financial statements and notes thereto:

Cash, Cash Equivalents, and Short Term Investments: The carrying amounts reported in the accompanying statutory-basis balance sheets for these financial instruments approximate their fair values.

Investments: Fair values for investment securities are based on unit prices published by the SVO or, in the absence of SVO published unit prices or when amortized cost is used by the SVO as the unit price, quoted market prices by other third-party organizations, where available. For certain mortgage-backed and asset-backed securities, inputs used in the

## Notes to Financial Statements – Statutory-Basis (continued)

#### 4. Fair Values (continued)

determination of fair value include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flows and prepayments speeds. Based on the typical trading volumes and the lack of quoted market prices for certain fixed-maturities, third-party pricing services will normally derive the security prices through recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable information as outlined above. If there are no recent reported trades, the third-party pricing services may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Included in the pricing for mortgage-backed and asset-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. Actual prepayment experience may vary from these estimates.

Financial Assets Measured at Fair Value on a Recurring Basis: Financial assets measured at fair value on a recurring basis would include actively traded public and private equity securities. Fair values of equity securities reported in this category are provided by external sources. The fair value of equity securities held by the Company at December 31, 2011, was \$2,030,520. The Company did not have any financial assets measured at fair value on a recurring basis at December 31, 2010.

Financial Assets Measured at Fair Value on a Nonrecurring Basis: Certain financial assets are measured at fair value on a nonrecurring basis, such as certain fixed-income securities valued at cost, that are other-than-temporarily impaired or designated as an NAIC Level 6 security by the SVO during the reporting period and recorded at fair value on the accompanying statutory-basis balance sheet. The Company does not have any financial assets measured at fair value on a nonrecurring basis at December 31, 2011 and 2010.

Due from Affiliates and Due to Affiliates. The carrying amounts reported in the accompanying statutory-basis balance sheets approximate the fair value of amounts due to and due from affiliates due to the short-term settlement of those amounts.

## Notes to Financial Statements - Statutory-Basis (continued)

## 4. Fair Values (continued)

The carrying amounts and fair values of the Company's admitted financial instruments are as follows:

	Decembe	r 3	1, 2011	Decembe	r 3	1, 2010
	Carrying Amount		Fair Value	Carrying Amount		Fair Value
Financial assets:						
Cash, cash equivalents, and short-term investments	\$ 61,162,504	\$	61,162,504	\$ 24,699,141	\$	24,699,141
Due from financial services institution	10,579,458		10,579,458	8,748,349		8,748,349
Investments in bonds	1,505,678		1,509,977	24,154,907		24,677,681
Investments in equity securities Deposits – Florida Department of	2,030,520		2,030,520	_		_
Financial Services	300,000		300,000	300,000		300,000
Due from affiliates	-		-	1,675,611		1,675,611
Financial liabilities:						
Due to affiliates	\$ 714,946	\$	714,946	\$ 547,703	\$	547,703

## 5. Risk-Sharing Receivable

The admitted risk-sharing receivable as of December 31, 2011 and 2010, was \$1,009,880 and \$0, respectively.

Calendar Year _	Evaluation Perlod Year Ending	Risk-Shi Receival Eatims and Rep in th Prior 1	ble as ated orted ae	Risk-Sharing Receivable as Estimated and Reported in the Current Year	Ris Shar Recei Invo	ring vable	S Re	Risk- harlug ceivable Involced	Actus Risk Shorin Amoun Collect In Yes Invoic	ng nis ted ar	Actual Risk- Sharing Amounts Collected First Year Subsequent	Actual Risk- Sharing Amounts Collected Second Year Subsequent	Actual Risk- Sharing Amounts Collected - All Other
2011	2011 2012	s	-	\$ 1,009,880	3	<u>-</u>	s	1, <b>60</b> 9,880 -	s	-	_		

## Notes to Financial Statements – Statutory-Basis (continued)

### 6. Medical Claims Payable and Accrued Loss-Adjustment Expense

The liability for medical claims payable as of December 31, 2011 and 2010, was \$69,308,699 and \$25,050,000, respectively. The liabilities include claims received and in process, as well as management's estimate of the cost of claims incurred but not reported totaling \$37,639,796 and \$31,668,903, respectively, for 2011 and totaling \$9,079,877 and \$15,970,123, respectively, for 2010. The liability for accrued loss-adjustment expense as of December 31, 2011 and 2010, was \$749,009 and \$306,651, respectively.

The following table provides a reconciliation of the beginning and ending balances of medical claims payable:

	Year Ended 2011	December 31 2010
Medical claims payable at beginning of year	\$ 25,050,000	\$ 26,860,000
Add provision for claims related to:		
The current year	468,756,955	280,183,828
Prior years	845,246	(2,503,545)
Total benefits paid or provided during the current year	469,602,201	277,680,283
Deduct payments for claims related to:		
The current year	399,704,725	254,953,828
Prior years	25,638,777	24,536,455
Total benefits paid	425,343,502	279,490,283
Medical claims payable at end of year	\$ 69,308,699	

The provision for claims incurred but not yet reported is actuarially determined based on historical claims payment experience, current enrollment, member statistics, and other statistics. This liability is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. The liability for medical claims payable also includes management's best estimate for amounts due to providers for disputed and denied claims. These accruals are continually monitored and reviewed and as settlements are made or accruals adjusted, differences are reflected in current operations. Accounts payable and accrued expenses includes an accrual for unpaid pharmacy claims of approximately \$2,000,000 at December 31, 2011. Through March 31, 2012, the Company paid medical and pharmacy claims of approximately \$71,500,000 related to member benefits through December 31, 2011, an overage of approximately \$200,000 as compared to the liability at December 31, 2011. Management

## Notes to Financial Statements - Statutory-Basis (continued)

## 6. Medical Claims Payable and Accrued Loss-Adjustment Expense (continued)

believes that the recorded liability is adequate, but the variance between the estimate and the ultimate net cost of settling this liability could be material. However, management does not believe that such variance would exceed its excess minimum capital and surplus level of \$12,516,272.

#### 7. Income Taxes

The Company adopted SSAP No. 10R, Income Taxes, which was effective beginning January 1, 2009. The application of SSAP No. 10R requires the Company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. In evaluating the need for valuation allowance, the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) the timing of their reversal; (4) taxable income in prior carryback years, as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized; (6) unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to prevent a tax benefit from expiring unused.

Management has determined that recorded deferred tax assets are fully realizable and has concluded that no valuation allowance is required at December 31, 2011. There have been no changes in circumstances which would cause the assessment of realizability of recognized deferred tax assets to change.

The components of deferred tax assets are as follows:

		December 31, 2011							De	Kt.	nber 31, <b>201</b> 0	0			Change					
	•		(1)	_	(3)	(	(3) (Cal 1 + 2)		(4)		(5)	(Co	(6) I 4 + 5)		(7) (Cal 1 – 4)	(Cu		(9) (Cal 7 + 8)		
			Ordinary		Capitel		Total		Ordinary		Capital	1	otal	_	Ordinary	C	apitai	Total		
(a) (b)	Gross deferred tax assets Statutory visitation allowence	\$	9,025,785	\$	34,201	\$	9,059,986	\$	3,687,038	\$	35,000 \$	3	,622,038	5	5,438,747	\$	(799) \$	5,437,948		
(4)	adjustment		-		_				-					_						
(c)	Adjusted gross deferred tax assets (1a-1b)		9,025,785		34,201		9,029,986		3,587,038		35,000	3	,622,038		5,438,147		(799)	5,437,948		
(d)	Deferred tex liabilities	_		_				_					<del></del>	•						
(*)	Subtotel (net deferred tax assets) (1c-1d)		9,025,785		34,301		9,059,986		3,587,038		35,000		622,038		5,438,747 2,123,930		(799) (799)	5,437,948		
(0)	Deferred tax assets ronadmitted Not admitted deferred	_	3,259,050		34,201		3,294,051	_	1,135,920	_	35,000		170,920	_	2,123,330		(199)	2,123,131		
<b>(g</b> )	lex masers (16-11)	\$	5,765,935	\$		\$	5,765,935	<u>\$</u>	2,451,118	\$	- 5	\$ 1	,451,110	. \$	3,314,817	\$	_ 3	3,314,817		

## Notes to Financial Statements – Statutory-Basis (continued)

## 7. Income Taxes (continued)

The amount of admitted gross deferred tax assets under each component of SSAP No. 10R is as follows:

		Decamber 31, 2011						D	ece	mber 31	, 20	10	Change						
	•		(1)	•	(2)	(3) (Cd 14	 +2}		(4)		(5)		(6) (Col 4+5)		(7) (Col 1–4)	((	(8) Col 2–5)	_	(9) (Cal 7+8)
		(	Ordinary	_Ca	pital	Tota	ľ	(	Ordinary		Capital	L	Total		Ordinary	- (	Capital		Total
(	nission catculation components — 89AP 10R, paragraphs 10.a., 10.b., and 10c.																		
(a)	Paragraph 10.a.	5	5,765,935	\$	_	5 5,765,	935	S	2,451,11	8 5	\$	- :	2,451,118	\$	3,314,81	7 \$	_	\$	3,314,817
(b)	Paragraph 10.b. (the lesser paragraph of 10.b.i. and																		
	10,b,ii, below)		-		_				-	-		-	_	-	-		_	•	-
(c)	Peregraph 10.b.i.		-		-					-		-	-	-		•			-
(d)	Pamgraph 10.b.ii,		1,987,990		-	1,987,	990		3,069,49	9		-	3,069,499	-	(1,081,505	ŋ	-	٠ (	(1,081,509)
(c)	Paragraph 10.c.						~	_				_		_					
(f)	Total (4a + 4b + 4c)	5	5,765,935	\$		\$ 5,765	,935	\$	2,451,11	В :	\$	- :	\$ 2,451,118	_5	3,314,817	<u> </u>		\$	3,314,817
	AP 10R, paragraphs 10.s., 10.b., and 10.c. Admitted deferred tax assets Admitted assets Adjusted statutory surplus* Total adjusted capital	s	N/A N/A		N/A N/A	106,09 19,87	3,171 9,898	\$	N	A	N	JA VA	\$ 2,451,118 77,780,802 30,694,990		\$ 5,892,304		٠ -		3,314,817 28,312,369 10,815,092)
•	from DTA:		5,765,935	5	-	5,76	5,935		2,451,1	18		-	2,451,118		5,892,30	4	-	-	3,314,817

As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No. 10R, paragraph 10.b.ii.

Pursuant to SSAP No. 10R, paragraph 10.d, the Company is not subject to risk-based capital (RBC) requirements and, thus, is not eligible to admit a higher amount of adjusted gross deferred tax assets as calculated in Paragraph 10.e. As a result, the Company had no admitted deferred tax assets resulting from SSAP No. 10R, paragraph 10.e.

The Company had no admitted deferred tax assets resulting from tax planning strategies.

## Notes to Financial Statements - Statutory-Basis (continued)

## 7. Income Taxes (continued)

The components of incurred income taxes are as follows:

	Y	(1) Year Ended 2011	De	(2) cember 31 2010	(3) (Col 1-2) Change
(a) Federal (b) Foreign	\$	1,564,034	\$	4,417,693	\$ (2,853,659)
(c) Subtotal (d) Federal income tax on net capital gains		1,564,034 873,954		4,417,693 57,462	(2,853,659) 816,492
<ul><li>(e) Utilization of capital loss carry-forwards</li><li>(f) Other</li></ul>					
(g) Federal and foreign income taxes incurred	<u>\$</u>	2,437,988	\$	4,475,155	<b>\$ (2,037,167)</b>

## Notes to Financial Statements - Statutory-Basis (continued)

## 7. Income Taxes (continued)

The components of deferred tax assets are as follows:

	(1) Decen	nber	(2) · 31	(	(3) (Col 1-2)
	 2011		2010		Change
(a) Ordinary:					
1. Discounting of unpaid losses	\$ _	\$	164,380	\$	(164,380)
2. Unearned premium reserve	_		965,372		(965,372)
<ul><li>3. Depreciable fixed assets</li><li>4. Compe</li></ul>	556,861		470,920		85,941

## Notes to Financial Statements – Statutory-Basis (continued)

## 7. Income Taxes (continued)

The Company's federal income taxes incurred differs from the amount that would be obtained by applying the statutory federal income tax rate of 35% to pretax net income for the year ended December 31, 2011, for the following reasons:

	Amount	Effective Tax Rate (%)
Provision computed at statutory rate	\$ 4,184,892	35.0%
Change in nonadmitted assets	(6,907,478)	(57.8)
Nontaxable investment income	(92,983)	(0.8)
Nondeductible expense	5,246	0.0
State taxes	(151,053)	(1.4)
Other	(4,383)	0.0
Totals	\$ (2,965,759)	(25.0%)
Federal and foreign income taxes incurred	\$ 1,564,034	13.1%
Realized capital gains (losses) tax	873,954	7.3
Change in deferred income taxes	(5,403,747)	(45.4)
-	\$ (2,965,759)	(25.0%)

At December 31, 2011 and 2010, no operating loss or tax credit carryforwards were available for tax purposes.

At December 31, 2011, the amount of federal income taxes that is available for recoupment in the event of future net losses is:

Year	Ordinary	Capital	Total
2010	\$ 4,119,767	\$ 56,313	\$ 4,176,080
2011	1,688,076	856,475	2,544,551
	\$ 5,807,843	\$ 912,788	\$ 6,720,631

The Company had an intercompany tax balance due to Group of \$714,946 as of December 31, 2011, and the Company had an intercompany tax balance due from Group of \$1,675,611 as of December 31, 2010 (see Note 8).

## Notes to Financial Statements – Statutory-Basis (continued)

#### 7. Income Taxes (continued)

At December 31, 2011 and 2010, the Company did not record any gross unrecognized tax benefits. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense when incurred. No interest and penalties related to unrecognized tax benefits were incurred for the years ended December 31, 2011 and 2010, or accrued as of those dates.

In the normal course of business, the Company is subject to examination by federal and state income tax authorities. During 2010, an amended 2008 consolidated federal income tax return was filed requesting a federal tax refund of \$2,250,855. This request prompted an audit by the Internal Revenue Service which was concluded in 2011 and a refund of \$2,250,855 was issued. The consolidated federal income tax returns for the years ended December 31, 2010 and 2009, are still open for federal income tax examination. The Company is not currently under any federal or state income tax examinations. Although the statute of limitations can vary by state, in general, years prior to 2008 are closed for state income tax examination.

#### 8. Related-Party and Affiliated Transactions

A summary of transactions between the Company and affiliated companies is as follows:

#### Surplus Note Payable, Related Party

On December 29, 2006, the Company received cash proceeds for a surplus note payable issued to Group amounting to \$18,750,000. The terms of the note payable specify that principal and interest on the note are payable only upon the prior approval from OIR. The note payable bears interest at 5% per annum upon OIR approval. Any repayment of the principal or of any interest accrued is subordinate to the prior payment in full of all other liabilities of the Company, and no payment of any kind shall be made until all claims of subscribers or general creditors of the Company have been paid or otherwise discharged. The Company has not pledged any assets or other collateral to support the repayment of the note. The liquidation preference to the Company's common shareholders is paid in accordance with Florida Statute 631.271.

On September 26, 2008 and December 22, 2009, respectively, the Company made principal payments of \$10,000,000 and \$2,000,000 to Group. The Company made an additional principal payment to Group of \$3,000,000 on July 15, 2010. During the period covered by these financial statements, the Company has not received approval from the OIR; therefore, the Company has not recorded accrued interest totaling \$2,640,124 and \$2,452,624 at December 31, 2011 and 2010, respectively.

## Notes to Financial Statements – Statutory-Basis (continued)

#### 8. Related-Party and Affiliated Transactions (continued)

#### Other Relationships

The Company has a management agreement with AMC, which automatically renews on an annual basis, whereby AMC provides supervisory and management services, performs specific functions, and contracts services to and performs certain payroll functions for the Company. Effective January 1, 2011, as compensation for services rendered, the Company shall pay AMC a percentage of total collected premiums on a monthly basis. The amount shall vary, as mutually agreed between AMC and the Company, but under no circumstance shall the percentage of collected premiums paid to AMC exceed 8.5%, without obtaining prior approval from the FL OIR. Further, no amounts paid by the Company shall result in the Company being out of compliance with the minimum statutory requirements of the Florida Statutes. Fee percentages incurred under this agreement approximated 7.7% and 8.5% for the years ended December 31, 2011 and 2010, respectively. Expenses incurred under this agreement totaled \$41,834,345 and \$28,849,900 for the years ended December 31, 2011 and 2010, respectively. Additionally, AMC allocated certain expenses directly to the Company. Allocated expenses include selling and marketing, telesales, grievance and appeals, compliance, Medicare risk-adjustment and executive costs. Allocated costs totaled \$10,276,044 and \$3,058,146 for the years ended December 31. 2011 and 2010, respectively.

The Company pays for and is reimbursed by AMC, UHCIC, UHMOT, UHCNV, and Group for certain expenditures. These affiliates also pay for certain expenditures on behalf of the Company and are reimbursed by the Company. These transactions resulted in a net payable to affiliates as follows:

	December 31						
	 2011		2010				
AMC	\$ _	\$	530,159				
UHCIC	-		_				
UHMOT	_		17,544				
UHCNV							
Group	714,946		-				
<b>k</b>	\$ 714,946	\$	547,703				

The December 31, 2011 and 2010, amounts above were included in due to affiliates in the accompanying statutory-basis balance sheets.

## Notes to Financial Statements – Statutory-Basis (continued)

#### 8. Related-Party and Affiliated Transactions (continued)

During the years ended December 31, 2011 and 2010, the Company paid, and was reimbursed, for income taxes in accordance with the Intercompany Tax-Sharing Agreement. At December 31, 2011, \$714,946 remained unreimbursed to Group and was included as amounts due to affiliates in the accompanying statutory-basis balance sheet. At December 31, 2010, \$1,675,611 remained unreimbursed from Group and was included as amounts due from affiliates in admitted assets in the accompanying statutory-basis balance sheet. The Company adopted an intercompany transactions policy on November 1, 2009, which establishes prompt cash settlement of intercompany balances that meet the criteria for admitted assets (see Note 1).

During the years ended December 31, 2011 and 2010, the Company paid for and was reimbursed by AMC, UHCIC, UHMOT, and UHCNV for certain expenditures. At December 31, 2011, \$1,564,501, \$30,744, and \$1,242,999 remained unreimbursed from AMC, UHCIC, and UHMOT, respectively. The net amounts due from affiliates of \$2,838,244 were included in nonadmitted assets at December 31, 2011. At December 31, 2010, \$476,230 and \$267 remained unreimbursed from UHCIC and UHCNV, respectively. In a previous year, the Company paid, and was reimbursed, advances to Group. At December 31, 2010, a net balance of \$1,900,000 remained unreimbursed from Group. The net amounts due from affiliates of \$2,376,497 were included in nonadmitted assets at December 31, 2010 (see Note 1).

During the year ended December 31, 2011, AMC paid the Company \$2,140,526 for rent associated with its occupancy of the Company's building.

In addition, the Company maintains a provider agreement with American Family & Geriatric Care (AFGC), which is owned 100% by a majority shareholder of Group. Amounts paid to AFGC under the provider agreement totaled \$1,899,998 and \$1,862,732 for the years ended December 31, 2011 and 2010, respectively.

#### 9. Concentrations of Credit Risk and Revenues

#### Cash, Cash Equivalents, and Short-Term Investments

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and money market accounts. The Company maintains its cash and money market accounts in several different financial institutions, each of which is insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has invested more than \$250,000 in each of the financial institutions with whom it maintains depository relationships.

## Notes to Financial Statements - Statutory-Basis (continued)

## 9. Concentrations of Credit Risk and Revenues (continued)

#### Revenue

The Company received 68% and 56% of its revenue from the Medicare program for the years ended December 31, 2011 and 2010, respectively, under contracts that have been renewed through December 31, 2011. The Company received 28% and 37% of its revenue from the Medicaid program for the years ended December 31, 2011 and 2010, respectively, under contracts that have been renewed through December 31, 2011. The loss of these contracts or significant changes in the programs as a result of legislative action, including reduction of premium payments to the Company, or increases in member benefits without corresponding increases in premiums to the Company, may have a material adverse effect on the Company's financial position, results of operations, and cash flows.

### 10. Employee Benefit Plan

The Company's employees are eligible to participate in a 401(k) plan sponsored by AFGC (the Plan). The Plan was established for the benefit of substantially all of the employees of AFGC and related affiliates who have completed one year of service. Under the terms of the Plan, employees may contribute up to 15% of their gross earnings, subject to IRS limitations. The Company matches up to 4% of employees' contributions as follows: 100% of the first 3% of gross earnings and 50% of the next 2% of gross earnings. The Company's matching contributions to the Plan were \$34,874 and \$13,730 for the years ended December 31, 2011 and 2010, respectively.

#### 11. Commitments and Contingencies

#### Regulatory

The Company is subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees, particularly with respect to government-sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state law are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, and the financial condition, including cash reserve requirements. Legislation

## Notes to Financial Statements – Statutory-Basis (continued)

## 11. Commitments and Contingencies (continued)

mandating managed care for Medicare and Medicaid recipients is often subject to change and may not initially be accompanied by administrative rules and guidelines. Changes in federal or state governmental regulation could affect the Company's operations, cash flows, and business prospects. There can be no assurances that the Company will maintain federal qualifications or state licensure.

By Consent Order filed with the OIR on December 21, 2007 (Consent Order), the Company agreed to take the corrective actions set forth therein. Under the terms of the Consent Order, the Company agreed to file monthly financial statements for 24 months, correct any significant deficiencies or material weaknesses within 45 days of receipt of notice of such deficiencies, and reimburse the State of Florida for its examination expenses. Currently, the Company remains in full compliance with the Consent Order and has no restrictions on its ability to market new business. Effective January 1, 2010, the Company is no longer required to file monthly financial statements with the OIR. There can be no assurances that the Company will maintain compliance with the Consent Order.

#### Reinsurance

In 2011, the Company entered into two separate reinsurance agreements with HCC Life Insurance Company (HCC Life) and HM Life Insurance Company (HM Life) to reduce the risk of loss that may arise from excessive medical claims. These agreements do not relieve the Company from its obligations to its members. Failure on the part of HCC Life and HM Life to honor their obligations could result in losses to the Company.

Under the terms of the first agreement to reinsure Commercial HMO, Medicare HMO, and Medicare PPO members, effective from January 1, 2011 through December 31, 2011, HCC Life reinsures a percentage of eligible expenses, as defined, that exceeds the applicable attachment point, as defined, at the rates of \$3.03 and \$0.51 (per member per month) for Commercial HMO and Medicare HMO/PPO, respectively. The lifetime maximum reimbursement per individual stated in the agreement is \$2,000,000.

Under the terms of the second agreement to reinsure Medicaid members, effective January 1, 2011 through December 31, 2011, HM Life reinsures a percentage of eligible expenses, as defined, that exceeds the \$200,000 attachment point at the rate of \$1.06 per member per month. The lifetime maximum reimbursement per individual stated in the agreement is \$2,000,000.

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## Notes to Financial Statements – Statutory-Basis (continued)

#### 11. Commitments and Contingencies (continued)

In 2010, the Company entered into two separate reinsurance agreements with HCC Life Insurance Company (HCC Life) and HM Life Insurance Company (HM Life) to reduce the risk of loss that may arise from excessive medical claims. These agreements do not relieve the Company from its obligations to its members. Failure on the part of HCC Life and HM Life to honor their obligations could result in losses to the Company.

Under the terms of the first agreement to reinsure Commercial HMO, Medicare HMO, and Medicare PPO members, effective from January 1, 2010 through December 31, 2010, HCC Life reinsures a percentage of eligible expenses, as defined, that exceeds the applicable attachment point, as defined, at the rates of \$2.76 and \$0.57 (per member per month) for Commercial HMO and Medicare HMO/PPO, respectively. The lifetime maximum reimbursement per individual stated in the agreement is \$2,000,000.

Under the terms of the second agreement to reinsure Medicaid members, effective January 1, 2010 through December 31, 2010, HM Life reinsures a percentage of eligible expenses, as defined, that exceeds the \$250,000 attachment point at the rate of \$0.72 per member per month. The lifetime maximum reimbursement per individual stated in the agreement is \$2,000,000.

During the years ended December 31, 2011 and 2010, respectively, premiums paid for reinsurance amounted to \$354,375 and \$227,212.

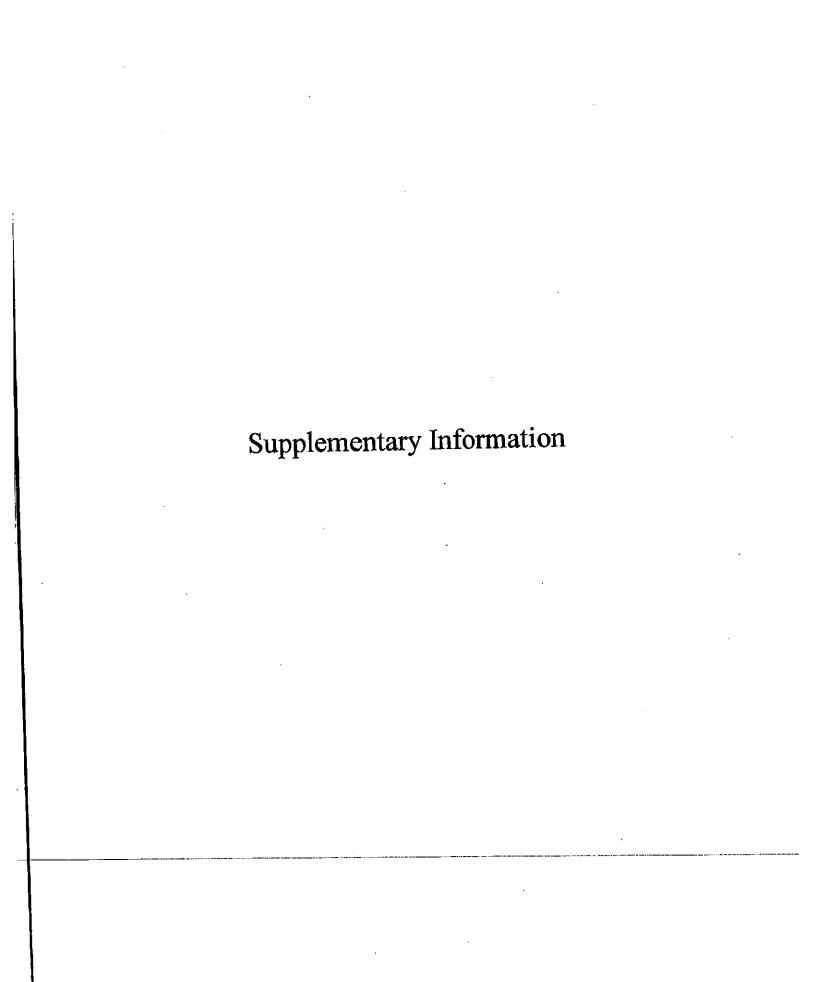
#### Litigation

In the normal course of its operations, the Company is engaged in various litigation, none of which is currently considered material to the Company's results of operations. Where appropriate, the Company has accrued the anticipated costs of loss or settlement of such litigation in the accompanying statutory-basis financial statements, in accordance with statutory accounting principles.

#### 12, Subsequent Events

On April 6, 2012, Group entered into a \$60,000,000 senior revolving line of credit, which placed additional minimum statutory capital requirements on its subsidiaries, including the Company. Group pledged 100% of its equity interest in the Company as security under the credit revolver.

Subsequent events have been evaluated by management through April 12, 2012, the date that the financial statements were available for issuance.





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# Report of Independent Certified Public Accountants on Supplementary Information

The Board of Directors Universal Health Care Group, Inc.

Our audits were conducted for the purpose of forming an opinion on the statutory-basis financial statements as a whole. The accompanying supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory-basis financial statements as a whole.

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

Ernst + Young LLP

April 12, 2012

#### Universal Health Care, Inc.

## Supplemental Schedule of Investment Risk Interrogatories

#### December 31, 2011

#### **Investment Risks Interrogatories**

- 1. Universal Health Care Inc.'s (the Company) total admitted assets, as reported on page three of the Company's Annual Statement for the year ended December 31, 2011, is \$106,093,171.
- 2. Following are the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt, (ii) property occupied by the Company, and (iii) policy loans.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
a. Bank of Carolinas NC	Bank Bonds	\$ 240,000	0.2%
b. CIT BK Salt Lake City UT	Bank Bonds	240,000	0.2
c. Beal Bank Plano TX	Bank Bonds	240,000	0.2
d. USAmeriBank Largo FL	Bank Bonds	240,000	0.2
e. Nissan Auto Recy TALF	MBS/ABS	101,938	0.1
f. GE Cap CCMT TALF	MBS/ABS	100,848	0.1
g. FHLMC PC	MBS/ABS	34,551	0.0
h. Chrysler Fin Auto TALF	MBS/ABS	30,525	0.0

#### Universal Health Care, Inc.

#### Supplemental Schedule of Investment Risks Interrogatories (continued)

#### Investment Risks Interrogatories (continued)

3. The Company's total admitted assets held in bonds and equity securities, by NAIC rating, are:

	Bonds			Pr	eferred Stock	5
NAIC Rating	Amount	Percentage of Total Admitted Assets	NAIC Rating		Amount	Percentage of Total Admitted Assets
NAIC-1	\$ 63,014,750	59.4%	P/RP-1	\$		-%
NAIC-2	_	_	P/RP-2			-
NAIC-3	_	_	P/RP-3		•~*	_
NAIC-4	_	•	P/RP-4		-	_
NAIC-5	_		P/RP-5		_	-
NAIC-6	_	_	P/RP-6		_	***
	\$ 63,014,750	59.4%	•	\$	_	-%

- 4. Assets held in foreign investments with contractual sales restrictions are less than 2.5% of the Company's total admitted assets.
- 5. Assets held in Canadian investments are less than 2.5% of the Company's total admitted assets.
- 6. Assets held in investments with contractual sales restrictions are less than 2.5% of the Company's total admitted assets.
- 7. Assets held in equity interest are less than 2.5% of the Company's total admitted assets.
- 8. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the Company's total admitted assets.
- 9. Assets held in general partnership interest are less than 2.5% of the Company's total admitted assets.
- 10. Mortgage loans reported in Schedule B are less than 2.5% of the Company's total admitted assets.

## Universal Health Care, Inc.

# Supplemental Schedule of Investment Risks Interrogatories (continued)

## **Investment Risks Interrogatories (continued)**

- 11. Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A are less than 2.5% of the Company's total admitted assets.
- 12. The Company had \$10,579,458 in cash and equivalents at December 31, 2011, included in admitted assets that is subject to overnight repurchase agreements. The Company had no other admitted assets subject to securities lending (excluding assets held as collateral for such transaction), repurchase agreements, reverse repurchase agreements, dollar repurchase agreements, or dollar reverse repurchase agreements during the year ended December 31, 2011.
- 13. The Company had no warrants not attached to other financial instruments, options, caps, and floors at December 31, 2011.
- 14. The Company had no potential exposure for collars, swaps, and forwards at any time during the year ended December 31, 2011.
- 15. The Company had no potential exposure for futures contracts at any time during the year ended December 31, 2011.
- 16. The Company had no investments included in the write-ins for the invested assets category included on the accompanying summary investment schedule at December 31, 2011.

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# **QUARTERLY STATEMENT**

AS OF JUNE 30, 2012 OF THE CONDITION AND AFFAIRS OF THE

Universal Health Care, Inc. Employer's ID Number 05-0528708 NAIC Group Code NAIC Company Code 11574 4091 Organized under the Laws of , State of Domicile or Port of Entry Florida United States Country of Domicile Ucensed as business type: Hospital, Medical & Deptel Service or Indemnity [ 1] Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [ is HMO, Federally Qualified? Yes [ ] No [ ] Other [..] 09/01/2002 Incorporated/Organized 07/30/2002 Commenced Business 100 Central Avenue, Buile 200 (Street and Number) St. Petersburg, FL 33701 (City or Town, State and Zip Code) Statutory Horne Office St. Petersburg, FL 33701 (City or Town, State and Zip Code) 727-822-3446 (Area Code) (Telephona N Main Administrative Office 100 Central Avenue, Suite 200 St. Petareburg, FL (City or Your, Shife and 100 Central Avenue, Suite 200 Mail Arkiress St. Petersburg, FL 33701 (Cay or Town, State and Zio Code) Primary Location of Books and Records 100 Central Avenue, Suite 200 Internet Web Site Address mos.orivinu. 727-456-6550 Statutory Statement Contact Marie C Zevallos (Aree Code) (Telephone 727-329-0038 (FAX Number) **OFFICERS** Tide Name Title Kehay M. Desai MD, MPH Sandip I. Patel CAO, General Counsel, Secretary President, CEQ Treasurer OTHER OFFICERS Chief Operating Officer Chief Marketing Officer **DIRECTORS OR TRUSTEES** Akahay M. Desai MD, MPI Carol McAllater John Adha Deepak Desai Sema Desail Pinetas The officers of this reporting entity being duty aworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described essets were the stackuts property of the said reporting entity, free and clear from any liens or cleims therein, except as therein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, ancered or referred to, is a full and thus statement of all the season and of the monoidation and affective the statement of all the season and of the toponding period stated above, and of it is income and deductions therein on the period ended, and have been completed in accordance with the NAC Annual Statement Instructions and Accounting Practices and Procedures manual except to the exident that: (1) state law may differ; or, (2) that state notes or registrations require differences in reporting only related to complete and period ended, and here there is an extension of the state of their information, innewledge and being respectively. Furthermore, the scope of this estimated on the state of their information, when required, that is an exact copy (except for tormating differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in Seu of or in addition to the stolosed statement. Demor De meesin Ouspak Desail CSO, Interim CFO Sandlp I, Petel Akshey M. Desti. MD Secretary, CAO, Ganeral Counsel Yes (X 1 Ho ( ) s. In this on original filing? Subscribed and swom to before me this 1. State the amendment number 2. Data filed 3. Number of pages attached





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# **QUARTERLY STATEMENT**

AS OF JUNE 30, 2012 OF THE CONDITION AND AFFAIRS OF THE

Organized under the Laws of Florida State of Domicile or Port of Entry Florida  Country of Domicile United States  Country of Domicile United States  Life, Accident & Heelth [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ] Haath Maintenance Organization [ ] Incorporated/Organized  Conversed/Organized  State of Domicile or Port of Entry Florida  Life, Accident & Heelth [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ] Haath Maintenance Organization [ ] Incorporated/Organized  State of Domicile or Port of Entry Florida  Life, Accident & Heelth [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ] Incorporated/Organized  Conversed Business  St. Peleraburg, FL 33701  Tental Administrative Office  (Street and Number)  (Street and Number)  (City or Your, State and Spoole)  (Aven Code) (Velephore Number)			Univer	rsal Health C	are, In	с.		
Organizand under the Javes of Florida State of Domicile or Port of Entry Florida  Country of Domicile   United States   United				VAIC Company Code_	11574	Employer's	ID Number 0	5-0528708
Life, Accident & Health   Property/Cascusity   Health Marketal & Devidal Service or Indennity   Dented Service Corporation   Vision Service Corporation   Health Marketaneck Crystation   Heal	•		•	, State	of Domicil	e or Port of Entry	Flori	<u>da</u>
ibernaid as business type: Life, Accident & Health   ] Property/Casualty   Hospital, Marked & Devical Service or Indennity   ]   Dental Service Corporation   ]   Vision Service Corporation   ]   Chert	Country of Domicile			Unlik	d States			
Alsthory Home Office    100 Central Avenue, Suite 200   St. Petersburg, Fl. 33701   St. Petersburg, Fl. 33701   St. Petersburg, Fl. 33701   St. Petersburg, Fl. 33701   Control Avenue, Suite 200   St. Petersburg, Fl. 33701   Control Avenue, St. Petersburg, Fl. 33701		Denial Service Co. Other [ ]	poration[]	Vision Service Corpo	ration [ ]	Health Maintenar	vou Organization [ y Qualified? Yee [	1
Bland and Hardware   Bland a	ncorporated/Organized				iness	- ALD-1		
Alain Administrative Office    100 Central Avenue, Saide 200   St. Peteraburg, Pl. 33701   T27-822-3446     Address	Matutary Horse Office	100 C	entral Avenue	Suite 200				<del></del>
Address   100 Central Avenue, Suite 200   St. Petersburg, Ft. 33701   City of row, Bala and Pub End	Azim Administrative Offica	100 Central /	venue, Suila			burg, FL 33701 State and Zip Code)	(Area Code)	
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Internal Wab Side Address    Control			4 · A44	 Di Di			ASS.5517	
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Statutory Statement Contact	warned Wah Cile Address		-				·	
(Count (Activate) (Count (Coun			Maria C Zeval			. 777	456-6560	
Name	- •					(Area Code) (Tale	ehone Number) (Ederald Arac	M)
Name  Name  Title  Akshay M. Desai MD, MPH  Despak Desai  Soft Ludy  Chief Marketing Officer  OTHER OFFICERS  Joff Ludy  Chief Marketing Officer  OTHER OFFICERS  Joff Ludy  Chief Marketing Officer  Nichael Holohan #  Chief Operating Officer  DIRECTORS OR TRUSTEES  Aleshay M. Desai MD, MPH  Despak Desai  Some Desai  John Adhra  Carol McAlister  State ofFlorida	MZ					(FAX Name	nigo ad	
Name Title Name Abshay M. Desai MD, MPH Prosidert, CEO Sandip 1. Petel CAO, General Coursel, Secretary  Described Desai CAO, Inferim CFO Siever J. Scheefer Trassum.  OTHER OFFICERS  Joff Ludy Chief Marketing Officer Michael Holdhan # Chief Operating Officer  Alcahay M. Desai MD, MPH Desai MD, MPH Despair Desai Serva Desai John Adha.  Carol McAllister  State of Florida.  Courtly of Pinaliss.  C		(cam vosme)		OFFICEDS		•		
Akshay M. Deasi MD, MPH Prosiderit, CEO Sardip I. Petel CAO, General Coursel, Secretary  Other OFFICERS  Joff Ludy Chief Marketing Officer Michael Holohan # Chief Operating Officer  Alcahay M. Deasi MD, MPH Deasi MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD, MPH Deasi MD Deasi MD, MPH Deasi MD De	N		Tela	OFFICERS	Nan	ne.	Til	k
OTHER OFFICERS  Joff Listly Chief Marketing Officer Michael Holohan # Chief Operating Officer  DIRECTORS OR TRUSTEES  Akshay M. Desai MD, MCH Desai MD, MCH Desai MD, MCH Desai MD Desai Desai Seria Desai Seria Desai Printing  Carol McAlister  State of Finitian 6  Courtly of Printing entry being duly swom, each depose and say that they are the described officers of sald reporting entity, and that on the reporting period state place, and of the herein described assets were the absolute property of the said reporting entity, in the first extensive of the secretary of the said reporting entity, and that on the reporting period states and early the statement, together with returned exhibits, exhections and exhibits and efficier of the secretary entity the said reporting entity, the end dear from any tiene or claims thereon, except as howen stated, and the statement of all the secretary and exhibits and efficier of the self-entition and efficier of the entitle described efficier of the efficient of the entitle described entition and efficient entitle entition and efficient entitle entition and efficient entities and e	***************************************	ADI-I		<del>-</del> 0		-	CAO, General Co	xursel, Sécretary
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Alsoholy M. Desai MD, MFH Desai See Series Series See Series S	Jeff Ludy	Ch			R8 Nichael H	olohan #	Chief Opera	iting Officer
State ofFlorida		uderat v					John	Adha.
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shore, all of the herein described search were the absolute property or the salar reporting entry, need not worth the form of the settlement of all the search and this statement, together with retained solible, acheduces and explanations therein contained, remembed or referred to, is a fall and true obtainment of all the search and of the condition and effects of the self reporting entity so of the reporting period stated above, and of the incorres and deductions therefore for the period and and here and period and the condition and effects and Proceedings and accordance when the NAIC Assess all statement instructions and Accounting Precious and Proceedings according to the selfect first (1) state law to a regulations require differences in reporting not related in accounting precious and procedures, according to the best of their information knowledge and belief, respectively. Furthermore, the ecopy of this electronic precious and procedures, according to the best of their information knowledge and belief, respectively. Furthermore, the ecopy of this electronic precious precious and procedures, according to the best of their information knowledge and belief, respectively. Furthermore, the ecopy of this electronic filting) of the enclosed statement. The electronic filting may be requisated by various regulators in lieu of or in addition to the exclosed statement.  Alcebry M. Desai, MD  Sandip 1. Patel  Desait filling?  Tel [1] it [1]  Subscribed and evern to before me this day of August, 2012  2. Date filted	County of	_Pinellas					• .	
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Subscribed and evern to before me this  day of August, 2012  a. Is this an original filling?  b. ff no:  1. State the amendment number  2. Date filed	Akahay M. D	esei, MD						
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day of August, 2012 1. State the amendment number 2. Date filed						_		<b>-</b>
	Subscribed and swom day	of August, 20	<del>12</del> '			1. State the an	endment number	
							ages attached	

**ASSETS** 

			Current Statement Date		4
		1	2	Not Admitted Assets	December 31 Prior Year Net
		Assets	Nonadmilled Assets	(Cals. 1 - 2)	Admitted Assets
1. Bands		1,004,400		1,004,400	1,505,67
L Stocke:	ļ				
2.1 Preferred elocks				5,056,717	2,030,52
2.2 Common stocks		5,056,717			
3. <sub>,</sub> Mod <b>gaga i</b> bana on real estate				ا م	
				n	
3.2 Other than first tions				I — — — I	
6, Real estate:				!	
4.1 Properties coupled by the	•	9,570,493	470 772	9,099,721	9,263,18
4.2 Properties held for the pro				, ,	
	encumbrances)			<u>]                                    </u>	
4.3 Properties held for eals (it					
	(Marionen)			<u> </u>	
5. Cash (59,172,55			[		
outh equivalents (5				ļ.	
main operation ()		97,256,690	<u></u>	97,258,690	
A Contract base fortistion &	premium notes)		<u> </u>	<u> </u> _	
7. Outvelves			<u> </u>	ļ <u> </u>	<u> </u>
		.,0		ļ	<b></b>
B. Macokables for eccurities			<u> </u>	<del></del>	
D. Securities lending reinvested	colleteral maneta				
1. Aggregate write-ine for invital	ad assets stores be				84 84
2. Subjetion, seek and invested	asents (Lines 1 to 11)				
13. Tilly plants bes \$	charged off (for Title insurers			٥	1
				9.254	9.1
	ssaru65	9,254	·		<u> </u>
15. Prendum and consideration				1	l
	and agents' belances in the source of		I	_ n	L
collection			· <del> </del>	<u> </u>	
15.3 Deleved promiums, ep	ents' believ see and installments booked but		1	1	1
	tuding \$eemed	•	j	<u> </u>	
but unbitled promiume)		23,847,15	•	23,847,154	10,254,6
					1
16. Retresento:	on (sinewas ,,,,_,,	332,37	932,37	90	1,980,4
10.1 Principle incorporation in	Med with reinsured companies			<u> </u>	<b> </b>
to a full success to contra	bie under reineumnee contracts				· <b></b>
	to uninsured plans			_	) <del> </del> -
18 1 Commet Indeed and foreign	income tax recoverable and interest thereon	517,50		517,501	
18.2 Not delegated by most		9,051,51	63,294,05		
19. Quaranty funda receivable o	r on deposit		_		! <del>                                    </del>
20. Electronic data processing a		ļ			)
	cluding health case delivery more				, l
a		2,505,3	142,503,3	14	<u>:</u>
22. Net adjustment in secols or	d liabilities due to foreign exchange rates			7	<u> </u>
23. Receivables from percent, #		110,3			
24. Health cere (\$	) and other amounts receivable	20,051,8	73 <u> </u>		
ZV. ALLEGED STREET, NO COL	r then invested assets	1,515,5	an	F	· r
	ands Accounts, Segregated Accounts and	470.460.4	98 27,505,1	06 143,160,09	2 106,292,
	nes 12 to 25)	170,665,1	20 <u>U</u> ,3H,1	140,140,00	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Segregated Accounts and Protected	1	1	1	0
Cell Accounts		170,865,1	90 27,505,		
26. Total (Lines 26 and 27)		110,003,1	1000,0		
DETAILS OF WRITE-INS		1	1		
101		<del> </del>			
102		<del> </del>			
103.		T			0
	is ins for Line 11 from overflow page	T	7	0	0
	1103 plus 1198) (Line 11 aboye)	1,247 ,			54866
	et ion			933	
2502. Accounts Receivable		61,			<b></b>
2503. Propeid Dyonsa	is-line for Line 25 from overflow page		ــــــــــــــــــــــــــــــــــــــ		<b>♪</b>
CONG. SETEMBRIS OF LAWFER OF MAI	2503 pks 2565) (Line 25 pbove)	1,315,		196 606,3	54

LIABILITIES, CAPITAL AND SURPLUS

——————————————————————————————————————	4			3	1
1.	Covered	Uncover <u>ed</u>	<u> </u>	Total	Total
Claims unpaid (less 5	53,802,403			53,802,403 \	76,758,699
Accrued medical incentive pool and boout amounts			}	0	D
	552,542			552,542	
Urpaid claims adjustment exponses			l		
\$ for medical loss ratio robate per the Public Health					
		···		<b></b>	
Service Act.				D	0 '
Aggregate tile potcy reserves.  Properlyfcesselly Unearned premium reserve				9	P
i. Properly/coeusty underned pressum records.  Aggregate health delin records.				D	0
Aggregate health delim receives	41,998,518			41,396,516	
Premium receives in advance	4,235,589			4,235,589	4,584,275
Capital arborrage from an arteriora		ነ	ì		•
2.1 Owners federal and fersign income tax payable and interest thereon (including		<u> </u>			0
n realized gains (losses))		<u></u>			
9.2 Net deterred tax Tebříty		\			
1. Ceded reineurance promiuma payable		Τ΄		582,438	583,612
2. Amounts withheld or relained for the account of others			L_	}	0
3. Ramitiances and itams not allocated		1		\ 	•
4. Borrowed money (securing \$cument) and		1	1	ļ	
interest thereon \$ (Including			L_		
\$ curert)		,		50	
5. Amounts due to perent, subsidiaries and affiliates		<u> </u>		D	i
B. Derivelives		T			L
7. Payable for securities	<u></u>			0	
8. Payable for socudies jending					i -
19. Funds held under reinsurance tradics (with \$			- }	0	<u></u>
puthorized religioring and \$ unsufficilized minaurors).					
75 Reinsumnce in unauthorized companies				O	
21 Net adjustments in seeds and liabilities due to foreign exchange rates				6,110,231	1
72   Liability for amounts held under uninquired plans		<sup>11</sup>			, , , , , , , , , , , , , , , , , , , ,
23. Aggregate write-ine for other labilities (including \$	. 1	_	اه	1,563,280	1,660.85
current()	1,583,2			106,245,029	
Table Beninfer () into 1 to 23)		i i			
25 Anneante velle ine for special surplus funds	xxx	xxx.		316	
28. Common capital stock	xxx				,
27. Preterred capital stock	xxx				11,640,6
28. Orose peid in and contributed surplus	xxx		_ 1	11,840,68	
29. Surplus notes	xxx	xxx			·
30. Aggragate units ine for other than special surplus funds	xxx	xxx			
31. Unsedgned funds (scriptus)	xxx	xxx		19,524,08	s  5,678,6
32. Chee passent spacer's at anet.	ł ·		Į		l
32.1			- 1		
32.1	xxx	xxx	<del>- -</del>		
37.2 sheres preferred (velue included in Line 27	,		- 1		
•	xxx	xx	<del>-</del>	·-································	
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	xxx	xx	╙┈┈┢	\$4,915,0	
33. Total captal and surplus (Lines 25 to 51 tiple 34 and 35)	XXX	XX	-	143,160.0	92 108,252,
34. Total limitities, capital and surplus (Lines 24 and 33)	-		Į.		}
DETAILS OF WHITE-HAD	1,582	,000		1,562,0	•
2301. Accruel Rt.		,280			80
2302. Accrued Plan To Plan Payable	"				
2303		o	ام		
2386. Summary of remaining write-loss for Line 23 from overflow page	1,56	3.280		1,563;	260 1,650
2399. Tolale (Lines 2301 through 2305 plus 2399) (Line 25 above)	XXX	жж	xI		
2801.	XXX	кх			
2502					
2503.	xxx_				
2500. Summery of remaining write-ine for Line 25 from direction page					0
2509. Yotale (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX		·		
3001,	xxx_		CX		
3002.	XXX		KX		
1003	xxx_		XX		
3095. Summery of remaining write-ins for Line 30 from overflow pegs	XXX_			<u></u>	
			XX		

# STATEMENT OF REVENUE AND EXPENSES

		Current Year	To Date	Prior Year To Date	Prior Year Emded   December 31
		1 Uncovered	2 Total	3 Total	4 Total
		XXX.	684,318	582,992	1,194,161
	nber Months	xxx	348,481,557	263,769,917	547 ,065 ,033
2. Net p	premium income (including \$ ron-health premium reserves and receive for raile crodits	xxx		م	
3, CM	for earlier (mt of \$madical expenses)				
	Covenue	xxx		ا وـــــــــــــــــــــــــــــــــــ	
B. Ann	regale write-ine for other featile care related revenues	X00X			
7. Aca	regale write-ins for either non-health reverses.	xxx		1,395,330	547,065,033
8. Total	al pevenues (Lines 2 to 7)	,xxx	846,481,557	265,106,255	
pital en	d Medical:		219,607,149	168,854,839	369,745,319
	pitelimedical benefits			7 758 979	15,269,467
	er professional services	·		0	
	iside retarmin		21,251,909		33,555,388
12. <b>E</b> M	ergenty room and out-of-ores	,	41,016,300		
13. Pro	secription drags				T
14. Agg	gregole write-ine for other hospital and medical				]
	entive pool, withhold adjustments and bonus amounts.	n	265,617,08	225,546,969	077 ,052 ,201
16. Suit	biolal (Lines 9 to 15)				
86;		ļ		<u> </u>	, <u> </u>
17. No	A colourance recoveries	i	266,617,06	5225,546,989	
16. To	fail hospital and medical (Linea 16 minus 17)	<u> </u>		1	o
19. No	on-heelth claims (not)	ļ		7)	5
. 600				935,402,51	9
21. Ge	oneral admirástrativo grapanada,	<u> </u>	1	-	
22. Inc	crease in reserves for its and excident and insulin contracts (tycluding		l		اه
3	increase in reserves for title only)	1	526,694,0	7261,046,57	6547 ,318 ,59
23. Ta	otal underwriting deductions (Lines 16 through 22)	XXX.	17,787,4	059,67	9
	at underwriting gain or (lose) (Lines 8 minus 23)			239.20	112,259,55
25. No	el investment income sernedet investment income sernedet restrant gains (joseou) toss capital gains tax of \$	\	<u> </u>	17)8.84	51
26. No	et realized capital gains (posses) sees capital gains du or a	1	741,7	15248,1	52
27. N	et kyriskmerk galne (hesse) (Lines 25 plus 27) let gain or (line) from eganist or promium balances changed off ((amount recovered	ĭ	1	Į.	
28. N	at gain or (look) from against or previous numerous company (1996) [1997]		<u> </u>		م
3	ggregate with the for other income or expenses	<u>.l</u>	\ <u></u> _		.p
29. A	ogradus was an its creation gains tax and before all other federal income taxas	1 .		95	
	(Lines 24 plus 27 plus 28 plus 29)	_]xxx	18,529,		
31. F	edeni and lovelge income taxes incurred	XXX			
	tet income (lose) (Lings 30 minus 31)	XXX	11,503,	2,000	3,311,21
	DETAILS OF WRITE-RIS	1	1	ļ	4
0601. <u> </u>	ر ان مساور و ان مساور المساور	xxx			
0802	و السنة في المنافعة و المنافعة و المنافعة و المنافعة و المنافعة و المنافعة و المنافعة و المنافعة و المنافعة و ا			··· <del>·</del>	
0603.	ر الکنا فصیر و کرا است را است و اینیان و الکنا و و هند روست و اینیان کنا نام به این از اینیان از اینیان از این روست	XXX			
0690. 5	Summary of remaining write-ins for Line 6 from overflow page	,,,,	1		0
0899. 1	Tokak (Lines 0601 through 0603 plus 0696) (Line 6 above)	XXX	+	1,396,	
	Rent Revenue.	xxx	<b></b>		
0702	و سروه و الشهرور و الشهرور و المساور	XXX		T.	
0703. <b>.</b>	، و بين المراجع و	xxx	<b></b>		
0798. 1	Summary of remaining write-less for Line 7 from eventow page	XXX	¬	0 1,336	336
0799.	Totals (Lines 6701 through 0703 plus 0798) (Line 7 shove)	<del> </del>			
1401.	ر بر بر از دند او بربر و و بر در دو بر بر دو دو دو دو دو دو دو دو دو دو دو دو دو				
1402.			1		
1403.	ره جميد از است. و بروست و السبب و السب	·	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		
1495.	Summary of remaining write-ins for Line 14 from overflow page	<del></del>	0		_ 0
1409.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	-	1		
2901.	<del></del>				
2902.					
2003.	کید کرنے وہ کا فاقع کے در ان کی ان کی اور کی منظم کی ایک اور کی ان کی ان کی ان کی ان کی ان کی ان کی ان کی ان ک	···			
1	Summary of remaining write-ine for Line 29 from overflow page		·· }		

	Current Year To Deta	Prior Yeer To Ogle	Prior Year Ended Decomber 31
			ł
CAPITAL & BURPLUS ACCOUNT			
	21,069,670	33,146,108	33,146,108
Capital and eurplas prior reporting year.	"·····································	2,681,404	4,511 , 105
Mix Dicture of Area's light care on			
Change in valuation basis of aggregate policy and claim reserves	1	105,449	(168,709)
Charge in net urreadized capital gains (tosses) less capital gains tax of \$		ا مــــــــــــــــــــــــــــــــــــ	
Change in net unrealized foreign exchange capital gain or (loss)			5,437,948
Change in riel deferred income tax			(21,858,781)
Change in nonadmitted secots		753,963	
Change in unauthorized reinsurance	9		0
Change in beauty elack			
Change in surplue notes		<u> </u>	مــــــــــــــــــــــــــــــــــــ
Cumulative effect of shanges in accounting principles			
	Ì		
Capital Changes:			<b></b>
44.1 Pald in		هـــــــــــــــــــــــــــــــــــــ	
44.2 Transferred from surplus (Shock Dividend)		<u> </u>	\ 
44.3 Transferred to surplus			!
. Surplus adjustments:			l
45.1 Pald in			
45.2 Transferred to capital (Stock Dividend)			
45.3 Transiened from capital			
3. Dividends to stockholders			)
7. Aggregate write-ins for gains or (losses) in surplus		.0	)
B. Net change in capital and surplus (Lines 34 to 47)	13,845,5	96 3,503,89	B
Capital and surplus end of reporting period (Line 33 pixs 48)	54,915,0	63 35,649,94	4 21,089,6
•			
DETAILS OF WRITE-INS			
n,			
2.			
		_9	
55. Summary of remaining write-line for Line 47 from overflow page			0

**CASH FLOW** 

CASH FLOW_			
	Current Year To Date	2 Prior Yest To Date	Prior Year Ended December 31
	70,000		
Cash from Operations	974, 287, 591	257,035,692	527,532,74
Premiume collected net of reinsurance	921,629	446,500	3,029,98
2. Het (mestment income	0	1,336,336	
. Affication rooms	375,209,420	258,818,470	530,582,73
. Total (Lines 1 to 3)	904,879,080	211,031,294	445,745,78
i. Benefit and lose related psyments		0	
Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	39,368,095	34,114,077	65,490,90
r		0	
	T		
Description of the party received the content of the content	5,293,786	(921,471)	341,8
gains (00000)	349,534,961	244, 223, 900	\$14,578,5
V-LI (Line & Breatch II)	25,674,459	14,594,570	15,984,1
I. Net cash from operations (Line 4 minus Line 10)	23,014,435	**,***,***	
Cash from investments	1 1		
2. Proceeds from Investments sold, matured or repetit:	493,006		34.607.0
12 1 Broutt		0	
43 3 Charles	<b>}""-"                           </b>	<u></u>	
AS & Binderson Service	<del> </del>	20,000	
12.4 Real estate	ŀ"-" }	مِنْ مِنْ مِنْ مِنْ مِنْ مِنْ مِنْ مِنْ	·····
	₊ <u></u> —	·	
40.5 a laboration of freeholds on cash controllers and short term investments	(17)	o	
		2,345,731	34,607.0
12.6 Total investment proceeds (Lines 12.1 to 12.7)	492,909		
and the second s		9.362.592	_9.657.7
49.2 04	<u> </u>		
48 7 64 4-			
	Ι		·-·
13.A Red colds			
	-i		95.
13.0 Miscolineous applications	8,470		
13.7 Total investments sequined (Lines 13.1 to 13.6)		9,362,393	
13.7 (cas enveraments sequence (Lines 12.1 to 10.0)  14. Net increase (or decrease) in contract loans and promium notes			
14. Net increase for decrease; in commute name and product in 13.7 and Line 14)	(2.517.481)	[7,016,66	22,725
15. Net cash from Investments (Line 12.5 minus Line 13.7 and Line 197) Cash from Financing and Miscellangous Sources		-	
10. Cash provided (applied):	0		}
16.1 Surplus notes, capital notes	<u></u>		
16.2 Cooltal and paid in surplus, loss tractury stock			) <b></b>
			) <u>[</u>
16.4 Net deposits on deposit-type contracts and other insurance liabilities		T	D [
18 S Ohidenda to stockholders	2.057.749	213.90	1 (415,
	- 4,000,142,		<u> </u>
18.6 Other cesh provided (appleon).  Net cesh from Snancing and miscollameous sources (Line 16.1 through Line 16.4 minus Line 18.5 plus Line 18.5).	2,057,749	213,90	(415)
	25,214,728	7,791,80	9
48 New strange in cash, cash muchalada and short-term investments (Line 11, plus times 15 cash 11).		1,21,31	. 1
46. Cash cosh arrivalanis and short-inmi investments:	72,041,962	33,747.44	ıú33,747
10.1 Redonina Of Will	97,258,669		
19.2 End of period (Line 18 plus Line 19.1)	31,630,007	7-1-09-14-	

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

	EXHIBIT		OF PREMIUMS, ENROLLMENT AND UTILIZATION	ENROLL	MENT A		ATION		ļ	
	-		in the second	•		•	۷	••	æ	2
		2				:		e S	i i	
	Total	mandae	George	Synthesis		18	Heath Bernett Pas		Pictoria.	Ober
Total Manhers at and of:				•	•	•		200	29 EG	Ţ
Physical Company of the Company of t	15, 202		٩	8	3					
	113.478		٥	0	٦		9	38.	9	
2 PTR(Q, DTR	98 20	•	9	9	9		٩	75.05	8 22	
S Second Querter										
4. Third Counter										
A. Current New	٥							rao ww	<b>3</b>	
S. Comp. Non-House House	66,316	9	i					L'ALLES		
Taxa Samera American Bernarden for Period.								ŧ	Ĥ	
	500, 901	2						8	1000	
	231.25							22.33	9.5	
	8	2	•	0	0	٥	9	378,322	208 303	
9. Total	A							74,447	8,208	
50. Hosphai Patient Days Incurred	22.96							3.948	1,610	
11. Hamber of Inpatient Admittations	\$25.5						ļ.	07 00 DK	56 546 645	
12. Faudh Payntune Witten (b.)	78, 69, 59,	138								
(h the Denkers Dies)	٦									
The state of the s	٩							100	AC SES CA	
	305,083,039	100						77 YE 02		
	•									
T. Property Contract Programmes Contract Contrac	Ann age only	3/6						729,729,123	N. M.	
17. Amount Paid for Provision of Health Care Services	100 100	100						204,151,298	S2.465.482	
18. Amenic thrumed for Provident of Health Care Survices	CM1//M2	57								
		AT 600 00 0 000 100								

For health marchines unlike it amount of Modoure Tile XAM exempt from state larges or fees S. 247,533,7

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

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

	Age Assessed of Unamed Clark				ļ	
	2	60	•	<b>10</b>	9	- 7
	1-30 Days	34-60 Days	64 - 90 Days	91-120 090		
			9	0	9	5
And the state of t					,	1
UNSURE RESIDENCE TO THE CONTRACTOR OF THE PROPERTY OF THE PROP	CH OF C	S 945 804	923,429	782,321	1,001,044	24 TV 8
	200 207 20		678 826	Z Z	1,001,004	30.111.00
CONTRACT AND ACCOUNTS AND ACCOU	7,0'89'A'	3		×	XX	A LEGISTRA
	XXX	-		X	XX	
COORDON (Transmission Charles and Charles Inches	XX			ă	XX	S. SEC. 403
CORPORED Total arrested with the	×	***		2002	XX	
CONTROL OF THE PROPERTY OF THE	Š	×	***			
The second is a second to make a second to the second to t		j.				

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

	UNDERWRITING AND INVESTMENT EXHIBIT	STMENT	EXHIBIT		1			
	ANALYSIS OF CLAMS UNPAID PRIOR YEAR-NET OF REISONOMICE.	TANKET OF KE		Valed of Control One	A. Compt.	40	•	
1		Paid Year	2	8	•		E-Breated Chies	
	8	On Chairm Britain Principle In January 1 of	Ones Poored	Dec 31	Cains Incurred	Claims Incurred in Prior Years (Columns 1 + 3)	Dec 31 of Pier Year	
	Live of Bushess	Current Veer	Died in			9	9	
•			8			0		
						0	٩	
						q	٩	
4	A Company					٩		
. 4	St. Foders Employees Neath Densits Plan	9	16.54.36	1,422,738	37,88,76	\$4,770,086	305, 188, 12	
•	S. The XVIII - Medican	25,372,782	M25.885.39	2,023,489	13, 107,511	7 386, 251	27,386,755	
	7. Tale XXX - Bestraid					9		
<b>d</b>	t, Operhalf	78.670, 148	220,908,272	3.485,147	50,306,256	82,166,296	88.787.86	
<b></b>	6. Hearth subtrotal Chine 1 to 19.					9		
	10. Houth care rescheddes (f)						9	
	11. Ober ranheelth						9	
<u></u>	12. Medical incertibre podds and bonus amounts.	78,670,148	250,909,212	3,686,10	50,306,256	S 20 20 20 20 20 20 20 20 20 20 20 20 20	8 739,889	
_	21 Table (178 1747) 1747							

the contract of an article of the contract of

Universal Health Care Inc.

Notes to Financial Statements for the quarter ended June 30, 2012

#### 1A. Summary of Significent Accounting Policies.

The accompanying statutory-basis financial statements have been prepared in conformity with the statutory accounting practices prescribed or permitted by the State of Florida Department of Financial Services, Office of Insurance Regulation (OIR), which practices differ from U.S. generally accepted accounting principles (GAAP).

Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompans all accounting practices not so prescribed. The Company has no permitted statutory accounting practices. The more significant variances from GAAP are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating. For GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, rading, or available for sale. Held-to-maturity fixed investments would be reported at amortized cost, and trading and available-for-sale fixed-maturity investments would be reported at fair value with unrealized gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income for those designated as available-for-sale.

Fair value for statutory purposes is based on the prices published by the Securities Valuation Office of the NAIC (SVO), if available, whereas fair value for GAAP is based on quoted market prices.

All single-class and smiti-class mortgage-backed/asset-backed accurities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such accurities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the accurity is written down to the undiscounted estimated future cash flows. For GAAP purposes, all accurities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CLO, MBS, and ABS accurities), other than high-quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the accurity is written down to fair value. If high-credit-quality securities are adjusted, the retrospective include is used.

Non-admitted assets: Certain assets designated as "non-admitted," principally furniture and equipment, certain deferred tax assets, and other assets not specifically identified as an admitted asset with the NAIC Accounting Practices and Procedures Manual, are excluded from the accompanying statutory-basis balance sheets and are charged directly to unassigned suplus. Under GAAP, such assets would be included in the balance sheets to the extent that those assets are not impaired. The balances of non-admitted assets are as follows:

Hon Admitted Assets	June !	50, 2012	Decemb	er 51, 2011
Pharmacy rebate receivable Deferred Tex Asset Furniture and equipment Accounts receivable Prepaid expenses Oeposits	\$	1,428,564 3,294,051 2,974,086 18,986,994 61,873 541,393	\$	1,675,506 8,294,051 2,560,461 18,862,978 78,591 641,591
Investment in bonds Amounts due from related parties		118,527		2,838,244
Total Non Admitted Assets	3	27,505,105	\$	29,749,225

Surplus notes payable: Notes payable issued by the Company to related parties are classified as capital and surplus on a statutory-hasis, if approved by the OIR. Under GAAP, such notes payable are recorded as liabilities (see Note 13).

Deferred income taxes: Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carry backs 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 net worth excluding any not deferred tax assets, electronic data processing (EDP) equipment and operating software, and any not positive goodwill, plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. Any remaining deferred tax assets are non-admitted. Deferred taxes do not include amounts for state taxes. Under GAAP, state income taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in all future years, and a valuation allowance is established for deferred tax assets not realizable.

Statement of cash flows: Cash, cash equivalents, and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption includes cash balances and investments with initial maturities of three months or less.

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements have not been determined, but are presumed to be material.

#### B. Use of Estimates

The presentation of the financial statements in conformity with statutory accounting principles requires management to make. The presentation of the financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant accounts that are largely determined based on management's estimates and assumptions include incurred but not reported claims and accrued

pharmacy reimbursement due to CMS, which are both included in medical claims payable; premiums receivable due from CMS related to retro-premium adjustments and risk-sharing adjustments; and unallocated premiums received from CMS included in unasmed premium. Actual results could differ from those estimates, and those differences could be material. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported herein.

C. Accounting Policies

Universal Health Care, Inc. (the "Company") is a Florida domiciled health maintenance organization and a wholly owned subsidiary of Universal Health Care Group, Inc. ("Group"). The Company was incorporated in 2002 and formed for the purpose of promoting and operating a health maintenance organization ("HMO"). The Company commenced revenue generating activities in August 2003.

The Company has four contracts with the Department of Health and Human Services, Centers for Medicare and Medicaid Services ("the Department") Agency for Health Care Administration and the Department of Elder Affairs to provide health care services to Medicare, Medicaid and Diversion enrolless in various counties in Florida. These contracts accounted for 99% of the Company's revenues in 2012. The Department awarded the Company the contracts for the period beginning July 1, 2003 and ending December 31, 2004 and has renewed the contracts through December 31, 2012. The contracts provide for annual extensions subject to agreement and approval by both parties.

1. Short-Term Investments

Cash, cash equivalents, and short-term investments include cash balances and investments which are liquid and mature in one year or less when purchased, including funds maintained under statutory requirements (deposits), and consist of monoy market and certificates of deposit funds registered with the NAIC.

Bonds
 Invostments in bonds are reported at amortized cost or fair value based on their NAIC rating. Bonds not backed by other loans are principally stated at amortized cost using the interest method.

Realized capital gains and losses are determined using the specific identification basis. Changes in the admitted asset carrying amounts of bonds, mortgage losss, and common and nonredeemable preferred stocks are credited or charged directly to massigned surplus.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, office than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation settlement.

Fair values are based on quoted market prices when available. When quoted market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. There valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or mynt used.

Financial assets carried at fair value are classified, for disclosure pusposes, based on a hierarchy defined by the Fair Value Measurements Disclosure Topic of the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC). The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

The levels of the fair value hierarchy are as follows:

Level I - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Lavel 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the esset or liability at the reporting date.

At June 30, 2012, the Company's investments in bonds are classified as Level 2 instruments and its investments in stocks are classified as Level 1 instruments.

3. Common Stocks

Investments in common stocks are designated as available for sale and are reported at fair value with unrealized gains or losses reported not of taxes in other charges in capital and surplus.

Preferred Stocks
 N/A

5. Mortpage Loans on Real Estate

Single-class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal or third-party estimates and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such accurities.

- 6. Loaned-backed Securities
  N/A
- 7. Investments in subsidiaries, controlled and affiliated companies
- 8. <u>Investments in Joint ventures, partnerships and LLC</u>
- 9. Policy for derivatives
- 10. Anticipated Investment Income as factor in premium deficiency.
  The Company generally receives premiums in advance of providing services, and recognizes premium revenue during the period in which the Company is obligated to provide services to its members. Premiums are billed monthly for coverage in the following month and are recognized as revenue in the month for which insurance coverage is provided. Accordingly, the portion of premiums applicable to future periods is included in the accompanying statutory-basis balance aheats as premiums, precived in advance.
- 11. Management's Policy and methodologies for estimating Liabilities Loss
  Claim processing expenses for unpaid claims, including claims incurred but not yet reported, are accrued based on astimated expenses necessary to process such claims.
- 12. Capitalization policy/Predefined thresholds

  Purvisual to Section 641.225(1) of Florida Statutes, the Company is required to maintain a minimum supplus in an amount that is the greater of \$1,500,000, or 10.0% of total liabilities, or 2.0% percent of total annualized premiums. Additionally, according to a Consent Order filed with the OIR on September 25, 2008, the Company must maintain a minimum surplus in an amount that is greater than 120% of the statutory requirement. As of June 30, 2012, the Company's capital and surplus of \$34,915,063 exceeded the \$ 16,631,115 minimum level prescribed by Consent Order and the Florida Statutes by \$18,283,948.
- 13. Prescription Drug Expense and Pharmacy Rebates Receivable. The Company's Medicare plans offer prescription drug benefits under Part D of the Medicare federal health insurance program to individuals eligible for benefits under Part A or Part B. As such, the Company receives additional premium and cost reimbursement components as described below.

For qualifying low-income status, or LIS, members of the Medicare Advantage Plans, CMS pays the Company for some or the entire LIS members' monthly premium. The CMS payment is dependent upon a member's income level, which is determined by the Social Security Administration. Low-income premium is recognized over the contract period and reported as premium revenus. Additionally, for qualifying LIS members, CMS will reimburs the Company for all or a portion of the LIS member's deductible, connurance, and co-payment amounts above the out-of-pocket threshold for low-income beneficiaries. Low-income cost-sharing subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience to low-income cost sharing subsidies paid to the plan and any differences are settled between CMS and the Company.

The Company also receives payments from CMS for catastrophic reinsurance for members of its Medicare plans. CMS reinsurance the Company for 80% of the drug costs after a member reaches his or her out-of-pocket catastrophic threshold through a catastrophic reinsurance subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience compared to catastrophic reinsurance subsidies paid to the Company and any differences are settled between CMS and the Company.

Effective January 1, 2011, CMS began providing the Medicare Coverage Gap Discount Program, where CMS provides monthly prospective payments for pharmaceutical manufacturer discounts made available to members. The prospective discount payments are determined based upon the plan year bid submitted by plan sponsors to CMS and current plan enrollment. Following the plan year, CMS performs an annual reconciliation of the prospective discount payments received by the plan sponsor to the cost of actual manufacturer discounts made available to each plan sponsor's enrolless under the program.

Low-income cost sharing and catastrophic reinsurance subsidies represent funding from CMS for which the Company assumes no risk and amounts received from CMS are reported not of payments of the actual prescription drug costs related to the low-income cost sharing and catastrophic reinsurance in the accompanying statutory-basis balance sheets. The Company does not recognize premium revenue or medical claims expense for this activity.

Promiums from CMS for members of Medicare plans with Part D benefits are subject to risk corridor provisions. The CMS risk corridor calculation compares the target amount of prescription drug costs (limited to costs under the standard coverage as defined by CMS) less rebates in the Company's annual plan bid (target amount) to actual experience. Variances of nore than 5% above the target amount will require the Company to refund to CMS a portion of the premiums received. Risk corridor payments due to or from CMS are estimated throughout the year and are recognized as adjustments to premium revenues and due and unpaid premiums. This estimate requires the Company to consider factors that may not be certain, including membership, risk scores, prescription drug events, and rebates. After the close of the annual plan year, CMS reconciles actual experience to the target amount and any differences are settled between CMS and the Company.

Medicare Part D activity resulted in a payable from CMS of \$6,110,231 at June 30, 2012, which is included in the liability for amounts held under uninsured plans in the accompanying statutory-basis balance sheet. Actual amounts of Medicare Part D related assets and liabilities could differ materially from amounts recorded.

#### 2. Accounting Changes and Corrections of Errors

NA

#### 3. Business Combinations and Goodwill

NA

#### 4. Discontinued Operations

N/A

#### 5. Investments

A-D. NA

R. Repurchase Agreements and/or Securities Lending Transactions:

The Company entered into a sweep repurchase agreement with a financial services institution to increase its return on invested assets. The transactions involve the transfer of excess cash to a regulated financial institution that is collateralized by securities. On the next business day, the transferred cash, along with any interest thereon, is transferred back to the Company and the collateralized securities are returned. The arrangement meets the requirement to be accounted for as secured borrowings. The Company requires that at all times, securities obtained as colleteral are sufficient to fund substantially all of the cost of purchasing replacement assets. As of June 30, 2012, amounts outstanding under repurchase agreements of \$3,984,708 are classified as cash in the accompanying statement of assets. As of June 30, 2012, securities with a fair market value of approximately \$4,064,000 were held as collateral under this agreement.

F-G. N/A

#### 6. Joint Ventures. Partnerships and Limited Liability Companies

NA

#### 7. Investment Income

NA

#### B. Derivative Instruments

NA

#### 9. Income Taxes

		,	06.30.2012	1	4	12.31.2011 \$	• .	7	Change	•
9A 8AD1	*	Ordinary	Cupital	Total	Ordinary	Capital	Total	Ordinary	Capital .	Total
09A01a	Gross Deferred Tax Assets	9,025,785	25,731	9,051,516	9,025,785	34,201	9,069,986		(8,470)	(6,470)
09AB1h	Statutory Valuation Allowance Adjustment	i				_		-		
09A01c	Adjusted Gross Deferred Tex Assets (15 - 16)	9,025,785	25,731	9,053,516	9,025,785	24,201	9,059,966	-	(0,470)	(8,470)
<b>094014</b>	Outered Tes Liabilities	]	•	_			J			-
(SAGI)	Subsected (Med Defeared Tex Asset) (3c- 3d)	8,025,785	25,731	9,051,516	9,023,784	34,201	9,053,586	-	(8,470)	(8,470)
99401	Deferred You Assets Homedrakted	3,268,320	25,731	3,294,051	3,259,850	34,201	3,294,051	8,470	(8,470)	
OSVOT	Het Admitted Deferred Tax Assats (16 - 11)	5,757,446		8,757,445	5,765,835		5,765,935	(8,470)	•	(8,470)

	•	_	OK 30 201	· · · · · · · · · · · · · · · · · · ·		12.31.2011			Comb	
8404	Admission Culculation Components: 25AP No. 10R, Paragraphs 10a., 10b., and	1 Ondinary	11 Capital	12 Total	13 Ordinary	14 Capital	15 Yotal	15 Ordinary	17 Copital	9 Total
(3604)	10c 55AP No. 10K, Paregraph 10a.					······································	4,305,825			
OSAO9b	SSAP No.10R, Furagraph 10.b.	4,305,825		- 4,305,825 - 1,460,110	1		1,460,110			
	(the leaser of paragraph 10.6), and 10.6).	1,460,110 below)		- 1,460,110	, ~~~,		- <b>,,</b>			•
gsAG4:	SSAP No. 100, Pengraph 10.h.l. SSAP No. 100, Pengraph 10.b.E.	-		- 1,460,110	-	•	1,460,130		•	•
09A044 09A54o	MAP No. 100, Personal 10.c.	3007	XXX	2,915,760	HOXX	XXX	1,530,374	XXX	NATE:	1,346,386
COADN	Total (fa + 4b + 4e)			- '	<del> </del>					
•		5,765,936		- 5,766,93	5,745,995	•	5,765,935	<u>'</u>		•
ONAGHa	Administry Calculation Compensate EEAP No. 100, Perspresh 10v.: SSAP No. 100, Perspresh 10v.:	1						ļ		
	25AP No. 10R, Paragraph 10.a.H.			<u>-</u>	:  <u>-</u>			<b> </b>		<u> </u>
OSADIA	(the leaser paragraph 10.0 Jun. and 10.0 M			-	-) -			1	-	•
08404	30AP No.30R, Faragraph 10. e.b.s.	Ĭ .		_	.] .					
ned BAS	county 100 formuch 10 c 5h.	1			ì			1		

## NOTES TO FINANCIAL STATEMENTS

		XXX	XXX	-	XXX	XXX	-1	1000	1711	-
09A04k	SSAF No.10R, Paragraph 10.0 Pl.			- 1				_		
09A04i	Total (4g + 4b + 4k)	<del></del>	-			<u> </u>				
			-	-	•	-	-	-	•	•
	Used in SSAP No. 104, Pe	regraph 30.d.								
05AD4m	Total Adjusted Capital	xxxX	XXX	34,915,064	10x	XXX	21,069,671	XXX	xxxt	_
084046	Authorized Control Level		***				22,000,00			
0804		201	1000	-	3000	NAME OF TAXABLE PARTY.	- 1	NAX.	XXX	-
		·				12.31.2011			Change	
2405			06.30,2012			12.91.2011		7		
		Ordinary	Capital	Total	Ordinary	Consister	Total	Ordinary	Capital	Total
	Impact of Tax Planning Strategies		-					_		
09AØ51	Adjusted Grove DTAs (St of York) Adjusted	ì					- 1			
	Gross DTAs]		•	-	•	•	•	•	•	-
05AD56	the Admirted Adjusted Grass DTAs	XXX	XXX		XXX	KANA	_	YOU	1000	
	[% of Total Net Admitted Adjusted Gross C		***	1		_	1			
	far on total last seminarran sedantan assess									
						*****			Change	
BAOS			06.30.2012			12.31.2011		,	Constitute a	,
	SLAF No. 10K, Paragraphs 10 a., 10 b.,	Ordinary	Z Çapkısı	Total	CHINARY	Casaltes	Total	Ordinary	Capital	Total
	and 10.C	CHUSIAN	vep							
09ÁD4+	Admitted Deferred Tex Assets				l'''			45.000		/a are
		5,757,465	•	5,757,465	5,766,815		5,765,935	(8,470)		- (8,470
Q9AD6b	Admitted Appets	XXX	YORK	143,160,092	xxxx	X00t	101,252,607	100X	XXX	34,507,485
09AD5c	Adjusted Statutory Burplus*	. ~~	***	2-00, 200,032						
LITTER C	Carlescus marries & confere	XXX	1000	29,157,599	JOOK	NOOK	15,303,736	10xx	XXX	17,053,06

090	Regarding deferred the liabilities that are not recognized:	
	M/A	

	<u>-</u>			
09C		1 06 30 2012 1	2 2,31,2011	3 Changa
0901	Current Uncome Tex			
09C1a	Federal			
DESC. ALE	Page 1	6.943.653	(#00,014)	7,848,707
08C3P	Foreign			
OSCIA	Substated	6,043,613	(900,054)	7,843,707
09014	Federal in come tax on net capital gains	(4)	873,954	(873,960)
Q9C1a	Unitarion of capital loss compforwards			-
(9C1/	Other			<u> </u>
09C1g	Federal and Foreign Income terms Incurred	6,843,647	[26, <b>100</b> ]	6,966,747
05C2	Delayed Tex Assets			
(4)	Ordinary:			
COCTADI.	Dispuriting of unpaid leases	_	_	_
09(2)/60	Uncorned premium reserve			_
09C2A08	Palicyhalder reservet	_	_	
(9622406	hympostt	-	-	-
0902/05	Deferred ecquisition costs		-	-
090240	Palicylander dividends exceed		-	-
<b>69C2AD</b>	Fixed Amets			
		556,861	556,861	-
09C5VQ	Companiation and benefits scenari	:		-
	Paraton accrutii	•	٠	-
	Receivables - representatives	8,406,343	8,406,343	-
	L. Net operating loss correspond	-	•	•
	2 Tax credit comp-forward	-	-	-
99C2A1	3 Other (Including Repro 45% of total	en 181	62,501	_
	endicary tax sustets)	62,591	92,394	
	(9)(7AM Subsection	8,025,786	8,025,785	
09C2b	Statutory valuation allowance adjustme	4B		
09C2z	Hemderitied	3,260,330	3,159,860	8,470

10.4

09CIEL	investments	25,731	34,201	(8,470)					
09C2E2	Net capital loss curry-forward	14,51							
09C2E3	Figura estata		_						
050264	Other (Including Name SIK of total	-	٠.	_					
	capital tax assats) OSCIESS Subtotal		<del></del>						
<b>69C27</b>	Statutory valuation allowance adjustment	23,731	34,201	(8,470)					
09C2g	Monadruttad	-	• .	•					
09CZN	Admitted capital deferred tax ourses	25,731	34,201	(8,470)					
09028	(2x82 - 2f - 2g) Admitted deferred ton assets (2d + 2h)	-	•	•		•			
UCH	Similar salation for small from 5 and	5,757/465	5,765,935	(0,470)					
0903	Cofered Text Lintellities								
(a) 00C1A1	Ordinary: Investments								
09C3A2	Find assets	-	-	•					
CACTAR	Orlened and uncollected previous	•	-	-					
096344	Policyholder reservas	-	•	-					
09C3A5	•	-	•	•					
(A)	ordinary tax Rabilities) 09(2A09 Subtotal	<u> </u>		<del>-</del>					
			•	-					
69C107 (P)	Capital: tevestments								
O9G802	Real estata	-	•	•					
096393	Other (Including haves 45% of sotal	-	-	•					
	capital turillabilides) 0903899 Subbatal			<del></del>					
09C&C	Delarred tax timb fittles (\$#95 + 3.695)	-:	-	-					
0904	Not deferred by assets/Seb Briss(2) - 3c)	•	-	•					
CECH	Mart consumer in terminal strength and	5,757,445	1,765,935	(8,470)					
990		06.30.2012	Effective To	a Rata (N)					
	Provision coreputed at statutory rate	7, <b>160,2</b> 31	35.090						
	Change in ponedmitted assets	7, <b>144,8</b> 31	35.0% 0.0%						
	•	7,969,931 - (46,492)							
	Change in ponedmitted assets	-	0.0%						
	Change in populational assets Newtocable investment income	(46,492)	0.0% -0.2%						
	Change in roundableed assets Next pushing lovestime as facular Next pushing lovestime as facular Next feet appears to	(46,432) 24,007 (410,581)	0.0% -0.2% 0.1%						
	Change in pronadmissed easiers Next accepts investment income Nondestatible explanae State same	(46,412) 24,007 (410,581) 16,882	0.0% -0.2% 0.1% -2.0%						•
	Change in pronadmissed assets Newtgoodle investment income Nondeductible oppose State Lans Other Yotel	(46,432) 24,007 (410,581)	0.0% -0.2% 0.1% -2.0%						
	Change in pronadophised assets Newtgoodilg investment income Nondestortible expense State same Other Total  Pedanal and foreign income taxes incorred	(46,412) 24,007 (410,581) 16,882	0.0% -0.2% 0.1% -2.0%						· .
	Change in pronadmissed easiers Next acasing investment income Plandeductible explanse State stees Order Yord	(46, 422) 14,007 (410, 381) 16,882 6,843,647	0.0% -0.2% -0.1% -2.0% -0.1% -33.0%			-			· ·
	Change in pronadophised assets Newtgoodilg investment income Nondestortible expense State same Other Total  Pedanal and foreign income taxes incorred	(46,452) 24,007 (410,501) 16,882 4,843,647	0.0% -0.2% -0.1% -2.0% -0.1% -33.0%						
	Change in pronadmissed easiers Next access investment income Nondestatible expense State sees Order Yord Federal and fension income taxes incorred Resilized applies gales (loses) (are	(46,422) 24,007 [410,361) 16,862 6,843,644	0.0% -0.2% 0.1% -2.0% 0.1% 33.0%						
	Change in remadorited easers Next excelle investment income Plandedoritible explanse State same State same Other Yotel Pederal and family: income taxes incorred Resilized capital gains (losses) ter Change in deferred income taxes	(46,432) 24,007 (410,381) 16,882 6,843,647 6,843,651	0.0% -0.2% -0.1% -2.0% -0.1% -33.0% -0.0% -0.0%						•
QGE C981	Change in remadanized easers Need acade investment income Nondeductible explanse State teens Order Yord Pederal and foreign income taxes incorred Resilized supital gains (insees) tax Change in deferred income taxes Total	(46,422) 24,007 (410,581) 16,682 6,843,652 (Q	0.0% -0.2% -0.1% -2.0% -0.1% -33.0% -0.0% -0.0%	athle for measurement	concerns in the second	- - - -			
	Change in pronadophical assets Nondestatible expense Nondestatible expense State same Other Yoral Federal and foreign income taxes incorred Resilized capital galos (loses) tax Change in deferred income taxes Yotal  Capital loss carry forecast The Conjunt has no operating los The following in	(46,432) 24,007 (410,301) 16,882 6,843,647 (4) 6,943,647 (4)	0.0% -0.2% -0.1% -2.0% -2.0% -33.0% -33.0% -0.0% -0.0% -0.0%		present in the over	र को सेप्टाप्ट स्थाद (ठ	nper.		•
O9E 1	Change in remadanized easers Need acade investment income Nondeductible explanse State teens Order Yord Pederal and foreign income taxes incorred Resilized supital gains (insees) tax Change in deferred income taxes Total	(46,452) 24,007 (410,581) 16,882 6,843,651 (4) 5,942,647	0.0% -0.2% -0.1% -2.0% -0.1% -2.0% -0.1% -33.0% -0.0%	Total	process in the even	t of future sut to	i ples		
O9E 1	Change in remadanisted easters Newtexable investment income Nondedottible expense State turns Order Yord  Federal and foreign income taxes incorred Resilved capital gains (loses) ter Change in deferred income taxes Total  Capital Loss carry forwards The Company has no operating for The Company has no operating in Year	(46,452) 24,077 (410,581) 16,882 6,843,652 (Q) 6,943,647 a corrytorwards hearms tax taxpar Chdinary (726,730)	0.0% -0.2% -0.1% -2.0% -0.1% -33.0% -33.0% -0.0%	Total 129,745	pment in the even	t of future wat lo	Laster:		
O9E 1	Change in roundomized assets Newtocable investment income Plandeductible expense State turns Other Yoral Federal and familya income taxes incorred Resilved auplies gains (looses) ter Change in deferred income tores Total  Capital Loss carry forwards The Company has no operating for The Company has no operating in Year 2011	(46,452) 34,077 (410,581) 16,882 6,943,647 6,843,653 (4) 6,943,647 6,043,647 6,043,647	0.0% -0.2% -0.1% -2.0% -0.1% -2.0% -0.1% -0.0% -	Total 129,745 6,804,775	posent in the even	- - - - - - - - - - - - - - - - - - -	Ige <del>s</del> :		
O9E 1	Change in possidented essets Neetigasible investment income Plandedicatible expense State times Other Yotal  Pederal and family become taxes incorred Resilized aspital gains (losses) ter Change in deferred income taxes Total  Capital Loss carry forwards The Company has no operating los The fadiowing in I Year 2011 2012 Total	(46,452) 24,007 (410,581) 16,882 6,843,652 (6) 6,043,667 6,043,667 Christown date to support the complete support to support the complete support to suppo	0.0% -0.2% -0.1% -2.0% -0.1% -33.0% -	Total 129,745 6,804,775 6,834,340	•				
O9E 1	Change in pronadoritied assets Nondestactible expense Nondestactible expense State same Other Yoral  Federal and femilian income taxes incorred Resiliand and femilian income taxes incorred Change in deferred income taxes Intel Capital loss carry forwards The Company has no operating for The following in I Year 2011	(46,452) 24,007 (410,581) 16,882 6,843,652 (6) 6,043,667 6,043,667 Christown date to support the complete support to support the complete support to suppo	0.0% -0.2% -0.1% -2.0% -0.1% -33.0% -	Total 129,745 6,804,775 6,834,340	•			of Decamber 3	
(981) (982)	Change in roundonized assets Newtonable investment income Nondeductible expense State tuess Other Yotel Federal and foreign income taxes incorred Resilized ambiel gains (losses) tax Change in deferred income taxes Total  Capital Loss carry foresards The Company has no operating for The Company has no operating in Year 2011 2012 Total	(46,452) 24,007 (410,581) 16,882 6,843,652 (6) 6,043,667 6,043,667 Christown date to support the complete support to support the complete support to suppo	0.0% -0.2% -0.1% -2.0% -0.1% -33.0% -	Total 129,745 6,804,775 6,834,340	•			of Decreator 3	
091 031)	Change in roundonized assets Newtonable investment income Nondeductible expense State turns Other Yotel Federal and foreign income taxes Incorred Resilierd ambiel gains (losses) ter Change in deferred income taxes Total  Capital Loss carry foreign The Company has no operating for The Company has no operating in Year 2011 2012 Total  The sagragate emount of deposits report Consolidated tax Elling:	(46,452) 14,007 (410,501) 16,882 6,893,647 6,843,653 (Q) 6,943,647 6,043,647 6,043,647 6,004,781 6,004,781	0.0% -0.2% -0.1% -2.0% -0.1% -2.0% -0.1% -0.0% -	Total 129,745 6,804,775 6,834,320 action 6603 of	•			of Decisionhet S	
(981) (982)	Change in pronadorited assets Nontexable investment income Nondeductible expanse State same Other Yotal  Federal and femilian income taxas incorred Raniford ampital gains (loses) tax Change in deferred income taxes Intel Capital loss carry forwards The Company has no operating for The following in 1 Year 2011 2012 Total  The eagragate amount of deposits report	(46,452) 14,007 (410,501) 16,882 6,893,647 6,843,653 (Q) 6,943,647 6,043,647 6,043,647 6,004,781 6,004,781	0.0% -0.2% -0.1% -2.0% -0.1% -2.0% -0.1% -0.0% -	Total 129,745 6,804,775 6,834,320 action 6603 of	•			of Decamber 3:	i, 2011.
(981) (982)	Change in pronadorited assets Newtocable investment income Nondestatible expense State tares Other Total  Pedaral and foreign income taxes incorred Resilized aspital gains (loses) tax Change in deferred income taxes Intal  Capital Loss carry forwards The Company has no operating for The fallowing is I Year 2011 2012 Total  The aggregate amount of deposits report Company is included in a composit stat of Universal Health Care, LLC	(46,452) 24,007 (410,361) 16,682 6,843,652 (Q) 6,643,652 6,043,652 6,043,647 6,604,783 6,004,783 6,004,783	0.0% -0.2% -0.1% -2.0% -0.1% -2.0% -0.1% -0.0% -	Total 129,745 6,804,775 6,834,320 action 6603 of	ting internal Garre			of Decreaber 3	1, 2011.
(981) (982)	Change in roundonized assets Newtocable investment income Nondeductible expense State turns Other Yotel  Federal and foreign income taxes incorred Resilized auphial gains (losses) ter Change in deferred income tores Total  Capital Loss carry forwards The Compune has no operating los The Compune has no operating in Year 2011 2012 Total  The sagragate amount of deposits respon Consolidated tax Elling: Company is included in a consolidated tax Universal Health Cure Group, Inc.	(46,452) 24,007 (410,581) 16,882 6,843,653 (6) 6,943,647 6,043,647 6,043,647 6,044,783 6,078,051 read an administration of the state of	0.0% -0.2% -0.1% -2.0% -0.1% -2.0% -0.1% -0.0% -	Total  129,745  6,804,775  6,834,330  action 6603 of	ting internal Garre			of December 3	2, 2011.

#### 10. Information Concerning Parent, Subsidiaries and Affiliates

A · C. All outstanding shares of the Company are owned by Group, an insurance holding company incorporated in the State of Delaware with operations based in Florida. On February 14, 2011, Group entered into a \$37,500,000 term-loan and a \$2,500,000 unfunded revolving credit agreement. On April 6, 2012, Group entered into a \$60,000,000 senior revolving line of credit, the proceeds were used to pay-off the term-loan and provide for any additional minimum statutory capital requirements for its subsidiaries, including UHC. Group pledged 100% of its equity interest in UHCIC as security under the credit revolver.

Surplus notes payable, related party:

During 2006, the Company received cash proceeds for surplus notes payable issued to Group amounting to \$18,750,000 (see ante 13). The terms of the notes payable specify that principal and interest on the notes is payable only upon the prior approval from FL OIR. The notes payable bear interest at 5% per annum upon FL OIR approval. On September 26, 2008, the Company paid down the principal \$10,000,000 with FL OIR approval. The Company paid down the Note \$2,000,000 on December 22, 2009 with FL OIR approval. On July 14, 2010 with FL OIR Approval, the Company made a \$3,000,000 payment on the note. During the periods covered by these financial statements, the Company has not received approval to pay for interest from the FL OIR; therefore, the Company has not recorded accrued interest totaling \$2,733,874 at June 30, 2012.

Other relationships:

The Company has a management agreement with American Managed Care, LLC (AMC), which automatically renews on an annual basis, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group. Effective January 1, 2011, for compensation for services rendered, the Company shall pay AMC a percentage of total collected premiums on a monthly basis. The amount shall vary, as mutually agreed between AMC and the Company, but under no circumstance shall the percentage of collected premiums paid to AMC exceed 8.5%, without obtaining prior approval from the FL OIR. Further, no amounts paid by the Company shall result in the Company being out of compliance with the minimum statutory requirements of the Florida Statutes. Percentage fees were 7.7% for 201 land 8.5% for six mouths ended June 30, 2012. Expenses incurred under this agreement totaled \$27,430,000 for the six months ended June 30, 2012.

The Company records rent revenue from the space owned by the Company and occupied by AMC. Amounts received by the Company totaled \$1,336,338 for the quarter ended June 30, 2012.

D. In addition to the above-referenced management agreement, certain expenditures for the Company are paid by and reimbursed to AMC, Universal Health Care Insurance Company, Inc. (UHCIC), Universal Health Care of Nevada, Inc. (UHCNV), and Universal HMO of Texas, Inc. (UHMOT), Universal Health Care of Georgia, Inc. (UHCGA), companies under common control by Group, as well as Group itself. The Company also pays for and is reimburned by UHCIC, UHMOT, UHCNV and AMC for cortain expenditures. At June 30, 2012, the Company owed \$39 and 12 from UHMOT and UHCNV and was owed \$17,478 and \$100,849 from UHCIC and AMC respectively, which are classified as a non-admitted asset in Due from Affiliates in the accompanying Statement of Assets. All amounts will be settled per terms of the Company's intercompany transactions policy which requires the payment to be made within 30 days.

F. The Company has a management agreement with AMC, which renews on an automatic basis, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group.

In addition, the Company maintains a provider agreement with American Family & Geriatric care (AFGC), which is owned 100% by a majority of shareholder of Group. Amounts paid to AFGC under the provider agreement for the six months ended June 30, 2012 were \$1,047,110.

#### G.-L. N/A

Under the Company's tax sharing agreement, \$517,501, included in current federal and foreign income tax receivable in the accompanying Statement of Assets, Liabilities, Capital and Surplus, is due from Group to the Company and will be settled per terms of the intercompany transactions policy.

#### 11. Debt NA

12. Retirement Plans. Deferred Compensation. Postemployment Benefits and Compensated Abstraces and Other Postetirement Benefit Plans

13. Capital and Sumbus Shareholders' Dividend Restrictions and Quasi-Reorganizations

- UHC has 400,000,000 shares authorized, 126,250,000 shares issued and outstanding as of June 30, 2012.
- 3. Prior approval is needed by FL OIR and restrictions are related to statutory surplus.
- 4 N/A
- 5. Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- 6. N/A
- 7. N/A
- 8. N/A
- 9. N/A

10. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses of \$-81,990.

	Date Insued	Interest Rate	Per Value (Face Amount of Note)	Corrying Value of Note	Principal and/or Interest Paid Current year	Total Principal and/or Interest paid	Unapproved Principal end/or interest	Dute of Materity
Surpha Note	12/29/2006	5.0%	\$18,750,000	\$3,750,000	\$0	\$15,000,000	\$2,733,874	

12-13. N/A

14. Contingencies

N/A

15. Leases

N/A

 Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- 18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
- 19. <u>Direct Premium Written/Produced by Managing General Agents/Third Party Administrators</u> N/A.
- 20. Fair Value Measurements N/A
- 21. Other Items
  - A.-C. N/A
  - D. Included in cash, cash equivalents and short term investments at June 30, 2012 is \$4,732,202 of minimum deposits required to be maintained under contracts with certain health care agencies.
  - E.-G. N/A
- 22. Events Subsequent

WA

23. Remarance N/A

. .

- 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination N/A
- 25. Change in Incarred Claims and Claim Adjustment Expenses
  N/A
- 26. <u>Intercommany Pooling Arrangements</u>
  N/A
- 27. Structured Settlements N/A
- 28. Health Care Receivables

			Actual Rebates Received within 90 days of Billing	Actual Rebates Received within 91 to 180 days of Billing	Actual Rebates Received More Thun 180 days After Billing
3/31/2009	\$ 667,329	\$ 667,329	\$	- \$	\$ 667,329.00
6/30/2009	693,220	693,220			693,220
9/30/2009	726,079	726,079			726,079
12/31/2009	781,301	781,301			781,301
3/31/2010	596,985	596,985		-	596,985
6/30/2010		1,120,068		- 1,119,385	683
9/30/2010				- 864,775	

## **NOTES TO FINANCIAL STATEMENTS**

12/31/2010	1,006,988	1,006,988	6,790	760,676	239,522
3/31/2011	1,222,718	1,222,718	_	1,222,718	-
6/30/2011	1,383,657	1,383,657	169,969	1,032,248	181,440
9/30/2011	1,229,259	1,229,259		1,018,225	211,034
12/31/2011	1,464,474	1,464,474		891,157	573,317
3/31/2012	1,495,572	1,495,572	-	1,495,572	,
6/30/2012	3,208,342	3,208,342	1,779,958		

#### Risk Share Receivables

Culendar Yest	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior year	Rick Sharing Receivable as Estimated Current Year	Rick Sharing Receivable Involved	Risk Sharing Racelvable Not Invoked	Actual Risk Sharing Amounts Collected in Year Invoiced	Actual Risk Sharing Amounts Collected first Year Subsequent	Actual Risk Sharing Amounts Collected Second Year Subsequent	Actual Rick Blarring Amounts Collected - All Other
2012	2011	\$ 17,566,191	-	\$ 16,400,955		·	\$ 13,006,441		
	2012	xxx	\$ 1,165,236	XXX	XXX	XXX	XXX	XXX	XXX
2011	2011	XXX	\$ 16,400,955	\$ 16,400,955					<u> </u>
	2012	XXX	\$ 17,566,191	XXXX	XXX	XXX	XXX	XXX	XXX
		-							

- 29. Participating Policies N/A
- 30. Premium Deficiency Reserves

N/A

31. <u>Anticipated Sulvage and Subrogation</u>
N/A

## **GENERAL INTERROGATORIES**

# PART 1 - COMMON INTERROGATORIES GENERAL

1.1	Did the reporting entity experience any meterial transaction Demicile, as required by the Madel Act?					Yes (	) No	[X]
1.2	(i yee, has the report been fited with the domiciliary state?					Yes (	) No	11
<b>2.</b> 1	reporting entity?					Yes [	J No	[x]
2.2	Li yea, dete di change:	7			*************			
3.	Here there twen any substantial changes in the organization if yea, complete the Schedule Y - Part 1 - organizational of		fb			) ea?	) No	(X)
4.1	Has the reporting onlify been a party to a merger or conso	idation during the period covered b	y this statement?			Yes [	) Ho	(X)
4.2	If yee, provide the name of entity, NAIC Company Code, a second to exist as a rosult of the marget or consolidation.	end state of domicile (was two letter	state ebbreviation) for (	any entity that	hes			
	1 Name of		2 NAIC Company Cods	3 State of Do	nicio_			
5.	If the reporting entity is subject to a management agreement, fact, or similar agreement, have there twen any significant if yes, stack on explanation.	erl, including third-party administrat I changes regarding the terms of th	or(e), meneging gener a egrøement or princip	si agerit(e), et sis involved? .	ionery-in-	Yes [ ] \$60 (	X) NA	11
8.1	State on of what date the latent financial examination of th	is reporting entity was made or is to	ning made				12/10/	2007
	State the as of date that the latest financial examination re This date should be the date of the examined belance sho	nort became available from either i	he state of domicits or	The reporting	mility.		06/30/	2007
6.3	Sketo us of what dain the letter financial examination reporting entity. This is the release date or complete sheet date).	ori became available to other stales ion date of the examination report s	er the public from eith nd not the dute of the s	s the state of consisention (t	domicile		12/10/	2007
6.4	By what department or departments?							
6.5	FL CIR.  Here all financial statement adjustments within the latest statement fied with Departments?	Anuncial examination report been e	conunted for in a wide	equent fisanci	ej	Yes (X) Ho	[ ] NO	A [ ]
6.6	Have all of the recommendations within the latest financial	el governieution report been complier	with? 7.0194			Yes [X] No i	( ) N	11
7.1	Has this reporting entity had any Certificates of Authority, suspensed or revoked by any governmental entity during	Someon or registrations (including the reporting period?	corporate registration,	f applicable)		Yes	[] #	2 (II)
7. <u>2</u>	If you, give full information:							
B.1	is the company a subsidiary of a bank holding company r					Yes	[] #	o (I)
0.2	It response to 8.1 is yee, please identity the name of the t							
	to the company attituted with one or more banks, thills a	or securition firms?				Yes	[] #	o (X)
6.4	If response to 8.3 is yes, please provide below the name lederal regulatory services against (i.e. the Federal Rese Deposal Interarche Corporation (FDIC) and the Securities regulator.]	on Round (FRIII) the CHine of the I	201000000000000000000000000000000000000	かい ベイズバー	y He Legaler			
	1 Affiliato Namer	2 Location (City, State)	3 PRD	4	5 POIC	6 SEC		
		1000						

## **GENERAL INTERROGATORIES**

•	similar functions) of the reporting writty subject to a code of abics, which includes the following standards?	Yes (	X]	No ( )
	(a) Honsel and ethical conduct, including the ethical heralling of actual or apparent conflicts of interest between personal and professional relationships;	:		
	(b) Full, tark, accurate, timely and Understandable disclosure in the periodic reports required to be filed by the reporting entity;			
	(c) Compliance with applicable governmental level, rules and regulations;			
	(d) The prompt informal reporting of violations to an appropriate person or passons identified in the code; and			
	(a) Assourtability for exherence to the code.			
<b>Q.11</b>	If the response to 9.1 is No, piezes explain:			
9.2	Has the code of othics for centar managers been amended?	Yes	i )	fip (I)
9.21	If the response to 9.2 is Yee, provide information related to emendment(s).			
9.3	Have any provisions of the code of grace been waived for any of the specified officers?	Yes	1 1	No [ ]
9.31	If the response to 9.3 in Yes, provide the nature of any walver(e).			
	FINANCIAL			
	Does the reporting entity report any amounts due from perent, substitueles or affiliates on Page 2 of this sistement?		•	(X) (A)
10.2	Hyoe, indicate any amounts receivable from perent included in the Page 2 amount.		<b></b>	
	INVESTMENT			
11.1	Were any of the stacks, bands, or other seases of the reporting entity leaned, placed under option agreement, or otherwise made everlable for use by enotion person? (Exclude securities under excurities fending agreements.)	Yes	(1	No [X]
11.2	If you, give full and complete information relating thereto:			
12.	Amount of real estate and mortgages hold in other invested swets in Schedule BA:			
13.	Amount of rest estate and mortgages hald in short-form investments:			
. 14.1	Dose the reporting entity have any investments in parent, substitiates and efficient?	Yes	( )	No (X)
	2 If you, please complete the following:			
	1			
	Prior Year-End Current Charter BookhAguisted BookhAguisted BookhAguisted Carrying Value Carrying Value			
	142 Preferred Slock			
	14.22 Preferred Block			
	14.24 Short-Team (measures/team)			
	14.25 Mortgage Leans on Real Erioto			
	14.28 Al Other  14.27 Total investment in Perent, Subsidiaries and Afficiales			
	(Stubiotal Lines 14.21 to 14.20)			
	14.28 Total Investment in Parent included in Lines 14.21 to 14.26			
15.1	Has the reporting entity entured into any hodying transactions reported on Schedule DS?	Yes	(1	No ĮXJ
		Ype	· [ ]	<b>to</b> []
15.2	Tryes, has a comprahensive description of the hedging program been made available to the domicitiery state?		• •	( )

11.1

## **GENERAL INTERROGATORIES**

	ements that comply with the requirem		<u> </u>		1
	Name of	Custoclari(s)		custodian Address	
	ells Fargo Bank, Hà		100 3 Ashley Drive	, MAC:20307-092. Tampa, FL 93602.	]
	emarkt that do not comply with the re f a complete explanation:	quirements of the NAIC F	inancial Condition Examin	era Handbook, provide the name,	
		<del>- 1</del>	5	3	7
	Name(e)  Name(e)  been any changes, lackeling name of the same of	nanges, in the custodism(	ion(e)	Complete Explanation(s)	Yess [ ] No. (:
	Namo(ii)	nanges, in the custodism(			Yess [ ] No. (;
i If yes, ghe i	hearre(e) been any changes, including name of full and complete information roteling Old Custodian	nanges, in the custodism(s thereto: 2 New Cystydian	a) identified to 16.1 during 3. Date of Change	he current querier?4 Respon	Yes [ ] No (:
i If yea, ghe ii	harro(s)	nanges, in the custodien(s thereto: New Custodian	a) identified to 16.1 during  S  Date of Chance	the current querier?	Yes [ ] No [:
4 If yea, ghu li	been any changes, lacketing name of the sand complete information roteling  Old Custodian   Old Custodian	Now Custodiene  New Custodiene  individuals acting on bet	a) identified to 16.1 during  S  Date of Chance	the current querier?	Yes [ ] No f.

# GENERAL INTERROGATORIES PART 2 - HEALTH

1 Operating Percentages	
1,1 A&H bas percent	82.7 1
1.2 A&H cost containment percent	0.0 1
1.3 AIH expense persent oxidating cost containment expenses.	
2.1 Do you act as a custodian for health savings decounts?	Yes [ No (X
2.2 if yes, please provide the amount of custodial funds held so of the reporting date.	3
2.3 Do you act as an administrator for health servings accounts?	Yes [ ] Ho [X
2.4 If yes, please provide the helence of the funds administered as of the reporting date	<b>5</b>

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

# SCHEDULE S - CEDED REINSURANCE

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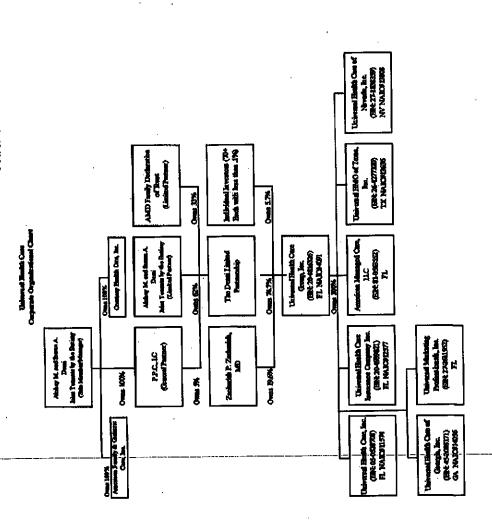
## **SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

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			2 Accident &	3	•	S Federal - Employees Health Benelits	6 Life & Annuity Promisers &	7 Property/	6 Total	•
	States, Etc.	Active Statue	Health Premiuma	Medicare Tipa XVIII	Medicald Title XIX	Program Premiume	Other Considerations	Casually Premiums	Columns 2 Through 7	Contracts  Contracts
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	6. Totals (Lines 5801 through 5803		4							

(1.) Unimed or Chartered - Licensed Insurance Center or Chartering Fifther eligible or Hon-developed FRICe; (2) Qualified - Qualified or According Fisherway (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not aboved to write Surplus Lines in the state; (N) None of the above - Not aboved to write Surplus Lines in the state;

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Curs, Inc.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Cere, Inc.

SCHEDULE Y PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

# 15	-	Controlling	. (a)		Mattery & Descri	Trans.	Boney 4. Bones ,	Absiery E. Datei ,	Askey II. Sesei,	salery B. Desei.	Leber E. Desai.		<b>₽</b>	I. Breel,	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	stery E. Desai.	intery E. Denni.	Josephy R. Dansei.		F. 19881.					
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#### SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be fleat as part of your statement filling. However, in the event that your company does not transact the type of businesses for which the special report must be filled, your response of IntO the special below, will be accepted in liquid of filling a "NONE" report and a fair code will be privided below. If the supplement is required of your company but is not being filled for whelever reason enter \$EE EXPLANATION and provide an explanation following the interrogationy duestions.

·	RESPONSE
1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with the statement?	
Explanation:	
ı.	
Bat Code:	

## **OVERFLOW PAGE FOR WRITE-INS**

#### **SCHEDULE A - VERIFICATION**

| Prior Year Ended | Year To Qate | Prior Year Ended | Year To Qate | Prior Year Ended | Year To Qate | Prior Year Ended | Year To Qate | Prior Year Ended | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate | Year To Qate |

#### **SCHEDULE B - VERIFICATION**

Mortgage Loane		
	f Year To Date	2 Prior Year Ended December 31
Book value/recorded investment excluding accrued interest, December 31 of prior year		م
2. Coast of acquired:		1
2.1 Actual coat at time of acquisition	<b></b>	
2.2 Additional Investment made after acquisition		
3. Capitated deterred interest and other  4. Accrusi of discouri.  5. Unresteed valuation increase (decrease).  6. Total gain (lose) on disposals.  7. Deduct amounts received on disposals.	ļ	
4. Accord of discourt		
5. Uryrestzed veluetion increase (decrease)	ļ	
6. Total gain (loss) on disposals	,,	
7. Defaut enounts received on disposals		وــــــ
8. Deduct amortization of premium and mortgage interest points and commitment less		<u></u>
Robal foreign exchange change in book value/recorded investment excluding accrued interest		<u>-</u>
10. Deduct current year's other liten temperary impairment recognized.		<del> </del>
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+8-7-	l .	1 -
\$+\$-10)	}	
12. Yotel vakution allowance	1	————— <u>—</u>
13. Subtriti (Line 11 plus Line 12)	·	}
14. Deduct total nonedmilled emounts	ļ	<u> </u>
15. Statement value of end of current period (Line 13 minus Line 14)		1 0

#### **SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Ausets		
	1 Year To Dele	2' Prior Year Ended December 31
1. Book/sducied carrying varue, December 31 of prior year.		
2. Coat of acquired:		
2.1 Adual east at time of acquisition		
2.2 Additional investment made after acquisition     3. Capitalitied determed interset and other.		
3. Capitalized deferred interset and other		
5. Urrectized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals.		
Deduct amortization of providum and depreciation		
Total foreign exchange charge in book/adjusted certying value		
10. Deduct current year's other than temporary impairment recognized.		
11. Book/adjusted carrying value at and of current period (Lines 1+2+3+4+5+6-7-8+9-10)		<b>—</b>
12. Deduction nonedmitted emounts	}	<del></del>
13. Statement value at end of current period (Line 11 minus Line 12)	l0	

#### **SCHEDULE D - VERIFICATION**

Bonde and Stocks		
	1 1	2 —
		Prior Year Ended
	Year To Date	Describer 31
1. Bookfadueled carrying value of bonds and stocks, Department 31 of prior year		24.254.907
2. Cost of bunds and stocks accurred		
3. Approved of Security		
4. Unrealized valuation increase (decrease)	24,198	(156,710
5. Total gain (loss) on disposals	<u> </u>	2_497,010
8. Deduct consideration for bonds and stocks disposed of	493,006	
7. Deduct amortization of premium		
Total fundin exchange change in book/edjusted carrying value.	<u></u>	
9. Deduct current year's other than temporary impairment recognized.		
10. Book/educted corrying value at end of current period (Lines 1+2+3+4+5-8-7+8-8)		,,,,,,
11. Deduct total nonadmitted amounts		ف
12. Statement value at end of surrent period (Line 10 minus Line 11)	6,081,117	3,536,196

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

			ă,	SCHEDULE D - PART 1B	PART 1B	1			
		Bodokand Carying Mane Dagmang of Curves Caster	Acquisitors  Current Querier  Current Querier	Disposition During Current Contract	Massing Assista	5 Bootengesed Carrying Males End of Free Caustr	Brookly and Carrier Strong State of Strong State of Strong State of Strong State of Strong State of Strong State of Strong Stron	Perceive desired Cerrytor Velos End of The Operator	Bestandung Centring Villar December 51 Pain Villar
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	18	6				C	0	9	0
7. Total Berrie		20,457,894	45.848.177	50,208,512	(3,75)	22,457,854	885,890,98	0	88,014,750
	NOOTS GENERAL STOCK								
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1	14. Total Professor Stock	0	0	0	0	0	0	•	9
15. Toler Be	15. Tulel Bunds & Preferred Steck.	22,457,381	45,845,171	59,28,342	\$7.5°	20,457,354	805,890,08	•	63,014,750

# SCHEDULE DA - PART 1 Short-Term Investments

	1	2	3	4	5
					Paid for Accrued
	Book/Adjusted			Interest Collected	Untermel
	Currying Value	Par Value	Actual Cost	Year To Date	Year To Date
9199989	88,064,106	ххх	88,064,106	24,050	

# SCHEDULE DA - VERIFICATION Short-Torm Investments

	1	2 Prior Year
	Year To Date	Ended December 31
1. Book/adjusted earrying value, December 31 of prior year		25,989,268
2. Cost of short-ferm investments acquired	93,989,522	
3. Accrual of discount		
4. Linradized valuation increase (decrease)		ļ <u>.</u>
5. Total gain (loss) on disposals	(17)	ļ
6. Deduct consideration received on disposals		
7. Cedud amortization of premium.		ļo
8. Total fereign exchange change in book/adjusted carrying value		ļ
Deduct current year's other then temporary impairment recognized		ļo
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-5-7+8-9)		61,509,071
11. Coduct lotal nonedmitted emounts.		مـــــــــــــــــــــــــــــــــــــ
12. Statement value at and of current period (Line 10 minus Line 11)	68,064,106	81,509,071

Schedule DB - Part A - Varification NONE

Schedule DB - Part B - Verification NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2
NONE

Schedule DB - Verification NONE

Schedule E - Verification NONE

Schedule A - Pert 2
NONE

Schedule A - Part 3
NONE

Schedule B - Part 2
NONE

Schedule B - Pert 3
NONE

Schedule BA - Part 2
NONE

# Schedule BA - Part 3 NONE

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

SCHEDULE D - PART 3

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883				Date Acquired	Herra of Verdor	Number of Shares of Stock	12	Parviole	Paid for Acoused Interest and Dividends.	Market St.
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STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

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# Schedule DB - Part A - Section 1 NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D
NONE

Schedule DL - Part 1
NONE

Schedule DL - Part 2
NONE

# SCHEDULE E - PART 1 - CASH

					onitory Balance	ł				_
	1	• • •	2	3	4	5	Book E	elance at End of	Each	Ţ
	Canacidae		Code	Rais of Interest	Amount of Interest Received During Current Quarter	Amount of Internal Accused at Current Statement Date	6 First Month	During Current Q	8 Third Month	
pen Beson No	Depositor  JAK - DEPOSITORY  JAK - DEPOSITORY  JAK - DEPOSITORY  JAK - CLAID MEDICARE  JAK - CLAID MEDICARE  JAK - CLAID MEDICARO  JAK - SAVING MEDICAID  MERCIAL BASK	<u>Y</u>	_ C004	NKM COL.	QUE O	Lines				1
FH PUR B	UK - DEPOSITORY	TANYA, PL. TANYA, PL. JANYA, PL. TANYA, PL.	I				14,191,879 1,068,358 (9,174,060)	(6,656,525 2,955,525 (11,696,791)	3,584,697	Τ
LLS FARGO B	JUK - DEPOSITORY	TAIPA, FL	ļ				1,068,358		2,207,197	1
IFM TKIND B	ANK • CLAIN NEDICANE		ł		·· <del></del>		(9,174,000)	(11,639,131)		2
FIN INUID B	ANC - CAVING DIVERSION	IMPX, FI	<b></b>				(3,811,971)	(3,924,530) 204,160	204 249	1
IFTH THIRD B	AAK - SAYING MEDICAID						3,478,630 1,999,970	3,478,095 1,999,970	3, 984, 897 2, 267, 197 (2, 348, 838) (1, 429, 838) 1, 304, 249 3, 527, 952 1, 959, 970	
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199994 Da		If depositories that do	XXX	XXX	414 4,854		960,661 10,244,734	(\$28,220) 9,834,332	(132,997) 9,172,55(	T
199999 Total	Open Orpositories		100	XX	4,834	1,471	10,214,754	9,624,332	9,172,580	4
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STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

SCHEDULE E - PART 2 - CASH EQUIVALENTS

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# QUARTERLY STATEMENT AS OF JUNE 30, 2012 OF THE CONDITION AND AFFAIRS OF THE

NAIC Group Code 4	091 .	4091	rsal Healt		************	ID Number	05-05287	08
(Curre	nt Period)	(Prior Pariod)						
Organized under the Laws o	·	Florida		, State of Domici	e or Port of Entry	Fk	orida	
Country of Domicile				United States				,
censed as business type:			Property/Cesus		Hospital, Medical			wiy[]
		Corporation [ ]	Vision Service	Corporation [ ]	Health Maintener			
negrowania de la comporta del la comporta de la com	Other[ ] 07/3	0/2002	Commence	d Business	IS HMO, PEGERAII	y Qualifled? Yes   09/01/2002	[ ] MO[ ]	ı
atutory Home Office		00 Central Avenue			St. Pet	ersburg, FL 3370	1	
		(Street and Nur	mber)			wn, State and Zip Cod		
ain Administrative Office	100 Cen	inal Avenue, Sulta Sheet and Number)	200	City or Town	burg, FL 33701 , State and Zip Code)	(Area Cod	27-822-344 b) (Telephon	
all Address	100 Central	Avanue, Suite 20			St. Petersor	arg, FL 33701		
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imary Location of Scoks an	IO NECCION		reinus, Guille 200 nd Number)	(City or	atersburg, FL 33701 Town, State and Zip Code		ie) (Telephon	
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intuiory Statement Contact	. ———	Maria C Zeve	allos			-456-6560 phone Number) (Exten	aban)	
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County of	_Pinellas	P111400444444						
he officers of this reporting an	ity being duly swo	ım, each depose at	ud say that they are th	a described office	s of said reporting en	tity, and thet on the	reporting p	eriod etat
his statement, together with release and of the condition and affaire seen completed in accordance	of the said report	ing entity as of the r	eporting period stated	shove, and of the	ncome and deduction	a therefrom for the	ebne bones	d, and he she law m
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CEO, Pres	ident	:	Secretary, CAO, G	enerel Counsel		CSO, Interim		
					a. Is this en origina	al filing?	Yee (	) No { x }
Subscribed and sworn to	before me this				b. If no:			
twenty - sixth day o	of Steptemb	er, 2012			State the anu     Date filed	endment number		
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# **ASSETS**

2. Strocks:  2.1 Preferred stocks  2.2 Common stocks  3.1 First liens  3.2 Other than first liens  4. Real setate: 4.1 Properties corrupted by the company (less  5. encumbrances)  4.2 Properties habit far the production of income (less 5. encumbrances)  4.3 Properties habit far the production of income (less 5. encumbrances)  4.3 Properties habit far sale (less  5. encumbrances)  4.3 Properties habit far sale (less  6. Cash (8	58,717	470 ,	772 	led Assets	December 31 Prior Yeer Nat Identified Assets
1. Blooks: 2. Preferred slocks 2. Common stocks 3. Mortgage toers on mel existe: 3.1 First liens 3.2 Other than first liens 4. Read satals: 4. Properties accupied by the company (less \$	58,717		772	1-20 A 1-304,400 1-304,400 5,058,717	Prior Year Nat udmitted Assets
1. Bonds	58,717		772 	.5,068,717	
2. Shocks: 2.1 Preferred slocks 2.2 Common stocks 3.1 First liens 3.2 Other than first liens 4. Real satists: 4.1 Properties accupied by the company (less \$	68,717 		772	97,258,690 0 0 112,417,523	
2.1 Preferred stocks 2.2 Common stocks 3.1 First liers 3.1 First liers 3.2 Other than first liens 4. Real estate: 4.1 Properties accepted by the company (less \$				97,259,694	72,041,B
2.2 Common stocks				97,259,694	72,041,B
8. Mortgage loans on real extels: 3.1 First libra 3.2 Other than first libra 4. Real estate: 4.1 Properties occupied by the company (sees \$ encumbrances) 4.2 Properties hald for the production of income (see \$ encumbrances) 4.3 Properties hald for safe (sees \$ encumbrances) 4.4 Properties hald for safe (sees \$ encumbrances) 4.5 Properties hald for safe (sees \$ encumbrances) 4.6 Cash (\$ 9,1772,684 } ) and short-term investments (\$ 68,684,106 ) 8. Other invested seets				97,259,694	72,041,B
3.1 First liens 3.2 Other than first liens 4. Real estate: 4.1 Properties excepted by the company (less 8	256,690 0 888,300			97,258,664	
3.2 Other than first lians 4. Read astate: 4.1 Properties corrupted by the company (less: 8	256,690 0 888,300			97,258,664	
4. Real satale: 4.1 Properties occupied by the company (less \$	256,690 0 888,300			97,258,664	
4.1 Properties excupled by the company (lace \$ secumbrances)	256,690 0 888,300			97,258,664	
\$	256,690 0 888,300			97,258,664	
4.2 Properties held for size (lose \$	256,690 0 888,300			97,258,664	
(lese \$	0	470 ,		97,258,694 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	84,841,3
4.3 Properties held for safe (less series)  6. Cash (83,172,664 ), cash equivolents (8	0	470 ,		97,258,694 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	84,841,3
8	0	470 ,		97,259,694	84,841,3
6. Cash (\$\$ 172,684 ),	0	470 ,		97,259,694	84,841,3
and short-term investments (\$	0	470 ,		0	84,841,3
and short-term investments (\$	0	470 ,		0	84,841,3
and short-term investments (\$	0	470 ,		0	84,841,3
7. Quitvatives 8. Other Invested assets 9. Receivables for ecourties 9. Receivables for ecourties 10. Sacurities lending reinvested oblisteral assets 11. Aggregate write-his for invested assets 12. Buthotels, cash and invested assets 13. Title plants less \$	888,300	470 ,	7/2		
7. Qurivatives 8. Other invested easets 9. Receivables for ecourties 9. Securities lending reinvested oblisteral easets 1. Aggregate with-his for invested easets 2. Surhibities, cash and invested easets 2. Surhibities, cash and invested easets 2. Surhibities, cash and invested easets 2. Frombure lens \$	888,300	470 ,	7/2		
8. Other invested assets 9. Receivables for ecounties 0. Sacurities leading reinvested sesets 1. Aggregate write-ine for invested assets 1. Aggregate write-ine for invested assets 2. Suitoteis, cesh and invested assets (Lines 1 to 11) 2. Title phrate leas \$ 2. Other lines as \$ 2. Other lines as \$ 2. Other lines and constituentions: 2. Investment income due and scored 3. Premiums and constituentions: 2. In Uncollected premiums and agents' betances in the course of collection 2. Other of premiums, agents' betances and installments booked but deferred and not yet due (including \$ 2. earned 2. Deferred retraspective premiums 2. earned 2. Reinsurance: 2. Funds held by or deposited with reinsurers 2. Funds held by or deposited with reinsurers 2. Current federal and foreign income tax recoverable and interest thereon 2. Guerranty finds receivable or on deposit 3. Guerranty finds receivable or on deposit 3. Guerranty finds receivable or on deposit 3. Guerranty finds receivable or on deposit 3. Guerranty finds receivable or on deposit 3. Guerranty finds receivable or on deposit	888,300	470 ,	7/2		
Receivables for securities  Securities lending reinvested colleteral assets  Aggregate wife-har for invested assets  Butholets, cesh and invested assets  Tills prents less \$	888,300	470 ,	7/2		
D. Sacurities lending reinvested oblisteral assets	888,300	470 ,	7/2		
1. Aggregate write-ins for invested assets 2. Builtotals, cash and invested assets (Lines 1 to 11) 3. Title phasis less \$	888,300	470 ,	7/2		
2. Buthoteis, cash and invested assets (Lines 1 to 11)					
3. Title plants less \$	9,284				9,
only).  Investment income dub and secrued	9,284				9,
Investment income due and secreted	9,284				9,1
Fremtume and considerations:   16.1 Uncollected premiume and agents' belances in the course of collection.   13.2 Deformed premiume, agents' belances and installments booked but deferred and not yet due (including \$				0	
16.1 Uncollected premiume and agents' betances in the course of collection.  18.2 Defend premiume, egents' betances and installments booked but deferred and not yet due (including \$ earned but unbilled premium).  15.3 Accrued retrespective premiums.  23  18. Rainsurance:  18.1 Amounts recoverable from reinsurers.  18.2 Funds held by or deposited with reinsured companies.  18.3 Colmer amounts receivable under reinsurance contracts.  17. Amounts receivable relating to uninsured plane.  18.1 Current federal and foreign income tex recoverable and interest thereon.  18.2 Mai deferred fex sesset.  15.9 Guaranty funds receivable or on deposit.					
collection				0	·
18.2 Deferred premiume, egents' belances and installments booked but deferred and not yet due (including \$					
deferred and not yet due (including 8			ļ		
Dut unfalled premiume		ļ	l.	اما	
15.3 Accrued retrespective premiume 23  16. Reinsurance: 18.1 Amounts recoverable from refnaurers. 18.2 Funds held by or deposited with retreased compenies. 18.3 Other amounts receivable under reinsurance contracts. 17. Amounts receivable relating to unineural plane. 18.1 Current federal and foreign income tax recoverable and interest thereon. 18.2 Met deferred for seed to receivable or on deposit. 19. Guaranty funds receivable or on deposit. 20. Etectronic data processing equipment and software.					
18. Reinsurance:  18.1 Amounts recoverable from reinsurers	047 4EA			23.847.154	10.254.
18.1 Amounts recoverable from reinsurers  18.2 Funds held by or deposited with reinsured companies  19.3 Other amounts receivable under reinsurence contracts  17. Amounts receivable relating to uninsured plans  18.1 Current federal and foreign income tax recoverable and interest thereon  18.2 Net deferred for asset  18. Guaranty funds receivable or on deposit  20. Etectronic data processing equipment and software	D41 , 104	·		.21,547,104	
16.2 Funds held by or deposited with reinsured compenies.  18.3 Other amounts receivable under reinsurance contracts.  17. Amounts receivable retailing to uninsured plane.  18.1 Currant federal and foreign income tex recoverable and interest thereon.  18.2 Net detaired fix esset.  18.0 Guaranty funds receivable or on deposit.  20. Etectronic data processing equipment and software.	448 97A	422	.378	ام	1.950.
16.8 Other amounts receivable under reinsurance contracts  17. Amounts receivable relating to unineured plane 18.1 Current federal and foreign income tex recoverable and interest thereon			,3/8		
17. Amounts receivable relating to uninsured plane 18.1 Current federal and foreign income tex recoverable and interest linereon		***************************************			
18.1 Current federal and foreign income tex recoverable and interest thereon					
18.2 Net deferred for sesset 15  19. Guaranty funds receivable or on disposit 20. Electronic data processing equipment and software 20.					2.158.
19. Guaranty funda receivable or on daposit 20. Electronic date processing equipment and softwere	,634,238	!		_8,634,238	6.765
20. Electronic date processing equipment and softwere	,767,945	i3,294	,861	_10,473,894	
20. Electronic date processing equipment and softwere					<u></u>
	.,				
21. Furniture and equipment, including health care delivery essets		1			
(5)	,503,314	42,503	3,314		
22. Nat adjustment in sought and Medities due to foreign exchange rates					
23. Receivables from parent, substitledes and affiliales	_110,327				
24. Health care (55,849,934 ) and other amounts receivable2				5,849,934	2,635
26. Aggregate write-ins for other than invested sesets	,315,550	706	3, 196		
26. Total assets excluding Separate Accounts, Segregated Accounts and		Ţ	. 1	. 1	
Yal I have people and property	498,36	4 21,85	9,978	161,838,386	108,252
27. From Separate Accounts, Segregated Accounts and Protected					
Cell Accounts		<u></u>			
I 40	488,36	21,65	9,978	161,838,366	108,252
14,14,14,14,14	********				
DETAILS OF WRITE-INS		ļ.			
161.		T			
102					
103,		-t			
198. Summary of remaining write-ine for Line 11 from overflow page		.0	0		
198. Tolels (Lines 1101 Strough 1103 plus 1198) (Line 11 above)		0	0		44
502. Accounts Receivable	5,93		•		
		73 L			
2598. Summery of remaining write-ins for Line 25 from avertiow page	61 ,67			606,354	
2801. Deposits for claim obligation		33	5,933 51,873	605,354 0 0	

LIABILITIES, CAPITAL AND SURPLUS

	·		Current Period	3	Pritor Year
		Covered	Uncovered	Total	Total
China separate	(jess 3 reinsurance ceded)				76,768,699
	cei incentive pool and bonus amounts	,,			
	edjustment expenses	552,642			749,009
	with policy reserves including the fieldity of			1	
· Militaria un	for medical less ratio whele per the Public Health			1	
	for medical loss ratio rebats per the Public Health				0
Service ACL	policy reserves			. م	
Aggregete im	olly unserved premium reserve			0 .	ρ
					Q
	eith cieim reserves	41,308,518		41,398,518	0
	APTEC DI 8916 PV	4,235,589		4,235,589	4,584,276
	mass due or accrusé			T	
3.1 Current feeten	and finalgo income tax payable and interest thereon (including			0	p
	on resilized gains (Incases))			0	0
0.2 Net deferred	BR SEOW BY			ا م	Ω
	rance premiums prysible	582,436		582,436	583.812
			- Data Anna Anna Anna Anna Anna Anna Anna A	٥	0
	and Reme not allocated	164 THE TRANSPORT			
4. Вопочий по	ney (nobiding \$		1	'	
	on 8 (including		1	•	•
\$	OUTERIT)			55	
6. Amounts du	s to parent, subsidiaries and stillistes	51			<u>لاي د</u>
6. Derivatives.				w	
7. Pavable for	BECLIFICATION OF THE PROPERTY			<u>_</u>	
	ecurties lending			D	
	Inder reinaumice transce (with \$				
the Later state of the	einsurers and \$ unsuthorized reinsurers).				
on Columnia of	in unauthorized companies				
gu, Kainemmunu Markadhadhadh	n in assets and liabilities due to foreign exchange rates				
Z1. Net edjustit	emounts hald under eninsured plans	6,110,23	1		2,866,14
22. Llability for	ancume nee uncar united activities a		1		
23. Aggregate v	wife-ine for other liefulties (including \$	1 563.28		1,563,280	1,650,66
		144,079.47			
	ise (Lines 1 to 23)	xxx	xxx		744-1147-1-1414-1-147-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-144-1-14
25. Aggregate	write-ins for apacial surplus funds	xx	der at debal in man a a gentleren	1	31
26. Common c	apital stock	2000			
27. Preferred o	epital stock				11,640,66
28. Gross pald	In and contributed surplus			3,750,600	
29. Surplus no	186 ALEXANDER OF THE PROPERTY O	T			1
30. Aggregate	write-ins for other then epacial surplus funds	xxx	xxx	2,387,90	
31. Unsseigne	d funds (surplus)	xxx			, , , , , , , , , , , , , , , , , , , ,
	ury stock, et cost:	1	1	l l	l .
32,1	charge common (value included in Line 28	l .	<b>,</b>		
		xxx			
32.2	shares preferred (value included in Line 27	1	1	i	
		xxx			
99 Total card	el and surplus (Lines 25 lo 81 minus Line 32)	xxx		17,768,90	
	ilies, cepital and surplus (Lines 24 and 33)	XXX	XXX	161,838.35	8 108,252,
	P WRITE AIS	Į.	·	1	
301. Approved R		1,562,	000	1,562,00	
	in To Plan Payable		280	1,2	)O
	IN ID FIRE PAYOUT THE				
2303	of remaining write-ine for Line 23 from averliow page	1			.0
SHE SUMMAN	to recomming write-one to the pagest it has 24 aboves)	1,563,		0 1,683,2	80 1,656
	nee 2301 through 2309 plus 2398) (Line 23 above)	xxx	xxx		
2601	MARKET	xxx	XXX.		
2602				<u> </u>	
2803	and the state of t			ľ	
	y of recordining write-ine for Line 25 from overflow page	XXX			0
2599. Totala (L	ines 2501 through 2593 plus 2698) (Line 25 above)		XXX	<del>  </del>	1
3001		xx			
3002	Design varrassangs skryttelleren symmets handet sooget to killed betresplantelenearen. M-det være y plette keers b		xxx.		
3003		xx	xxx		
	y of remaining write-ine for Line 30 from overflow page	xxx	xxx		_0 hisensee
CORO. CHILITIES	Inde 3081 through 3003 plus 3088) (Line 38 above)	xxx	. xxx		0

# STATEMENT OF REVENUE AND EXPENSES

	,	Current Ye	er To Dete	Prior Year To Date	Prior Year Bride December 31
•	·	1 Uncovered	2 Totel	S Total	4 Total
1. Ma	ember Months.	XXX		582,982	1,194,10
	of premium income (including 3 non-health premium income)	XXX	346,481,557	263,769,017	547,085,0
	nange in unasmed premium reserves and reserve for rate predite.	xxx		203,709,917	
	e-for-revice (nat of \$medicah expanses)	xxx			
	ok revenue	XXX			
	process wife-ins for other hasith once related revenues	XXX		0	
	rgragate write-ins tor other non-health revenues	xxx	0	1,336,339	
	distributes (Lines 2 to 7)	XXX		265,106,256	547,066,0
00					
nantat a	nd Medical:				
	pspital/medical benefits		255,441,596	400 854 650	300 TAE 0
	her professional services	!		168 ,854,639	369,745,3
				7,758,979	15,289,4
	riside referrals	·····	21,251,909	D'	40 EEE 0
	• •		,	18,891,979	33,556,3
	secription drugs		41,018,300	32.040,972	56,462,0
_	gregate with line for other hospital and modical.				
	ventive pool, withhold adjustments and bonus arrigunis	0	544 AT 140		
10. 80		ļ <i>-</i>		225,546,589	
<b>46</b> :	•				
17. Na	at retineurs nos receveries			ļ	
18. To	otal hospital and medical (Lines 16 minus 17)		322,461,512	225,548,569	477,052,2
19. No	on-health claims (set)			0	
20. Cią	plane educatment expenses, including \$		(196,467)	97,188	442,3
600	 P8/1868 <sub></sub>	l			
21. Q	eneral administrative expenses.		41, 100,390	35,402,819	
22. Inc	crease in reserves for the and accident and health contracts (including	ł			
	Increase in reserves for life only)				
23. To	stal underwriting deductions (Linea 18 through 22)		383,356,435	261,046,576	547,316,5
24. No	et underwriting gein or (lose) (Lines 8 minus 23)	xx	(16,873,878	4,059,679	(251,5
25. No	et investment income earned	<u></u>	741,732	239,281	2,239,5
28. Na	nt realized capital gains (icasas) less capital gains tax of \$		(17		
27. No	of Investment gains (losess) (Lines 25 plus 26)	<u> </u>	741,715	248,132	3.862.6
	of gain or (loss) from agents' or premium balances charged off ((gmount recovered		1	1	
5	) (emount charged off \$			· a	
	ogregate write his for other income or expenses				
	et Income or (foss) after capital gains tax and before all other federal income taxes				
	(Lines 24 plus 27 plus 28 plus 29)		(16, 132, 163		3,011,0
31. Fe	ederal and foreign income taxas incurred	xxx	ļ	(,,	(900_0
32. No	et income (loss) (Lines 30 minus 31)	XXX	(16, 132, 163	2,664,404	4,511,1
Di	etails of write-418		!	1	1
		xx	<b>1</b>		
802		xxx	<del> </del>	<del> </del>	<b> </b> ,
X <del>0</del> 03		xx	<u> </u>	<b></b>	ļ
)086. B	unmary of remaining write-ine for Line 6 from overflow page	xx	ļ	ما	
1699. To	otale (Linea 0501 through 0503 plus 0698) (Line 5 above)	xxx		0	<b></b>
7701. Re	ent Revenue.	xx			
7702	, ,	xxx		<b>-</b>	ļ
1 <b>703.</b>		xx			<u></u>
)798. <b>8</b>	ummary of remaining write-ins for Line 7 from overflow page	xxx		)	
	otals (Lines 0701 through 0708 plus 0798) (Line 7 above)	XXX		1,336,338	
401	***************************************				
402	E 14 E November sacrass men mener hereit (the city) of this salting sacrass sources and the city of the deliberation of the city of the			ļ	
408			<u> </u>		<b></b>
496. 2	lummary of remaining write-ina for Line 14 from overflow page				·]
	otals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0			<u></u>
2901					
1802					
2903					
	Summary of remaining write-ine for Line 29 from overflow page			0	. L
		· ·	1	0	

		Current Year To Data	Prior Year To Date	3 Prior Year Ended Occember 31
	Capital & Surplus account			•
Capital and surplus prior rep	oring year.	21,069,670	33,145,108	33 , 148 , 10
. Net income or (loss) from Lir	• 32	(18,132,163)	2,654,404	4,511,10
. Change in valuation basis of	aggregate policy and delim measures			
. Change in net unrealized on	ital gaine (loases) less capital gains tox of \$	15,728	105,449	(166,7
. Change in net unnerlized for	algn exchange cepital gain or (lose)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
. Change in not deferred accor		4,716,428		
ران درون دور Change in nonadmitted ease		8,089,246	733,983	(21,858,7
. Change in unauthorized refr	**************************************		ا مــــــــــــــــــــــــــــــــــــ	
. Change in treasury stock	tad Magaires programmes herbita estimatures programmes de l'Albandes de la programme sont en commission de l'a		0	
. Change in surplus notes	, propaga pro mai mana mana ana ana ana ana ana ana ana a	0		
. Cumulative effect of change	s in secounting principles			
I. Capital Changes:				
44.1 Psid in				. 1.40 74 1 0 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0
44.2 Transferred from surpl	as (Stock Dividend)		0	
44.3 Transferred to curplus	The second secon			
5. Surplus adjustments:				
45.1 Pald (n	(NATA)			
45.2 Transferred to capital	Stock Dividend)			
45.3 Transferred from capit	1			
6. Dividends to etockholders .	anniiiddilAlbithaan wystatukki mai may ———————————————————————————————————		0	
7. Aggregate write-ins for guis	pe or (losees) in surplus			. 2014 (2) [2] 22 27 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4
iS. Net change in capital and (	urplue (Linee 34 to 47)	(3,310,781)	3,503,836	[12,076
iii. Capital and aurolus and of	reporting period (Line 33 plus 48)	17,758,908	36,649,944	21,069

# **CASH FLOW**

		1	2	3 -
		Current Year To Date	Prior Year To Oata	Prior Year Ended December 31
	Cash from Operations			
1. Pr	emiume collected net of reinsurance	374,287,591 L	257.035.632	527 .532 .74
2. No	et investment income		448,500	3,029,91
3. MI	Iscallaneous income	0	1,336,338	
4. To	otel (Lines 1 to 3)	375,209,420	258,818,470	530,562,7
6. Be	enefit and loss related payments	304,873,080	211,031,294	448,745,7
	et transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.		0	
	omenfesions, expenses paid and eggregate write-ins for deductions	38,195,006		65,490.8
	viciencie peld to policyholders		0	
B. Fe	derail and foreign income taxes paid (recovered) het of \$tex on positivi			***************************************
	uing (losses)	6.486.877	(921,471)	341,8
	otal (Lines 5 through 6)	349,534,963	244,223,000	614,678,6
	at cash from operations (Line 4 minus Line 10)	25,674,467	14,594,670	16,984,1
100	Cash from Invasimants		טוט, פשט, דו	10,40+,1
12 0.	records from investments sold, metured or repaid;	i I		
	1 Bonds	493,006	2,325,731	34,607.p
		483,000 j		
	2.2 Stocks		<u>-</u> 0	
	2.3 Mortgage Toetes		20.000	
	A Real estate			
	.5 Vitas nyested essets	<u></u>	0	
	L7 Miscellaneous proceeds	0		
	L8 Total Investment proceeds (Lines 12.1 to 12.7)	492,989	2,345,731	34,607,0
	cat of invasiments exculred (long-form only):	ì		
	).1 Bonds		9,362,392	<b></b>
13	1.2.8locks	3,001,999		
18	I,3 Mortgage Icons	L L	0	
15	A Real estate	<u> </u>	0	
13	I.5 Other invested easets	L0 L.	0	
13	3.5 Miscellansous applications	8,470	1	95,3
	3.7 Total investments accounted (Lines 13.1 to 13.6)	3,010,469	9.362.383	11,881,3
	et Incresse (or decresse) in contract loans and previlum notes		n	
	et cash from investments (Line 12.6 minus Line 13.7 and Line 14)	(2.517.480)	(7,018,662)	22,725,6
10. [4]	Cash from Pinancing and Mecallaneous Bources	12,017,100/1	[v.toje,oac]	EE,120,0
40 0	esh provided (applied):			
	ann province (applico):  1.1 Surpkie notes, cepital notes	ا ا	a	
	8.2 Capital and peld in surplus, less trea may stock			
	5.2 Captal and pero in surplus, less treatury stock	<del></del>		·
44	8.4 Net deposits on deposit-type contracts and other insurance listifities	<b>├</b> ┴────────────────────────────────────		
		1	0	
	8.5 Dividends to stockholders	2,057,760	213.901	(415.3
16	B.6 Other cash provided (applied)	2,001,100	213,901	[410]3
17. N	at costs from financing and miscellaneous sources (Line 18.1 through Line 18.4 minus Line 18.5 us Line 18.5).	2,057,760	213,901	(415,3
•	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		***	
18. N	at change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	25.214.727	7,791,809	38,294,4
19. 0	seh, cesh equivalente and short-term investmente;	Τ		
	9.1 Beginning of year	72,041,962	33,747,490	33,747,4
	9.2 End of period (Line 18 plus Line 19.1)	97.256.889	41 .539 .229	72,041,9

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

<u> </u>	EXHIBIT		REMIUMS	OF PREMIUMS, ENROLLMENT AND UTILIZATION	MENT A	VD UTILIZ	ATION	a.	,	
	ŗ	Ompo Hosota	Comprehensive (Hospital & Medical)	•	in.	9	-		•	9
		2	6							!
	Total	Individual	Goun	Medican	Verton	Q S	Federal Employees	Title XVIII	XX est	
Total Members at end of:			**						Medical	8
1. Prior Year	T5. 22	•	0	8	•	٥	•	ş	- !	
2 Flot Coarler	113,419	•	0	6	•		1	8 1	<b>22</b>	٩
S Second Quarter	118.240							58.2	83,63	9
4. Third Duenter	o							118'00	65,222	9
5. Current Year										
8 Current Year Member Months	584,318	9						30	1 8	
Total Member Ambulatory Encounters for Period:			.,	i				100	DOC TOP	
7. Physician	155 SS	2						OCH 354	į	
B. Non-Physician	57,032							22.6%	10,21	
9. Total	567,633	2	Ð	0	0	0	0	a 15	out out	•
10. Hourital Patent Days Incurred	82,649							19 2	ON. 000	2
11. Number of Inputers Admissions	5,528							3,918	4	
12. Health Premiums Written (s.)	346,481,557	1,176						NZ 920 ZW	100 PAS 80	
13. Life Premiums Direct	9								Z Z	
14. Proporty/Casuaty Previous Writien										
15. Health Premiuse Earned	305,003,039	1,178						205 502 222	98 540 Att	
16. Proporty/Ceausity Promiums Samed										
17. Amount Paid for Provision of Health Care Services	136,573,361	275						238.841.720	£ 62	
18. Amounti houned for Provision of Health Care Services	322,461.512	275			_			228.729.119	85.72.18	
										_

(s) For health premiums writtern amount of Medicare Title XVIII exempt from state tooce or free \$ 247,930,740

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Cars, Inc.

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

	*	Aging Assiysis of Unpeld China	Cintras				
	Account	1 - 30 Days	31 - BD Daye	61 - 90 Deys	5 91 - 120 Deys	Sver 120 Days	- j.
Claims unpo	Chalms unpaid (Ruporfad)					-	
							1
							ĵ
		-					
And Personal Pro-	O Second Andrea Market and Chaires smooth	9	9	9	9	0	9
700000	PORODE Accessed accessed and Individually listent accessed						0
C 050000	058600 Acresine accounts not inflyfully listed-covered	22,419,512	3,943,804	903,629	722,321	1,681,644	86,77,88
0400000 Substates	by date	22,419,812	3,963,804			1,681.644	39,771,410
AU 9868620	0508889 Unworted chains and often date menyes	XX	XX	XX	XXX	×	CB+7:9381 68+
1696999 To	089898 Total amounts withhead	XX	XX	XXX	XXX	×α	
0790000 To	CY86868 Total claims unpaid	XX	XX	×	XX	XX	69,636,850
A 000000	MODOLO Assessed modeling broad-and broad-and broads sentential	×	×	×	X	×	

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT	ANALYSIS OF STATES INDAIN DEBOS YEAR-NET OF RENSTIRANCE

			Columns Pauld Year to Date	a diga	End of Current Quarter	out Quarter	•	49
			-	2	e	,	•	
			On Claims Incurred Prior		Caline Unpaid	8	Claims Incomed	Reserve and Claim Linbilly
		Line of Bushness	Current Year	Culture Incurred During the Year	of Prior Year	During the Year	(Cotumns 1 + 3)	Prior Year
				772			G	0
+	Congretientive (hospital and medical)			-				
4	Median Suppement							
es	3. Dentel Only						g	0
			-				٥	
<b>┵</b>	4. Viston Only.		,				0	¢
wi	Federal Employees Hauth Benefits Plan							
٠	A Time (VAIII - Montecare		SS, 785, 257	166,544,363	2,792,862	34,68,42	56,000,219	18° 18° 15
\$ I			25,372,792	PR ,358,574	2,065,022	25,522,534	28,237,814	22,396,735
<u></u>	7. The Alk • Medical					,	0	0
<b>ಪ</b>	8. Other breath	The state of the s	78 670	220 808 272	3,657,884	88,878,886	84, 229, 003	983,882,882
<b>a</b> i	9. Health subtobal (Lines 1 to 8)	- industrial and a second and a					c	5
<del>6</del>	10. Hasifit care recohnibles (a)							
ŧ.	11. Other non-health							•
덖	Medical Incertive pools and bonus arrounts							
5	19. Trans O Inne 9-10-11-12		78.670.149	230,903,712	5,557,884	83,978,966	54,328,033	76,758,699

And the state of t

Universal Health Care Inc.

Notes to Financial Statements for the quarter ended June 30, 2012

#### 1A. Summary of Significant Accounting Policies.

The accompanying statutory-basis financial statements have been prepared in conformity with the statutory accounting practices prescribed or permitted by the State of Florida Department of Financial Services, Office of Insurance Regulation (OIR), which practices differ from U.S. generally accepted accounting principles (GAAP).

Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company has no permitted statutory accounting practices. The more significant variances from GAAP are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating. For GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available for sala. Held-to-maturity fixed investments would be reported at amortized cost, and trading and available-for-sale fixed-maturity investments would be reported at fair value with unrealized gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income for those designated as available-for-sale.

Fair value for statutory purposes is based on the prices published by the Securities Valuation Office of the NAIC (SVO), if available, whereas fair value for GAAP is based on quoted market prices.

All single-class and multi-class mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in propayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other-then-temporary, the cost basis of the accurity is written down to the undiscounted estimated future cash flows. For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS, and ABS securities), other than high-quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to fair value. If high-credit-quality securities are adjusted, the retrospective method is used.

Non-admitted assets: Certain assets designated as "non-admitted," principally furniture and equipment, certain deferred tax assets, and other assets not specifically identified as an admitted asset with the NAIC Accounting Practices and Procedures Manual, are excluded from the accompanying statutory-basis balance sheets and are charged directly to unassigned surplus. Under GAAP, such assets would be included in the balance sheets to the extent that those assets are not impaired. The balances of non-admitted assets are as follows:

Non Admitted Assets	June 3	10, 2012	Decemb	er 31, 2011
Phermacy rebate receivable	\$	1,428,384	\$	1,675,508
Deferred Tex Asset		3,294,053		3,294,051
Furniture and equipment		2,974,086		2,360,461
Accounts receivable		13,141,866		18,862,978
Prepaid expenses		61,873		76,591
Deposits		641,3 <del>9</del> 1		641,391
Investment in bonds		-		-
Amounts due from related parties		118,327		2,898,244
Total Non Admitted Assets	\$.	21,659,978	\$	29,749,223

Surplus notes payable: Notes payable issued by the Company to related parties are classified as capital and surplus on a statutory-basis, if approved by the OIR. Under GAAP, such notes payable are recorded as liabilities (see Note 13).

Deferred income taxes: Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carry backs 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 net worth excluding any net deferred tax assets, electronic data processing (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. Any remaining deferred tax assets are non-admitted. Deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets is recorded for the amount of gross deferred tax assets expected to be realized in all future years, and a valuation allowance is established for deferred tax assets not realizable.

Statement of cash flows: Cash, cash equivalents, and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption includes cash balances and investments with initial maturities of three months or less.

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements have not been determined, but are presumed to be material.

#### B. <u>Use of Estimates</u>

The presentation of the financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant accounts that are largely determined based on management's estimates and assumptions include incurred but not reported claims and accrued

pharmacy reimbursement due to CMS, which are both included in medical claims payable; premiums receivable due from CMS related to retro-premium adjustments and risk-sharing adjustments; and unallocated premiums received from CMS included in unearned premium. Actual results could differ from those estimates, and those differences could be material. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported herein.

#### C. Accounting Policies

Universal Health Care, Inc. (the "Company") is a Florida domiciled health maintenance organization and a wholly owned subsidiary of Universal Health Care Group, Inc. ("Group"). The Company was incorporated in 2002 and formed for the purpose of promoting and operating a health maintenance organization ("HMO"). The Company commenced revenue generating activities in August 2003.

The Company has four contracts with the Department of Health and Human Services, Centers for Medicare and Medicald Services ("the Department") Agency for Health Care Administration and the Department of Blder Affairs to provide health care services to Medicare, Medicare Medicare, Medicare accounted for 99% of the Company's revenues in 2012. The Department awarded the Company the contracts for the period beginning July I, 2003 and ending December 31, 2004 and has renewed the contracts through December 31, 2012. The contracts provide for annual extensions subject to agreement and approval by both parties.

#### 1. Short-Term Investments

Cash, cash equivalents, and short-term investments include cash balances and investments which are liquid and mature in one year or less when purchased, including funds maintained under statutory requirements (deposits), and consist of money market and certificates of deposit funds registered with the NAIC.

#### 2. Bonds

Investments in bonds are reported at amortized cost or fair value based on their NAIC rating. Bonds not backed by other loans are principally stated at amortized cost using the interest method.

Realized capital gains and losses are determined using the specific identification basis. Changes in the admitted asset carrying amounts of bonds, mortgage loans, and common and nonredeemable profesred stocks are credited or charged directly to unassigned surplus.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation settlement.

Fair values are based on quoted market prices when available. When quoted market prices are not available, fair value is generally estimated using discounted each flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates, fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuations are included some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

Financial assets carried at fair value are classified, for disclosure purposes, based on a hierarchy defined by the Fair Value Measurements Disclosure Topic of the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC). The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

#### The levels of the fair value hierarchy are as follows:

Level I - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 - Cortain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2012, the Company's investments in bonds are classified as Level 2 instruments and its investments in stocks are classified as Level 1 instruments.

#### 3. Common Stocks

Investments in common stocks are designated as available for sale and are reported at fair value with unrealized gains or losses reported not of taxes in other charges in capital and surplus.

# Preferred Stocks N/A

#### . Mortgage Loans on Real Estate

Single-class and multi-class mortgage-backed/asset-backed scourities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal or third-party estimates and are based on the current interest rate and economic onvironment. The prospective adjustment method is used to value all such securities.

6. Loaned-backed Securities

N/A

- Investments in subsidiaries, controlled and affiliated companies N/A
- 8. Investments in joint vehtures, partnerships and LLC N/A
- 9. Policy for derivatives
- 10. Anticipated Investment Income as factor in promium deficiency

The Company generally receives premiums in advance of providing services, and recognizes premium revenue during the period in which the Company is obligated to provide services to its members. Premiums are billed monthly for coverage in the following month and are recognized as revenue in the month for which insurance coverage is provided. Accordingly, the portion of premiums applicable to future periods is included in the accompanying statutory-basis balance sheets as premiums, received in advance.

11. Management's Policy and methodologies for estimating Liabilities Loss

Claim processing expenses for unpaid claims, including claims incurred but not yet reported, are accused based on estimated expenses necessary to process such claims.

12. Capitalization policy/Predefined thresholds

Pursuant to Section 641.225(1) of Florida Statutes, the Company is required to maintain a minimum surplus in an amount that is the greater of \$1,500,000, or 10.0% of total liabilities, or 2.0% percent of total annualized premiums. Additionally, according to a Consent Order filed with the OIR on September 25, 2008, the Company must maintain a minimum surplus in an amount that is greater than 120% of the statutory requirement, As of June 30, 2012, the Company's capital and surplus of \$17,758,909 exceeded the \$17,289,537 minimum level prescribed by Consent Order and the Florida Statutes by \$469,372.

13. Prescription Drug Expense and Pharmacy Rebates Receivable

The Company's Medicare plans offer prescription drug benefits under Part D of the Medicare federal health insurance program to individuals eligible for benefits under Part A or Part B. As such, the Company receives additional premium and cost reimbursement components as described below.

For qualifying low-income status, or LIS, members of the Medicare Advantage Plans, CMS pays the Company for some or the entire LIS members' monthly premium. The CMS payment is dependent upon a member's income level, which is determined by the Social Security Administration. Low-income premium is recognized over the contract period and reported as premium revenue. Additionally, for qualifying LIS members, CMS will reimburse the Company for all or a portion of the LIS member's deductible, coinsurance, and co-payment amounts above the out-of-pocket threshold for low-income beneficiaries. Low-income cost-sharing subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience to low-income cost sharing subsidies paid to the plan and any differences are settled between CMS and the Company.

The Company also receives payments from CMS for catastrophic rainsurance for members of its Medicare plans. CMS reimburses the Company for 80% of the drug costs after a member reaches his or her out-of-pocket catastrophic threshold through a catastrophic reinsurance subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience compared to catastrophic reinsurance subsidies paid to the Company and any differences are settled between CMS and the Company.

Effective January 1, 2011, CMS began providing the Medicare Coverage Gap Discount Program, where CMS provides monthly prospective payments for pharmaceutical manufacturer discounts made available to members. The prospective discount payments are determined based upon the plan year bid submitted by plan sponsors to CMS and current plan enrollment. Following the plan year, CMS performs an annual reconciliation of the prospective discount payments received by the plan sponsor to the cost of actual manufacturer discounts made available to each plan sponsor's enrolless under the program.

Low-income cost sharing and catastrophic reinsurance subsidies represent funding from CMS for which the Company assumes no risk and amounts received from CMS are reported net of payments of the setual prescription drug costs related to the low-income cost sharing and catastrophic reinsurance in the accompanying statutory-basis balance sheets. The Company does not recognize premium revenue or medical claims expense for this activity.

Premiums from CMS for members of Medicare plans with Part D benefits are subject to risk corridor provisions. The CMS risk corridor calculation compares the target amount of prescription drug costs (limited to costs under the standard coverage as defined by CMS) less rebates in the Company's annual plan bid (target amount) to actual experience. Variances of more than 5% above the target amount will result in CMS making additional payments to the Company, and variances of more than 5% below the target amount will require the Company to refund to CMS a portion of the premiums received. Risk corridor payments due to or from CMS are estimated throughout the year and are recognized as adjustments to premium revenues and due and unpaid premiums. This estimate requires the Company to consider factors that may not be certain, including membership, risk scores, prescription drug events, and rebates. After the close of the annual plan year, CMS reconciles actual experience to the target amount and any differences are settled between CMS and the Company.

Modicare Part D activity resulted in a psyable from CMS of \$6,110,231 at June 30, 2012, which is included in the liability for amounts held under uninsured plans in the accompanying statutory-basis balance about. Actual amounts of Medicare Part D related assets and liabilities could differ materially from amounts recorded.

# 2. Accounting Changes and Corrections of Errors

N/A

# 3. Business Combinations and Goodwill

# 4. Discontinued Operations

N/A

#### 5. Investments

A - D. N/A

E. Repurchase Agreements and/or Securities Lending Transactions:

The Company entered into a sweep repurchase agreement with a financial services institution to increase its return on invested assets. The transactions involve the transfer of excess each to a regulated financial institution that is collateralized by scourities. On the next business day, the transferred cash, along with any interest thereon, is transferred back to the Company and the collateralized securities are returned. The arrangement mosts the requirement to be accounted for as secured borrowings. The Company requires that at all times, securities obtained as collateral are sufficient to fund substantially all of the cost of purchasing replacement assets. As of June 30, 2012, amounts outstanding under repurchase agreements of 33,984,708 are classified as each in the accompanying statement of assets. As of June 30, 2012, securities with a fair market value of approximately \$4,064,000 were held as collateral under this agreement.

F - G. N/A.

# 6. Joint Ventures, Partnerships and Limited Liability Companies

# 7. Investment Income

N/A

#### 8. Decivative Instrumenta

N/A

## 9. Income Taxes

	]		06,30,2012			12.31.2011			Change	
9A		1	2	3		5	-6	. 7	8	<u> </u>
9A01		Ordinary	Capita1	Total	Ordinary	Cuptor	Total	Ordinary	Cupited	Total
09A01a	Gross Deferred Tex Assets	13,742,214	28,697	13,770,911	9,025.765	34,201	9,059,986	_	(8,470)	(8,470)
09A01b	Statutory Valuation Allowance Adjustment					_				
09A01c	Adjusted Greek Deferred Tax Assets (1s - 1b)	13,742,214	2A,697	13,770,911	9,025,78\$	94,201	9,059,986		(8,470)	(8,470)
09A01d	Deferred Tex Unbillides			-		-	_		٠ ـ	- 4
USACLe	Subtocal (Net Deferred Tax Amet) (Lc- 1d)	15,742,214	28,697	13,770,911	9,025,785	94,201	9,059,985	-	(0,470)	(8,470)
09A03f	Deferred Tex Assets Monadmitted	3,294,051	28,697	3,322,748	3,259,850	34,201	3,294,051	8,470	(8,470)	
OSAGLE	Net Admitted Deferred Tex Assets (1e - 1f)	10,448,163	•	10,448,163	5,765,935		3,765,935	(8,470)	-	(8,470)

09AG2 SIAP No. 1DR, Income Tuxes - A Temporary Replacement of of SSAP No. 10

OBACS The increased amount by tex character, and the change in such, of admitted edj gross due as the result of 10s SSAP No. 10s

	г		06.30.2012			12.31.2011	_		Change	
9404	Admission Culculation Components:	• •	11	12	13	14	15	16	17	9
gran-i	SSAP No. 108, Paragraphs 10s., 10b., and	Ordinary	Capital	Total	Onthary	Capital	Totel	Ordinary	Capital	Yotal
	10c				-					
09A04a	SSAP No. 10R. Paragraph 3.0a.									
		6,123,845	•	6,123,845	4,305,825	-	4,305,825	-	-	
09A04b	SSAP No.10R, Persgraph 10.b.	455.454		****	4 450 440		1,450,110	_	_	
	The same of the sa	987,974		- <b>927,97</b> 4	1,450,110	-	C+00,110	_	•	Ĭ
	(the lesser of paragraph 10.5.L and 10.5.I. SSAP No.10R, Paragraph 10.5.I.	cerew)								
09A94c	23vt. int/Ynt/ Leudiusbu 7vrn1v	4,966,508		4,566,508		-	1,460,110			
05A04d	SSAP No.10R, Paragraph 30.b.ll.	4444505		()+05,550			.,	i		
03/40	200 100 21 107 10 107 11 107 11	X00X	100K	987,974	XXX.	XXX	1,580,374	XXX	XXX	1,345,386
<b>Q8A04e</b>	SIAP No. 16R, Paragraph 10.c.				ľ					
		•	`	<u>-                                      </u>						
094048	Total (42 + 4b + 4a)							ļ		
•		7,111,819		- 7,111,819	5,765,535	-	5,765,933	•	•	
	4 1 4 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1									
	Admission Catculation Components SSAP No. 108. Paragraph 10e.;									
09A04s	SSAP No.100, Peregraph 10.e.L	1			1					
***************************************	2345 Low 2004 Landhalm street	l -		_ ,	-					
09A04h	SSAP No.10R, Paragraph 10.6.5									
		1 -				-		1 .		-
	(the lesser paragraph 10.e.ii.e. and 10.e.ii	ļb Below)						Į.		
09AQ4i	SSAP No. 104, Paragraph 10. e. ii.e.	l .			<b>!</b>			i .		_
		Ι,		•	1 -	•		1 '	•	-
OSAD4)	SSAP Ho.19R, Paregraph 10. e.K.b.	1						•		

# **NOTES TO FINANCIAL STATEMENTS**

	1401	_0.0		71401	AL OI	~ I L	141 P.14 :	3		
19A04k	SIAP No.10R, Paragraph 10.e.M.	)OX	XXX	-	1001	XXX	4	XXX	XXX	-
SAD4!	Total (4g + 4h + 4k)				<u>.</u>				<u>.</u>	
	Used in SSAP No. 10R, Per	wgraph 16.d.	-		•	-		-	-	
9A04m	Total Adjusted Capital	1000	100X	20,317,904	XXX	XXX	21,069,671	100x	100X	
9AD4n	Authorized Control Level	1000	100X		100X	100X	•	100x	XXX	ļ
AOS	Г	<u>O</u>	5.30.2012	· · · · · ·	<del></del>	12.31.2011			Change	
		1 Ordinary	2 Capital	3 Total	4 Ordinary	5 Capitel	6 Yotal	7 Ordinary	8 Capitul	5 Total
<b>S</b> ADSe	Implicated Text Pleaning Stratigues 24th Adjusted		10.							
9A05b	Bross DTAs) Net Admitted Adjusted Gross DTAs	-	•	-[		•		•	•	
	(% of Total Net Admitted Adjusted Gross D	XXX TAs)	XXX	-1	1000	100X	-	XXX	XXX	•
		·					'	-		
<b>V</b> 06	, [	1	5.30,2012 2	3	4	12,31,2011	6	. 7	Change	9
	SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c:	Circlinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Adge	Admitted Deferred Tex Assets	30,448,163		10,448,163	5,765,935		5,765,935	(8,470)		(6,470)
IAJI6b	Admitted Assets	XXX		161,838,386	3,763,333 XXX	xxx ·	108,252,608	100X	100X	34,907,489
M86c	Adjusted Scitutory Surplus*	XXX	XXX .	10,547,090	XXX	200x	15,309,736	XXX	XXX	13,853,863
IAO5d	Total Adjusted Capital from STAs	NOOK	XXX	10,448,163	XXX	XXX	5,765,93\$	XXX	XXX	13,033,063 (8,470)
9.4064	Increase due to SSAP No.108, Paragreph 3 Admitted Deferred Tex Assets			261101403			211 001293		~~	[aj-r/b]
BADGE	Admitted Assets	-	-	-				-		- ,
SADSe	Statutory Surplus		•	-	•					•
		-	•	-						
91	Regarding defeated tax Babilities that are n N/A	ot recognized:								
9C ·	[	1	2	3	)			٠.		
<b>9</b> C1	Current Income Tex	05.30.2012 2	2.31.2011	Change	J					•
9010	Federal		(900,054)	900,060						
9C1b	foreign	•		٠.					•	
M CLe	Sultitutal	6	(900,034)	900,060						
19014	Federal Income tax on set capital gelas	(6)	~879,954	(873,960)						
3) C7 +	Utilization of conital loss corry-forwards	-	-							
19 (21)	Other				<u>.</u>					
BCIg	Federal and foreign income taxes incorred	-	(26,100)	26,100	)			•		
09C2	Deferred Tax Assets									
(a) 19072A01	Ordinary: Discounting of unpald losses									
	Underned premium reserve	-	-		•					
DOCZAGO	Policyholder reserves	•	-		-					
19CZAD	Invastments	-	-		•					
09CZA03	Deferred acquisition costs	•	•	,	•					
09(2A0	6 Folloghalder dividends account	-	•		•					
09C2A8	7 Florid Assets				•					
09C2A0	Compensation and benefits accrual	536,861	396,851		-					
16C2A0	9 Peption scowal	-	•	•	-					
19C2A1	D Receivables - nonedenithed			-						
DPCIA1	1 Wet operating loss carry-forward	8,406,343	8,406,343							
09C2A1	2 Tax credit corry-forward	4,710,429	•	4,715,42	y					
09CZA1	3 Other (Including Rams <5% of total			•	•					
	ordinary tex esses) OSCZABO Subtotal	62,561	62,583		÷					
09 C2b	Statutory valuation allowance adjustance	13,742,214 it	9,925,785	4,718,42	9					
09C2c	None desitted,	<del>-</del>	<del>'</del>		·					
09(24	Admitted orginary deferred test essets		3,259,856		_					
•	(2±99 - 2b - 2c)	10,448,163	5,765,925	5 4,682,234	81					

D9C2E1	investments				
09C2E2	Het capital loss carry-forward	28,697	34,201	(5,50 <del>4)</del>	•
09C2E3	Real estate	•	. •	•	
<b>09</b> (2)64	Other (Industing News <5% of Lota)	•	•	-	
	capital tar asseta) GSC2E99 Subtotal	<del></del>			
08(2)	Brytisto sy valuation allowence	28,697	34,201	(5,504)	
	adjustment		-	-	
OE CSE	Noninciralitied	28,597	34,201	(\$,504)	
09CZh	Admitted capital deferred tax susets (2x99 - 2f - 2g)				-
09C2I	Admitted deferred tax sessets (2d + 3h)	10,448,163	5,765,935	4,682,228)	
OBC3	Determed Year Unbilled on				,
(II) 0913A1	Ordinary: Invastración		-		•
(9)(3A1	- Flored assets	-	-	•	
		-	-		•
09C3AS	Deferred and uncollected premium	-	-	-	
ORCHAN	Policyholder reserves	-	-		
09CZAS	Other (including items <5% of total ordinary tex liabilities)				
	GGCSASS Subtental	-			•
(b) 09(391	Capitul: Investments				
•	•	•	-	•	
000382	Real artista	-	-	-	
ciclei	Other (including items <5% of total capital tax fabilities)				
	CSC3899 Subtood				
09C3C	Deferred tax limb@des(3m99 + 3b99)	_			
09C4	Nat deferred tax sisters/labilities(21 - 3c)	10,448,163	5,765,935	4,592,228	
090		06.30.2012		Tax Asta (%)	
w	Provision computed at statutory rate			tac rosce (m)	
	* Change in nonedmitted assets	4,273,999	35.0%		
	No vitacabila linvostment income	-	0.0%		
	No ndeductible expense	(45,492)	0.4%		
	State taxes	14,007	-0.1%		
	Other	229,830)	-1.5%		
		(689,775)	5.2%		
	Total	(4,716,429)	20.6%		
	Federal and foreign income taxes				
	incurred Recilited capital gains (losses) task	6	0.0%	•	•
	Change in deferred income taxes	(8)	9.0%		
		(4,716,429)	38,6%		
	Total	(4,716,429)	38.6%	Ī	
09£	Capital Loss carry forwards				
09£1 09£2	The Company has no operating loss The following is in		ngg that in eve	iinble for reco	upresent in the event of fature not losses:
	Year	Ordinary	Capital	Total	
	2011	(726,750)	8SE,475		•
	2012	5,994,106	(6)		
	Total	5,297,376			·
			856,469	6,123,843	
	and the state of the state of				4 st 2 - 2 - 4 - 4 - 4 - 4 - 4 - 4 - 4 - 4
CEDES	The aggragatia simblint of deposition report		essels under	Section 6603 o	of the Internal Revenue Service (IRS) Code was \$0 as of December 81, 2011.
096			sssels under	Section 6603 c	of the Internal Revenue Service (IR3) Code was \$0 m of Occamber 31, 2011.
٠ .	Consolidated tex Ming:	tin as na militad			of the Internal Revenue Service (IR3) Code was \$0 m of Occamber 51, 2011.
٠ .	Consolidated text filing: Company is included in a consolidated to	tin as na militad			of the Internal Revenue Service (IRS) Code was \$0 == of Occamber 51, 2011.
٠ .	Consolidated to: Wing:  Company is included in a consolidated to  Universal Health Care Group, Inc.  American Managed Care, LLC	uici as admitted or filling with the			of the Internal Revenue Service (IRS) Code was \$0 m of Occamber 51, 2011.
٠ .	Consolidated tax Filing: Company is included in a consolidated to Universal Health Care Group, Inc.	uici as admitted or filling with the			rf the Internal Revenue Service (IR3) Code was \$0 m of Occamber 31, 2011.

#### 10. Information Concerning Parent, Subsidiaries and Affiliates

A - C. All outstanding shares of the Company are owned by Group, an insurance holding company incorporated in the State of Delaware with operations based in Florida. On February 14, 2011, Group entered into a \$37,500,000 term-loan and a \$2,500,000 unflunded revolving credit agreement. On April 6, 2012, Group entered into a \$60,000,000 senior revolving line of credit, the proceeds were used to pay-off the term-loan and provide for any additional minimum statutory capital requirements for its subsidiaries, including UHC. Group pledged 100% of its equity interest in UHCIC as security under the credit revolver.

Surplus notes payable, related party:

During 2006, the Company received cash proceeds for surplus notes psyable issued to Group amounting to \$18,750,000 (see note 13). The terms of the notes psyable specify that principal and interest on the notes is payable only upon the prior approval from FT. OIR. The notes payable bear interest at 5% per annum upon FL OIR approval. On September 26, 2008, the Company paid down the principal \$10,000,000 with FL OIR approval. The Company paid down the Note \$2,000,000 on December 22, 2009 with FL OIR approval. On July 14, 2010 with FL OIR Approval, the Company made a \$3,000,000 payment on the note. During the periods covored by these financial statements, the Company has not received approval to pay for interest from the FL OIR; therefore, the Company has not recorded accrued interest totaling \$2,733,874 at June 30, 2012.

#### Other relationships:

14 \*4512 +11 \*\*\*\*

The Company has a management agreement with American Managed Care, LLC (AMC), which automatically renews on an annual hasis, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group. Effective January 1, 2011, for compensation for services rendered, the Company shall pay AMC a percentage of total collected premiums on a monthly basis. The amount shall vary, as mutually agreed between AMC and the Company, but under no circumstance shall the percentage of collected premiums paid to AMC exceed 8.5%, without obtaining prior approval from the FL OIR. Further, no amounts paid by the Company shall result in the Company being out of compliance with the minimum statutory requirements of the Florida Statutes. Percentage fees were 7.7% for 2011 and 8.5% for six months ended June 30, 2012. Expenses incurred under this agreement totaled \$27,430,000 for the six months ended June 30, 2012.

The Company records rent revenue from the space owned by the Company and occupied by AMC. Amounts received by the Company totaled \$1,336,338 for the quarter ended June 30, 2012.

D. In addition to the above-referenced management agreement, certain expenditures for the Company are paid by and reimbursed to AMC, Universal Health Care Insurance Company, Inc. (UHCIC), Universal Health Care of Nevada, Inc. (UHCNV), and Universal HMO of Texas, Inc. (UHMOT), Universal Health Care of Georgia, Inc. (UHCGA), companies under common control by Group, as well as Group itself. The Company also pays for and is reimbursed by UHCIC, UHMOT, UHCNV and AMC for certain expenditures. At June 30, 2012, the Company owed \$39 and 12 from UHMOT and UHCNV and was owed \$17,478 and \$100,849 from UHCIC and AMC respectively, which are classified as a non-admitted asset in Due from Affiliates in the accompanying Statement of Assets. All amounts will be settled per terms of the Company's intercompany transactions policy which requires the payment to be made within 30 days.

#### B. N/A

F. The Company has a management agreement with AMC, which renews on an automatic basis, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group.

In addition, the Company maintains a provider agreement with American Family & Geriatric care (AFGC), which is owned 100% by a majority of shareholder of Group. Amounts paid to AFGC under the provider agreement for the six months ended June 30, 2012 were \$1,047,110.

G. - L. N/A

Under the Company's tax sharing agreement, \$8,634,238, included in current federal and foreign income tax receivable in the accompanying Statement of Assets, Liabilities, Capital and Surplus, is due from Group to the Company and will be settled per terms of the intercompany transactions policy.

- 11. <u>Debt</u> N/A
- 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans N/A
- Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations UHC has 400,000,000 shares authorized, 126,250,000 shares issued and outstanding as of June 30, 2012.

  - 3. Prior approval is needed by FL OIR and restrictions are related to statutory surplus.
  - N/A
  - 5. Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
  - 6. N/A 7. N/A
  - 8. N/A
  - 9. N/A

10. The portion of unassigned funds (surplus) represented or reduced by our ulative unrealized gains and losses of \$-81,990.

l 1. Picase see table as follows	Ľ
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						Principal	Total		
				Par Vulus		and/or	Principal	Unapproved	
			Interest	(Face Amount	Carrying Value	Interest Paid	and/or	Principal	Date of
		Date Issued	Rate	of Note)	of Note	Current year	_Interest paid	and/or interest	Maturity
1	Surplus								
ı	Note	12/29/2006	5.0%	\$18,750,000	\$3,750,000	\$0	\$15,000,000	\$2,733,874	İ

12-13. N/A

14. Contingencies

NA

15. <u>Leases</u> N/A

16. Information About Financial Instruments With Off-Balance Sheet Risk and Pinancial Instruments With Concentrations of Credit Risk N/A

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

18. Gain or Loss to the Reporting Butity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

20. Fair Value Measurements N/A

21. Other Items

A.-C. N/A

D. Included in cash, cash equivalents and short term invostments at June 30, 2012 is \$4,732,202 of minimum deposits required to be maintained under contracts with certain health care agencies. B.-G. N/A

22. Events Subsequent

NA

23, Reinsurance

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

25. Change in Incurred Claims and Claim Adjustment Expenses

26. Intercompany Pooling Arrangements N/A

27. Structured Settlements

28. Health Care Receivables

Pharmacy Rebates

Rebates as Reported on Financial Statements		Actual Rebates Received within 90 days of Billing	Actual Rebates Received within 91 to 180 days of Billing	Actual Rebates Received More Than 180 days After Billing
\$ 667,329	\$ 667,329	S	- \$	\$ 667,329.00
693,220	693,220		-	693,220
726,079	726,079		-	726,079
781,301	781,301		-	781,301
596,985	596,985			596,985
1,120,068	1,120,068		- 1,119,385	683
864,779	864,779		- 864,775	9
	Rebates as Reported on Financial Statements \$ 667,329 693,220 726,079 781,301 596,985 1,120,068	Rebates as Reported on Financial Statements  \$ 667,329 \$ 667,329 693,220 693,220 726,079 726,079 781,301 781,301 596,985 596,985 1,120,068 1,120,068	Rebates as Reported on Financial Statements Confirmed Within 90 days of Billing \$ 667,329 \$ 667,329 \$ 5693,220	Rebates as Reported on Otherwise Confirmed

# **NOTES TO FINANCIAL STATEMENTS**

12/31/2010	1,006,988	1,006,988	6,790	760,676	239,522
3/31/2011	1,222,718	1,222,718	-	1,222,718	-
6/30/2011	1,383,657	1,383,657	169,969	1,032,248	181,440
9/30/2011	1,229,259	1,229,259	-	1,018,225	211,034
12/31/2011	1,464,474	1,464,474	-	891,157	573,317
3/31/2012	1,495,572	1,495,572	-	1,495,572	
6/30/2012	3,208,342	3,208,342	1,779,958	-	

# Risk Share Receivables

Calendar Yenr	Bysication Period Year Ending	Risk Sharing Receiveble as Estimated in the Prior year	Rick Sharing Receivable as Estimated Current Year	Risk Sharing Receivable Invoiced	Risk Sharing Receivable Not Involced	Actual Risk Sharing Amounts Collected in Year Invesced	Actual Risk Sharing Amounts Collected first Year Subsequent	Actual Risk Sharing Amounts Collected Second Year Subsequent	Autual Risk Sharing Amounts Collected - All Other
2012	2011	\$ 17,566,191		\$ 16,400,955			\$ 13,006,441		<u> </u>
	2012	XXX	\$ 1,165,236	XXX	XXX	XXX	XXX	XXX	XXX
2011	2011	XXX	\$ 16,400,955	\$ 16,400,955					<del>                                      </del>
	2012	XXX	\$ 17,566,191	XXX	XXX	XXX	XXX	XXX	XXX
		_							

29. <u>Participating Policies</u> N/A

30. Premium Deficiency Reserves

N/A

31. Anticipated Salvage and Subrogation N/A

# **NOTES TO FINANCIAL STATEMENTS**

These forms are based on litustrations taken from the NAIC Annual Statement instructions

O1A04. NAC SAP (1 - 2 - 3 = 4).  SURPLUS  01A05. Company State besis (Page 3, Line 33, Columns 3 & 4).  C1A09. NAIG BAP (5 - 6 - 7 = 9).  L1 17,768,909 21  4. Discontinued Operations  O405A. Assets—Line 5 - Cash.  O405B. Assets—Line 28 - Totals.  O405B. Assets—Line 28 - Totals.  O405B. Liebititiss, Surplus and Other Funds—Line 24 - Total Liabitities.  O405B. Liebititiss, Surplus and Other Funds—Line 33 - Total Capital and Surplus.  O405B. Liebititiss, Surplus and Other Funds—Line 34 - Total.  D405B. Statement of Revenue and Expenses—Line 2 - Promitums.  O405B. Statement of Revenue and Expenses—Line 2 - Promitums.  O405B. Statement of Revenue and Expenses—Line 3 - Federal and foreign income taxtes incurred.  O405B. Statement of Revenue and Expenses—Line 25 - Net resized cepital gains (losses).  O405B. Statement of Revenue and Expenses—Line 28 - Net resized cepital gains (losses).  O405B. Statement of Revenue and Expenses—Line 32 - Net income.  Statement of Revenue and Expenses—Line 32 - Net income.  Statement of Revenue and Expenses—Line 32 - Net income.  O405B. Statement of Revenue and Expenses—Line 32 - Net income.  Statement of Revenue and Expenses—Line 32 - Net income.  O500A. As of year and, the company hald mortgages with Interest more then 180 days past due with a recorded investment, excluding sooned interest more then 180 days past due.  O500A. Act of year and, the company hald mortgages with interest more then 180 days past due.  O500A. Current year impelsed losses without as ellowence for credit losses.  O500C. Current year impelsed losses without as ellowence for credit losses.  O500A. Average economic weetwant in impalied tone.	511,105 511,105 089,671 089,671
01A01. Complany state bests (Page 4, L 32, C2 & C4)	511,105 511,105 089,671 089,671
SURPLUS 01A05. Company State beals (Page 3, Line 33, Columns 3 & 4)	089,671
OHADS. NAIC SAP (5-6-7-9)	089 671
4. Discontinued Operations OxIGA. Assets - Line 8 - Cash OxIGBA. Assets - Line 28 - Totals OxIGBA. Assets - Line 28 - Totals OxIGBC. Listifities, Surplue and Other Funds - Line 24 - Total Listifities OxIGBC. Listifities, Surplue and Other Funds - Line 33 - Total Capital and Surplue OxIGBC. Listifities, Surplue and Other Funds - Line 34 - Total Capital and Surplue OxIGBC. Statement of Revenue and Expenses - Line 22 - Premiums 0xIGBC. Statement of Revenue and Expenses - Line 32 - Increase in aggregate reservas for AAH (current year less prior year) 0xIGBC. Statement of Revenue and Expenses - Line 32 - Increase in aggregate reservas for AAH (current year less prior year) 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net resident or exign income taxtes incurred 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statement of Revenue and Expenses - Line 32 - Net income 0xIGBC. Statemen	
O408A. Assets - Line 28 - Totato. O408B. Assets - Line 28 - Totato. O408B. Assets - Line 28 - Totato. O408B. Assets - Line 28 - Totato. O408B. Liabilities, Surplue and Other Funds - Line 24 - Total Liabilities. O408B. Liabilities, Surplue and Other Funds - Line 33 - Total Capital and Surplue. O408B. Statement of Revenue and Expenses - Line 2 - Premiums. O408B. Statement of Revenue and Expenses - Line 2 - Premiums. O408B. Statement of Revenue and Expenses - Line 3 - Net realized oepital geins (lossos). O408B. Statement of Revenue and Expenses - Line 35 - Net realized oepital geins (lossos). O408B. Statement of Revenue and Expenses - Line 32 - Net realized oepital geins (lossos). O408B. Statement of Revenue and Expenses - Line 32 - Net income.  6. Investments Investments Investments O500B. As of year end, the company hald mortgeges with Interest more than 180 days past due with a recorded investment, excluding socrued interest more than 180 days past due.  O500B. Total Interest due on mortgage with interest more than 180 days past due.  O500B. Current year impelied lossos without sevenced and not included in the mortgage loss total .  O500B. Current year impelied lossos without sevenced and not included in the mortgage loss total .  O500B. Related showsnos for credit lossos.  Impulsed mortgage loss without as allowance for credit losses.  O500B. As Average economic weethers in impalied dosso.	4
OAGSA. Assets—Line 5 - Cash. OAGSB. Assets—Line 28 - Toleis. OAGSC. Lisbiffies, Surplue and Other Funds - Line 24 - Tolei Lisbiffies. OAGSC. Lisbiffies, Surplue and Other Funds - Line 35 - Total Capital and Surplue. OAGSC. Lisbiffies, Surplue and Other Funds - Line 34 - Total Capital and Surplue. OAGSC. Statement of Revenue and Expenses - Line 2 - Pernitume. OAGSC. Statement of Revenue and Expenses - Line 2 - Pernitume. OAGSC. Statement of Revenue and Expenses - Line 31 - Federal and foreign income taxtes incurred. OAGSC. Statement of Revenue and Expenses - Line 35 - Net realized optial gains (lossos). OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Statement of Revenue and Expenses - Line 32 - Net income.  OAGSC. Capital Interest of the company hald mortgages with Interest more then 180 days past due with a recorded investment, excluding sourced interest more than 180 days past due.  OAGSC. Capital Interest due on mortgages with interest more than 180 days past due.  OAGSC. Capital Interest due on mortgages with interest more than 180 days past due.  OAGSC. Capital Interest due on mortgages with and allowance for credit losses.  OAGSC. Capital Interest due on mortgages loss without as allowance for credit losses.  OAGSCO. Areas decorded investment in impalied dans.	4
O488C. Liabilities, Surplue and Other Funds - Line 24 - Total Capital and Surplue.  O488B. Liabilities, Surplue and Other Funds - Line 33 - Total Capital and Surplue.  O488F. Statement of Revenue and Expenses - Line 2 - Prontume.  O488F. Statement of Revenue and Expenses - Line 2 - Prontume.  O408F. Statement of Revenue and Expenses - Line 2 - Prontume.  O408F. Statement of Revenue and Expenses - Line 31 - Faderal and foreign income taxes incurred.  O408F. Statement of Revenue and Expenses - Line 31 - Faderal and foreign income taxes incurred.  O408F. Statement of Revenue and Expenses - Line 32 - Net realized ceptial geine (lossos).  O408F. Statement of Revenue and Expenses - Line 32 - Net income.  6. Investment of Revenue and Expenses - Line 32 - Net income.  6. Investmente - Morigage Loans  O5A04. As of year-end, the company hald mortgages with interest more than 180 days past due with a recorded investment, excluding scorued interest.  O5A04. Total Interest due on mortgages with interest more than 180 days past due  O5A05. Corrent year impelied loans with a related allowance for credit losses.  O5A07. Impelied mortgage loans without an ellowance for credit losses.  O5A07. Average economic Newtment in Impelied loans and Impelied mortgage loans without an ellowance for credit losses.	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
D405E. Labilities, Surplus and Other Funds - Line 33 – Total Capital and Surplus. D405E. Statement of Revenue and Expenses - Line 2 - Premiums. D405G. Statement of Revenue and Expenses - Line 2 - Premiums. D405G. Statement of Revenue and Expenses - Line 32 - Net realized optial geins (losses). D405E. Statement of Revenue and Expenses - Line 35 - Net realized optial geins (losses). D405E. Statement of Revenue and Expenses - Line 32 - Net realized optial geins (losses). D405E. Statement of Revenue and Expenses - Line 32 - Net Income.  6. Investments - Morigage Loans D5A04. As of vear-end, the company hald mortgages with Interest more them 180 days past due with a recorded investment, excluding sourced interest. D5A04. Total Interest due on mortgages with interest more them 180 days past due D5A05. Capenses - Line 32 - Net Income.  D5A05. Current year impelied loans with a related allowance for erecti losses. D5A07. Impelied mortgage loans without an ellowance for credit losses. D5A07. Average economic Network and Interestment in Impelied loans. D5A07. Average economic Network and Interestment in Impelied loans and Interestment in Impelied loans.	
0408F. Statement of Revenue and Expenses - Line 2 - Perentume. 0408G. Statement of Revenue and Expenses - Line 22 - Increase in aggregate reserves for AAH (current year leas prior year). 0408F. Statement of Revenue and Expenses - Line 31 - Federal and forsign income taxtes incurred. 0408F. Statement of Revenue and Expenses - Line 32 - Net realized ceptial geine (losses). 0408F. Statement of Revenue and Expenses - Line 32 - Net income. 0508F. Statement of Revenue and Expenses - Line 32 - Net income. 0508F. As of year-end, the company hald mortgages with interest more them 180 days past due with a recorded investment, excluding sourced interest more them 180 days past due. 0508F. Total Interest due on mortgages with interest more than 180 days past due. 0508F. Cande. Current year impelled losses with a related allowance for credit losses. 05A07. Related allowance for credit losses. 05A07. Average economic vertical allowance for credit losses. 05A07. Average economic vertical force.	76111
O4051. Statement of Revenue and Expenses - Line 31 - Rederel and foreign income bases incurred. O4051. Statement of Revenue and Expenses - Line 32 - Net reaffixed ceptial getine (lossos). O4051. Statement of Revenue and Expenses - Line 32 - Net reaffixed ceptial getine (lossos).  6. Investments - Mortgage Loans O5A04. As of year-end, the company hald mortgages with interest more than 180 days past due with a recorded investment excluding econsed interest.  O5A05. Total Interest due on mortgages with interest more than 180 days past due O5A06. CEA064. Related ellowance for oracit lossos. O5A06. CEA064. Related ellowance for oracit lossos.  O5A07. Impaired mortgage loss without a millowance for credit lossos.  O5A07. Navergé recorded investment in impaired toans.	
O4051. Statement of Revenue and Expenses - Line 25 - Net realized ceptial gains (losses).  6. Investments A. Investments A. Investments A of year end, the company hald mortgeges with interest more than 180 days past due with a recorded investment, excluding soorued interest more than 180 days past due.  05A04. Total Interest due on mortgage with interest more than 180 days past due.  05A05. Total Interest due on mortgage with interest more than 180 days past due.  05A05. Current year impelled losses with a related allowance for erecti losses.  05A07. Impelled inorgage losses without as allowance for credit losses.  05A07. Average economic streams of the past of the second control of the past o	
6. Investments A Investments - Mortgage Loans (05A04. As of year-end, the company hald mortgages with interest more than 180 days past due with a recorded investment, excluding scorued interest.  05A04. Total interest due on mortgages with interest more than 180 days past due  05A05. Taxes, assessments and eny amounts advanced and not included in the mortgage loan lotal.  05A06. CA064. Current year inspetied loans with a related allowance for credit losees.  05A07. Impulsed mortgage loans without an ellowance for credit losees.  05A07. Average recorded investment in impulsed toans.	
A. Investmente - Mortgage Loans 05A04. As of year end, the company hald mortgages with interest more them 180 days past due with a recorded investment, excluding soonsed interest.  05A04. Total interest due on mortgages with interest more than 180 days past due 05A05. Taxes, assessments and any amounts advanced and not included in the mortgage loan total.  05A06. Cernent year impelled loans with a related allowence for credit losees.  05A07. Impaired mortgage loans without an allowence for credit losees.  05A07. Average recorded investment in impaired toans.	
05A04. As of year-end, the company hald mortgeges with interest more than 180 days past due with a recorded investment, excluding sourced interest more than 180 days past due.  05A04. Total interest due on mortgages with interest more than 180 days past due.  05A05. Total interest due on mortgages with interest more than 180 days past due.  05A06. Current year impellated leave who called allowance for erectit losses.  05A07. Impellated silowance for credit losses.  05A07. Impellated mortgage loss without as elicowance for credit losses.  05A08. Average economic investment in impellated days.	
05A05A. Total interest due on mortgages with interest more than 180 days past due 05A05. Taxies, assessments and any amounts advanced and not included in the mortgage loan total. 05A06A. Current year impelied loans with a related allowerse for erecit loseses. 05A06A. Related allowance for oracit loseses. 05A07. Impelied mortgage loans without an allowance for credit loseses. 05A07. Average recorded investment in impelied toans.	
05A06. Current year impelled ioens with a related allowence for erecit losses. 05A06A. Related eleverance for credit losses. 05A07. Impelled mortgags losses without an elitovence for credit losses. 05A08. Average recorded investment in impelled foans.	0
05A07. Impelred mortgags losse without an elitowance for credit losses.  05A07. Impelred mortgags losse without an elitowance for credit losses.	<u>,</u>
OSAW/ impared morgage some window an environce for credit losses.  OSAW/ Average recorded investment in impaired toans.	D
SEASO Interest imported deployed deploy the lease transfer and transfer and transfer and tr	0
05A09. Interest income recognized during the period the loans were impaired.  OSA10. Amount of interest income recognized on a cash basis during the period the loans were impaired.	
Allowence for oradit losess:	
05A11A. Belance et beginning of period :  06A11B. Additions observed to operations	0
05A11C - Direct write-downs charged against the allowances	
05A11D. Recoveries of amounts previously charged off	D
9. investments - Dekl Restructuring 2012 201	
05801. The total recorded investment in restructured loans, as of year and	
05803. Total contractual commitments to extend credit to dobtors owing receivables whose terms have been modified in	0
troubled debt restricturing	0
C. Raverse Mortgages Amor	<del></del>
05C03. All December 31, the solution reserve reduced the seast value of the group of reverse mortgages.	***************************************
05C04. The company recorded an unrealized loss as a result of the re-setting to of the cash flows.	
D. Loan-Broked Securities 2 3	<u>,                                     </u>
Amortized Cost Basis Other-than-Temporary	
Temporary Imperment Recognized in Lose 1	2
OTTI recognized 1st Quarter 05002A. Intent to sell	
05002B. Inability or leck of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.	0
OSDOZC. Total Sat Quarter.	
OTTI recognized 2nd Quarier 05D02D. Intent to 8et	0
05D02E, Institly or lack of intent to retain the investment in the security for a period of time sufficient to recover the emorized cost basis.	0
05D02F. Total 2nd Quarter D D D O OTTI recognized 3rd Quarter	
OSD02G. Intent to Sell	
OSD02H. Inability or leck of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.	0
05D021. Total 3rd Quarter	
05D02J, Intent to Bell	.,
05D02J. Intent to Bell	····
05D02J. Intent to Berl. 05D02K. Institly or lacks of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis. 05D02L. Total 4th Question.	0
05D02J. Intent to Sell. 05D02K. Inability or lack of infant to retain the invasionent in the security for a period of time sufficient to recover the amortized cost basis. 05D02L. Total 4th Quester. 05D02M. Annual Appreciate Total. XXX 0 X	oxo
05D02J. Intent to Berl. 05D02Y. Institly or lack of intent to retain the investment in the security for a period of time sufficient to ecover the amortized cost basis. 05D02L. Total 4th Querter. 05D02M. Annual Appropria Total. 05D04 The appropria amount of unvestigat (seese	oxo
05D02J. Intent to Sell. 05D02K. Inability or lack of infant to retain the invasionent in the security for a period of time sufficient to recover the amortized cost basis. 05D02L. Total 4th Quester. 05D02M. Annual Appreciate Total. XXX 0 X	oxo
05D02J. Intent to Sell	oxo
05D02J. Intent to Sell	oxo

NOTES TO FINANCIAL STATEMENTS
These items are based on liketrations (stan from the NAC Annual Statement Instructions

	Aggregate America Calen Colleges Received  1. Repurchase Agreement		
	s. reparement of seattless.	1	(0)
	OSESA1A. Open,	1	Fair Value
	05E3A1B. 30 Days or Less		
•	05E3A1C. 31 to 69 Deva.		
	06E3A1D, 61 to 90 Days.	<del></del>	······································
	OGESA1E. Gresler Than 90 Days.		······································
	95E3A1F. Sub-Total		
	05E3A1G, Securities Received		
	OSESA1H, Total Collateral Received		Ö
		·····	· · · · · · · · · · · · · · · · · · ·
	2. Socurities Lending	, , , , , , , , , , , , , , , , , , ,	41
	-		(1) Feir Value
	06E3A2A. Open	}	1 44 13169
	05E3A28. 30 Days or Less		
	06E9A2C, 31 to 60 Deve		
	05E3A2D, 61 to 90 Days.		
•	OSESA2E. Greeter Than 90 Osys		
	OSESARF. Sub-Total		
	05E3A2G. Securities Received		***************************************
	05/E3A2H. Total Colleteral Repolyed		0
	3. Dollar Repurchase Agreement .	ſ	(1)
			(1) Fair Value
	OSESASA Open		
	OSESIASIB, SO Dever or Case Commission Commi		
	05E3A3C. 31 to 60 Days		
	05E3A2D, 61 to 90 Dates		
	05E2A3E. Groster Then 90 Dave		
	05E9A3F. Sub-Total.		D
	05E3A3G. Securifice Received	T	
	05ESASH. Total College Received		
			(1)
	05E3B. The aggregate fair value of all securities acquired from the sale, trade or was of the accepted collateral (reinvent	ed colleterat)	
SESA.	Aggregate Amount Cash Colleteral Relevented.		
	1. Repurchase Agreement	(1)	(2) Fair Value
		Amortized Cost	Fair Value
	OSESA1A. Open.		***************************************
	05E5A1B. 30 Days or Loss.		
	05E5A1C. 31 to 60 Days.		
	05ESA1D. 61 to 90 Days.		
	05E5A1E, 91 to 120 Days.		
			***************************************
	05E6A1F, 121 to 180 Days.		
	08ESA1F. 121 to 160 Days. 08ESA1G. 181 to 385 Days.	***************************************	
	05E5A1H. 1 to 2 Years.	**************************************	
	OSESA1H. 1 to 2 Years.		
	OSESA1H. 1 to 2 Years. OSESA1I. 2-3 Years. OSESA1J. Creator Train 3 Years.		
	OSESA1H. 1 to 2 Years. OSESA1H. 2-3 Years. OSESA1J. Greater Than 3 Years. OSESA1J. Greater Than 3 Years.		
	0SESA1H. 1 to 2 Years. 0SESA1J. 2-3 Years. 0SESA1J. Greater Than 3 Years. 0SESA1J. Sub-Total. 0SESA1K. Sub-Total.		
	OSESA1H. 1 to 2 Years. OSESA1H. 2-3 Years. OSESA1J. Greater Than 3 Years. OSESA1J. Greater Than 3 Years.	9	
	OSESA1H. 1 to 2 Years. OSESA1H. 2-3 Years. OSESA1J. 2-3 Years. OSESA1J. Greater Than 3 Years. OSESA1K. Sub-Total. OSESA1L. Sacurities Received. OSESA1M. Total Collateral Rainwested.	0	0
	0SESA1H. 1 to 2 Years. 0SESA1J. 2-3 Years. 0SESA1J. Greater Than 3 Years. 0SESA1J. Sub-Total. 0SESA1K. Sub-Total.	(1)	0
	OSESA1H. 16 2 Years. OSESA1H. 2-3 Years. OSESA1C. 2-3 Years. OSESA1K. Sub-Total. OSESA1K. Sub-Total. OSESA1M. Yolal Collateral Reinvasted. 2. Securities Landing	0	
	0SESA1H. 1 to 2 Years. 0SESA1J. Greater Than 3 Years. 0SESA1J. Greater Than 3 Years. 0SESA1K. Sub-Total. 0SESA1K. Sub-Total. 0SESA1M. Total Collateral Reinwested. 2. Securities Landing	(1)	0
	OSEBA11. 1 to 2 Years. OSEBA11. 2 Years. OSEBA12. 3 Years. OSEBA13. Greater Than 3 Years. OSEBA14. Sub-Total. OSEBA1M. Total Collateral Reinvested.  2. Securities Landing OSEBA1M. Total Collateral Reinvested.	(1)	0
	0SESA1H. 1 to 2 Years. 0SESA1J. S Years. 0SESA1J. Greater Than 3 Years. 0SESA1J. Greater Than 3 Years. 0SESA1J. Sacurities Roceived. 0SESA1M. Total Collateral Reinwasted. 2. Securities Landing 06ESA2A. Open 0DESA2B. 30 Cays or Less 0DESA2B. 30 Cays or Less 0DESA2B. 31 to 90 Days	(1)	0
	05E6A1H. 1 to 2 Years. 05E6A1J. Greater Than 3 Years. 05E6A1J. Greater Than 3 Years. 05E6A1J. Greater Than 3 Years. 05E6A1K. Sub-Total. 05E6A1K. Sub-Total. 05E6A1M. Total Collateral Reinwasted. 2. Securities Landing 06E6A2A. Open. 05E6A2B. 30 Oays or Less. 06E6A2B. 31 to 80 Oays.	(1)	0
	OSEBATIL 1 to 2 Years. OSEBATIL 2 Years. OSEBATIL 2 Years. OSEBATIL 2 Years. OSEBATIL 3 Years. OSEBATIL 8 Ub-Total. OSEBATIK 8 Ub-Total. OSEBATIK 8 Ub-Total. OSEBATIK 7 Total Collisteral Reinvested.  2. Securities Landing OSEBAZA. Open. OSEBAZA. Open. OSEBAZA. 30 Cays or Less. OSEBAZA. 51 to 80 Cays. OSEBAZE 1 to 80 Cays. OSEBAZE 1 to 10 Cays.	(1)	0
	0SEBATH. 1 to 2 Years. 0SEBATH. 2 Years. 0SEBATJ. Greater Than 3 Years. 0SEBATJ. Greater Than 3 Years. 0SEBATJ. Greater Than 3 Years. 0SEBATM. Sub-Total. 0SEBATM. Total Collateral Reinwested. 2. Securities Landing 0SEBATM. Total Collateral Reinwested. 2. Securities Landing 0SEBAZA. Open. 0SEBAZA. Open. 0SEBAZA. 1 to 90 Days. 0SEBAZE. 9 to 10 Days. 0SEBAZE. 9 to 10 Days. 0SEBAZE. 9 to 10 Days. 0SEBAZE. 1 to 10 Days.	(1)	0
	05EBA1H. 1 to 2 Years. 05EBA1L 2 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Greater Than 3 Years. 05EBA1M. Greater Than 3 Years. 05EBA1M. Total Collateral Reinvested. 2. Securities Landing 05EBA2M. Open. 05EBA2M. Open. 05EBA2M. 30 Cays or Less. 05EBA2C. 31 to 50 Days. 05EBA2C. 1 to 50 Days. 05EBA2E. 91 to 120 Days. 05EBA2E. 91 to 120 Days. 05EBA2E. 1 to 120 Days. 05EBA2E. 1 to 120 Days.	(1)	0
	0SEBA1H. 1 to 2 Years. 0SEBA1J. Gaster Than 3 Years. 0SEBA1J. Greater Than 3 Years. 0SEBA1J. Greater Than 3 Years. 0SEBA1J. Sacurities Received. 0SEBA1M. Total Collateral Reinwasted. 2. Securities Landing 06EBA2A. Open 00EBA2B. 30 Cays or Less. 00EBA2B. 30 Cays or Less. 00EBA2B. 31 to 90 Days. 06EBA2D. 61 to 90 Days. 0SEBA2E. 61 to 120 Days. 0SEBA2E. 61 to 120 Days. 0SEBA2E. 61 to 120 Days. 0SEBA2C. 11 to 140 Days. 0SEBA2C. 11 to 140 Days.	(1)	0
	0SESA1H. 1 to 2 Years. 0SESA1I. 2 Years. 0SESA1J. Greater Than 3 Years. 0SESA1J. Greater Than 3 Years. 0SESA1K. Sub-Total. 0SESA1K. Sub-Total. 0SESA1M. Total CoSateral Reinvested. 2. Securities Landing 0SESA2A. Open. 0SESA2A. Open. 0SESA2B. 30 Days or Less. 0SESA2B. 31 to 50 Days. 0SESA2B. 1 to 120 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 11 to 180 Days. 0SESA2F. 12 to 180 Days.	(1)	0
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	OSESA1H. 1 to 2 Years. OSESA1H. 7 to 2 Years. OSESA1J. Greater Than 3 Years. OSESA1J. Greater Than 3 Years. OSESA1M. Sacurities Roceived. OSESA1M. Total Collateral Reinwasted.  2. Securities Landing OSESA2M. Total Collateral Reinwasted.  2. Securities Landing OSESA2D. 6 to 90 pays. OSESA2D. 6 to 90 pays. OSESA2D. 6 to 90 pays. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 6 to 120 Days. OSESA2D. 7 to 10 Cart. OSESA2D. 7 to 10 Cart. OSESA2D. 7 to 10 Cart. OSESA2D. 7 to 10 Cart. OSESA2D. 7 to 10 Cart. OSESA2D. 8 caurities Received. OSESA2D. 7 to 10 Cart. OSESA3D. 30 Days or Leas. OSESA3D. 30 Days or Leas. OSESA3D. 31 to 90 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days. OSESA3D. 11 to 130 Days.	Amortized Coat	(2) Fair Value
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	05EBA1H. 1 to 2 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Sacurities Received. 05EBA1M. Total Collateral Reinwasted. 2. Securities Landing 06EBA2A. Open. 06EBA2B. 30 Cays or Less. 06EBA2B. 30 Cays or Less. 06EBA2B. 31 to 90 Days. 05EBA2B. 11 to 120 Days. 06EBA2B. 21 to 120 Days. 06EBA2B. 21 to 120 Days. 06EBA2B. 21 to 120 Days. 06EBA2B. 30 Cays or Less. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA3B. So Days or Less. 06EBA3B. So Days or Less. 06EBA3B. 30 Days or Less. 06EBA3B. 30 Days or Less. 06EBA3C. 31 to 90 Days. 06EBA3B. 81 to 20 Days. 06EBA3B. 81 to 20 Days. 06EBA3B. 11 to 30 Days. 06EBA3B. 11 to 30 Days. 06EBA3B. 11 to 30 Days. 06EBA3B. 11 to 34 Years. 05EBA3B. 11 to 34 Years.	Amortized Coet  Amortized Coet  Coet  Amortized Coet	(2) Fair Value  D  O  (2) Fair Value
	OSESA1H. 1 to 2 Years. OSESA1H. Representation of the second of the seco	Amortized Coat	(2) Fair Value
	OSESA1H. 1 to 2 Years. OSESA1H. Representation of the second of the seco	Amortized Coet  Amortized Coet  Coet  Amortized Coet  D  O	(2) Fair Value  D  O  Fair Value
	05EBA1H. 1 to 2 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Greater Than 3 Years. 05EBA1J. Sacurities Received. 05EBA1M. Total Collateral Reinwasted. 2. Securities Landing 06EBA2A. Open. 06EBA2B. 30 Cays or Less. 06EBA2B. 30 Cays or Less. 06EBA2B. 31 to 90 Days. 05EBA2B. 11 to 120 Days. 06EBA2B. 21 to 120 Days. 06EBA2B. 21 to 120 Days. 06EBA2B. 21 to 120 Days. 06EBA2B. 30 Cays or Less. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA2J. Greater Than 3 Years. 05EBA3B. So Days or Less. 06EBA3B. So Days or Less. 06EBA3B. 30 Days or Less. 06EBA3B. 30 Days or Less. 06EBA3C. 31 to 90 Days. 06EBA3B. 81 to 20 Days. 06EBA3B. 81 to 20 Days. 06EBA3B. 11 to 30 Days. 06EBA3B. 11 to 30 Days. 06EBA3B. 11 to 30 Days. 06EBA3B. 11 to 34 Years. 05EBA3B. 11 to 34 Years.	Amortized Coet  Amortized Coet  Coet  Amortized Coet	(2) Fair Value  D  O  (2) Fair Value

NOTES TO FINANCIAL STATEMENTS
These have been deal Bastration when here the NACA Arrived Statement Instructions

I demons	on " The commons of the not deferred for associated by at June 30 are so follow	are as follows:				10000000			-	
			1285 (IZM2			100 Medit		]		ā
•		£	8 }	(8)	(s) Ordinary	(2)	\$2.00 \$4.00 \$4.00	: €	<u>8</u> 8	(Col 7+6)
•			5	100	<u> </u>		Total	Ordinery .		Total
•			\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \		9.055.706	- A	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	(9,(25),(35)		(98 (80 B)
25 25 25 25 25 25			٠, ٠		9	9	9			
20 OF 02 OF	••		0		9,025,785	E A	98.98	(9,00,70)	(F8, 87)	(908 831 8)
SPOIC	-			6	9	٦				
		ď	0 .		92.23.6	R A	98,00			
OBAOTE:						S S	7 25 25	(ncaracte)	(1/2:4/3)	(10n'to ::)
1000	Light Comment The Assets (Net Deferred Tax Lebitty) (10-1			•	360 306 3	•	255 255	(5,765,035)	•	(5,715,900)
		0	3	1	000'00/'C	49245044	and the state of t		Chance	
			12/20/12			I CONTROL	377	+ WAN	42	é
		£	(44)	ស <u>្ត</u>	£	€}	(19) (19)	(A)	(5)	(Sec.)
		Ordinary	on the second			- Copper	Total	Ordinary	Caroline	TOPE
•	Administration Committees									•
- 1	SSAP No. 10R, Paragraphs 10s., 10b., and 10s.		-		4.305.805	•	4,305,525	(4,306,825)	٩	(4,305,825)
COMPOCA								1	•	4
1				9		٦	Mr. 199-1	1 (Mar. 1987)		[min - max - 1 mix]
	(the leaser of personals 10.b.L and 10.b.E. Below)				G	-	0	0	1	9
09404C	•	22.0	114		THE STATE OF THE S	B	1,530,740	TXX	Ħ	(1,530,740)
_		*			-	-	٩	C	•	9
	98.	0	9	1	5,765,885	٩	5,785,886	(5,785,835)	9	(5,785,925)
See Office	Total (At + 40 + 40)									
	SSAP No. 10R. Paracraph 10.6.:				•	6	0	0	9	9
DBADAG	SSAP No. 10R, Paragraph 10.e.						•	٩	٩	0
HINDHO						•	•	•	•	
	(The leader particular Turners and Juneau Borow)			٩				1		
7000		æ	ğ		1	-		6	٩	Ö
	9		•				֓֞֜֜֜֜֜֜֜֜֜֓֓֓֓֜֟֜֜֜֓֓֓֓֓֓֜֟	١	•	٥
		9								
	3	E	ä		Ħ	XX	21,069,671	Ħ	H	(21,069,871)
2504E	•	111	ĕ		XXX	Ħ	•	E	Ä	9
¥98	Authorized Control level									

			21.2			10				
	٠.	(1) Ordinary	3 <b>3</b>	(S) (Col 1+2) Total	(45) Ordensoy	(5) Capital	(6) (Cot 445) Total	(7) (Cel 1-4) Ordkray	(8) (Cal 24) Capital	(9) (Cod 746) Total
GAOSA MAN	Impact of Tax Planning Studiogies Aginsted Gross OTAs :			0	9	6	ď	0	0	* .
90750	To all the property of the pro	XII	XX	0	XX	H	0	XX.	XX	Î
<u>-</u>			2012			E C				
		(t) Ordinary	ල් ප්ර ල	(3) (Cod 142) Total	(4) Ordinary	(6) Cepitral	(Coi 4+6) Total	000 14) 14)	(Col 2-5)	(Cod 7 reg) Total
	SSAP NO. 10R. Perspreptie 10.a., 10.b., and 10.a.:			•	290 2947 2	0	5.765.835	(5.785.998)	0	(5.786.926
_	Admitted Deforted Tax Assetts	i.	717			ı ax	28.00.00	, ax	B	(10, 22, 103
•	Christist Assets				121	S	15, 308, 736	Ħ	B	15, 88, 78
SPADEC AS	Adjusted Statutory Surplus		9		)XI	Ħ	5,765,935	ğ	XX	(5,765,895
	oza Agraesa Capasa Bown D. A.s. Achesses due to SSAP No.10R, Paragraph 10.e.			•	er ,	c	-	•	0	
SPACE AG	drifted Deform Tax Assets.						9	9	٩	
٠.,	Admitted Assets			•	0	0	0	0	0	0

# NOTES TO FINANCIAL STATEMENTS These Barrie are based on Businetone taken from the NAIC Annual Statement Instructions

09C		,	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1.		Income Tex			
		Federal	***********************	(900,854)	900 ,054
		Subjectal	0	0° (900,054)	900 054
		Federal Income Tex on Net Capital Gains.			(873 ,954)
	ORC1E	Uffication of Capital Loss Carry-forwards		D	
	08C1F	Other		0	Ď
		Federal and Foreign Income taxes incurred	D	(26,100)	26,100
				, , ,	
2		Tyx Assets:	i l		
	A	Ordinary .			
		09C2A1 Discounting of unpeid losses	I	a	اه
		08C2A2 Unasmed premium reserve			0
		08C2A3 Policyholder reservee			
		OSCIA Involuncia		0	
		09C2A6 Deferred soquistion costs			0
		OSC2A8 Policyholder dMdenda soorust.			
		09C2AF Fixed esects	····-	556,881	(186, 861)
		09C2A9 Pansion accruel.			Q
		09C2A10 Recoksibles - nonedmitted	1 M 1441 M.Than   1 Prof 1 Pro	0 8,408,343	/8,406,343)
		09C2A11 Nationaming loss carry-forward.	T	00	
•		69C2A12 Tax credit carry-forward			
		69C2A12 Tax oradit cerry-fontraid. 69C2A13 Other (Including Herne <5% of total ordinary tax assets)	Tarton Million Committee C	82.5R1	(62,581)
		09C2A2A99 Subtotal		82,581 9,025,785	(9,025,765)
	8	09C28 Statutory valuation allowance adjustment		A	
	C	09C2C Nonedmitted		3.250.850	(3,250,850)
	Ď	09C2D Admitted ordinary deferred tax sasets (2s99 - 2b - 2c)		5,765,935	(5,765,935)
	E	Confest:	· · · · · · · · · · · · · · · · · · ·		
	_		Į.		
		09C2E1 Investments		34,201	(34,201)
		08CZE2 Not capital loss carry-forward. 08CZE3 Roal estate.			<u></u>
		09C2E4 Other (including items <5% of total capital iax assets)			
		OBC2F3F00 Rutstatal		34,201	(34,201)
	F	08C2F Statulory valuation allowance adjustment.		0	
	Ġ	08C2G Nonedmitted		34,201	(34,201)
	H	09C2H Admitted copital deferred tax sessis (2e99 - 2f - 2g)	٥		
	- 7	69C21 Admitted deferred tax assets (2d + 2h)		5.765.935	(6,766,935)
	•	PACKET PRINTED COLORIDO CAN 400000 (201 + 20)			(n,100,1903)
•	Carlema	d Tax Liebüllies;		•	
٠.	A	Ordinary		ŀ	
	_				l .
		09C3A1 feveriments DBC3A2 Fixed Assets	***************************************	<u>_</u>	·
		09C3AS Optioned and uncollected premium		0	
		#SC3A4 Policyholder reserves	***************************************	Ď	0
		CSCSA5 Other (including items <5% of total ordinary tax flabilities)	I	0	6
		OSC3A3A99 Subtotel			
	8	Cepitek			
		09C3B1 (gvestments	1	L	L0
		09C3B2 Real estate			
		09C3B3 Other (including items <5% of total capital tax liabilities)		م۵	
		09C3899 Subtotel	ļ		
	C			0	
4.	09C4	tel deferred has nesetalikhäites (21 - 30)	<u> </u>	5,785,935	(5,785,936)
11B.	11B02. 11B03.	Colleteral pleaged to the FHLB		2012	2011
	11B04.		· · · · · · · · · · · · · · · · · · ·	l,,,	0
	11805 - /	igreement essets and liabilities			
	44505	A		2012	2011
		General Account Assets			<u></u>
		Secarete Account: Assets	H 1483-94 (234 164), Pr-7-7-7-7-4-4-1 H H484413	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	D
		Unbarren.		,	0
					• •

# NOTES TO FINANCIAL STATEMENTS Options playment Benefits and Compensated Absences and Other Postre

12. Retirement Plans, Defend Compensation, Postemployment Benefits and Compensated Absences and Other Postrollisment Benefit Plans

1, Chang	e in benefit obligation	1, Charige in benedit obligation									
			Banefits	Other	Conelite						
12A01A.	Benefit obligation at beginning of year	2012	2011	2012	2011						
12A01B.	Service cost			.D							
12A01C. 12A01D.	Interest coat			ő L							
12A01E.	Contribution by pian perticipants Actuated gein (foce)	***************************************	· · · · · · · · · · · · · · · · · · ·	0	<u></u>						
12A01F.	Foreign currency exchange rate changes			0							
12A01G. 12A01H.	Benefits peld Plan emendments	·		<u> </u>							
12A011.	Susiness combinations, divastitures, curisiments, entitements		***************************************	<u> </u>	<u>0</u>						
12A0(J.	and special termination benefits  Benefit obligation at end of year				P						
		. 0	<u> </u>	0	<u> </u>						
2. Change	o in plan essents										
		2012	Benefits 2011		Banefits						
12A02A.	Feir velve of plan sessie at beginning of year	0	2011	0 2012	2011						
12A02B. 12A02G.	Activition on plan assess Foreign currency exchange rate changes	M7		0	D						
12482D.	Employer contribution Live June 1997		hrisassia	0							
12A02E. 12A02F.	Linu baundaust, countrivious			0	,						
12A02G.	Benefits peld		11 Pet 5 pl 1 1000 1000 000 000 1000 1000 1000 1	<u> </u>	ļ						
12A02H.	Fair value of plan sessie at end of year.	0		ő							
3. Funded	etatus (Induses IIII — Banefit obligation for vested amployees)				<u>-</u> -						
		Pension	Bonefts	Other	Benefits						
12A08A.	Linemarker di eden conde	2012	2011	2012	2011						
12A03B.	Unemortized prior service cost			<u> </u>							
12A03C.	Remaining not obligation or not asset at initial date of			<u>"</u>	D						
12A03D.	epplication										
12A03E.	Intangibie seset	***************************************		<u> </u>	t2						
12AD4.	Accumulated benefit obligation for vosted employees and partially vasted employees to the extent vested.			n							
e D				<u> </u>							
а. Выниц	obligation for non-vested employees	Deneton	Benefits	1 04.							
		2012	2011	2012	Benefits 2011						
12A08A. 12A08B.	Projected pension obligation			0	0						
	***			0	0						
6. Compa	nants of net periodic benefit cost	0	B								
		2012	Benefits 2011	2012	Benefits 2011						
12A08A.	Bervies cost			0	0						
12A06B. 12A06C.	Interest cost			8	<u>.</u>						
12A08D.	Amortization of unrecognized transition obligation or transition			ğ L	<u>y</u>						
12A08E.	Amount of recognized gains and losses			_							
12A08F.	Amount of prior service cost recognized			0 L	<u>-</u> 0						
12A06G.	Amount of gain or loss racognized due to a settlement or curteliment	·· 1*****		0	0						
12A08H.	Total nat pariodic benefit cost			ه اه	اه ا						
12A07.	The summed to be deadle and a second at the				<u></u>						
12401.	The amount included in unassigned funds (surplus) for the perior recognized.	od atleing from a change	in the additional mi	nimum pension liability							
B. Weight	ed-everage secureptions used to determine det periodic benefit o				<del></del>						
				2012	2011						
12A08A. 1	Neighted evenings discount rate				0.000						
12A08C.	Rate of compensation increase			······································	0.600						
Welchi	ed everage assumptions used to determine projected benefit obti	OF end. Your endited									
•				2012	2011						
	Weighted everage discount rate Rate of compensation increase.				0.000						
			<del></del>		0.000						
11. Augum	ed health care cost trand rates			1 Percentage Point	1 Percentage Point						
404444	Effect on total of service and interest cost companions			Incresse	Decreases						
	Effect on poetrettement benefit obligation										
12. The da	amenuseem art to as noticodia tests neign notice fine measureman	t date and the semal or	ed allowing page								
follows		or come our use middle me	eer aeucamin, press	anno na a balcanage or a	con barun waste un						
	۳	2012	2011	Target Allocation	Toront Allandar						
	1	2712		Low End	Terget Allocation High End						
	Debt Securities		0.0	*	X						
12A12C. (	Real Estate			7							
12A12D, (		100 %	D.0	IXX							
					XXX						
13. The fol	lowing estimated future payments, which reflect expected future (	mervica, na appropriata,	are expected to be (	said in the years indicated							
12A18A. 1					Amount						
12A13B. : 12A13C. :					-						
12A13D.		**************************************	71 Tables - 100 -		-						
12A13E.					· }						
404444	The marker. Total				_ <u></u>						

# NOTES TO FINANCIAL STATEMENTS

3.	Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorgan	nizzation <del>a</del>			
	1310. The portion of unessigned funds (surplus) represented or reduced by	ournaletiva unrealized ga	oins and losses	*************************	Amount (81,490)
4,	Contingencies				
	A. Confingent Commitments 14A01, SSAP #97 - total contingent fish lifes		eši pre milote i milote (a i projeci menovenostiva		Amount
	and the programs for each program of the control of			·	2012
	14A03A Aggregate Maximum Potential of Future Payments of Alf Gutrenia guerantees. (Should equal lotal of Column 4 for (2)a above.)	ses (undiscounted) the p	Instantor contribe tech	fred to make under	
	B. Current Liability Recognized in F/8: 14A03B1. Nonconfingent Liabilities.		•		
	14A03B2. Confingent LiebBities		•••••••••••••••••••••••••••••••••••••••		
	C. Ultimate Fixencial Statement impact if action under the guarantes is requi 14A03C1. Investment in SCA	ired.	•		
	14A03C2, Joint Venture 14A03C3, DiMdende to Stockholders (cepital contribution)				
	14A03C4, Expense				
	14A03CS, Other 14A03CS, Total (Should equal (3)a.)				0
					•
	14802 Assessments 14802A. Assets recognized from paid and accrued premium tax officets and	d collect autobarras adau	rusenend		Amount
	14802D. Assets recognized from pold and scorued premium tex offsets and	d policy surcharges cum	ant year-end		
	D. Claims related extra contractest obligations and had faith income atempting	rs from lawrents			2012
	14001. Cisims related 6000 and bed faith losses paid during the reporting pa	ariod			2012
	14D02. Number of claims where encounts were paid to settle claims related a limitable during the reporting period		lons or bed felth delma		
	14D03. Indicate whether claim count information is disclosed per claim or pe	r claimant		***************************************	
5.	Legaca				Operating Leases
	A(2). Operating Lesses - Minimum eggregate rental commitments are as follows:				Operating Copies
	15A02A1. 2013 (year ending December 31)				
		······································			
•	15A02A5. 2017 (year ending December 31). 15A02A8. Aggregate total of all future years				
	B(1). Lessor Lessos - Future minimum lesse payment receivables under nor	arannolokia familia ama	sammente: Want ande	a Dannebar 24\	
	15B01C1. 2013 (year ending December 31)	-		- '	Lessor Lesses
	18801C2, 2014 (year ending December 31) 15801C3, 2015 (year ending December 31)		***************************************	<del></del>	
	15801C4, 2016 (year ending December 31)				
	15901C5, 2017 (year entiting December 31)				
	sono soo. Afterna one or as white bears				
	B(2)(B). Loveringed Leases			2012	2011
	15802B1. Income from leveraged leases before income text including investigations.  15802B2, Less current income tox				0
	1580293. Net income from leveraged bases.			0	0
	B(2)(C). Components of investment in leveraged leases:		1	2012	2011
	16B02C1. Lesse confracts receivable (not of principal and interest on pon-n	ecourse financing)			
	15802C2, Estimated residual value of lessed essais, 15802C3. Unesmed and deferred income		F117911 Ltd ppt-20-pands-5-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-		<u> </u>
	15B02C4, Investment in leveraged leases				
	15802C5. Deferred income taxts related to toveraged leases.  15902C6. Not investment in leveraged leases.				
€.	Information About Financial Instruments With Off-Balance Sheet Risk and Fi	inancial instruments Witt	h Concentrations of Cre	di Risk	
		2012 AM		2012	Miles 2014
	1801A. Swepe		0	<i>2</i> 012	2011
•	16016. Futures	·	0		<u> </u>
	18DID. Tolal	0	0	0	0
۱7.	Sale, Transfer and Servicing of Financial Assats and Extinguishments of Liai				
		Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain/(Loss)
	Bonda				5,412,43
	17002A. NAIC 5 17002B. NAIC 4				
	17002C. NAIC 5		***************************************		
	17C02D, NAIC 6	<del> </del>	<del> </del>	<del></del>	, , , , , , , , , , , , , , , , , , ,
	Professed Stocks	1	İ		
	17C02E, NAIC P/RP 3				0
	17C02G. NAIC P/RP 6				0
	17C02H. NAIC P/RP 6	· L	·	L	0

	Charles and a	no lo lha-Dagadha-Pulli, dans 15-1 Atana		4 B		MEN					
	A. ASO.P	see to the Reporting Entity from Uninsured Plana Spire	WORD THE CHINECISE	G Portor	of Partially in		(1)		(2)		(3)
						ASO Uni	nsured Plane		nd Portion of Insured Plans		Total ASO
	16A0A. N	et reimbursement for administrative Expenses (i	delinimbe gofbulon	radivo fee	a) in excess	<del></del>		i waany	ranter C. Gerie		
	18A09. T	of actual expenses	rest neld to or see	abad fo	m olene)						************************
	18ADC. N	iet gain or (loss) from operations						*************			
	18A00. T	otal otalm payment volume	,			<u> </u>					
	B. ASC P	lana				Γ——	(1)		(2)		(3)
						ASC Uni	(1) neured Plans	Unimud	ed Postion of	,	Total
	1880A. G	bemuoni lece lecitore referencembers exerci							naured Plans		A8C
	1880B, G	roes administrative fass accrued							*****************		
	1880C. O	ther income or expenses (including interest paid tross expenses incurred (cisims and administrati	to or received fro	on plane)		<b></b>			-·····································		*********
	ISBOE. T	otal net gain or loss from operations	· · · · · · · · · · · · · · · · · · ·			***************************************	0		0	<del></del>	
21Q.	Bubprime	Mortgage Refeled Risk Exposure									
	2. Olrect a	opasume through investments in subprime morts	19 <b>004</b> .								
			Book/Adju	setori	2		3		4 Other Tr	en l	6
			Certying \	/elue					Tempon	MY	
			(mooked) Interes	ng *	Pair Va	lua .	Value of		Impeliment		Default
		Mortgegas in the process of forsclosure ,			CAL VI		And Bulk	- 17.	Recogni		Rate
	21G02B.	Mortgages in good standing			ļ						
	21G02C. 21G02D.	Mortgages with restructured terms		0		0		0		0	XXX
		·									
	3. Direct	exposure through other investments					•				4
					•	Book	/Adjusted	İ	8	Off	ver Tibén -
			•	l		Cany	ing Velue				moorary
		and the state of t		Ac	und Cost	in (ex	nsiviling (ereat)	Fe	ir Vatue		ment Loags cognized
	21G03A.	Residential mortgage backed a courities									
	210038. 21003C	Commercial mortgage backed securities						<u> </u>	************		*********
	21G03D.	Structured securities							**************************************		
	21003E.	Equity Investment in SCAs *				<del> </del>		<del> </del>			
	210030.	Total					0		0		
	4. Under	writing exposure to subprime mortgage rick throu	igh Mortgage Girt	manty or	Finançiai Que	runty insu	YANGO GOVERN	<b>28.</b>			
					1	Ι	2		3 Reserves	inus	Reserves
			-	Loss	es Paid in		osces rred in the	A	End of	l e1	t End of
	24/2044	Mortgage Gueranty Coverage		the C	urrent Year	Cur	rent Year	Cum	ent Period	Curr	ent Period
	21G04B.	Financial Guaranty Coverage						<u> </u>			
	21004C.	Other Lines (specify)					0 0				
	21G04D.	Total	Mannan Maria	<u> </u>	. 0	<u> </u>		ــــــــــــــــــــــــــــــــــــــ	0	<u></u>	
21H.	Retained	Assets									
	2			As of End of Current Year		Force As of End		of Pring Vi	-		
					(a)	1	(b)	t	(0)		(d)
	•			Ι.	Number	١.	Nation co	Ι.	lumber		Balence
										•—•	
		Up to and including 12 Months								ļ	
	21H02B.	13 to 24 Months							***************************************	<b> </b>	*********
	21H02B. 21H02C. 21H02D.	13 to 24 Months 25 to 36 Months 37 to 48 Months					11 1 14 1 14 14 14 14 14 14 14 14 14 14		***************************************		
	21H02B. 21H02C. 21H02D. 21H02E.	13 to 24 Months					11 - 14   1   1   1   1   1   1   1   1   1		400 - 100 -		
	21H02B. 21H02C. 21H02D. 21H02E. 21H02F.	13 to 24 Months							1991 1 120 100 100 100 100 100 100 100 100		101 1100 110 110 110 110 110 110 110 11
	21H02B. 21H02C. 21H02D. 21H02E. 21H02F. 21H02G.	13 to 24 Months						MANAGEMENT APPROXIMATION OF THE PROPERTY APPROXIMATION OF THE PROP	4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		(4) per emmere sam é gé és Largén el Gé és y par 
	21H02B. 21H02C. 21H02D. 21H02E. 21H02F.	13 to 24 Months			Ind		0			oup	
	21H02B. 21H02C. 21H02D. 21H02E. 21H02F. 21H02G.	13 to 24 Months				vidual			(3)		(4) Selence/
	21H02B. 21H02C. 21H02D. 21H02E. 21H02F. 21H02G.	13 to 24 Months			Ind	Vidual	(2)				(4) Belance/ Amount
	21H02B. 21H02C. 21H02D. 21H02E. 21H02F. 21H02G.	13 to 24 Months			[nd	Vidual	(2) Raience/		(3)		Salance/
	21H02B. 21H02C. 21H02D. 21H02D. 21H02P. 21H02G. 3.	13 to 24 Months 25 to 35 Months 37 to 48 Months 49 to 80 Months Cver 60 Months Total  Number/Balance of Retained Asset Accounts at the Year	t the Beginning o		[nd	Vidual	(2) Raience/		(3)		Salarice/
	21H02B. 21H02C. 21H02C. 21H02E. 21H02F. 21H02G. 3.	13 to 24 Months	t the Beginning o		[nd	Vidual	(2) Raience/		(3)		Salance/
	21H02B, 21H02C, 21H02E, 21H02F, 21H02G, 3, 21H03A, 21H03B, 21H03C,	13 to 24 Months 25 to 35 Months 37 to 48 Months 49 to 80 Months Cover 80 Months Total  Number/Salence of Retained Asset Accounts a the Year Number/Amount of Retained Asset Accounts is Ouring the Year Investment Earnings Credited to Retained Asset Accounts is ouring the Year	it the Beginning or swed/Added		(1) Ind	Vidual	(2) Raience/		(3) Number		Salance/
•	21H02B. 21H02C. 21H02C. 21H02E. 21H02F. 3. 21H03A. 21H03B. 21H03B. 21H03B.	13 to 24 Months 25 to 35 Months 37 to 48 Months 37 to 48 Months 49 to 80 Months Cover 80 Months Total  Number/Balance of Retained Asset Accounts a the Year Number/Amount of Retained Asset Accounts is During the Year Investment Earnings Credited to Retained Asset Accounts for Charles and Other Charges are and Other Charges Assessed to Retained Asset During the Year Fees and Other Charges Assessed to Retained During the Year	t the Beginning or succi/Added of Accounts d Asset Accounts		(1) Number	Vidual	(2) Raience/		(3)		Salance/
1	21H02B. 21H02C. 21H02C. 21H02E. 21H02F. 3. 21H03A. 21H03B. 21H03B. 21H03B.	13 to 24 Months 25 to 35 Months 37 to 48 Months 49 to 80 Months Cver 80 Months Total  Number/Balance of Retained Asset Accounts a the Year Number/Amount of Retained Asset Accounts is over 80 Months County the Year Investment Earnings Credited to Retained Asset Accounts In County the Year Investment Earnings Credited to Retained Asset Accounts In County the Year Number/Amount of Retained Asset Accounts These and Other Charges Assessed to Retained During the Year Number/Amount of Retained Asset Accounts Thember/Amount of Retained	t the Beginning or swed/Added of Accounts of Asset Accounts to nationed to		(1) Ind	Vidual	(2) Raience/		(3) Number		Salance/
	21H02A. 21H02C. 21H02C. 21H02E. 21H02F. 3. 21H03A. 21H03A. 21H03B. 21H03C.	13 to 24 Months 25 to 35 Months 37 to 48 Months 37 to 48 Months 49 to 80 Months Cover 80 Months Total  NumberBalance of Retained Asset Accounts a the Year Number/Amount of Retained Asset Accounts is During the Year Investment Earnings Credited to Retained Asset Accounts in During the Year Fees and Other Charges Assets Accounts To Number/Amount of Retained Asset Accounts To State Unclaimed Property funds During the Year Number/Amount of Retained Asset Accounts To State Unclaimed Property funds During the Year Number/Amount of Retained Asset Accounts To State Unclaimed Property funds During the Year Number/Amount of Retained Asset Accounts To	t the Beginning or swed/Added at Accounts of Accounts to Accounts		(1) Ind	Vidual	(2) Raience/		(3) Number		Salarice/
	21H02B. 21H02D. 21H02D. 21H02E. 21H02P. 3. 21H03A. 21H03B. 21H03B. 21H03D. 21H03D.	13 to 24 Months 25 to 35 Months 37 to 48 Months 49 to 36 Months Cher 80 Months Total  Number/Balance of Retained Asset Accounts is the Year Number/Amount of Retained Asset Accounts is unique the Year Unique the Year During the Year Number/Amount of Retained Asset Accounts These and Other Charges Assessed to Retained During the Year Number/Amount of Retained Asset Accounts These and Other Charges Assessed to Retained During the Year State Unclaimed Property funds During the Year Number/Amount of Retained Asset Accounts	t the Beginning of sucol/Added of Accounts of Accounts of Asset Accounts of Asset Accounts		(1) Ind	Vidual	(2) Raience/		(3) Number		Salarice/

# NOTES TO FINANCIAL STATEMENTS

238, шусовески калиминов:					
23B01. The Company has written off in the our					Amount
2390 1. The Company has wheat on it till tal	totit kam tahmpula (19 mili) i	Sers chait farous nue consid	Panies isuzu deuny) ute	Alliani (a'	
Which is reflected as:					
23B01A. Losece Incurred					
23BO1B. Loss adjustment expenses incurred					
28B01C. Pramiume serned					
23B010. Other	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		·······		
23C. Commutation of Coded Retrievrance:					
23CO1. Losses Incurred				<b>,</b>	Amount
23C02. Loss adjustment expenses incurred				410,	
23C03. Premiums garned					
23C04. Other					
•					
24D. Medical loss ratio relates required pursuant to ti	he Public Health Service Ac	1			
• •					
	1	2 ·	8	4	6
		Small Group	Large Group	Other Categories	
	Individual	Employer	Employer	with rebates	<u>Total</u>
Prior Reporting Year					
24001. Medical Loss Ratio Rebates Incurred		0			
24002. Medical Loss Ratio Rebates Peld		0	LD	0	
24009. Medical Loss Rabates Unpeid		D	····	0	
24004. Plus reinstrence sesumed amounts	XXX	XXX	LXXX	XXX	
24005. Laur reinsurance ceded amounts	XXX	XXX	LXXX	XXX	····
24006. Rebates Uspeid net of reinaurance	XXX		XXX	XXX	
Current Reporting Year-to-Date	l l				
24007. Medical Loss Ratio Rebates Incurred	P	0	Q	,	
24008. Medical Loss Ratio Rebates Paid			<b></b>		
24009. Madical Loss Rebates Unpaid			<b></b>		
24D10. Plus reinsurance assumed amounts	<u>}XXX</u>		XXX	xxx	
24D11. Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	
24D12. Rebetes Unpaid net of retraurance	XXX	XXX	XXX	XXX	
30. Premium Deficiency Reserves					(1)
3001. Liebility canted for premium deficiency r					
3002. Date of the most recent evaluation of the	is in birty				<del></del>
3003. Was solicipated investment income util	zad in this colculation?				1

## NOTES TO FINANCIAL STATEMENTS

	1311. Cepital and Surgius, Shareholders' Dividend Restricts	ons and Quasi-	Reargantzation	18					
		1	2	3	4	5	- 6	7	8
			l .			Principal		! !	
ļ			i	Par Value		endor	Total	Unapproved	
- 1				(Fece	Corrying	Interset Paid	Principes	Principal	1
	Surplus debentures or similar	Date	Interest	Amount of	Value of	Current	endfor	endior	Date of
	obligations insued:	leaved	Retu	Note)	Note	Year	Interest Paid	Interest	Manurity
	1311001. Surplus Note #1	12/29/2006	5.000	18,750,000	3,750,000		15,000,000	2.733.874	
	1311999. Totals	XXX	XXX	18,750,000	3 750,000	0	16,000,000	2,733,874	XXX

Querter	Estimated Pharmacy Rebution as Reported on Financial Statements	Pharmacy Rebates on Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days Of Billing	Actual Rebates Received Within 91 to 160 Days of Billing	Actival Rebatos Received More Than 160 Days After Silling
26A0103/31/2009		667,329			
28A0206/30/2009	693,229			a com tames erritor e hélit étén blés i néaé y seus-	893,220
26A03	726,072	726,079	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		726,070
28A0412/31/2009	781,301	781,301			781,30
28A0503/31/2010	696,885	596,985			
28A0806/30/2010				,,119,385	
28A0709/30/2010	664,779	864,779			
28A0812/31/2010		1,008,988		780,676	239,52
28A0803/31/2011		J,222,710	·	1,222,718	
28A1008/30/2011	1,383,667	1,383,667	169,969	1,032,248	181 ,44
28A1109/30/2011	1,229,259	1,229,269		1,018,225	211,03
28A1212/31/2011	1,464,474	1,464,474			
28A1303/31/2012	1,495,572	1,495,572	with the contract of the contr	1,495,572	
28A14 06/30/2012	3,208,342	3 208 342	1.779.958		L

#### **GENERAL INTERROGATORIES**

## PART 1 - COMMON INTERROGATORIES GENERAL

1,1	Old the reporting entity experience any meterial in Comicilistics required by the Model Act? Commission	presections requiring the filling of Disclosurs of Ma	terlai Tranascë	ons with the S	Late of			Yes	$\mathbf{t}1$	No	(X)
1.2	If yea, has the report been filed with the dominitier	y state?						Yes	(1	No	( )
2,1	Has any change been made during the year of the reporting entity?							Yes	[ ]	No	[X]
2.2	If yes, date of change;	· · · · · · · · · · · · · · · · · · ·		**************************************							
3.	Here there been any substantial changes in the o	rgenizational chart alnoe the prior querter end?		h:ma:::::::::::::::::::::::::::::::::::				Yes	( )	No	EX 1
	Wyse, complete the Schedule Y - Part 1 - organize	ational chart.							•		
4.1	Has the reporting entity been a party to a merger of	or consolidation during the period covered by this	statement?					Yes	<b>( )</b> .	Ko	(X)
4.2	If yee, provide the name of softly, NAIC Company cessed to exist as a result of the merger or consol	Code, and state of domicie (use two letter state districts).	iboraviation) fo	r sny entity th	et fine						•
		Name of Entity NA/C	2 Company Code	State of C							
5.	If the reporting entity is subject to a management of fact, or stratar agreement, have there been any at if was, attach an explanation.	agreement, including third-party administrator(e), gnificant changes regarding the terms of the agre	managing gen omerit or princi	ral egent(s), ( psis involvedi	Momey-In-	Yea	<b>(</b> )	Но	[X]	KA	[]
6.1	State as of what date the intest financial examinati	ion of the supprince entity uses made as in helps of							401	48.14	
	Sinte the se of date that the latest founded everals	soften record becomes qualitable from although the			414				12/	18/2	2007
	This date should be the date of the exemined belongers or what date the letter financial comminet	ince shifet and not the data the report was compl	rfed or release	L					06/	30/2	2007
	or the reporting shifty. This is the release date or o sheet date).	YOUR MARKET TO BE A COMMON TO BE A SECOND AND A SECOND AND A SECOND ASSESSMENT OF THE PROPERTY	the date of the	ecomination	(belance ·				12/	18/2	2007
6.4	By what department or departments?										
6.5	Have all financial statement edjustments within the statement filed with Departments?	a latest financial evanination report hear second	orl for to a sub-	Annant Franc	فسال	Yes	(X)	No	(1	KA	[]
6.8	Have all of the recommendations within the latest	financial examination report been compiled with?	************		)	Yas	(X)	No	1	NA	[]
7.1	Has this reporting entity had any Cartiflosias of Au suspended or revoked by any governmental entity	filterity, ficenses or registrations (including corpor during the reporting period?	nollarisiger sta	, if applicable)	***			Yes	( )	lib	(X)
7.2	If yee, give full information;										•
8.1	is the company a subsidiary of a bank holding con	npany requisited by the Federal Reserve Scand?						Yea	(1	Mo	(X)
	If response to 8.1 is yee, please identify the name								•		.~.
1.2	is the company efficient with one or more bents,	the or securities flower?						Vec	<i>t</i> 1	Ľ.	
	if response to 8.3 is yes, please provide below the federal regulatory services agency (i.e. the Federal Deposit Insurance Corporation (FDIC) and the Seregulator.]	names and location (city and state of the main o	flice) of any aff	Natus regulate	d by a			( may	. 1	1967	14
	1	2	3	4 -	5	T	•	$\neg$			
	Affiliate Name	Location (Cfty, State)	FRB	occ	FDIC		9EÇ		1		

#### **GENERAL INTERROGATORIES**

B.1	Are the sentor officer is apporting entity subject to a code of ethics, which includes the following standards?	Yes [X]	No []
	(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional rejationships	:	
	(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;		
	(a) Compliance with applicable governmental laws, rules and regulations;		
	(d) The prompt internal reporting of violentions to an appropriate person or persons identified in the code; and		
	(e) Accounts/Ally for echerence to the code.		
0.11	If the response to 9.1 in Mo, places expirate:	•	
9.2	Has the code of athlos for senior managers been amended?	Yes [ ]	No (X)
9.21	If the response to B.2 is Yea, provide information related to amendment(a).		
9.3	Have any provisions of the code of ethics been waived for any of the specified officers?	Yes [ ]	No ( )
9.31	it the response to 9.3 is Yes, provide the nature of any warver(s).		
	FINANCIAL		
10.1	Does the reporting entity report any emounts due from parent, subsidiaries or efficies on Page 2 of this statement?	Yes [ ]	No [X]
10.2	If yes, indicate any amounts receivable from perent included in the Page 2 emount:		<b></b>
	INVESTMENT		
11.1	Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made statishing for use by another person? (Exclude securities under securities lending agreements.)	Yes [ ]	No (X)
112	if yes, give full and complete information misting thereto:		
12.	Amount of rent exists and mortgages held in other invested essets in Schedule BA:		
13.	Amount of resi estate and mortgages held in short-term investingaria:	· ———	
14.1	Does the reporting entity have any investments in parent, eutralistaties and efficiency	Yes (	1 No (X)
	If yee, please complete the following:		
	1 2		
	Prior Year-End Current Querter Bootl/Adjusted Bootl/Adjusted Carrying Value Currying Value Currying Value		
	14.21 Bonds		
	14.23 Common Streit		
	14.24 Shari-Term (westmants		
	14.25 Mortgage Loans on Real Estate		
	14.26 All Other		
	14-27 Total Investment in Parent, Subelitatines and America (Bublistal Lines 14-21 to 14-28)		
	14.28 Total Investment in Perent included in Lines 14.21 to 14.25 above		
15,1	Hee the reporting entity entered into any hedging transcritions reported on Schedule DB?	Yes [	} %o [X]
15.2	If yea, has a comprehensive description of the hedging program been made available to the domictions starts?	Yes [	] Wo [ ]
_			

#### **GENERAL INTERROGATORIES**

18 1	entity's offices, vsuits or safety deposit boxes, pursuent to a cutodial agreement with a quat Consideration, P. Outscaroing of Citizal Fue Handbook?	fled bunk or trust company in cliens, Custodial or Sufekeepi	scoordance with Section 1, ing Agreements of the NAK	, III — Général Exemination C Financial Condition Exeminers	Yes [X] No [ ]
10.1	For ell egreements thet comply with the require	1 of Custodian(s)		ustorden Address MAC 20307-092. Tesps, FL 33602	
18.2	For all agreements that do not comply with the location and a complete explanation;	requirements of the NAIC Fit	nanolei Condition Exeminer	* Handbook, provide the name.	
	Name(s)	Loca li		3 Complete Explanation(s)	
	Have there been any charges, including name If you, give full and complete information relati		idervified in 16.1 during the	e current querier?	Yes [ ] No [X]
	Old Quetodien	New Custodian	Deta of Change	4 Résson	
18.5	identify all investment advisors, brokenidesien accounts, handla secutifes and have suthority	or individuals acting on beha to make investments on beh	of broker/deplays that has all of the reporting entity:	vs access to the investment	
	Central Registre		2 Neme(s) 525   ol Management, fac., CA 8	Address Address Berket St. 10th Floor, Sen Francisco, 4105	
					,

# GENERAL INTERROGATORIES PART 2 - HEALTH

• • • • •	
1.1 AAH loss percent.	<u> </u>
1.2 A&H cost containment percent	5
1.3 A&H expense cercent excluding cost containment expenses.	1
2.1 Do you act as a outcoden for health savings ecounts?	[X]
2.2 If yes, please provide the amount of custodial funds hold as of the reporting date.	_
2.3 Do you act as an edministrator for heelth savings accounts?	[X]
2.4 If yes, please provide the belance of the funds administered as of the reporting data	_

SCHEDULE S - CEDED REINSURANCE Shorted Mar Subservance Treates - Current Year to Each

		(Yes or No)																																	
	Type of	Ceded	***************************************																																
4	o .!	Domicilary																																	
		Name of Foliceuter																																	
		Plective																		Ì															
	2	Factorial D Manager																																	
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	-	200																																	

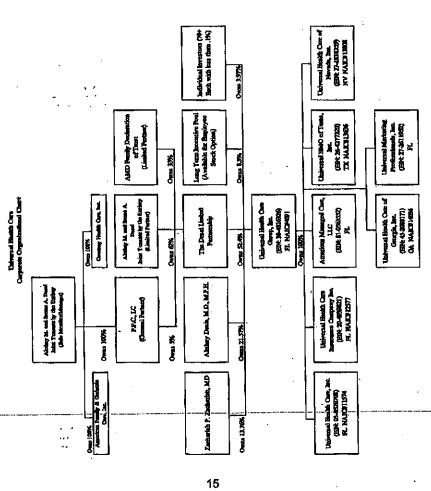
#### SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

		7 1	Current Year	to Date - Alloc	aled by States	and Territorie	s inese Only			
		1				·5				
			2	3	4	Federal Employees Health	6 Life & Annuity	7	. B	9
	Steles, Fig.	Active Status	Accident & Health Premiums	Medicare Tide XVIII	Medicald Title XIX	Benefits Program Premiums	Premiums & Other Considerations	Property/ Casualty Premiums	Yotal Columns 2 Through 7	Deposit-Type Contracts
	Alabama					·····			0	
_	AisstuAK ArizonaAZ								0	
	ArkanesisAR				, , , , , , , , , , , , , , , , , , ,		*****			
	CeliforniaCA				***************************************					merced 144 add -4 4,42 ame ( ) 1 1
	ColoradoCO			<del></del>		~!#!#####	***************************************	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0	***********
	Coleware						- d-10-11 C 41 C 10 C 10 C 10 C 10 C 10 C 10 C	***************************************	0	
۵.	Diet. Columbia									
	PiorideFL		1, 178	_247,930,740	98,548,641				_346,481,557	***********
	GeorgiaGA		-reppersy spaniers surpre		***************************************	····			0	
	idahoID									
	Macle ,		···		·					
	Indiana									
	Kenese			)						
18.	Kentucky KY						.,.,.		0	
	Louisiano ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			W			<b>.</b>			ļ
	MakieME MarylandMD			·····				·		
	Musee churete					···	***************************************	······································		
	Michigan Mi							***************************************		
	Minnesots				***************************************		***************************************		O	***************************************
	Misetselppi				·,,,,,,,,,		PROPERTY OF HEIGHT	1 THE R. LEWIS CO., 18 CO., LANS.	0	
	MontanaMT							,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
	HistoriakaNE		····		·		<b></b>			
	NovedaNV					····				***************************************
	New Jersey	**************								
	New MandooNM		····			<del> </del>	<b> </b> -			1911) /
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45.	UtahUT									***************************************
	VermontVT		<b></b>	<b></b>	<del> </del>	<del> </del>	- <del> </del>	·		
	Washington		<u> </u>							
	West VirginiaW	<u> </u>	ļ	<u> </u>		ļ	<b></b>	·}		) <u></u>
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	Guern					<b></b>				
	Puerto Rico	······································	<del></del>	<del> </del>	<del> </del>	<del> </del>	- <del> </del>			`
	U.S. Virgin Islands					1				<u> </u>
67.	CanadaCN					ļ	ļ			)
	Aggregate other silenOT	XXX								9
	Reporting entity contributions for Employee Benefit Plans	XXX	1,176	_247,930,740	98,549,641			<u>'</u>	346,481,55	,
<u>e1.</u>	Total (Direct Business)	(a) 1	1,178	247,930,740	98,549,641	<u> </u>	7	)	348,481,55	7
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5802. 5803.		XX	<del> </del>			<u>" </u>		1	T	
	Summary of remaining write-ins for		<u> </u>				_			_
l	Line 68 from overflow page	xxx	<del> </del>	}	······	' <del> </del>	P	P	P }	P
Dead)	Totale (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX			) ( wiciled RRGe; (Q)	<del>'                                    </del>			<u>ol</u>	<u>ol                                     </u>

(L) Licensed or Cheriense - Licensed Insurance Carrier or Domistide RRG; (R) Registered - Non-domistide RRG; (Q) Qualified - Qualified or Accresited Reinaurer; (E) Stightle - Reporting Entities elligible or approved to write Sustainant in this state.

(a) Insure the cumples of L responses except for Canada and other Allen.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

15.1

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

# SCHEDULE Y PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

ð		•			Ì																	
<b>±</b>	Uniformity Controlling	Entity(les)/ Person(s)	Akshay 1. Dasni,	Archer   Decai		Akshey B. Deski, Mi	Akshay II. Desai ,	Akshey A. Desai.	Atshay 11. Desel,	Alcebay B. Desai.	Alshay B. Desai. ID	Akshay N. Desei. M	Zachar ish P. Zachar ish 🖽	Akahey II. Desel , ID	Akshay M. Decai.	Aksimy B. Desai, MD	Alarinay II. Desai,	Varions				
<u> </u>	P Control is Connecting	Percentage	2112		100.0	180	100.0	9	9	9	980	100.0	100.0	100.0	0,001	_	100.0	100.0				
Type of Confeel	Board, Management,	Alterno, Other)	i ti		Ormer ship.	Omership.	Omership	Omegyddillo	Omerskin	, de la constant de l	Omership	Ognership	Opposit Ship.	Omershio	Omership	Omership	Omerchip	Omership				
F		Directly Controlled by (Nems of Edity/Person)	Akshay Desel, ID, CEO,	Laiverse Spelts Care Scop.		Universal line(il) Care Group, inc.	Universal Health Care Group,	Universal Itealth Care Group.	Universal Health Care Strap,	Uniter and Comp. Sprain	Alsohav and Street Detail	Ashay and Seens Desai	Zactariah P. Zactariah, 10	Alshay and Steps Desai	Aksivar and Small Desail	Abstrar II. Desal . III.	Akstay and Seems Desail.	Various.				
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<b>.</b>		Dominiary Location :	c		4	i.		<u> </u>	5 6	]		IL.	G	-	,	ď	æ					
<b>ab</b>	o e Gaza	Perent Subsidiaries or Afficials	Universal Health Care Group,	110,	Universal Heeith Care, Inc.	Universal Health Cure Insurance	Inimeter 187 of Tayon 100	Universal Has in Care of		American Family & Gerladric	Carriery Hand 11 Carrier	Desai 1 jailed Partzership	Zookerjah P. Zastarijah ID	D D C 1C (General Partner)	A. Desai & S. Desai (Linited	Enils Deletation of Tost	A. Decal & S. Decad (Sole Member) ATF	Individual Investors Less than				
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ø.	<u>.</u>	Company	8	00000	16574		- Joe -		98	3000	0000	mm 0	3000	amm		2000	3000	CERTIFIC	- T			
87		1	Universal that in Care Group.	2	Laiversal Health Care Group.	Universal Headth Care Group.	hiversal Health Care Group,	hiversal Health Care Group.	hiversal Health Care Group.	hiversal Health Care Group,	Universal Health Care Group,	niversal Mealth Care Group,	niversal Health Care Group.	niversal Health Care Group,	hiversal Health Care Group,	hiversal Health Care Group.	in wersal that th Care Group,	liciversel Realth Care Group,	36		*	
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#### SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filled as port of your eletement filling. However, in the event that your company does not transact the type of business for which the special report must be filled, your response of NO to the specific interrogatory will be accepted in ties of filling a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filled for whatever reason aniar BBE EXPLANATION and provide an explanation following the interrogatory questions.

	RESPONSE
1. Will the Medicare Part D Coverage Supplement be filed with the state of domicilis and the NAXC with this statement?	
Explanation:	•
<b>1.</b>	
Bar Code:	
·         IODULİREYİNYÜNYÜNYÜNYÜLÜLÜLÜLÜLÜLÜLÜLÜLÜLÜLÜLÜLÜLÜ	

#### **OVERFLOW PAGE FOR WRITE-INS**

#### SCHEDULE A - VERIFICATION

Resi Cotate		
	1 Year To Dete	2 Prior Year Ended December 51
Book/adjuried carrying vatus, December 31 of prior year     Cost of acquired:	9,742,442	
2.1 Actual cost of time of sequisition 2.2 Additional investment made after sequisition		
2.2 Pocusional investorism (name siter ecquesicon		Ď
4. Total gain (loss) on disposals		<u> </u>
Deduct amounts received on disposals     Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized.		
Deduct current year's depreciation     Book/adjusted carrying value at the end of current pariod (Lines 1+2+3+4-6+8-7-8).	3,570,483	343,454 9,742,442
10. Deduct toles nonedmitted emounts	470,772	479,254
11. Statement value at end of current period (Line 9 minus Line 10)	9,099,721	9,253,188

#### **SCHEDULE B - VERIFICATION**

Mortgage Loans		
	1 Year To Data	2 Prior Year Ended December 31
Book valualmonded investment excluding account interest, December 31 of prior year,		
2. Cost of acquired:		_
2.1 Actual coef at time of acquisition		ļ <u></u>
2.2 Additional investment made after acquisition		
Cepitelized deferred interest and other.		
5. Unreelized valuation increase (decrease)		L
6. Total gain (bas) on dispossis		
7. Deduct amounts received on disposals.		
Deduct amortization of premium and mortgage interest points and commitment fees		
Total foreign exchange change is book value/recorded investment excluding accrued interest		
10. Deduct current year's other then temporary impairment recognized.		ļ <u>.</u>
<ol> <li>Book valuarecorded investment excluding exerced interest at end of current period (Lines 1+2+3+4+5+6-7-</li> </ol>	1 _	1 .
8+9-10)		<u></u>
12. Total valuation allowance.	,,,	
13. Subtolal (Line 11 plus Line 12)		<u></u> [
14. Deduct total nonedmitted emounts.		<u> </u>
15. Statement value at end of current period (Line 18 minus Une 14)	1 0	<u></u>

#### **SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Assets		
	1 Year To Date	2 Prior Year Ended December 31
	Tem IO Date	Opposition 31
Book/adjusted carrying value, December 31 of prior year	0	<u>ر.                                    </u>
2. Cost of seculard:		
2.1 Actual cost at time of acquisition		LD
2.2 Additional investment made after acquisition		L0
3. Capitalized deferred interest and other		0
4. Aconsal of discount		
5. Unvestized velocition increase (decrease)	·	· · · · · · · · · · · · · · · · · · ·
6. Total gain (loss) on dispossis		<del></del>
7. Deduct emounts received on disposals	····	\$, <u>1</u>
8. Deduct amortization of premium and depreciation.	ļ	<u></u>
9. Total foreign exchange change in book/adjusted carrying value		Ļ.,
10. Deduct current year's other than temporary impeliment recognized		L
11. Book/edjuried carrying value at ead of ourrent period (Lines 1+2+3+4+6+8-7-8+9-10).	10	
12. Deduct total nonadmitted amounts	0	
13. Statement value at end of current period (Line 11 minute Line 12)	T	[
14. Americant smith \$4 and as renisms blanks from 11 10000 mile 17	<del> </del>	

#### **SCHEDULE D - VERIFICATION**

Bonds and Stocke		
	1 Year To Date	2 Prior Year Ended December 31
Book/adjusted cerrying value of bonds and stocks, December 31 of prior year     Cost of bonds and stocks acquired.     Account of discount.	3,536,198 3,001,996	24,254,907 11,785,981 (6,719)
Unnestized valuation increase (tecrease)     Total gain (loss) on disposels.	24,188	(166,710) 2,497,010
Deduct consideration for bonds and stocks disposed of.     Deduct amortization of premium.     Total foralism reconsideration of premium.	493,005 8,272	34,807,047 222,224
Deduct current year's other than temporary impelment recognized     Bookleducted cerrying value at end of current period (Lines 1+2+3+4+6-8-7+8-9)		3,538,199
11. Deduct folal nonedmitted amounts.  12. Statement value at end of oursent period (Line 10 minus Line 11)	6,081,117	3,636,198

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

# SCHEDULE D - PART 1B showing the Acquients and Anni-Trading Archifery

		2	2	4	S S S S S S S S S S S S S S S S S S S	Bootstarted	Prob/h/h miner	Broking B
	Carying Value	Acquisitions	Ospositoris Darbus	Acady	Carrying Value End of	Cerying Value End of	Camyling Visitas End of	Carrying Visites December 31
	Current Quarter	Current Quarter	Current Quanties	Current Quarter	First Quarter	Second Quarter	Third Querter	Prior Year
sawa								
	<b>19</b>	171,848,943,171	50,208,812	(3,715)	798, 734, 52	906' 980' 68	<b>(</b>	63,014,750
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(3)					6	g	9	
	9				g	g	0	
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G. CHESO (#)	18. CD. St	171,000,00	50,208,812	(3,719)	92,457,884	905'890'68	0	63,014,750
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PREFERRED STOCK								
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	6	•			9	0	q	
, (MSS)	c				6	0	g	
10. Chies 3	<				0	9	0	
11. Class 4					0	9	9	
12. Chara 5	9				0	0	0	
14. CB16 6	0	0	0	0	3	Û	0	0
The state of the s		FCF 684 67	50 206 812	19.7.E	80.45T.884	305, 300, 66	0	63,014,730

#### SCHEDULE DA - PART 1 Short-Term Investments

	i	2	3	4	5
·	•				Peld for Apprued
	Book/Adjusted*			Interest Collected	Interest
<u> </u>	Carrying Value	Par Value	Actual Cost	Year To Date	Year To Date
0199999	68,064,106	xx	68,084,106	24,050	

#### SCHEDULE DA - VERIFICATION Short-Torm Investments

	1 Year To Date	2 Prior Year Ended December 31
Bookladjusted certying value, December 31 of prior year	61,509,071	28,969,268
2. Cost of short-term investments acquired	93,989,622	
3. Appruel of discount		
4. Unremitzed valuation increase (decrease)		مم
6. Total gall (lose) on disposals	(17)	
6. Deduct consideration received on disposeis	67,414,470	69,005,799
7. Deduct arroritzation of premium.	**************************************	د
8. Total foreign exchange change in book/adjusted certying value		
9. Deduct current year's other than temporary impairment recognized.		مـــــــــــــــــــــــــــــــــ
10. Book/adjusted certying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	88,084,108	
11. Deduct total nonedmitted amounts.		
12. Statement value et and of cyment period (Line 10 minus Line 11)	88,084,105	61,509,071

Schedule DB - Part A - Verification NONE

Schedule DB - Part B - Verification NONE

Schedule DB - Part C - Section 1
NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification NONE

Schedule E - Verification NONE

Schedule A - Part 2
NONE

Schedule A - Part 3
NONE

Schedule B - Part 2
NONE

Schedule B - Part 3
NONE

Schedule BA - Part 2
NONE

# Schedule BA - Part 3 NONE

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

SCHEDULE D - PART 3

S S

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D

NONE

Schedule DL - Part 1

Schedule DL - Part 2 NONE

#### SCHEDULE E - PART 1 - CASH

	1		2	3	4	5	Book B	leience at End of During Commet Co	Each	Т
	Depositor	,	Code	Rate of Interset	Amount of Interest Received During Current Quester	Amount of Interest Accrued at Current Statement Date	6 Final Month	During Ourrent Q 7  8econd Month	8 Third Month	
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ELLS FAMO FETH THIN FETH THIN FETH THIN FETH THIN ECONTIL	Deposition  District Depositio	TAIPA, FL. JAIPA, FL. JAIPA, FL. TAIPA, FL. TAIPA, FL. TAIPA, FL. FLORON, DEPARTMENT OF			<b>78</b>		14, 191, 839 1, 1068, 268 (B, 174, 680) (3, 811, 971) 1, 204, 089 3, 478, 430 1, 999, 970	16,636,825 2,353,323 11,886,191) (3,924,230) (1,294,180 3,476,695 (1,989,970	2,297,197 (2,548,628) (1,429,658) 1,204,249 3,527,652 1,990,970	3
	I OFFOSIT	FLORIDA DEPARTMENT OF FINANCIAL SERVICES	80	2,228	1.768		300,000	300,000	300,000	
19996	Deposits in		XXX.	хох	414 4,834		960,651 10,214,734	(528,220)	(132,997)	Τ
ISSUES 1	olal Quen Dagos Hories	· · · · · · · · · · · · · · · · · · ·			4,834	1.571	10,214,734	9,824,332	9,1/2,364	ť
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	Spet in Corpuny's Office Tetal		100	TOX TOX	3XX 4,884	XXX	I			

# Schedule E - Part 2 NONE

# Medicare Part D Coverage Supplement NONE

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# QUARTERLY STATEMENT AS OF JUNE 30, 2012 OF THE CONDITION AND AFFAIRS OF THE

Universal Health Care, Inc.

	091 et Parloch	(Prior Period)	NAIC Company	Code 1157	4 Employer's	a ID Number	05-0528708
Organized under the Laws of		(Prior Pance) Florida		Chain of Domi	alle or Port of Entry	61	ioride
Country of Domicile			·· <del>-</del> · · · · · · · · · · · · · · · · · · ·	State of Bolling United States	ale or Portor Emy		<u> </u>
· —		ent & Health [ ] vice Corporation [			Hesith Maintena	il & Dental Service ince Organization ily Qualified? Yes	• •
ncorporated/Organized		07/30/2002	Commer	ced Business		09/01/2002	[71] (10]
Hatutory Home Office		100 Central Avan (Sirest and N			St. Pei	tersburg, FL 3370 own, State and Zip Cod	1
dain Administrative Office	100	Central Avenue, Sui		St. Pete			27-R22-344A
<del></del>		(breet and Number) ntrail Avenue, Suite :		(City or Tou	vn, State and Zip Code)	(Area Co	de) (Telephone Hymber)
Azil Address	(5)24	i and Humber of P.C. Box)	.00	•	Ot. 1 droids	State and Zip Code)	
Primery Location of Books an	d Records	100 Central	venue, Sulte 200		Petersburg, FL 3370 or Town, State and Zip Cod	1 7	27-456-6517 de) (Telephone Hismber)
nternet Web Site Address		forest	and Number)	www.univhc.c	or Town, state and zip Cod orn 72	m) , (Amarca	36) (1 insthubus umatibet)
Statutory Statement Contact		Maria C Ze			72	7-458-8580	
mzev	allos@unh	ho.com	, "	•	(Area Code) (Tel 727-329-(	ephone Mumber) (Exter 2038	relan)
	(E-mail Addre	ME)		· · · · · · · · · · · · · · · · · · ·	(PAX Num	ber)	
•			OFFIC			_	
Name Administration of the state of the stat	<b></b> .	Title	n <del>i</del> n		ime I Detel		Title Counsel, Secretary
Akshay-M. Desai MD, Mi Deepak Desai	<del>""</del> _	President, Chief Strategy		Steven J	l. Patel Schaefer		Secretary
			OTHER O				
Jeff Ludv		Chief Marketin	g Officer		Holohan	Chief Ope	erating Officer
. Akahay M. Desal MD, Mi	<del></del> .		0881		B Desai		n Adhle
				•			
State of	Floride				•		
County of	Pinelles		15				•
The officers of this reporting enti- above, et of the herein described this stetement, long-time with refa- end of the condition and affairs of been completed in socordance with offier; or, (2) that state nulse or knowledge and belief, respective when required, that its an exect regulators in Sec of or lay didition	I essets were used exhibite, of the said re with the NAI- regulations sty, Furtherm copy (excep	i the absolute property echedules and explan porting entity as of the C Annual Statement in require differences in ore, the scope of this t for formatting differen	of the said reporting attons therein contain reporting period sta- atructions and Acce- reporting not relate	antity, free and clean ined, annexed or ref ited above, and of its unting Practices and it to accounting pra-	r from any fiere or claim erred to, is a full and to a income and deduction of Propedures measure a classical and propedure.	ns thereon, except a rue statement of all is as therefrom for the except to the extent, according to the bear according to the bear	a herein stated, and the the assets and liabilitie period ended, and have that: (1) state have ma- test of their informations and differ with the MAI/
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Akahay M. Der CEO, Presi				k Deset agy Officer			
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Subscribed and swom to	hefore me	thin			b. If nox	<u> </u>	
day o	f Dec	smber, 2012			1. State the am	endment number	2
No.	-	0.00		•	<ol> <li>Date filled</li> <li>Number of presented</li> </ol>	anne atterhad	
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#### **ASSETS**

	Ac	OE 19		<u> </u>	
,	····		Current Statement Date		4
		1	2	3	
				Net Admitted Assets	December 31
		Assais	Nonadmitted Assets	(Cols. 1 - 2)	Prior Year Net Admitted Associa
1. 1	3onde	1,004,400	Manual Sales Manual Company		
	Notice:			1,004,400	1,595,878
	4.0.0				
				<u></u> O	D
	2 Common slocks	5,058,717		5,066,717	2,030,520
3. 1	fortgage leans on real estate:				
	.1 First lens				0
. 3	2 Other than first Fens				
	Real estate:				
	.1 Properties accupied by the company (less				
	ancumbrances)	A 530 JOA	J7A 27A	A 400 704	
	1.2 Properties held for the production of lacome				9,263,188
	less \$sncumbrances)	<u>-</u>			ρ
- 4	.3 Properties held for sale (less				
	ancumbrances)				n
	Seeh (\$9,172,584 ).				
	ash equivalents (6) )			ľ	
	and short-term investments (\$88,084,108 ).	07 050 000		AT ATA 000	<b>74</b> 444 444
					72,041,962
	Contract loans (Including \$premium notes)			0	
	Portvotivos		ļ		
	Other Invested accets	0		D	۵
	Receivables for securities			D	
10. E	Recurities lending reinvested collaieral assets	**************************************		Δ	Λ
	Ogregate write-ins for invested assets		0	Δ	n
	Publiciale, cash and invested assets (Linea 1 to 11)				84 841 34R
	Tile plents teas \$				
	· - ,		'	_	
	MI(y)				
	nvestment income due and accrued	9,284	,	9,284	9,160
15. F	Prémiume and considerations:				
1	6.1 Uncollected premiums and agents' balances in the course of		<u> </u>		
ه ا	poleotion				
-1	i5.2 Deferred premiums, agents' belances and Installments booked but				
	leferred and not yet due (including \$				
	out unbilled premiums)			۱ ،	
	15.3 Accrued retrospective premiums	23,847,154		92 047 454	10.254.670
		23,046,134		23,047,154	
	Reinsurance:				
	18.1 Amounts recoverable from reinsurers				1,980,423
	18.2 Funds held by or deposited with reinsured companies		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		0
	16.3 Other amounts receivable under reinsurance contracts	***************************************			0
17. /	Amounts receivable relating to uninsured plans			·	٥٥
18.14	Current federal and foreign income tex recoverable and interest thereon	9.011.384		9.011.384	2,538,018
	Net deferred tex assol.	16,035,846		1 ' '	5,068,482
	Gueranty funds receivable or on disposit			0	
				<u> </u>	J
	Electronic data processing equipment and software			ļ	<u> </u>
	Furniture and equipment, including health care delivery assets			1	
	<b>*</b>				} <b>-</b>
22.	Not adjustment in essets and lichilities due to foreign exchange rates				0
23.	Receivables from perent, subsidiarias and affiliates	118,327	118,327	ļ	
24. (	Health care (\$1,087,227 ) and other amounts receivable	20,081,873	18,994,576	1,087,297	2,635,282
	Aggregate write-ins for other than invested assats				606,363
20	Total essait excluding Repende Accounts, Represented Accounts and				
l	Destructed Call Assessment (I lease 40 to 92)	186, 143,391	29,397,060	166,745,422	107,921,736
	Protected Cell Accounts (Lines 12 to 25)	100, 140, 381	60,001,000	100,170,762	401 10C 1 1 7 OC
	From Seperate Accounts, Segregated Accounts and Protected		1	.	· .
	Cell Accounts.		†	T	
	Total (Lines 26 and 27)	186,143,391	29,397,969	156,745,422	107,921,736
	DETAILS OF WRITE-INS		1	1	
1101.				·l	
1102.		***************************************			1
1103				1	I
	Summary of restaining write-ins for Line 11 from overflow page			. [	
	· · · · · · · · · · · · · · · · · · ·		,		,
	Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			<del></del>	<del></del>
	Deposits for claim obligation	1,247,744	•		
	Accounts Receivable		1		
	Prepald Expense.			·	ļ
2598.	Summery of remaining write-ins for Line 25 from overflow page			ļ	
	Totale (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,315,550	709,196	698,364	806,35

LIABILITIES, CAPITAL AND SURPLUS

	•		Current Period		Prior Year
		1 Covered	2 Uncovered	3 Total	4
1.	Claims unpaid (less \$ reinsurance ceded)	89,636,850	7112719104	-	Total
2	Accrued medical incentive pool and bonus emounts			1 ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' '	83,616,54
3. (	Unpaid chilms adjustment expanses	957 585	THE CONTRACT OF THE PROPERTY O	1	
4.	Aggregate has its policy reserves including the liability of			057,585	749,00
1	for medical foes ratio rebete per the Public Health			]	
	Service Act				
5. /	Accompanie PMs and in the control of			1 1	····
8. F	Properly/casualty unearned premium reserve	114444444444444444444444444444444444444	***************************************	1	
7.	Aggregate health claim reserves				······································
8. F	Premiume received in advance	44 400 PM		······································	
9. 0	General expenses due or accrued	4 005 500			
10.1 0	Current federal and foreign income tax psymble and interest frameon (including			4,236,569	4,584,278
	on realized gains (losses))	ł		Ì	
10.2 7	Net deferred tex fieblity.		······································		
11. 0	Sarlard columnana a accesso a constant				Δ
19 4	American (Alberta - anti-tare for the			iii	0
49 0	Amounts withhald or retained for the account of others	582,436		582,436	583,612
10. N	territianose and items not allocated		· · · · · · · · · · · · · · · · · · ·		0
	conowed money (Including \$				
	rierest thereon \$ (Including			i	
	CUITONI)				
16. A	mounts due to parent, subskilaries and affiliates	51			
16. D	erfvetives	1			
17. P	Symble for according			_	
18. P	Ayabla for securities landing				
19. P.	unds held under reineurance treaties (with \$	1.		1	
<b>P4</b>	rthorized releasurers and \$				
40. KI	ameurance in unauthorized companies				
21. N	of adjustments in assets and liabilities due to foreign exchange rates			•	
22. LL	ability for amounts held under uninsured plans	B 110 204			D
23. Ag	goragets write-ine for other liabilities (including \$			8,110,231	
ou	West, Control of the	4 502 200			
24. To	otat Babilities (Lines 1 to 23)			1,663,280 [	1,650,656
25. Ac	ogregate write-ina for apacial aurplus funds			144,484,520	
20. Cd	ommon capital stock				
27. Pr	eferred cepital stock		xxx	316	316
28 G	Man And In and an idle and a second				0
29. Su	rose paid in and contributed surplus		××	\$1,640,684	11,640,684
40 6	urplus notes	×××	xxx	3,750,000	3,750,000
ar va	Musican wile-fut for other futu special stripins frugs	XXX	. xx		
31. Ur	neasigned funds (surplus)		xx	(3,130,098)	(1,608,497)
	Ha treasury atook, at cost:			1	
32.	1shares common (valus included in Line 26			ļ	
8	)	xxx	xx		n
32,	2sharee preferred (value included in Line 27				
\$.	* ************************************	XXX	xx		۸
33. To	tal capital and surplus (Linea 25 to 31 minus Line 32)		xx	12,260,902	13,882,503
34, To	tal liabilities, capital and surplus (Lines 24 and 39)	xxx	xxx	156,745,422	107,921,738
DE	TALE OF WRITE-ING	-			103 108 11390
D1. ÁCO	crued Ru			1,582,000	4 848 047
02. AC	orund Plan To Plan Payable.	1,280		1,280	1,846,647
)3.					5,008
28. <u>8</u> u	mmery of remaining write-ins for Line 23 from overflow page	n			
	tels (Lines 2301 through 2303 plus 2368) (Line 23 above)	1,563,280	0	0	
)1				1,563,280	1,650,656
02			xx		
)9		xxx	xxx		
	mmany of remaining write-las for Line 25 from evertiow page				
			xx		ا مــِــــــــــــــــــــــــــــــــــ
	tele (Lines 2501 through 2503 plus 2598) (Line 25 above)	xxx	xxx	0	
И У	***************************************	xxx	xxx,		
2	71111	xxx	xxx		
33	**************************************		xxx		
98. Bu	mmary of remaining write-ine for Line 30 from everflow pegs	xx			0
	tals (Lines 3001 through 3003 plus 3098) (Line 30 above)	xxx			

### STATEMENT OF REVENUE AND EXPENSES

		er To Date	Prior Year To Date	Prior Year Ende December 31
1. Member Months.	1 Uncovered	2 Yotel	3 Total	4
2 Alexander Constitution of the constitution o	xxx		582 992	Total
Tempe in Unearred premium reserves and reserve for rate credits		345 , 481 , 567	263,769,917	547 , 065 , 03
4. Fee-to-service (net of \$	xxx	N 15614.15	0	
p. Mask Wypune	xxx	***************************************	0	
5. Aggregate write-ine for other health care related revenues	XX	±		
7. Aggregate write-ine for other non-health revenues	xx	0		
8. Total revenues (Unes 2 to 7)	x	348, 481, 567		
spital and Medical:			265,106,256	547,065,03
	1 1	1		
		248,584,766	168,854,639	376,602,16
10. Other professional survices 11. Outside referals		4,739,706		
12. Emergency room and out-of-area			0	
3. Prescription drugs			16,891,979	33,565,38
14. Aggregate write-ins for other hospital and medical.			32,040,972	58,462,027
5. Incentive pool, withhold adjustments and bonus amounts.	, F			
6. Subjected (Lines 6 to 15)				
,	1	315,594,870	226,546,569	483,909,042
);	i	. 1	1	
7. Net minuurance recovertee				·
c. This response and medical (Lines 16 minus 17)		245 504 674		
w. Non-health claims (net)		316,694,670		
U. Claims adjustment expenses, including \$		200 524	<u>-</u>	0
expenses.				442,358
. Cemeral administrative expenses	***************************************	A1.100 300	36,402,819	
Indicate in reserves for the end accident and health contracts described				
S		<u>i_</u>		
		868, 803, 636	261,045,576	653,796,311
the second second from the second sec	xx	(10,422,079)	4,069,679	(6,731,278)
The state of the s		741,732	239,281	2,239,557
Net resilized capital gains (losses) less capital gains lax of 5.     Net invesiment gains (losses) (Lines 26 plus 26).		(17)	8,851	
Not gain or (lose) from agents' or premium balances charged off ((amount recovered	0	741,715	248,132	3,862,614
8		. [	1	
Aggregate write-ins for other income or expenses				Δ
			h	··
/ AT pass 20 pine 28)	xxx	(9,680,364)	4,307,611	(2,868,664)
- Learnest mad totalibu widowe passe judnised	xxx		1,843,407	(2,566,654) (900,054)
Net income (lose) (Lines 30 minus 31)	XXX	(9,680,384)	2,664,404	(1,968,610)
DETAILS OF WRITE-INS				11190,010
	xxx			
	xxx			
Summery of managing pulls, by the 4 three states and the states and the states are states as the states are states as the states are states as the states are states as the states are states as the states are states as the states are states as the states are states are states as the states are states are states as the states are	xxx			
Totals (Lines 0601 through 0603 plus 0698) (Line 6 shove)	×× <u>+</u> -			
Rant Revenue	<u>xxx</u>		0	0
	xxx		336,338	
Summery of remaining write-ine for Line 7 from overflow page	XXX			
Totale (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX			مـــــــــــــــــــــــــــــــــــــ
			1,336,338	
			·	·
	P1171 Inventor and P		***************************************	
Burnmary of remaining write-line for Une 14 from overflow page				·····
Totale (Lines 1401 through 1405 plus 1498) (Line 14 shove)		0	ا ه	·
, m part 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1			<del></del>	
	1			
Summery of remaining write-line for Line 29 from overflow page	***************************************			I

		1	2	3
		Current Year To Date	Prior Year To Oale	Prior Year Ended December 31
	Capital & Burplus account			
3. Cap	tel and surplus prior reporting yeer	13,862,503	33,145,108	33,148,10
4. Neti	noome or (loss) from Line 32	(9,680,384)	2,684,404	1,968,61
đ, Cha	nge in valuation basis of aggregate policy and claim reserves	,,		
8. Chai	nge in net unrealized capital gaine (losses) loss capital gains tax of \$	15,728	105,449	
	nge in net unreelized foreign exchange capital gain or (loss)	i l	1	
	nge in net deferred Income tax	i l		
:	ngé in nonadmitted assets	1 1		(24,834,13
	rige in unauthorized reineurance	1		
	nge in treesury stock			
	nge in surplus notice	l i	'	
IS. Cun	sulative effect of changes in accounting principles		0	
-	fal Changes:			
	Paid in			
	t Transferred from surplus (Stock Dividend)	1		(48) ha (4)
	8 Transferred to eurphie		MINISTER CONTRACT SOURCE MANY LANGE	
	plue edjustments:			
	Pekil ki	, i	0	
	3 Transferred from depital			
	dends to stockholders			
	prografe write-fins for galine or (losses) in surplus	ı	0	
	t change in capital and surplus (Lines 34 to 47)			
	pitel and surplus and of reporting period (Line 33 plus 48)	12,250,902	1	
	TABLE OF WRITE-RIS			
ron				
r02				
			i	

4799. Totale (Lines 4701 through 4703 plus 4798) (Line 47 above)

#### **CASH FLOW**

	·	1 1	2	. 3
		Current Year To Date	Prior Year To Date	Prior Year Ended December 31
	Cash from Operations	10 0000	19 08,0	OGODINOU O I
1.	Premiums collected net of reinsurance	374,287,591	257.035.632	527,532,74
	Het Investment Income	921.829	446.500	3.029.98
	Miscellaneous Income	0	1,336,338	)
	Total (Lines 1 to 3)	375,209,420	258,818,470	630,562,737
	Benefit and lose raisted payments		211,031,294	
6.	Het transfers to Separate Accounts, Segregated Accounts and Protected Call Accounts.		0	
7.	Commissions, expanses paid and aggregate write-ins for deductions	38, 195,006	34,114,077	
3.	Dividends paid to policyholders		0	
₽.	Federal and foreign income taxes paid (recovered) not of \$			
	gains (losses)	6,486,677	(921,471)	718,93
	Total (Lines 5 through 6)	349,534,982	244,223,900	514,578,66
11.	Net cash from operations (Line 4 minus Line 10)	25,674,458	14,594,570	15,984,18
	Cash from investments			
12.	Proceeds from investments sold, matured or repeld:	- 1		
	12.1 Bonda			
	12.2 Slocks		0	
			0	
			20,000	
	12.5 Other invested seeds	0	0	
			0	
	12.7 Miscellaneous proceeds	0	0	
	12.6 Total investment proceeds (Lines 12.1 to 12.7)		2,345,731	34,607,04
13,	Cost of investmente acquired (long-term only):			
	13.1 Bonds			
	13.2 Stocks			2,128,24
	13.3 Mortgage loans			
	13.4 Rael solule	V		
	13.5 Other Invested seesis	8,470		
	15.6 Miscellaneous applications	3,010,469	9,362,383	95,37 11,881,35
	13.7 Total Investments scopined (Lines 13.1 to 13.6)	3,00,400	8,302,303	11,007,30
	Hat increase (or decrease) in contract loans and premium notes		12 040 400	50 TOP 44
16.	Net cesh from Investments (Line 12.8 minus Line 13.7 and Line 14)	(2,617,480)	(7,018,662)	22,725,60
	Cash from Financing and Miscellaneous Sources	i l		
10.	Cash provided (applied): 18.1 Surplue notes, depital notes	اما		
	16.2 Capital and pold in surplus, less treasury stock		v	
	16.3 Borrowed funds		V	######################################
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		V	.,+0,144241114144114411441144
	18.5 Dividends to stockholders		n	
	18.6 Other cost provided (spoiled).	2,057,750	213.901	(415,38
17	Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5	5,00,,100		1410,00
•,	plus Line 16.6)	2,067,750	213,901	(415,38
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Not change in cesh, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	25,214,728	7,791,800	38,294,47
	Cash, cash eculvalents and short-term investments;	]		,
	18.1 Beginning of year.	72,041,962	33,747,490	33,747,49
	19.2 End of period (Line 18 plus Line 19.1)	97,256,890	41,538,299	72,041,96

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

Comparison of each of the comparison of each of the comparison of each of the comparison of each of the comparison of each of the comparison of each of the comparison of each of the comparison of the comparis		EXHIBIT		REMINAS	ENROLL	MENT A	ID UTILIZ	ATION	ļ	•	
Tight   Tigh		-		entitive Medical)	+	s	6		**	a a	3
Total   Tota				ø	a page 1	Valid	Page 6	Federal Employees: Hostin Benefit Pier	Title XVE	Title XIX.	Offset
115 418		Total	l'adhidrai	ana	College	5					
10, 200	Obbi Mambers at end of:		•	•	C	0	0		18.0	119,59	
113,418	1. Pricr Year	- 135,282					5	•	200 04	83.63	
116,270	- C+-0	113,419			9	J			20012		
Feb. 316, 501, 502		116.270	-	٩	0	ď	٩		128 88	. J65,222	
Fig. 1, 1776   Fig.	3 Second Catatrac										ļ
Sept.336   Sept.336	4. Third Quarter						··				
71.	S. Carrent See	6							7000 000	1	
530,601	C Contact Van Manhor Months	684,318	9						300,000	30,00	
Signature   Sign											
5.500 0 0 0 598,822 220 220 5.500 0 0 0 0 0 598,822 220 220 220 220 220 220 220 220 220	CASE INCLUDES AUTOLOGICA DESCRIPTION (OF 1 PROCESS)		•						355,488	175,111	
55.505 5.506 5	T. Physicien	Land and							22.534	34, 156	
55.505 5.506 5	B. Non-Physician	N A			•	•	۷		(A 8.5)	209,309	
5. 202 5. 202		531,633	2						7	900	
5.528 3.6.481.597 3.6.481.592		22,640							*	0,00	
277, 520, 747 277, 520, 747 275, 520, 527 275, 541, 727 275, 541, 727 275, 541, 727 275, 541, 727	10. TOURIST COMM. CATA BOOK 10.	963 3							3,918	1.610	
315,541,527 315,541,727 315,541,527 315,541,527 315,541,627 315,541,627 315,541,627 315,541,627 315,541,627 315,541,627 315,541,627	11. Number of Inputtent Administrate	oper's	11.						247,930,740	189,980,641	
205,005,005 205,005,005 205,005,005 205,005,005 205,005,005 205,005,005 205,005,005	12. Health Promisms Wittom (s.).	· · · · · · · · · · · · · · · · · · ·	1,10								
205,605,009 206,605,009 207,1476 208,605,009 215,504,607 215,504,607	13. Lie Premiture Direct										
315,504,677 Z75,404,572 Z75,404,723	14. Property/Cesually Premiums Wiffien	6							200 STR 200	108 549 FAIT	
279,441,720 315,584,677 275,473,880	15. Health Pletriums Earned	305,083,039	E								
315,584,677 275, 225,478,883	16. Property/Casualty Prenalune Earned					***************************************			279.841.720	88. FZ 988	
315,394,671	(7. Amount Paid for Provision of Health Care Services	300,573,381	Si .						7X 00 880	DR 445 713	
	and the state of t	315.994.671	272						CO. 00.007	2 (2)	

(s) For beath premisms writters amount of Medicare Title XVIII exampt from static target or fees \$ 247,820,740

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

CLAMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

1-80 Days 61-80 Days 91-120 Days 98-120 Days 10-120 Days 91-120 Da	_		Aging Analysis of Unosid Claims	Zakme				
Color of the transport   Color of the transp			2.30 Jose	\$ 31 - 80 Days	4 81 - 80 Days	94 - 120 Days	8 Over 120 Days	Total
Color to the decidence and browns accounts   1,000		Account						
1996   1996	Charma umpand (	(pepoded)						
The plant   The								-
1								
## State of and brane amounts 1  **Control and and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control and amounts 1  **Control								
1								
1								
1								
Main of and brane amounts								
Part   Part								
Professional   Prof								
Particular   Par								
1								
State   Stat								
State   Stat								
Particular   Par								
Indicate   Proceed			•				***************************************	
Professional Pro								
Part   Part								
State   Stat								
State   Stat			-			O	4	9
20,416,812   3,901,804   500,002   700,001	0199699 Inchirio	All bied dains under the contract of the contr						
No.   No.	0259 Popular	asia accounts not individually letechurcovered	CH4 845 CT	18 943 814	623,628	782,327	1,681,644	39,771,410
NOX   NOX	0000000 Aggra	pale accounts not trainigually living covered	240 840 S40	X8 835 C	62 52	720.927	1.661,544	39,771,410
After claim resigned         XXX         XXX         XXX           XXX         XXX         XXX         XXX           XXX         XXX         XXX         XXX           XXX         XXX         XXX         XXX	OASTORES SUDE		200				XX	±6.985.4€
200 200 200 200 200 200 200 200 200 200	0530000 Unne	otaci delice, and officer cloim resorves	***	***	ă	XX	XX	
XXX XXX XXX XXX XXX	2 and 68 and 5	moorals with halfs	***		××	XX	XX	CS7'903'88
	0799999 Total	tains under			Ä	XX	XX	
	ARCOCCO Arrests	of wednest incernible pool and bonus expounds	***					

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

# UNDERWRITING AND INVESTMENT EXHIBIT ANALYSIS OF CLAIMS UNPAIDPRIOR YEAR-NET OF REINSURANCE

		ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE	EAR-NET OF RE	MSUKANCE				
L	-		Chairne Paid Year to Date	is Date	End of Cum	End of Current Querter	6	•
	ine of Business		1 Dr. Chaires Incurred Prior to Jenuary 1 of Current Year	2 On Claims incurred During the Year	3 On Chains Urpaid Dec. 31 of Pilor Year	A On Chino Incured During the Year	Chains Incurred in Prior Years (Columns 1+3)	Enthreted Clebs Reports and Clebs Labelly Dec. 31 of Prior Year
	1. Consuméraise (hospital and medical)			275			9	0
44 1484	2. Meditian Supplement	-					9	٥
3. Denta Orly	400						g	9
- Age	700						9	9
			•				O	0
E i	Social designation of the second of the seco		53,787,357	168,544,303	2,792,662	38,458,442	612.080.33	35,612,340
	C. 189-XVI - WOOTSING		26,572,732	15, 58, 19	2,886,122	23, 52	28,227,814	28,003,200
	VV						9	9
A Head	8. Health substocks (Lines 1 to 8).		78,670,149	230,903,212	5,657,884	38,978,936	84,328,033	53,815,540
10. Hostil	10. Health care receivables (a)						0	g
	11. Offer non-health						6	0
12. Medit	12. Medical incertive pools and bonus amounts						9	g
18. Totak	13. Totals (Lines 9-10+11+12)		78,670,149	230,308,212	5,657,884	83,978,988	84,328,033	62,615,540

Universal Health Care Inc. Notes to Financial Statements for the quarter ended June 30, 2012

#### 1A. Summary of Significant Accounting Policies.

The accompanying statutory-basis financial statements have been prepared in conformity with the statutory accounting practices prescribed or permitted by the State of Florida Department of Financial Services, Office of Insurance Regulation (OIR), which practices differ from U.S. generally accepted accounting principles (GAAP).

Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company has no permitted statutory accounting practices. The more significant variances from GAAP are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating. For GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available for sale, Held-to-maturity fixed investments would be reported at amortized cost, and trading and available-for-sale fixed-maturity investments would be reported at fair value with unrealized gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income for those designated as available-for-sale.

Fair value for stantory purposes is based on the prices published by the Securities Valuation Office of the NAIC (SVO), if available, whereas fair value for GAAP is based on quoted market prices.

All single-class and multi-class mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows. For GAAP purposes, all scourities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS, and ABS securities), other than high-quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to fair value. If high-credit-quality securities are adjusted, the retrospective method is used.

Non-admitted assets: Certain assets designated as "non-admitted," principally furniture and equipment, certain deferred tax assets, and other assets not specifically identified as an admitted asset with the NAIC Accounting Practices and Procedures Manual, are excluded from the accompanying statutory-basis balance sheets and are charged directly to unassigned surplus. Under GAAP, such assets would be included in the balance sheets to the extent that those assets are not impaired. The balances of non-admitted assets are as follows:

Non Admitted Assets	June !	30, 2012	Oscemb	er 31, 2011
Pharmacy rebate receiveble Deferred Tax Asset Furniture and equipment Apocunts receivable Prapaid asponses	\$	1,428,384 6,269,405 2,974,086 17,904,503 61,873	\$	1,675,508 6,269,405 2,360,461 18,862,978 76,590
Deposits Investment in bonds Amounts due from related parties		541,391 - 118,327	<u>:-</u>	641,391 2,838,244
Total Non Admitted Assets	\$	29,397,969	\$	32,724,577

Surplus notes payable: Notes payable issued by the Company to related parties are classified as capital and surplus on a statutory-basis, if approved by the OIR. Under GAAP, such notes payable are recorded as liabilities (see Note 13).

Deferred income taxes: Deferred tax assets are limited to: (1) the amount of federal income taxes paid in prior years that can be recovered through loss carry backs 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 net worth excluding any not deferred tax assets, electronic data processing (EDP) equipment and operating software, and any not positive goodwill, plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. Any remaining deferred tax assets are non-admitted. Deferred taxes, do not include amounts for state taxes. Under GAAP, state income taxes are included in the computation of deferred taxes, a deferred tax assets is recorded for the amount of gross deferred tax assets expected to be realized in all future years, and a valuation allowance is established for deferred tax assets not realizable.

Statement of cash flows: Cash, cash equivalents, and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption includes cash balances and investments with initial maturities of three months or less.

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements have not been determined, but are presumed to be material.

B. Use of Ratimates

The presentation of the financial statements in conformity with statutory accounting principles requires management to make certimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant accounts that are largely determined based on management's estimates and assumptions include incurred but not reported claims and accounts.

pharmacy reimbursoment due to CMS, which are both included in medical claims payable; premiums receivable due from CMS related to retro-premium adjustments and risk-sharing adjustments; and unallocated premiums received from CMS included in unearned premium. Actual results could differ from those estimates, and those differences could be material. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported herein.

C. Accounting Policies

Universal Health Care, Inc. (the "Company") is a Florida domiciled health maintenance organization and a wholly owned subsidiary of Universal Health Care Group, Inc. ("Croup"). The Company was incorporated in 2002 and formed for the purpose of promoting and operating a health maintenance organization ("HMO"). The Company commenced revenue generating activities in August 2003.

The Company has four contracts with the Department of Health and Human Services, Centers for Medicare and Medicaid Services ("the Department") Agency for Health Care Administration and the Department of Elder Affairs to provide health care services to Medicare, Medicaid and Diversion enrolless in various counties in Florida. These contracts accounted for 99% of the Company's revenues in 2012. The Department awarded the Company the contracts for the period beginning July 1, 2003 and ending December 31, 2004 and has renewed the contracts through December 31, 2012. The contracts provide for annual extensions subject to agreement and approval by both parties.

1. Short-Term Investments

Cash, cash equivalents, and short-term investments include cash balances and investments which are liquid and mature in one year or less when purchased, including funds maintained under statutory requirements (deposits), and consist of money market and certificates of deposit funds registered with the NAIC.

Bonda

Investments in bonds are reported at amortized cost or fair value based on their NAIC rating. Bonds not backed by other loans are principally stated at amortized cost using the interest method.

Realized capital gains and losses are determined using the specific identification basis. Changes in the admitted asset carrying amounts of bonds, mortgage losss, and common and nonredeemable preferred stocks are credited or charged directly to unassigned surplus.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation settlement.

Fair values are based on quoted market prices when available. When quoted market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

Financial assets carried at fair value are classified, for disclosure purposes, based on a hierarchy defined by the Fair Value Measurements Disclosure Topic of the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC). The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

The levels of the fair value hierarchy are as follows:

Level I - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be complemented by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2012, the Company's investments in bonds are classified as Level 2 instruments and its investments in stocks are classified as Level 1 instruments.

Common Stocks

Investments in common stocks are designated as available for sale and are reported at fair value with unrealized gains or losses reported not of taxes in other charges in capital and surplus.

4. Preferred Stocks

Mortgage Loans on Real Estate

Single-class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal or third-party estimates and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such securities.

- 6. Loaned-backed Securities
- Investments in subsidiaries, controlled and affiliated companies N/A
- 8. Investments in joint ventures, partnerships and LLC
- Policy for derivatives
   N/A

10. Anticipated investment income as factor in premium deficiency

The Company generally receives premiums in advance of providing services, and recognizes premium revenue during the period in which the Company is obligated to provide services to its members. Premiums are billed monthly for coverage in the following month and are recognized as revenue in the month for which insurance coverage is provided. Accordingly, the portion of premiums applicable to future periods is included in the accompanying statutory-basis balance sheets as premiums, received in advance.

11. Management's Policy and methodologies for estimating Liabilities Loss
Claim processing expenses for unpaid claims, including claims incurred but not yet reported, are accrued based on estimated expenses necessary to process such claims.

12. Capitalization policy/Predefined thresholds

Pursuant to Section 641.225(1) of Floride Statutes, the Company is required to maintain a minimum surplus in an amount that is the greater of \$1,500,000, or 10.0% of total liabilities, or 2.0% percent of total annualized premiums. Additionally, according to a Consent Order filed with the OIR on September 25, 2008, the Company must maintain a minimum surplus in an amount that is greater than 120% of the statutory requirement. As of June 30, 2012, the Company's capital and surplus of \$12,260,902 is below the minimum of \$17,338,142 as prescribed by Consent Order and the Florida Statutes by \$5,077,240.

Prescription Drug Expense and Pharmacy Robates Receivable
 The Company's Medicare plans offer prescription drug benefits under Part D of the Medicare federal health insurance program

to individuals eligible for benefits under Part A or Part B. As such, the Company receives additional premium and cost reimbursement components as described below.

For qualifying low-income status, or LIS, members of the Medicare Advantage Plans, CMS pays the Company for some or the entire LIS members' monthly premium. The CMS payment is dependent upon a member's income level, which is determined by the Social Security Administration. Low-income premium is recognized over the contract period and reported as premium revenue. Additionally, for qualifying LIS members, CMS will reimburse the Company for all or a portion of the LIS member's deductible, columnance, and co-payment amounts above the out-of-pocket threshold for low-income beneficiaries. Low-income cost-sharing subsidies are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience to low-income cost sharing subsidies paid to the plan and any differences are settled between CMS and the Company.

The Company also receives payments from CMS for catastrophic reinsurance for members of its Medicaro plans. CMS reimburses the Company for 80% of the drug costs after a member reaches his or her out-of-pocket catastrophic threshold through a catastrophic reinsurance subsides are paid by CMS prospectively as a fixed amount per member per month, and are determined based upon the plan year bid submitted to CMS. After the close of the annual plan year, CMS reconciles actual experience compared to catastrophic reinsurance subsidies paid to the Company and any differences are settled between CMS and the Company.

Biffective January 1, 2011, CMS began providing the Medicare Coverage Cap Discount Program, where CMS provides monthly prospective payments for pharmaceutical manufacturer discounts made available to members. The prospective discount payments are determined based upon the plan year bid submitted by plan sponsors to CMS and current plan enrollment. Following the plan year, CMS performs an annual reconciliation of the prospective discount payments received by the plan sponsor to the cost of actual manufacturer discounts made available to each plan aponsor's enrolless under the program.

Low-income cost sharing and catastrophic reinsurance subsidies represent funding from CMS for which the Company assumes no risk and amounts received from CMS are reported not of payments of the actual prescription drug costs related to the low-income cost sharing and catastrophic reinsurance in the accompanying statutory-basis balance sheets. The Company does not recognize premium revenue or medical claims expense for this activity.

Premiums from CMS for members of Medicare plans with Part D benefits are subject to risk corridor provisions. The CMS risk corridor calculation compares the target amount of prescription drug costs (limited to costs under the standard coverage as defined by CMS) less rebates in the Company's annual plan bid (target amount) to actual experience. Variances of more than 5% above the target amount will result in CMS making additional payments to the Company, and variances of more than 5% below the target amount will require the Company to rofund to CMS a portion of the premiums received. Risk corridor payments due to or from CMS are estimated throughout the year and are recognized as adjustments to premium revenues and due and unpaid premiums. This estimate requires the Company to consider factors that may not be certain—including-membership, risk scores, prescription drug events, and rebates. After the close of the annual plan year, CMS reconciles actual experience to the target amount and any differences are settled between CMS and the Company.

Medicare Part D activity resulted in a payable from CMS of \$6,110,231 at June 30, 2012, which is included in the liability for amounts held under uninsured plans in the accompanying statutory-basis balance sheet. Actual amounts of Medicare Part D related sasets and liabilities could differ materially from amounts recorded.

#### 2. Accounting Changes and Corrections of Brrors

#### 3. Business Combinations and Goodwill

#### 4. Discontinued Operations N/A

#### 5. Investments

A - D. N/A

B. Repurchase Agreements and/or Securities Londing Transactions:

The Company entered into a sweep repurchase agreement with a financial services institution to increase its return on invested assets. The transactions involve the transfer of excess each to a regulated financial institution that la collateralized by securities. On the next business day, the transferred cash, along with any interest thereon, is transferred back to the Company and the collateralized securities are returned. The arrangement meets the requirement to be accounted for as secured borrowings. The Company requires that at all times, securities obtained as collateral are sufficient to fund substantially all of the cost of purchasing replacement assets. As of June 30, 2012, amounts outstanding under repurchase agreements of \$3,984,708 are classified as cash in the accompanying statement of assets. As of June 30, 2012, securities with a fair market value of approximately \$4,064,000 were held as collateral under this agreement.

F-O.NA

6. Joint Ventures. Partnerships and Limited Liability Companies N/A

7. Investment Income

N/A

8. <u>Derivative Instruments</u> N/A

#### 9. Income Texcs

			06.30.2012			12.31.2011			Change	
\$A	1	1	2	3	4	5	6 j	7	₿ _	9
9A01		Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinsty	Capital	Tetai
09A018	Gross Deferred Tex Assets									
		13,742,214	28,697	13,770,911	9,025,785	34,201	9,069,986	-	(8,470)	(8,470)
09AD18	Statutory Valuation Allowance Adjustment	t					- 1			
				-	-	-	-			
09A01c	Adjusted Gross Deferred Tex Assets (18 -	_								
	1b)	13,742,214	28 <u>,69</u> 7	19,770,911	9,025,765	34,201	9,059,966	-	(8,470)	(8,470)
031034	Deferred Tex Lieb Sties									
*****	and and described and a second			-	•	-	-1	-	-	
094014	Subtotal (Net Onferred Tex Asset) [1c-						1			
09A01f	1d) Deferred Tim Assets Nonedmitted	15,742,214	16,697	19,770,911	9,025,785	34,201	9,059,986	-	(8,470)	(8,470)
DAMOTA	Determin him Assets requestrated									
00404-	Makadan Makadan amakada ana	3,294,051	28,697	3,321,748	3,259,850	34,201	3,294,051	8,470	(8,470)	
09A01g	Het Admitted Deferred Tax Assets (16 -									
	17	10,440,163	-	10,448,153	5,765,935	•	5,765,935	(8,470)	-	(8,470

			06.30.2012			12.31.2011			Change	
9404	Admission Calculation Components: SSAP No. 108, Paragraphs 10a., 10b., and 10c.	1 Ordinary	11 Capital	12 Total	13 Ordinary	14 Capital	15 Total	16 Ordinary	27 Capital	) Total
09A04a	SSAP No. 109, Paragraph 10e.	6.123.845		6,123,845	4,305,625		. 145 035		·	
OSADEL	SIAP No.10R, Paragraph 10-b.	987.974	-			•	4,305,825		-	1
09A04c	(the lesser of paragraph 10,b.i. and 10,b.i. SSAP No.10A, Paragraph 10,b.i.		•	987,974	1,460,110	-	1,460,110	-	•	1
09A04d	SSAP No. 108, Paragraph 10.b.ff.	4,366,508		4,356,508		•	1,460,110	ļ	-	
09A04 s	SSAP No.10R, Paregraph 10,c.	XXX	XXX	987,974	XXX	XXX	1,530,374	XXX	XXX	1,395,386
<b>Q9A04</b> f	Yotal (4e + 4b + 4e)	7,111,819		7,111,019	5,765,935	<u> </u>	5,765,935	-	-	
08404g	Admission Cafculation Components SSAP No. 102, Paragraph 10u; SSAP No. 102, Paragraph 10.4.L				-					<u>.</u>
09A04h	SSAP No.109, Persyraph 10.e.l.	•	·	•		•	•	1 -	-	1
09A04E	(the lesser paregraph 10.e.ll.s. and 10.e.ll. SSAP No.10R, Paragraph 10. e.l.s.	b Below)		•	•	-	-	-	•	-
09A04)	SSAP No.10R, Paragraph 10, e.l.b.		-	-	-	-	•	1 .	-	1

#### NOTES TO FINANCIAL STATEMENTS

		) xxx	XXX		-] xxx	<b>XXX</b>				
09A04		1	_			~~	•	XXX	<b>100</b> ¢	•
09A04)	Total (4g + 4h + 4k)				<del>                                     </del>	<u>-                                      </u>	<u> </u>		<del>`</del>	
	Used in SSAP No. 108, 1 Total Adjusted Capital	Paragraph 10,d	i.	•	1 '	-		-	•	•
09A04;		XXX	XXX	20,327,904	xαx	XXX	21,069,671	xoor '	xxx	İ
	, soudd IEA	XXX	2000		xxx	3000		XXX	700x	7
9405		Γ	06.80.2012			12.81.2011		·		1
		1 Ordinary	2 Caphal	3 Total	4	S	6	7	Change	•
09A05s	impect of Yax Planning Strategies Adjusted Gross DTAs (% of Total Adjusted		- vapras	10141	Ordinary	Capital	Total	Ordinary	Capital	Total
09AQ56	Gross OTAs)	1 ,				_		_		.
		xxx	XXX	-	100X	XXX	_	XXX	locar .	
	(N of Total Net Admitted Adjusted Gross	DTAs]			ľ		ı	200	204	1
9A06			06.30,2012							
	SSAP No. 10R, Faragraphs 10.s., 10.b.,	1 Ordinary	2 Capital	3	4	12.51.1011	6	7	Change 8	•
09A06a	end 10.c: Admitted Deferred Yex Assets			Total	Ordinary	Chpital	Total	Ordinary	Capital	Total
08АФ6Ъ	Admitted Assets	10,448,163		10,448,163	5,765,935		5,768,935	(8,470)		M 4705
09A06c		300c	XXX	161,890,886	300X	100X	108,252,603	NOX.	-	(8,470)
	Adjusted Statutory Surplus*	XXX	xxx	10,647,090	XXX	XXX	ı	-	XXX	34,907,489
094068	Total Adjusted Capital from DTAs	, παx	X00X	10,448,163			15,303,736	XXX	xxx	19,855,869
09AD6e	incresses due to 35AP No.10R, Paragraph Admitted Deferred Tax Assets	10.e.		20,700,103	XXX	XXX	5,765,985	XXX	XXX	(0,470)
09A06f	Admitted Assets	-	-	ا.	-		_	_		]
09405	Statutory Surplus	[ .			_	-				]
			-	_			]			1
690							-1	_	-	1
U98	Regarding deferred lex babilities that ere of N/A	tot recognized	•							
OSC	. 1	1	2	<del></del> -						
09C1	Current Income Tax	06.30.2012	12.31,2011	Change						
OSC14	Federal	_								
<b>09</b> C1P	Foreign	6	(900,054)	900,060						
09C1e	Subtotal	-		-						
69C1d	Federal income tax on net capital gains	6	(900,054)	B00,060						
09C1e	Utilization of capital loss carry-forwards	(6)	873,954	(879,960)						
09C1f	Other .	•		•		,				
09Clg	Federal and foreign income terms		·	<del></del>						
- •	Incurred	-	(26,100)	26,100						
09C2 (a)	Deferred Tex Assets Ordinary:									
	Obscounting of unique id losses									
09C2A02	Unexmed premium reserve	•	•	•						
09C2A0S	Policyholder reserves	•	-	-						
05 C2A04	Unvestments	•	-	•						
09C2A05	Deferred acquisition costs	-	· <del>-</del>	•			•			
	Policyholder dhildends accrusi	-		•						
	Fixed Aspets	-	-	•						
	Compensation and benefits account	356,861	536,861	•						
	Persion socrust	-		-						
	Receivables - nemadmitted	-		-			-			
		8,406,343	8,406,343							
	Het operating toss carry-forward	4,716,429		4,716,429						
	Tax credit corry-forward									
UBC2A13	Other (Including Name <5% of total ordinary tex assum)	61,581	62,581							
	DECRASE Subsorial	15,742,214	9,025,788	4,715,429						
09C2b	Statutory valuation allowance adjustment -		-y	747 EB /4/EB						
0 <b>5C</b> 2¢	Moneymitted	3 304 204	3 350 600							
( <del>10024</del>	Admitted ordinary deformed tax secure. (2009 - 2b - 2c)	3,304,051	3,259,650	34,201						
	(2004 - 20 - 20) Capital:	10,448,163	<b>5,765,9</b> 35	4,682,228)						

09CZE1	Investments	30 407	34 504	(5.504)
08C363	Het capital loss carry-forward	28,697	34,201	( <b>POC,C</b> )
09(2)(3)	Real erroro		•	
09CZE4	Other (including items <5% of total capital tax essets) 68C2E96 Subtotal			
09C2f	Statutory valuation allowance	28,697	54,201	(5,504)
09C2m	edjustment , Norsdmitted	•	•	-
09C2h	Admitted capital deferred tax sessets	24,647	34,201	(5,504)
09028	(2e99 - 2f - 2g) Admitted deferred tax assets (2d + 2h)	-	•	-
		10,448,163	5,765.935	4,682,228}
09C3 (A) 09C3A1	Qaferrad Tax Debittles Ordinary: Investments			
09C3AZ	Fixed arrets	•	•	-1
06C3A3	deferred and uncollected premium	•	•	-
00 03 A4	Policyholder receives	-	-	
09C3A5	Other (Including Itums <5% of total	•	-	•
	ordinary tax Rabilities) 09C3A99 Substate			<del></del>
<b>(b)</b>	Capitals	•	•	-
· 09C361	liveriments	_		_
09C5B2	Resi estata	_	-	-
09C383	Other (Including Hems <5% of total papital tor Kabilifes)	•		-
	(SC389) Subtotal	<del></del>	<del></del>	<del>-</del>
09C3C	Deferred tax Bub/littes(\$e99 + 3599)	•	•	•
09C4	Nat deferred tax sesets/fabilities(2) - 3c)			
		10,448,163	5,765,935	4,682,228
OPD	Provision computed at statutory rate	06.30.2012	Effective	Tex Rate (%)
٠		4,273,989	35.0%	,
	Change in nonedmitted seasts		0.0%	•
	Montamble investment Income	(45,492)	0.4%	
	Nondedictible expense	14,007	-0.1%	
	State trees	228,890)	-1.9%	
	Other	(639,775)	5.2%	
	Total	[4,715,429]	20.6%	
		P-(140,943)	30.07	
	Federal and foreign income taxes incurred	6	0.0%	
	Realized capital galus (losses) tax	(6)	0.0%	
	Change in deferred income taxes	(4,716,429)	39.6%	
	Total	(4,716,429)	38.6%	
45-	6			Ì
09E1	Capital Loss carry forwards  The Company has no operating for	s carryforwayds	4b 2	<b>4.1</b> 1, 2,
<b>99£1</b>	The following is t			
	· Year 2011	Delinary	Capital	Total
٠.	2012.	(726,730)	856,47\$	129,745
		5,894,106	(6)	5,904,100
		5,297,376	856,4 <del>60</del>	
0913	The appropries amount of deposits repor	red as admitted	austu under	Section 6603 e
09F	Consolidated tax filing:			
	Company is included in a consolidated to	ex filing with the	fallowing ent	kles:
	Universal Health Care Group, Inc.			
	Universal Health Care Insuernou Compa	ny, Inc.		
	Universesal Health Care of Nevada, Inc.			
	Consolidated tox filing:  Company is included in a consolidated to Universal Health Care Group, inc. American Moneged Care, LUC Universal Health Care Issuemoc Compa- Universal Health Care Issuemoc Compa- Universal Health Care Issuemoc	ned as admitted ax filing with the ny, inc.	austu under	Section 6603 q

#### NOTES TO FINANCIAL STATEMENTS

#### 10. Information Concerning Parent, Subsidiaries and Affiliates

A - C. All outstanding shares of the Company are owned by Group, an insurance holding company incorporated in the State of Delaware with operations based in Florida. On February 14, 2011, Group entered into a \$37,500,000 term-loan and a \$2,500,000 unfunded revolving credit agreement. On April 6, 2012, Group entered into a \$60,000,000 senior revolving line of credit, the proceeds were used to pay-off the term-loan and provide for any additional minimum statutory capital requirements for its subsidiaries, including UHC. Group pledged 100% of its equity interest in UHCIC as security under the credit revolver.

Surplus notes payable, related party:

During 2005, the Company received cash proceeds for surplus notes payable issued to Group amounting to \$18,750,000 (see note 13). The terms of the notes payable specify that principal and interest on the notes is payable only upon the prior approval from FL OIR. The notes payable beer interest at 5% per amum upon FL OIR approval. On September 26, 2008, the Company paid down the principal \$10,000,000 on December 22, 2009 with FL OIR approval. The Company paid down the Note \$2,000,000 on December 22, 2009 with FL OIR approval, the Company paid a \$3,000,000 payment on the note. During the periods covered by these financial statements, the Company has not received approval to pay fur interest from the FL OIR; therefore, the Company has not recorded accrued interest totaling \$2,733,874 at June 30, 2012.

Other relationships.

The Company has a management agreement with American Managed Care, LLC (AMC), which automatically renews on an annual basis, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group. Effective January 1, 2011, for compensation for services rendered, the Company shall pay AMC a percentage of total collected premiums on a monthly basis. The amount shall vary, as mutually agreed between AMC and the Company, but under no circumstance shall the percentage of collected premiums paid to AMC exceed 8.5%, without obtaining prior approval from the FL OIR. Further, no amounts paid by the Company shall result in the Company being out of compliance with the minimum stantory requirements of the Florida Statutes. Percentage fees were 7.7% for 2011 and 8.5% for six months ended June 30, 2012. Expenses incurred under this agreement totaled \$27,430,000 for the six months ended June 30, 2012.

The Company records rent revenue from the space owned by the Company and occupied by AMC. Amounts received by the Company totaled \$1,336,338 for the quarter ended June 30, 2012.

D. In addition to the above-referenced management agreement, certain expenditures for the Company are paid by and reimbursed to AMC, Universal Health Care Insurance Company, Inc. (UHCIC), Universal Health Care of Nevada, Inc. (UHCNV), and Universal HMO of Texas, Inc. (UHMOT), Universal Health Care of Georgia, Inc. (UHCGA), companies under common centrel by Group, as well as Group itself. The Company also pays for and is reimbursed by UHCIC, UHMOT, UHCNV and AMC for certain expenditures. At June 30, 2012, the Company owed \$39 and 12 from UHMOT and UHCNV and was owed \$17,478 and \$100,849 from UHCIC and AMC respectively, which are classified as a non-admitted asset in Due from Affiliates in the accompanying Statement of Assets. All amounts will be settled per terms of the Company's intercompany transactions policy which requires the payment to be made within 30 days.

#### B. N/A

F. The Company has a management agreement with AMC, which renews on an automatic basis, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group.

In addition, the Company maintains a provider agreement with American Family & Geriatric care (AFGC), which is owned 100% by a majority of shareholder of Group. Amounts paid to AFGC under the provider agreement for the six months ended June 30, 2012 were \$1,047,110.

G. - L. N/A

Under the Company's tax sharing agreement, \$9,011,364, included in current federal and foreign income tax receivable in the accompanying Statement of Assets, Liabilities, Capital and Surplus, is due from Group to the Company and will be settled per terms of the intercompany transactions policy.

- 11. Debt
- Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
   N/A
- 13. Capital and Surplus, Shareholders' Dividend Restrictions and Ouagi-Reorganizations
  - 1. UHC has 400,000,000 shares suthorized, 126,250,000 shares issued and outstanding as of June 30, 2012.
  - 2. N/A
  - 3. Prior approval is needed by FL OIR and restrictions are related to statutory surplus.
  - 4. N/A
  - Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
  - 6. N/A
  - 7. N/A
  - 8. N/A
  - 9. N/A

#### NOTES TO FINANCIAL STATEMENTS

10. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses of \$-81,990.
11. Please see table as follows:

	ORDO BOO IEOL	C 889 10110 449	<u> </u>					
	,				Principal	Total		
1			Par Válus		and/or	Principal	Unapproved	
1	-	Interest	(Pace Amount	Carrying Value	Interest Paid	and/or	Principal	Date of
	Date Issaed	Rata	of Note)	of Note	Current year	Interest paid	and/or interest	Maturity
Surplus		.,						
Note	12/29/2006	5.0%	\$18,750,000	\$3,750,000	SO	\$15,000,000	\$2,733,874	

12-13. N/A

14. Contingencies N/A

15. Leases N/A

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

17. Sale. Transfer and Servicing of Pinancial Assets and Extinguishments of Liabilities

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

20. Pair Value Measurements

N/A

21. Other Items

A.-C. N/A

D. Included in cash, cash equivalents and short term investments at June 30, 2012 is \$4,732,202 of minimum deposits required to be maintained under confracts with certain health care agencies.

B.-O. N/A

22. <u>Byents Subsequent</u>

N/A

23. Reinsurance N/A

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

25. Change in Incurred Claims and Claim Adjustment Expenses N/A

26. Intercompany Pooling Arrangements N/A

27. Structured Settlements N/A

28. Health Care Receivables

Pharmacy Rebates

Quarter	Rebates as		Actual Rebates Received within 90 days of Billing	Actual Rebates Received within 91 to 180 days of Billing	Actual Rebates Received More Than 180 days After Billing
3/31/2009	\$ 667,329	\$ 667,329	\$	- S	\$ 667,329.00
6/30/2009	693,220	693,220			693,220
9/30/2009	726,079	726,079			726,079
12/31/2009	781,301	781,301		-	781,301
3/31/2010	596,985	596,985			596,985
6/30/2010	1,120,068	1,120,068		- 1,119,385	683
9/30/2010	864,779	864,779		- 864,779	-

#### **NOTES TO FINANCIAL STATEMENTS**

239,522	760,676	6,790	1,006,988	1,006,988	12/31/2010
-	1,222,718	-	1,222,718	1,222,718	3/31/2011
181,440	1,032,248	169,969	1,383,657	1,383,657	6/30/2011
211,034	1,018,225	-	1,229,259	1,229,259	9/30/2011
573,317	891,157		1,464,474	1,464,474	12/31/2011
-	1,495,572		1,495,572	1,495,572	3/31/2012
	-	1,779,958	3,208,342	3,208,342	6/30/2012

- 29. <u>Participating Policies</u> N/A
- 30. <u>Premium Deficiency Reservos</u> N/A
- 31. Anticipated Salvage and Subrogation N/A

#### **GENERAL INTERROGATORIES**

### PART 1 - COMMON INTERROGATORIES GENERAL

1,1	Domicile, as required by the Model Act?				test [] No [X]
1.2	If yes, has the report been filed with the domictiony of				
	Hee any change been made during the year of this reporting entity?				
2.2	If yes, date of change;	***************************************			ı
3.	Have there been any substantial changes in the org if yes, complete the Schedule Y - Part 1 - organizati		nd?	DEMONSTRATION OF THE PARTY OF T	Yes [ ] No [X]
4.1	Has the reporting entity been a party to a merger or	consolidation during the period covered	by this statement?		. YOU [] HO [X]
4.2	If yes, provide the name of arithy, NAIC Company Consend to exist as a result of the marger or consolid	code, and state of domicile (use two istical istical	etate abbreviation) for	any entity that has	
		ame of Entity	2	3 State of Domicile	
	N	aute of Study	NAIC Company Code	Sale of Domesia	
6.	If the reporting entity is subject to a management of fact, or similar agreement, have there been any sig- it yea, ettach an explanation.				
6.1	State as of what date the latest financial examination	on of the reporting entity was made or is t	elng made	PP-y-4-4-1-1-P-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	12/18/2007
0.2	State the as of date that the latest financial examine. This date should be the date of the examined balan	elian report became evallable from either ica eheet and not the date the report was	the state of domicile or completed or estatesed.	the reporting entity.	08/30/2007
6.9	Stain as of what data the letest financial examination the reporting entity. This is the release date or or sheet date).	prophetion date of the examination report	end not the date of the c	echaled) nobenimaxe	
8.4	By what department or departments?				
	FL OIR				
8.5	Have all financial statement adjustments within the statement fied with Departments?	lutest financial examination report been	accounted for in a subse	equent financial	Yes [X] No [] NA []
0.6	Heve all of the recommendations within the latest fi	Inancial examination report been compile	d with?		Yen [X] Kb [ ] MA [ ]
7.1	Has this reporting entity had any Certificates of Aut suspended or revoked by any governmental entity	hority, licenses or registrations (including during the reporting period?	corporate registration,	If applicable)	Yes ( ) No (X)
7.2	If year, give full information:				
	11 Mart 1984   1			. 233.) 1643.7 ************************************	
8.1	is the company a subalding of a bank holding cost	pany regulated by the Federal Reserve I	304 NT7		Yes [ ] No (X)
8.2	If response to 8.1 is yee, please identify the neme	=			
	per coar per per coar coar and coar a surprise per community and community and coarse an				
	is the company affiliated with one or more banks, i				100 [ ] tex [v]
8.4	If response to 8.3 is year, please provide below the federal regulatory services agency (Le. the Federal Deposit havenous Corporation (FDIC) and the Secregulator.)	il Reserva Board (PRB), the Office of the	Compared of the Curr	BNOY (CCC), the Feder	
	1	2	3	4 8	6
	· ·	Location	1	PDIC	
	Affiliale Name	(City, Sinta)	FRB	occ	NEC

#### **GENERAL INTERROGATORIES**

•.,	simitar functions) of the reporting entity subject to a code of entities, which includes the following standards?	Yes	[X]	No	1 ]
	(a) Honset and ethiosi conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships	ı;	•		
	(b) Full, fair, occurate, finely and understandebte disclosure in the periodic reports required to be filed by the reporting entity;				
	(o) Compliance with applicable governmental leve, rules and regulations;				
	(d) The prompt internal reporting of violations to an appropriate parson or parsons identified in the code; and				
	(e) Accountability for adherence to the code.				
	If the response to 9.1 is No, plasse expipits:				
9.2	Has the code of sinics for senior managers been amanded?	Yes	D	M	[X]
9.21	If the response to 9.2 is Yee, provide information related to amendment(s).				
9.3	Have any provisions of the code of ethics been waived for any of the specified officers?	Yes	()	H	n (X)
0.31	if the response to 9.3 is Yes, provide the nature of any walver(a).				
	FINANCIAL				
	Does the reporting entity report any amounts due from parent, subsidiarities or efficience on Page 2 of this statement?				0 [X]
10.2	If yes, indicate any emounts receive from parent included in the Page 2 emounts		***		<del></del>
	INVESTMENT				
11.1	Were any of the stocks, bonds, or other assets of the reporting artify loaned, placed under option agreement, or otherwise media available for use by another person? (Exclude accurries under accurries landing agreements.)	Yaş	i i	N	o [X]
11.2	if yea, give full and complete information relating thereto:				
12.	Amount of real estate and mortgages held to other invested seeds in Schedule BA:				
13.	Amount of net estate and mortgages hald in shorb term investments:				
14.1	Does the reporting entity have any investments in parent, substitizates and efficiency?	Ye	18 [	1	No [X]
14.2	If year, please complete the following:				
	1 2 Prior Year-End Current Quarter				
	Sook/Adjusted Sook/Adjusted				
	Cerrying Value Cerrying Value				
	14.21 Bonds				
	14 23 Common Stock				
	14.24 Short-Term Investments \$				
	14.26 Short-Term Investments				
	14.27 Total investment in Parent, Substitleries and Affiliates		:		
	(Birbtotet Lines 14.21 to 14.28)				
<b>18.</b> 1	Has the reporting entity extered into any hadging transactions reported on Schedule DB?	Ye	14 j	j 1	No (X)
		w.		,	u
15.2	If yee, has a comprehensive description of the hadging program bean made evaluable to the domicitiesy state?	re	<b>#</b> {	י נ	No (
	If no, allach a description with this estatement.				

11.1

#### **GENERAL INTERROGATORIES**

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		f Custodian(s)		kodien Addrese MC:20307-092, Tanpa, FL 33802	
For all agreement location and a ex	ate that do not comply with the r projets explanation:	equirements of the NAIC F	inancial Condition Examiners	Handbook, provide the name,	
				3	
		shanges, in the custodian(s		current quarter?	Yes [] No (
	Name(s)	shanges, in the custodian(s			Yes [] No [
If yea, give full as	Nema(s)  any changes, including name and complete information relates	therate:  2  New Custodian or Individuals eating on be	a) Identified in 16.1 during the  3  Date of Change	current querter?	Yes [] No (
If yea, give full as	Name(s)  any changes, including name and complete information related  Old Custodian	thenges, in the custodian(s) thereto:  2  New Controllen or Individuals acting on belon the custodian	Date of Change  Date of Change  Date of Change  Date of Change  Date of Change  Date of Change	current querter?	1

#### **GENERAL INTERROGATORIES**

#### PART 2 - HEALTH

1 Operating Percentages	
1.1 A&H loss percent.	91.1 %
1.2 A&H cost containment percent	0.0 %
1.3 A&H expense percent excluding ouel containment expenses.	
2.1 Do you act as a custodian for hastit asvings accounts?	Yes [ No [X]
2.2 If yes, please provide the emperal of custodial funds held as of the reporting date.	\$
2.3 Do you act as an attrihistrator for health eavings accounts?	Yes [ ] No [X]
2.4 If yes, please provide the beforce of the flyde administered as of the reporting date	<u> </u>

STATEMENT AS OF JUNE 38, 2012 OF THE Universal Health Care, Inc.

# SCHEDULE S - CEDED REINSURANCE

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f Type of Painsurance Ceded																																						
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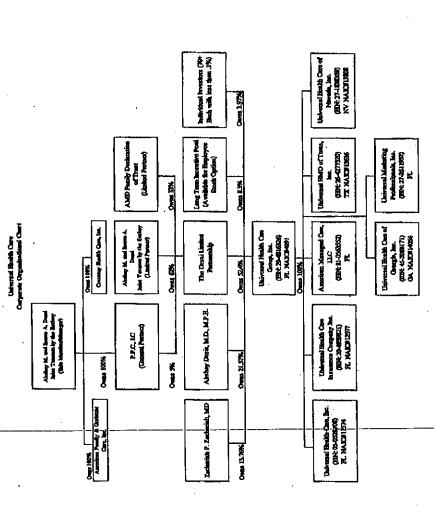
#### SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

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<u></u>	plus 5894) (Line 58 above) mead or Charleted = Licensed insurginas C				8	. 0		<u> </u>		. 0

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STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

SCHEDULE Y PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

Name of Coop   James   Control   C	1	.*	•	و			<b>"</b>	2	-	Tune of Content	2	£	ē
Product   Prod	-	,	1		Name of Securities					(Omnessing)	1	) Wilmeda	
Content   Cont	¥				Publich Publich	Name of Person Scholdering	Domiciliary	Rejudionship to Reporting	Directly Controlled by	Merepament.	Provide	Controlling Enthy(les)	
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1577   10   10   10   10   10   10   10	.dno.	}				niversal makin Lara woup.	4		President	Omership	74.7	Domesia.	
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20000	Group, mono	81-083682				merican langual Care, LLC			120	Umperson	3	Akshay I. Deszi.	
10000   59-354627   Courteey Bealth Care, Inc.   FL.   MIA	Group,	G.20402.04				are, int		VIN N	暴	Omership	8	Method & Decai	
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00000   54-2070538   P. P. C., LD (General Partner)   P. P. C.,	ome,					acteriat P. Zechariah, 🛍		UIP	Cacharian P. Zarbarian, M.	Omership	0.83	Akshev II. Desai.	
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#### SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filled as part of your extensent filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interregatory will be scoopted in liquid of filing a "NONE" report and a ber code will be printed below, if the supplement is required of your company but is not being filed for whetever reason enter SEE EXPLAMATION and provide an explanation following the interregatory questions.

		RESPONSE
1.	Will the Medicere Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
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#### **OVERFLOW PAGE FOR WRITE-INS**

#### **SCHEDULE A - VERIFICATION**

Real Estate		
	1 Year To Date	2 Prior Year Ended December 31
Book/adjusted carrying value, December 31 of prior year     Coet of sequined:     1.1 Actual coet at time of sequinition		
2.2 Additional investment made after acquisition	**************************************	
Total gain (loss) on disposals.     Deduct emounts received on disposals.		0
Total foreign exchange change in book/adjusted cerving value.  Deduct current year's other than temporary impairment recognized.  Deduct current year's depreciation.		20,000 343,464
Book/adjusted comying value at the end of current period (Lines 1+2+3+4-5+8-7-5).  10. Deduct total nonadmitted emounts	9.570.493	9,742,442 479,254
11. Statement value at end of current period (Line 9 minus Line 10)	9,099,721	9,263,188

#### **SCHEDULE B - VERIFICATION**

	Mortgage Loans		
		1 Year To Date	2 Prior Year Ended December 31
1.	Book valua/recorded Investment excluding accrued interest, December 31 of prior year		0
	Cost of sequired:		
	2.1 Actual cost at time of acquisition		0
	2.2 Add Sone Investment made effor enquisition.		
3.	Cornelized deferred interest and other		
4.	Capitalized deferred Interest and other. Accusel of discount. Unresized valuation increes (decresse). Total gain (loss) on disposals. Deduct emounts received on disposals.		0
. 6.	Unresited valuation increase (decrease)		
6.	Total gain (loss) on dispossis.		
7.	Deduct smounts received on disposals		D
<u> </u>	Deopot amontation of premium and montage interest power but constitution less		
j D.	Total foreign exchange change in book value/recorded investment excluding accrued interest		ΔΔ
10.	Deduct ourset year's other then temporary impairment recognized	**************************************	QQ
11.	Book value/recorded investment excluding accrued interest at end of current pariod (Lines 1+2+3+4+5+6-7-		
l .	8+9-10)		۵
12,	Total valuation allowance	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<u> </u>
13.	Subtotal (Line 11 plus Line 12)		O
14.	Deduct total nonedmitted amounts		O
15.	Statement value at end of current period (Line 13 minus Line 14)	0	. 0

#### **SCHEDULE BA - VERIFICATION**

Other Long-Term invested Assets		
	1 Year To Data	2 Prior Year Ended December 31
Book/adjusted cerrying value, December 31 of prior year.	٥	
2. Cost of acquired:	1	
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after sequences 3. Capitalized deferred interest and other. 4. Accruel of discourt. 5. Unrealized velocition increase (decrease).		L
3. Capitalized deferred interest and other		
4. Accruel of discount		ALC:1114
5. Unrealized valuation locrosse (decresse)		
8. Total gain flows) on disposals		
7. Deduct amounts received on disposals.		
Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/edjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Sook/adjusted cerrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).	LD	
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)	0	

#### **SCHEDULE D - VERIFICATION**

Bonde and Stocks		·
	Year To Date	2 Prior Year Ended December 31
Book/adjusted carrying value of bonds and stocks, December 31 of prior year	3,536,198	24,254,907
2. Coel of bonds and stocks acquired		11,795,981
Acoust of discount     Unrealized valuation increase (decrease)	24 104	(5,719) (168,710)
6. Total gain (loss) on discossis.		
6. Deduct consideration for bunda and etocks disposed of	493,006	34,607,047
7. Deduct amortization of pramium		222,224
Total foreign exchange change in book/adjusted carrying value.     Deduct current year's ofver than temporary impairment recognized		
Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-5-7+8-9)	6.061.117	3.536.198
11. Deduct total noneomitied amounts.	ļ	0
12. Statement value at end of current period (Line 10 minus Line (1)	6,061,117	3,536,198

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

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7. Total Bonds	nds	25,144,195							
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¥ 10 19 1	14. Total Preferred Stock			À .	GRZ 45		80 AN 98		63,054,750
16 Total Bo	46 Total Boorie & Professor Stock	92,457,884	46,943,171	30,206,612	(GL/S)	3K,401,004	owigen and		
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#### SCHEDULE DA - PART 1 Short-Terris Investments

	1	2	3	4	6 .
•					Paid for Accrued
]	Book/Adjusted			Interest Collected	Interpet
	Carrying Value	Par Value	Actual Cost	Year To Date	Year To Date
9189999	88,084,106	xxx	88,084,108	24,050	

#### SCHEDULE DA - VERIFICATION Short-Tarm Investments

	i	2 Prior Year
· · · · · · · · · · · · · · · · · · ·	Year To Date	Ended December 31
Book/adjusted carrying value, December 31 of prior year		28,189,268
2. Cost of start-term investments acquired		101,625,601
3. Accruel of discount management and a second seco		0
4. Unrestized valuation increase (decrease)	#	ļ
5. Tatel gain (lose) on dispossis		
6. Deduct consideration received on disposals		
7. Deduct amortization of premium.		ļ
8. Total foreign exchange change in book/adjusted carrying value		
Deduct current year's other than temporary impairment recognized		
10. Book/edjusted carrying value at and of current period (Lines 1+2+3+4+5-5-7+8-9)		£1,509,07
11. Dedirct total nonedmitted amounts.		
12. Statement value at end of current period (Line 10 minus Line 11)	88,084,108	61,509,07

Schedule DB - Part A - Verification NONE

Schedule DB - Part B - Verification NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2
NONE

Schedule DB - Verification NONE

Schedule E - Verification NONE

Schedule A - Part 2
NONE

Schedule A - Part 3
NONE

Schedule B - Part 2

**NONE** 

Schedule B - Part 3

**NONE** 

Schedule BA - Part 2

NONE

# Schedule BA - Part 3 NONE

STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

# SCHEDULE D - PART 3 Short At Long-Them Boards and Stock Acquited Devices the Carport States

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STATEMENT AS OF JUNE 30, 2012 OF THE Universal Health Care, Inc.

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Schedule DB - Part A - Section 1

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D
NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

#### SCHEDULE E - PART 1 - CASH

	1	2	3	ository Balance	6	Book B	alance at End of	Each	Т
	Depository	Code	Rate of interest	Amount of Interest Received During Current Quetter	Amount of Interest Accrued et Current Statement Cuto	6 First Month	Second Month	Third Month	
en Decoelforia	SA TABLETON TABLE D			1,586		44 (0 ( 476 )	48 645 892	1 641 607	
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COMMON TOTAL	Cash on Depos   In Company's Office	XX.		4,83	1,671	10,214,73	0,824,33		
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# Schedule E - Part 2 NONE

Medicare Part D Coverage Supplement NONE



Ernst & Young LLP Suite 1200 401 East Jackson Street Tampa, FL 33602

Tel: +1 813 225 4800 Fax: +1 813 225 4711 www.ey.com

Audit Committee and Management Universal Health Care, Inc.

April 12, 2012

In planning and performing our audit of the statutory-basis financial statements of Universal Health Care, Inc. (the Company) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

During our audit, we noted the following matters involving internal control over financial reporting and its operation that we consider to be material weaknesses as of December 31 2011.

#### Financial Statement Close Process

The financial statement close process is defined as the process where the results of various transactions are summarized, reviewed, consolidated, edited and created into a variety of management financial reports. The boundaries of this process begin with the preparation of the preliminary trial balance and end with the preparation of the financial statements and related disclosures and analyses. The process includes closing the general ledger and preparing the trial balances and any consolidation entries, accumulating the posting of journal entries, drafting the financial statements and disclosures, and preparing management's discussion and analysis.

Several of the Company's processes that are integral parts of the financial statement close process were found to be deficient during the course of our audit. As a result, approximately sixty entries have been proposed by either Company personnel or our audit team, including an individually significant entry related to medical and pharmacy claims payable for approximately \$7.0 million that was not recorded by management and contributed to our issuance of a qualified audit opinion. Additionally, we noted that the financial statement close process had not been formally completed when we began our year-end audit fieldwork in late February 2012. We also note that the





Company's accrual for medical claims payable was not finalized until the middle of March 2012 and a complete draft of the statutory-basis financial statements was not available until early April 2012, which is beyond the regulatory reporting requirement of April 1, 2012.

There should be a formal process in place in order to ensure that financial statements are generated appropriately and timely. This should include, but not be limited to, the following:

- A process to ensure all expenses incurred during the period are accrued as of the month-end date
- A process to ensure that premiums and other health care receivables are recognized correctly as they are earned and that proper cut-off is achieved from period to period
- A process to improve the tracking of claim overpayments.
- A process to consider the effects of subsequent claims payments on the liability for medical and pharmacy claims payable.
- A formal process to review key financial information by employees that are not responsible for the preparation of such financial information.
- A re-evaluation of the information technology and accounting resource capability in response to an increase in the complexity, nature, volume of transactions, and growth of the entity over the past two years

We recommend management review its current procedures for key processes within the financial statement close process and determine the appropriateness for those processes for preventing or detecting and correcting material misstatements, preparing reliable, accurate monthly and annual reporting and ensuring such processes are consistent with leading practices in the industry. The Company should consider computer, computer-dependent and manual controls that affect such processes as well as the adequacy of the Company's current information system to provide the necessary information.

This communication is intended solely for the information and use of the audit committee, board of directors, management, others within the organization and the State of Florida Department of Financial Services Office of Insurance Regulation 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.

April 12, 2012

Ernst + Young LLP

To:

Kerby Baden, EIC

From:

Jenny L Jeffers IS Specialist

Subject:

**Documentation of Data Analysis** 

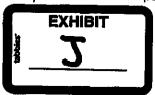
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December 10, 2012

Jennan Enterprises, LLC was contracted with invotex Group on behalf of the state of Florida Office of Insurance Regulation to review the claims system and integrity of the claims data as a part of a targeted Financial and Market Conduct examination of Universal Health Group. The companies were scheduled to convert the Fortuna System, which has been implemented at the companies since 2006, to the QNXT system by Trizetto.

An initial visit was performed by Lisa Marteney of Jennan Enterprises, LLC and a report generated on October 24, 2012. In this report and associated meeting notes, it was stated that:

- Jason Mitchell stated that during the last year, between 3 and 4 million dollars has been
  invested in Universal's infrastructure. Changes to the infrastructure include new servers, more
  storage systems, rebuilt switches, additional fiber optic lines, rebuilt circuits, upgraded internet
  lines and becoming more virtualized. A tremendous investment in money and resources has
  been made to upgrade Universal's infrastructure.
- Currently the load percentages are where Universal likes to see them except for storage, which
  is currently running at 65% of capacity. Jason stated that additional storage will be added in the
  near future.
- Jason Mitchell stated that over the last 18 months, IT has grown approximately 35%. Jason,
  Deby and a lot of the new IT team have had the opportunity to work together at WellCare.
  Jason also stated that IT is utilizing quite a few contractors. They have added two new positions.
  Director of IT Security and a Sr. IT Auditor
- Jason stated that the current plan is to have the conversion from the Fortuna claim system to the TriZetto claim system complete by the June/July 2013 time frame.
- Jason stated that anything "relevant" from the Fortuna system will be moved to the new TriZetto system. All data from the Fortuna system will be maintained in the Operational Data Store (ODS). All new data will be held here also. This will allow for easier reporting and auditing. The Fortuna system will also be maintained and running for audit purposes.
- Jason stated that one reason for the change from the current Fortuna claim system to the TriZetto claim system is that TriZetto has the capacity to handle the Company's growth. TriZetto will be hosted in their Denver facility. Jason does not want any critical systems to be run out of the Universal Healthcare facility. Jason stated that Universal does not have the data center layout, environmental controls or the capacity to handle supporting all of the critical systems. It appears from review of the Statement of Work contracts between TriZetto and Universal that the claim capacity issues that Universal has been plagued with in the past should be taken care of by the new TriZetto claim system. The company has entered into a 10 year contract with Trizetto.
- Jason stated that the original target date for completion of the conversion from the Fortuna
   claim system to the TriZetto claim system was before open enrollment. Open enrollment begins



on October 15<sup>th</sup> and runs for 45 days. On the 1<sup>st</sup> of September, a meeting was held and it was decided that instead of rushing the conversion process, the process would stop for now and resume in the January/February 2013 timeframe. Jason stated that the new date for all testing and the conversion to be complete is the June/July 2013 time frame.

Following the review of Ms. Marteney's report and interview notes from her interview with Jason Mitchell, VP of Technology and Deby McCourt, Director of IT and the processing of the claims data provided by the company for the selection of samples, a discussion was held with the EIC and Jenny Jeffers, IT Lead on the project. Questions were raised regarding:

- The expenditure of funds for upgrade of the systems in spite of the conversion to QNXT and the hosting of all processes by Trizetto
- The curtailment of the conversion project on September 1, 2012 when it was further stated by Jason Mitchell that no surprises were noted during the conversion
- The difficulty experienced in interpreting the claims data to determine fully and partially denied claims as well as the issues noted during the claim sample review
- Difficulty encountered in the attempt to determine the percentages of denied claims for each company and line of business

It was decided that a second onsite visit – this time by Jenny Jeffers, Lead IS Specialist was needed to determine the actual reason for curtailing the conversion as well as to further discuss the quality of the data going into the new system. This visit occurred on November 20, 2012.

Additional interviews were conducted with:

- Jason Mitchell, VP of Technology overview of conversion project and discussion of project delay
- Shalendra Dhanasar, Sr. Data Analyst data quality overview
- Bryan Richardson, Sr. Director Provider Services
- Travis Johnson, Sr. Director Enrollment Operations
- Mellssa Johnson, Sr. Manager of Claims
- Debra Wingo, Manager of Diversion
- Linda Shoenfelt, VP Operations

The primary discussion for the meetings of the day focused on the data quality prior to the initial conversion attempt and during the period under review as well as the efforts by the company to clean up the data and continue with the conversion. One primary concern was the basis for the decision to curtail the conversion project.

In the discussion with Jason Mitchell, he explained that the conversion was stopped September 1, 2012 when it was discovered that the data from the Fortuna system needed a lot more cleanup before the conversion would work appropriately. This was detected during the UAT (User Acceptance Training). The conversion was not working. IT presented the case to upper management that the data was not converting appropriately due to multiple issues with the source data (the issues are explained in more detail in the discussion with Bryan Richardson). Mr. Mitchell felt that if the conversion was completed and the new system was implemented prior to open enrollment, serious consequences would ensue. Therefore, the decision was made to "beef up" the Fortuna system to accommodate any growth resulting from the open enrollment process. Infrastructure was expanded and changes were made to the Fortuna system, both of which were at near capacity. The contracts with Fortuna (Indus/E4E) were extended more than once (as evidenced by the contracts with Indus provided and reviewed by the IS —

Specialist). New rates were negotiated and the current expectation is to have the new system up and running by summer of 2013 – the dates are specified in the Indus (E4E) contracts – see Attachment 1.

The original conversion project was driven by two major company needs:

- The need for sufficient capacity to accommodate the growth of the company
- The end of the service contract with indus (E4E) for providing both software support and TPA services

The project team (no dedicated team was established, rather all IT personnel and available business personnel were a part of the team) was given a March 30, 2012 deadline for completing the conversion project. The contract with Trizetto was not signed until December of 2011. The contracts provided for review did not include the completed signature blocks and dates signed, however the date stamps were present on the documents. See Attachments 2a - 2d. The original negotiations were occurring during October 2011 and that is when the work began on the conversion planning. The size of project and amount of data to be converted made the target date virtually impossible to achieve. Therefore, the project plan was modified to minimize the work required. One of the items that were de-emphasized was the scrubbing of data prior to performing the conversion. Rather, emphasis was on mapping the data from Fortuna to QNXT (Trizetto product). There were field mismatches (fields in Fortuna that were not in QNXT and fields that were in QNXT that were not in Fortuna). These situations were handled utilizing user defined fields in QNXT to accommodate needed information in Fortuna that was not in QNXT and in developing ODS (Operational Data Store) which would contain information from both systems. The project plan for the development of the ODS system was provided and reviewed - See Attachment 3. Data that was not in Fortuna was minimal according to the company; but to enhance the data and provide some normalization, a contract was developed with Enclarity to do data improvement on the provider data and signed on 12/2/2011 - See Attachment 4. Fees are addressed on page 9 of this document. Discussion with Bryan Richardson indicated that the Enclarity process did not improve the data quality as expected. HHI Consulting was utilized to assist in the Project Charter development and conversion project plan - See Attachment 5.

A conversation was held with Linda Shoenfelt, Project Manager of the conversion project. Linda was hired from WellCare and had assisted in the implementation of Facets at that company. She noted that she came in at the contract negotiation stage of the game and assisted with the development of the Statements of Work (SOWs) and Service Level Agreements (SLAs). She further indicated that she worked with the outside Project manager from HHI Consulting – specialized in QNXT conversions. A Gap analysis was performed and it was discovered that ZNXT and MedHOK (Medical House of Knowledge – software for encounters) would provide the needed functionality. QNXT is a medical services admin system that is specifically written for government medical system processing. The concept of groups is not the emphasis, but rather the members. Some issues were noted – for example that encounters were not being loaded. Solutions were developed for gaps as much as possible with the short time frame. See Attachment 6. Personnel were working around the clock to attempt to achieve the implementation deadline. The company had grown very fast before the infrastructure was ready for the growth. Finally, after 4 mapping attempts and failed testing, the entire team together decided not to go live. This was not until September 2012.

The result of the conversion not being completed in March, 2012 was the requirement for the management of UHCG to negotiate extensions with Indus (E4E) for maintenance and TPA services to their contract which had been signed initially in October, 2006. The IS Specialist asked if Fortuna was a commercial package or written for UHCG. The response was that it is a commercial package but was

developed with advice from UHCG and they were the primary client. It was stated that one impetus for the short conversion project period was disagreement between UHCG management and Indus management. Thus, the differences had to be worked out to allow the company to continue to process business on the old system. Additionally, the infrastructure had to be enhanced at UHCG to allow for adequate capacity and some changes were required for the Fortuna system to handle increased capacity that may arise from open enrollment. The contract amendments were reviewed and changes in prices and dates of renegotiation — See Attachment 7. The amendments show the renegotiations at dates specified in the description of the conversion target and modified target dates and the current contract is scheduled to end in March 31, 2013. This is an issue in light of the current conversion date being July — September 2013. It was noted that the run out charge was significantly greater for the contract amendment in March 2011. This could have been a contributing factor in the disagreement between the two companies.

#### The initial conversion project failed due to two major issues:

- The time allocated for the project created an unattainable goal, therefore important steps were not carried out.
- The data that has not been in good shape since the inception of the Fortuna system (October 2006) and was not appropriately cleaned up and corrected prior to the conversion.

The company is to be commended for curtailing the implementation and go live with the new product prior to open enrollment for 2013. This avoided what the company called a certain fiasco with the acceptance of new members and new plans.

The IS Specialist requested interviews with Bryan Richardson, Sr. Director of Provider Services and Travis Johnson, Sr. Director of Enrollment Services to discuss issues they are working on with the data. These meetings were to gain a better understanding of the data issues other than the claims data that was provided to the IS Specialist for the selection of samples.

Bryan Richardson came to the company from WellCare and has been with the company since June 2012. He noted large data discrepancies and verified that due to the time restraints, insufficient data cleanup and normalization had been done on the provider data prior to the initial conversion attempt. The mapping efforts did not take into account the differences in data relationships in the two systems such as the Line of Business and Plan relationships. The group is an entity for providers in QNXT and the affiliation concept is used whereas this concept had not been applied in Fortuna. Roles would change of a specific group and changes were not appropriately made. Processors were allowed to enter a new provider record if the appropriate address was not found. There were not checks to make sure that the appropriate record did not exist. This resulted in multiple records for many providers - one provider was found to have 5300 records associated with his provider number - 13 locations were valid for the group. There was no QA or really way to find the errors. Bryan's cleanup efforts began following the Enclarity cleanup work, which he stated was not productive. The data was too bad for the Enclarity process to clean up - they did however add the NPI (National Provider Identifier) numbers to the provider records. This fact indicates that the company did not have NPI numbers (which are required for all providers for Medicare and Medicaid) for all providers prior to this effort. The issues with the provider data could have led to incorrect payment of claims, inability to identify duplicate claims submitted and inappropriate pricing of claims prior to the major cleanup effort that is now being conducted at the company. Bryan Richardson hired temps to manually make corrections to much of the data. IT personnel have looked at the original logic for converting provider data and have redone or reworked it to be correct. Bryan is currently reviewing the mapping for correctness. He has created design-templates-for-each-type-of-provider,-QNXT-pays-claims-well-according-to-Bryan-but-does-not-dothe best job on providers. Therefore UI fixes had to be added to the scope. MedHOK will be used to fill the gaps between needed functionality and the functionality provided by QNXT. Bryan stated that he hopes to do the final provider conversion in mid to late December. One major concern is being able to provide correct and complete provider directory information. There is currently no Trizetto help but they will need to be re-engaged. The project is over budget for both time and cost – The IS Specialist requested a budget to actual comparison – not provided.

A conversation was held with Shalendra Dhansar, Sr. Data Analyst to discuss the issues with the data. He explained that 6 years ago Fortuna was a small package and that the company had little growth for the first few years. In 2007, there was a dramatic increase in PFFS enrollment from 20,000 - 66,000 members in 1 week. Due to CMS compliance requirements, the company had to enter the new members onto the system within a short period of time. Thus these members were entered manually resulting in a "flasco". PFFS indicates any doctor any time with slack requirements at that time. This was the source of many of the data errors - hand entry and no editing in the system at that time. In 2008 and 2009 CMS began requiring NPI (National Provider Identifier) and clamped down on restrictions. In entering the address for both members and providers, there were no data checks allowing incorrect addresses, cities, counties and states to be entered. Incorrect addresses can result in communications with members being misdirected and incorrect data entry can result in inappropriate denial of claims due to apparent ineligibility. These issues were possible with the data at UHCG. IN 2010 the growth began to slow down and the company began to set up for HEDIS (Healthcare Effectiveness Data and Information Set) and decided to strive for 5 star data. The data has been much improved between 2010 and the present according to Shalendra. The IS Specialist followed up on the member data and asked to speak to the head of enrollment.

A new person has also been brought over on March 26, 2012 from WellCare to handle enrollment. Travis Johnson is very experienced in SQL which is the database that Fortuna utilizes. The cleanup process for the enrollment data is being done outside of the master database. The goal is to clean up 3-6 years of experience in enrollment data. QNXT utilizes AEM (Automated Enrollment Management) to handle enrollment. It was discovered that the interface did not accomplish all of the functionality required by the company. They now have an in house process for eligibility handling. Travis has increased the enrollment team from 25-30 people to 65 currently including 22 phone service team number increase. Roles and responsibilities have been added and assigned. There is a team doing member reconciliation between CMS and the company. When there is a reject from CMS a root cause is found by the Quality Team. This team is also handling complaints. The SOW (Statement of Work) for Trizetto and project plan were re-done to reflect all changes from regulatory agencies. Trizetto is taking over the processing functions that are currently being performed by E4E/Indus/Fortuna. There were no SEAs (Service Level Agreements) in the past but they are being incorporated into the Trizetto contract.

The original observation and one of the reasons for the second on site visit resulted from the difficulty experienced in interpreting the data provided for the selection of denied claim samples. The IS Specialist noted the apparent high occurrence of denied claims. Verification of the method of identifying totally denied claims and partially denied claims resulted in discussions with Shalendra Dhansar, Sr Data Analyst. The answers were not clearly defined and often Melissa Johnson, Sr. Claims Manager was brought into the conversation. The data provided was not consistent. Denials were noted in different ways in different data. Rather than having a relational database with denial reasons in a related table, the data had fields numbered – denial reason 1, 2, etc. The fields were not named to reasonably reflect the data in them and the data was not consistent or complete. Some records were found in the claims header records but there were no detail records matching the header records. Some claims indicated no payment but there were records matching those claim numbers in the check file: No-

explanation was available for these occurrences. Another improvement was that prior to 2010 anyone could request a change by E4E which kept thing changing unnecessarily. That has been changed and change requests have a defined path.

A conversation was requested with Melissa Johnson, who came to the company from WellCare the end of May, 2012. She noted that there were no management tools in place as she had expected. Her impression is that the data is there somewhere but is hard to get to. In some cases fields have been used for other things. The IS Specialist had run some queries to determine percentages of denied claims. It was determined that no reliance could be placed on the results due to difficulties with data consistency. Melissa was asked by the EIC to create a denied claim report showing percentages. During the onsite discussion, she was working on perfecting her queries to take all of the differences in the meaning of denied into consideration. IPAs and capitated services which should have been excluded—in the remark field (open text). She was working on the iterations of the query to be able to produce an accurate denial report (a basic management tool) from the current data. When asked about the new system, Melissa stated that the prior managers who have now left the company had seen the system but she has not seen the new system. Most first pass processing is performed in India by Indus (E4E) with some of the reconsiderations being worked at the St Petersburg location. Weekly audit meetings are held with the claims processing units in India and dally inventory is reviewed.

Debra Wingo discussed Diversion claims with the IS Specialist and the EIC. She explained that this is a pilot program in Florida and that the company has put in a bid to provide services for multiple counties. The new program will be called MLTC. The company submitted a bid on 8 of the 11 counties where the LOB will be offered. QNXT does not have the required configuration to handle Diversion. The current Diversion data indicated that 95% of the claims were denied. This was not correct but is an example of the data quality and completeness associated with the claims data for diversion. A system will need to be found or developed to handle Diversion members, providers and claims in the future.

In summary, the following observations have been made:

- The data of the company has been unsatisfactory for several years. An initiative is currently in
  place to improve the quality and completeness of the data for providers, members and claims.
  Claims data and processing is dependent on provider and member data. Therefore, claims
  processing could have been compromised over the last years due to the inadequacy of the
  provider and member data.
- The company has spent a large amount of money to date on infrastructure upgrades, changes to Fortuna to increase capacity, consultants to improve data and conversion efforts that have not been successful. The comparison of the conversion budget to actual comparison has not been provided so it is not possible to quantify how much over budget and over hours the project is. Additionally, infrastructure will be outsourced for the hosting of QNXT once the conversion is complete.
- There are several functions that cannot be performed in QNXT which are essential for the business to run, for example, provider tracking, enrollment and diversion processing. Additional software has been purchased to accommodate these functions.
- The current contract for claims processing and maintenance of Fortuna is scheduled to be terminated in March of 2013 and the project plan indicates that the conversion will be completed in July – September of 2013. This implies that an additional renewal will probably be required.

- The company has brought in new personnel to perform data cleanup, mapping and conversion.

  This should bring a more positive result to the new conversion process.
- It was stated that storage is currently at 65% which is high when growth is anticipated, however, the infrastructure will be outsourced to Trizetto once the conversion is complete.

The IS Specialist strongly recommends that the state follow the progress of the conversion and new processing implementation as well as the implementation of the ODS (Operational Data Store).

# M<sup>3</sup>F

January 29, 2013

Universal Health Care, Inc. 100 Central Avenue, Suite 200 St. Petersburg, FL 33701 Attention: Dr. Akshay Desai

Dear Dr. Desai:

Reference is made to that certain letter, dated January 22, 2013 (the "January 22, 2013 Letter"), sent by MBF Healthcare Management, LLC ("MBF") to you relating to a potential investment in Universal Health Care, Inc. ("Universal") and certain affiliated entities (the "Investment"). All defined terms not otherwise specifically defined herein shall have the meanings ascribed to such terms in the January 22, 2013 Letter.

One of the conditions to proceeding with the potential Investment was that the Capital Deficit of Universal not exceed \$30,000,000 on each of December 31, 2012 and the end of the month immediately preceding consummation of the Investment. Based upon the diligence we have conducted, we have concluded that this condition, along with certain other conditions referenced in the January 22, 2013 Letter, cannot be satisfied. Accordingly, we hereby notify you of our determination to terminate the negotiations relating to the potential Investment, and any obligations MBF may have had under the January 22, 2013 Letter or otherwise relating to the potential Investment are no longer of force and effect.

We regret that we were not able to consummate a transaction and wish you the best.

Very truly yours,

MBF Healthcare Management, LLC

Name:

Jorsel Bloo

Title:

MANACING DIRECTOR

–MBF-HEALTHCARE-MANAGEMENT<del>,</del> LLC

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305-461-1162 » F: 305-461-4999

## N THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT, IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the Department of Financial Services of the State of Florida,

Relator,		
٧.	1	CASE NO:
Universal Health Care Insurance Company, Inc.,		
Respondent,		
	1	

# ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATION, INJUNCTION AND NOTICE OF AUTOMATIC STAY

THIS CAUSE was considered on the Application of the State of Flonda, Department of Financial Services (hereinafter the "Department") for an Order to Show Cause on the appointment of a Receiver of Universal Health Care, Inc. (hereinafter the "Respondent" or "UHCIC") for Purposes of Liquidation and Request for Expedited Hearing filed on February 4, 2013 (hereinafter, "Application"). After consideration, this Court entered its Order to Show Cause, Injunction and Automatic Stay, on \_\_\_\_\_\_\_, 2013. A hearing was conducted on the Order to Show Cause on \_\_\_\_\_\_\_, 2013, wherein the Department and Respondent appeared and presented evidence and argument related to the Department's allegations contained in its Application.

The Court, having reviewed and considered the pleadings of record, heard the evidence of the parties and arguments of counsel, and otherwise being fully informed in the premises, finds:

- 1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
- 2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic life and health insurer since May 26, 2006. Respondent's principal place of business is located at 100 Central Avenue, Suite 200, St. Petersburg, Florida 33701.
- 3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.
- 4. Sections 631.031 and 631.061, Florida Statutes, authorize the Department to apply to this Court for an Order directing it to liquidate a domestic insurer upon the existence of any grounds specified in Section 631.051, Florida Statutes, or if an insurer is or is about to become insolvent.
- 5. Section 631.031 directs the Department to initiate such delinquency proceedings after receiving notification from the Director of the Office of Insurance Regulation as to the existing grounds for the initiation of such proceedings.
- 6. On February 1, 2013, pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, Commissioner of the Florida Office of Insurance Regulation ("Office"), advised by letter to Florida's Chief Financial Officer, Jeff Atwater, that the Office determined grounds existed for the initiation of delinquency proceedings against Respondent.

- 7. Respondent is found by the office to be in such condition as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, or the public. Section 631.051(3), Florida Statutes. Accordingly, grounds exist pursuant to Sections 631.051(3) and 631.061 for entry of an Order appointing the Department as receiver of Respondent for purposes of Liquidation.
- 8. Pursuant to Sections 631.051 and 631.061, Florida Statutes, this Court finds that it is in the best interests of Respondent, its creditors and its members that the relief requested in the Department's Application be granted. The Court further finds the Respondent to be insolvent pursuant to Section 631.061(1), Florida Statutes.

# THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

- 9. The Department of Financial Services of the State of Florida shall be and is hereby appointed Receiver of Respondent for purposes of liquidation effective immediately.
  - 10. The Receiver shall be authorized and directed to:
- A. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located belonging to Respondent pursuant to Sections 631.111 and 631.141, Florida Statutes, including but not limited to: offices maintained by Respondent, rights of action, books, papers, electronic records, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, wherever situate and however titled, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates and all real property of Respondent, wherever

situate, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates or other persons.

- B. Liquidate the assets of Respondent, including but not limited to, funds held by Respondent's agents, subagents, producing agents, brokers, solicitors, service representatives or others under agency contracts or otherwise which are due and unpaid to Respondent, including premiums, unearned commissions, agents' balances, agents' reserve funds, and subrogation recoveries.
- C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.
- D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.
- E. Not defend or accept service of process on legal actions wherein Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.
  - F. Commence and maintain all legal actions necessary, wherever

necessary, for the proper administration of this receivership proceeding.

- G. Collect all debts which are economically feasible to collect which are due and owing to Respondent.
- H. Deposit funds and maintain bank accounts in accordance with Section 631.221, Florida Statutes.
- I. Take possession of all of Respondent's securities and certificates of deposit on deposit with the Chief Financial Officer of Florida or any similar official of any other state, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership.
- J. Publish notice specifying the time and place fixed for the filing of claims with the Receiver once each week for three consecutive weeks in the Florida Administrative Weekly published by the Secretary of State, and at least once in the Florida Bar News and to publish notice by similar methods in all states where Respondents may have issued insurance policies.
- K. Negotiate and settle subrogation claims and Final Judgments without further order of this Court.
- L. Sell any salvage recovered property without further order of this Court.
- M. Coordinate the operation of the Receivership with the Florida Health and Life Insurance Guaranty Association ("FLHIGA") pursuant to Part III, Chapter 631, Florida Statutes, as may be necessary. The Receiver may in its discretion, contract with the FLHIGA or other relevant guaranty associations to provide services as are necessary to carry out the purposes of Chapter 631.

- N. Give notice of this proceeding to Respondent's agents pursuant to Section 631.341, Florida Statutes, and to its insureds, if any.
- O. For purposes of this Order, the term "affiliate" shall be defined in accordance with Section 631.011(1), Florida Statutes and includes but is not limited to Universal Health Care, Inc., Universal Health Care Group, Inc., and American Managed Care, LLC.
- P. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority is hereby suspended, except as such powers are re-delegated in writing by the Receiver. The Receiver has full power to direct and manage the affairs of Respondent, to hire and discharge employees, and to deal with the property and business of the Respondent.
- Q. Apply to this Court for further instructions in the discharge of its duties as the Receiver deems necessary.

## IT IS FURTHER ORDERED AND DIRECTED:

11. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates shall be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph. Any person who fails to cooperate with the Receiver, interferes with the Receiver, or fails to follow the instructions of the Receiver, may, at the Receiver's

discretion, be excluded from Respondent's business premises.

- 12. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Sections 631.111 and 631.141, Florida Statutes.
- 13. All officers, directors, trustees, administrators, agents and employees and all other persons representing Respondent or currently employed or utilized by Respondent in connection with the Conduct of its business are discharged forthwith; provided, however, the Receiver may retain such persons in the Receiver's discretion.
- All attorneys employed by Respondent as of the date of the Order, within 14. 10 days notice of the Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report shall also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent shall be discharged as of the date of the Order unless their services are retained by the Receiver. All attorneys employed by Respondent shall be advised that pursuant to Section 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1st DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on behalf of Respondent shall be required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, shall not be extinguished by the delivery of these documents.

- and/or collected premiums on behalf of the Respondent shall be required to account for and pay all premiums and commissions unearned due to cancellation of policies by the Order or in the normal course of business owed to the Respondent directly to Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they shall not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person shall use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.
- 16. Any premium finance company which has entered into a contract to finance a premium for a policy which has been issued by the Respondent shall be required to pay any premium owed to the Respondent directly to the Receiver.
- 17. Reinsurance premiums due to or payable by Respondent shall be remitted to, or disbursed by, the Receiver. Reinsurance losses recoverable or payable by Respondent shall be handled by the Receiver. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.
- 18. Upon request by the Receiver, any company providing telephonic services to Respondent shall be required to provide a reference of calls from the number presently assigned to Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.
  - 19. Any bank, savings and loan association, or other financial institution which

has on deposit, in its possession, custody or control any funds, accounts and any other assets of Respondent, shall be required to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver shall be authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution shall be permitted to exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court.

- 20. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to Respondent shall be required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.
- 21. Any data processing service, which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver shall be authorized to compensate any such entity for the actual use of hardware and software which the Receiver finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which was in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the

## Receiver.

- 22. The United States Postal Service shall be directed to provide any information requested by the Receiver regarding Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.
- 23. All claims shall be filed with the Receiver on or before 11:59:59 p.m. EST, on the date of one year following the entry of this Order, or be forever barred, and all such claims shall be filed on proof of claim forms prepared by the Receiver.
- 24. In order to assure the validity of claim assignments, to assure that the processing of assignments does not create an undue burden on estate resources, and to assure that assignment decisions are made using the best information available, the Receiver shall not recognize or accept any assignment of claim by the claimant of record unless the following criteria are met:
  - A. A distribution petition has not been filed with this Court;
- B. The Receiver has been provided with a properly executed and notarized assignment of claim agreement entered into between the parties; and
- C. The Receiver has been provided with a properly executed and notarized Receiver's Assignment of Claim Change Form and required supporting documentation.
- D. The Receiver's Assignment of Claim Change Form shall contain an acknowledgement by the claimant, or someone authorized to act on behalf of the claimant, that:
  - 1. The claimant is aware that financial information regarding

claims distributions and payments published on the Receiver's website or otherwise available can assist the claimant in making an independent and informed decision regarding the sale of the claim;

- 2. The claimant understands that the purchase price being offered in exchange for the assignment may differ from the amount ultimately distributed in the receivership proceeding with respect to the claim;
- 3. It is the claimant's intent to sell their claim and have the Receiver's records be permanently changed to reflect the new owner; and
- 4. The claimant understands that that they will no longer have any title, interest, or rights to the claim including future mailings and distributions if they occur.
- 25. All executory contracts to which the Respondent was a party shall be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract.

Further, the Receiver shall have the authority to do the following:

1) Pay for services provided by any of Respondent's vendors, in the ninety (90) day period prior to assuming or rejecting the contract, which are necessary to administer the Receivership estate;

2) Once the Receiver determines Respondent's vendor is necessary in the continued administration of the Receivership estate for a period to exceed the ninety (90) days from the date of this order, or form the date of Receiver's actual knowledge of such contract, whichever is later, the Receiver may make minimal modifications to the terms of the contract, including, but not limited to, the expiration date of the agreement, the scope of the services to be provide, and/or the compensation to be paid to Respondent's vendor pursuant to the contract. "Minimal Modifications" shall mean any minimum alteration made to the contract in order to adapt to the new circumstances of the Receivership estate. In no event will any minimal modification be construed as the receiver entering into a new contract with Respondent's vendor.

Any vendor, including but not limited to, any and all employees / contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship. This notice shall include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision shall not be treated as an anticipatory breach of such contracts.

- 26. All affiliated companies and associations, including but not limited to Universal Health Care, Inc., Universal Health Care Group, Inc., and American Managed Care, LLC., shall make their books and records available to the Receiver (including electronic records), to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver shall have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an affiliate company or any other person, corporation, or association. The Receiver shall be authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but shall be safeguarded and presented to this Court for review prior to copying by the Receiver.
- 27. The Receiver shall have complete access to and administrative control of all information technology resources of the Respondent and its affiliates at all times including, but not limited to, Respondent's computer hardware, software and peripherals. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.
- 28. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any they may have, as to why they shall not be held in contempt of Court for violation of the provisions of this Order.
  - 29. Except as noted in the following paragraph, pursuant to the provisions of

631.252, Florida Statutes, all policies of insurance or similar contracts of coverage that have not expired are cancelled effective 12:01 a.m. EST on the date of liquidation. Policies or contracts of coverage with normal expiration dates prior to the dates otherwise applicable under this paragraph, or which are terminated by insureds or lawfully cancelled by the Receiver or insurer before such date, shall stand cancelled as of the earlier date.

Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, 30. firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined and restrained from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records, including but not limited to electronic records, and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver: from the removal, concealment, or other disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against the Respondent or the Receiver together with its agents or employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receivers should be permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver should be authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07(1)(a), and 624.501, Florida Statutes.

- 31. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent shall fully cooperate with the Receiver in the effort to liquidate Respondent.
- 32. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the building located at 100 Central Avenue, Suite 200, St. Petersburg, Florida, 33701, or any other facility in which Respondent may operate, shall make available, at that location and at no charge to the Receiver or to Respondent, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.
- 33. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the computer equipment and software currently used by or for Respondent shall make such computer equipment and software available to the Receiver at no

charge to the Receiver or Respondent to the extent deemed necessary by the Receiver in its sole discretion.

# **CONTINUATION OF INVESTIGATION**

- The Receiver shall be authorized to conduct an investigation as 34. authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its affiliate shall be required to make all books, documents, accounts, records, and affairs. which either belong to or pertain to Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. Respondent and the above specified entities shall be required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.
- 35. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority

over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates shall be required to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution shall be required to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

- 36. All Sheriffs and all law enforcement officials of this state shall cooperate with and assist the Receiver in the implementation of this Order.
- 37. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver shall prepare a plan to effect such changes and submit the plan to this Court for consideration.

# **NOTICE OF AUTOMATIC STAY**

- 38. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of this order, and which prohibits:
- A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;

B. The enforcement of judgment against the insurer or an affiliate, provided that such affiliate is owned by or constitutes an asset of Respondent, obtained either before or after the commencement of the delinquency proceeding;

C. Any act to obtain possession of property of the insurer;

D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;

E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;

F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

39. This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

DONE and ORDERED	in	Chambers	at	the	Leon	County	Courthouse	ir
Tallahassee, Florida this	day	of		,	2013.			

CIRCUIT JUDGE	

Copies furnished to:

Robert V. Elias, Esq. Timothy Newhall, Esq. Lourdes Calzadilla, Esq. Jody E. Collins, Esq.



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Audit Committee and Management Universal Health Care, Inc.

April 12, 2012

In planning and performing our audit of the statutory-basis financial statements of Universal Health Care, Inc. (the Company) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

During our audit, we noted the following matters involving internal control over financial reporting and its operation that we consider to be material weaknesses as of Dcccmber 31 2011.

### Financial Statement Close Process

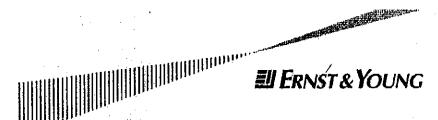
The financial statement close process is defined as the process where the results of various transactions are summarized, reviewed, consolidated, edited and created into a variety of management financial reports. The boundaries of this process begin with the preparation of the preliminary trial balance and end with the preparation of the financial statements and related disclosures and analyses. The process includes closing the general ledger and preparing the trial balances and any consolidation entries, accumulating the posting of journal entries, drafting the financial statements and disclosures, and preparing management's discussion and analysis.

Several of the Company's processes that are integral parts of the financial statement close process were found to be deficient during the course of our audit. As a result, approximately sixty entries have been proposed by either Company personnel or our audit team, including an individually significant entry related to medical and pharmacy claims payable for approximately \$7.0 million that was not recorded by management and contributed to our issuance of a qualified audit opinion. Additionally, we noted that the financial statement close process had not been formally completed when we began our year-end audit fieldwork in late February 2012. We also note that the

EXHIBIT EXHIBIT "E"

1204-1349848

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Company's accrual for medical claims payable was not finalized until the middle of March 2012 and a complete draft of the statutory-basis financial statements was not available until early April 2012, which is beyond the regulatory reporting requirement of April 1, 2012.

There should be a formal process in place in order to ensure that financial statements are generated appropriately and timely. This should include, but not be limited to, the following:

- A process to ensure all expenses incurred during the period are accrued as of the month-end date
- A process to ensure that premiums and other health care receivables are recognized correctly as they are earned and that proper cut-off is achieved from period to period
- A process to improve the tracking of claim overpayments.
- A process to consider the effects of subsequent claims payments on the liability for medical and pharmacy claims payable.
- A formal process to review key financial information by employees that are not responsible for the preparation of such financial information.
- A re-evaluation of the information technology and accounting resource capability in response to an increase in the complexity, nature, volume of transactions, and growth of the entity over the past two years

We recommend management review its current procedures for key processes within the financial statement close process and determine the appropriateness for those processes for preventing or detecting and correcting material misstatements, preparing reliable, accurate monthly and annual reporting and ensuring such processes are consistent with leading practices in the industry. The Company should consider computer, computer-dependent and manual controls that affect such processes as well as the adequacy of the Company's current information system to provide the necessary information.

This communication is intended solely for the information and use of the audit committee, board of directors, management, others within the organization and the State of Florida Department of Financial Services Office of Insurance Regulation 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.

Ernst + Young LLP

April 12, 2012

# BankUnited

7765 NW 148th Street Miami Lakes, FL 33016 Charles J. Klenk
Senior Vice President,
Commercial Banking
Tel (305) 698 4113
E-mail: cklenk@bankunited.com



October 29, 2012

Universal Health Care Group, Inc. American Managed Care, LLC 100 Central Avenue, Suite 200 Saint Petersburg, FL 33701

Attn: General Counsel Facsimile: (727)-456-7873 Email: spatel@univhc.com

VIA EMAIL, FEDERAL EXPRESS OVERNIGHT AND FACSIMILE

Re:

Notice of Default Under Credit Agreement Among Universal Health Care Group, Inc., as Borrower ("Universal"), American Managed Care, LLC, as Guarantor ("AMC"), BankUnited, N.A., as Administrative Agent, and the Lender Parties Thereto, Dated April 6, 2012 (the "Credit Agreement")

Dear Mr. Patel:

The purpose of this letter is to inform you that the Administrative Agent and all required lenders under the Credit Agreement have determined that Events of Default exist under the Credit Agreement.

At the time the Credit Agreement was entered into, Universal provided BankUnited and the lending parties with the unaudited consolidated and consolidating financial statements of itself and its subsidiaries for the period ending December 31, 2011. Universal then provided its audited financial statements for the year ending December 31, 2011 on July 31, 2012. The audited financial statements differ materially from those provided at the time of closing and indicate a loss from operations of \$43,898,539 and a loss before income taxes of \$46,168,814. To say the least, this is an extreme and material change to the financial statements provided at the time of closing. At no time were the Administrative Agent or other lenders informed of this change until the audited financial statements were received. In addition, upon requesting an extension to provide the audited financial statements by July 31, 2012, Universal and AMC represented that they were not aware of any Events of Default.

It is the position of the required lenders that Events of Default exist under Section 7.1 of the Credit Agreement, which include without limitation:

1. 7.1(b) <u>Misrepresentations</u>—that the financial statements provided were incorrect at the time of closing, and that Universal and AMC falsely stated under the Waiver Agreement dated May 29, 2012 there were no Events of Default under the Credit Agreement.

2. 7.1(c) <u>Covenant Default</u>—that Universal breached its affirmative covenant under Section 5.7(i) to promptly inform the Administrative Agent of any development or event which could reasonably be expected to have a material adverse effect.

In furtherance of the foregoing, Section 3.1 of the Credit Agreement provides that the unaudited statements delivered for the period ending 12/31/11 were prepared in accordance with GAAP, fairly presented in all material respects the financial condition of Universal and its subsidiaries, and disclosed all material indebtedness and other liabilities, direct or contingent. Section 3.2 of the Credit Agreement provides that since December 31, 2011 there had been no development or event which has or could reasonably be expected to have a material adverse effect. Section 3.22 of the Credit Agreement provides that all factual information previously furnished or hereinafter furnished on behalf of Universal will be true and accurate in all material respects and not incomplete by omitting to state any material fact necessary to make such information not misleading.

Although the required lenders have determined that one or more Events of Default exist, and are hereby placing you on notice of such defaults, the required lenders have chosen not to exercise their remedies at this time pending further discussions and negotiations among the parties. Nothing contained herein constitutes a waiver of any rights of the required lenders which may be exercised at any time. Notwithstanding the foregoing, you are also hereby notified that the lenders have a perfected security interest in Universal's general intangibles, which include, among other things, the entirety of any tax refund (the "Tax Refund") that is currently due and owing to Universal.

While we are aware that Universal, AMC and their regulated subsidiaries are parties to a Tax Sharing Agreement and file their tax returns on a consolidated basis, the law clearly provides that, under circumstances similar to those at issue here, the filing entity that is entitled to receive the proceeds of a tax refund has an ownership interest in such funds, with all other entities within the enterprise holding a potential claim in their capacity as creditors. See, e.g., BankUnited Financial Services, Inc. v. FDIC (In re Bankunited Financial Corporation), 462 B.R. 885 (Bankr. S.D. Fla. 2011).

In accordance with the foregoing, you are hereby notified that any restructuring proposal presented by Universal and AMC must consider the lenders' secured interest in the Tax Refund and that immediately upon receipt of the Tax Refund, it must be placed in an escrow account at BankUnited and remain there pending the instruction of the required lenders. Further, please be advised that any attempt to place additional debt on the real estate or to compromise the rights of the lenders with respect to the Tax Refund without the prior express consent of the required lenders, including through a transfer of any portion of those funds to any of the regulatory subsidiaries, would constitute a breach of the Credit Agreement and would be met with immediate legal action against Universal, AMC and their respective fiduciaries. Please be further advised that any effort to sell, transfer, lease or otherwise dispose of the real estate, or assets generally, is flatly prohibited under Section 6.4(a) of the Credit Agreement, which, among other things, disallows transfers of property or assets exceeding \$500,000 as set forth in Section 6.4(a)(vi) and, further, restricts all transfers during the existence of an Event of Default.

The lenders look forward to receiving your anticipated restructuring proposal.

Please be advised that the statements set forth in this letter are made without prejudice concerning additional facts which may become known and as to any other remedies possessed by the lenders, all of which are reserved.

Sincerely,

BANKUNITED, N.A. as Administrative Agent

Charles Klenk, Senior Vice President

#### **BankUnited**

7765 NW 148th Street Miami Lakes, FL 33016 Charles J. Klenk

Senior Vice President, Commercial Banking Tel (305) 698 4113

E-mail: cklenk@bankunited.com



November 14, 2012

Universal Health Care Group, Inc. American Managed Care, LLC 100 Central Avenue, Suite 200 Saint Petersburg, FL 33701 Attn: General Counsel

Facsimile: (727) 456-7873 Email: spatel@univhc.com VIA EMAIL, FEDERAL EXPRESS OVERNIGHT AND FACSIMILE

Re:

Supplemental Notice of Default Under Credit Agreement Among Universal Health Care Group, Inc., as Borrower ("Universal"), American Managed Care, LLC, as Guarantor ("AMC"), BankUnited, N.A., as Administrative Agent, and the Lender Parties Thereto, Dated April 6, 2012 (the "Credit Agreement")

Dear Mr. Patel:

The purpose of this letter is to (i) respond to that certain Notice of Reservation of Rights, dated October 31, 2012 (the "Reservation of Rights"), issued by Universal and AMC to the Administrative Agent; (ii) inform you that the Administrative Agent and all Required Lenders have determined that additional Events of Default exist under the Credit Agreement beyond those previously identified in the Notice of Default, dated October 29, 2012, issued by the Administrative Agent to Universal and AMC (the "Initial Notice of Default"); and (iii) to notify you that the Administrative Agent and all Required Lenders have elected to exercise certain of their remedies under Section 7.2 of the Credit Agreement, including, but not limited to, the immediate termination of all Commitments under the Credit Agreement, as discussed below.

## 1. THE RESERVATION OF RIGHTS

As you are aware, the Initial Notice of Default provided by the Administrative Agent, which is incorporated herein by reference, states that Events of Default exist under Section 7.1(b) of the Credit Agreement as a result of incorrect, false and/or misleading statements contained (i) in the unaudited consolidated and consolidating financial statement of Universal and its subsidiaries for the period ending December 31, 2011 (the "Unaudited Financial Statements"), which was provided to the Administrative Agent and Lenders prior to (and in furtherance of) the closing of the Credit Agreement, and (ii) in the Waiver Agreement, dated May 29, 2012, which sought an extension for Universal to

Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Credit Agreement.

provide audited financial statements and, in the same document, incorrectly stated that there were no Events of Default under the Credit Agreement. The Initial Notice of Default also explains that an Event of Default exists under Section 7.1(c) of the Credit Agreement as a result of Universal's failure to promptly inform the Administrative Agent of substantial losses and revisions to the Unaudited Financial Statements which could reasonably be expected to have a Material Adverse Effect.

Specifically, as set forth in the Initial Notice of Default, the audited financial statements that were provided by Universal to the Administrative Agent, dated July 31, 2012 (the "Audited Financial Statements"), materially differed from the Unaudited Financial Statements provided in anticipation of closing by, among other things, indicating a loss before income taxes of \$46,168,814 (as opposed to a profit of \$16,044,851) and a net loss of \$29,002,958 (as opposed to net income of \$10,761,982). Despite the magnitude of the foregoing revisions, which reflect a downward adjustment to EBITDA of \$62 million, and the request for an extension to provide the Audited Financial Statements, Universal failed to provide the Administrative Agent or the Lenders with any notice of the foregoing material changes until the Audited Financial Statements were finalized and, in the interim, affirmatively represented that it was not aware of any Events of Default.

We have reviewed the Reservation of Rights, wherein Universal and AMC conclude that there have been no Events of Default under either Section 7.1(b)(1) or Section 7.1(c)(1) of the Credit Agreement. For the reasons set forth below, the Administrative Agent and the Required Lenders reject the conclusions set forth in the Reservation of Rights and restate that the foregoing Events of Default are ongoing.

# A. Misrepresentations

In the Reservation of Rights, you have argued that incorrect statements contained in the Unaudited Financial Statements do not violate Section 7.1(b)(i) of the Credit Agreement for two primary reasons. Each argument is addressed below in turn.

First, you submit that statements contained in the Unaudited Financial Statements were not incorrect, false or misleading "on or as of the date made or deemed made" and, as such, do not technically violate Section 7.1(b)(i) of the Credit Agreement. In response, the Administrative Agent and Required Lenders state that the sheer scope and extent of the material changes reflected in the delayed Audited Financial Statements irrefutably establish that the results initially reflected in the Unaudited Financial Statements—which, among other things, overstated EBITDA by more than \$62 million—and, by extension, the representations and warranties provided under Sections 3.1(a) of the Credit Agreement (Financial Condition), were incorrect, false and misleading as of the date made. In declaring an Event of Default, Section 7.1(b)(i) of the Credit Agreement does not require an opinion as to whether misrepresentations are the result of negligence, gross negligence, or intentional fraud and, accordingly, no such qualification is provided here. However, if the misrepresentations are intentional and were made for the purpose of inducing the Lenders to enter into the Credit Agreement there is the potential for additional and/or personal liability that will have to be evaluated. We are specifically reserving our rights in that regard upon completion of such further determination.

In addition to the foregoing, however, it is important to also stress that Section 3.2 of the Credit Agreement independently provides an added basis for default, as it explicitly

represents and warrants that there shall be "no development or event which has had or could reasonably be expected to have a Material Adverse Effect," including as may be shown from the *date of the delivery* of the Audited Financial Statements. This representation, which is ongoing, is "deemed made" as of the date of the Audited Financial Statements, and is also incorrect, false and misleading as the Audited Financial Statements clearly reflect the existence of a Material Adverse Effect and, thus, constitute an additional Event of Default under Section 7.1(b) of the Credit Agreement.

Second, you have argued that the changes reflected in the Audited Financial Statements do not constitute a default because they reflect revisions that you submit are "generally considered immaterial" pursuant to Generally Accepted Auditing Standards, because they are less than 5% in certain selected categories. This argument is also unpersuasive. As an initial matter, the statement that, "as a matter of custom and practice in the accounting industry, revisions of less than 5% are generally considered immaterial" is misleading and inapplicable here. While a "rule of thumb" regarding adjustments of less than 5% to net income (a category that is not discussed anywhere in your Reservation of Rights) is used within the accounting industry as one of many indicators of materiality, commentators, including the Securities and Exchange Commission and the Financial Accounting Standards Board have stressed that "exclusive reliance on this or any percentage or numerical threshold has no basis in the accounting literature or the law." SEC Staff Accounting Bulletin: No. 99, 64 Fed. Reg. 45150 (1999) (emphasis added). Thus, the proper measure of materiality, as stated by the Financial Accounting Standards Board and echoed by the SEC is as follows:

"The omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item."

See id. (quoting FASB, Statement of Financial Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information, 132 (1980)).

Based on the foregoing, the Administrative Agent and Required Lenders have concluded that the misstatements contained in the Unaudited Financial Statement were material and would have changed or influenced their judgment, including as a result of the following:

- Change in Claims Incurred but Not Reported ("IBNR"): The Audited Financial Statements reflect an increase of more than \$51 million in IBNR. This change represents a 40.2% increase to the amount previously reported in the Unaudited Financial Statements, i.e., \$128,354,077.
- Change in EBITDA: As noted above, EBITDA was decreased from a *profit* of \$16,044,851 to a *loss of* \$46,168,814.
- Change in Net Income: Similarly, as a result of corrections reflected in the Audited Financial Statements, previously disclosed net income of \$10,761,982 was revised to reflect a net loss of \$29,002,958. Taken together or independently, both the changes to EBITDA and Net Income easily surpass

the miniscule 5% threshold identified in the Reservation of Rights as being indicative of materiality, both as a result of the sheer size of the adjustments and the resulting shifts from profits to deep losses.

• Change in Cash: In your reservation of rights you note that the reduction of net cash and cash equivalents, which went from \$169.3 million (unaudited) compared to \$167.3 million (audited) was less than 2% and, thus, presumably immaterial. Your analysis fails to note, however—consistent with the FASB's insistence on considering "surrounding circumstances"—that, as revised, the company's cash, which was previously sufficient to cover IBNR of \$128,354,077 (unaudited) and provide stability to its regulated businesses and HMO members, is now no longer sufficient to cover its actually disclosed IBNR of \$180,008,155 (audited).

The essence of the Credit Agreement is that it is a credit facility secured by the ongoing operational returns of the underlying business. As such, misrepresentations regarding available cash flow, net income and Minimum Statutory Capital Requirements drastically misrepresent the ongoing business value that is the essential security for repayment of the loans. Given these surrounding circumstances the misrepresentations and the delay in disclosing the true financial condition of the companies was extremely material

# **B.** Covenant Defaults

In the Initial Notice of Default, we stated that an Event of Default existed under Section 7.1(c)(i) of the Credit Agreement for failure to "promptly" give notice to the Administrative Agent of any "development or event which could reasonably be expected to have a Material Adverse Effect" as required under the affirmative covenant set forth in Section 5.7(i) of the Credit Agreement. Specifically, Universal and AMC not only failed to provide notice of the material adverse effects reflected in the Audited Financial Statements prior to the submission of such statements, and despite an extension to the reporting deadline set forth in the Credit Agreement, but affirmatively represented that no Event of Default existed in connection with their request for an extension to the reporting requirement in the Waiver Agreement. You have raised three arguments to suggest that the foregoing does not constitute an Event of Default. We will address each in turn.

First, you have argued that the changes captured in the Audited Financial Statements are not material. For all of the reasons already set forth above, including, among other things, (i) the \$62 million downward revision to EBITDA, (ii) the change from profit to loss, and (iii) the lack of sufficient cash to meet the needs of the Regulated Subsidiaries' HMO members, the Administrative Agent and the Required Lenders reject your conclusion regarding the immaterial nature of the changes reflected in the Audited Financial Statements.

Second, you have stated that the Audited Financial Statements were provided in accordance with the deadline set forth in the Waiver Agreement. This position, however, ignores the plain language of Section 5.7(i), which imposes a disclosure obligation "promptly" after the discovery of any development "which could" (not "would") "reasonably be expected to have a Material Adverse Effect." It is our position that, when the possibility of a Material Adverse Effect exists— such as the lack of sufficient cash to meet regulatory requirements or the needs of HMO members—Section 5.7(i) requires

more than disclosure at the very last possible day for the submission of a financial statement with no prior warning of its ominous contents.

Third, you have stated that any potential failure to disclose a Material Adverse Effect was "cured" upon the disclosure of the Audited Financial Statements. This statement ignores the fact that Section 7.1(c)(i) of the Credit Agreement, which governs failures to disclose Material Adverse Effects under Section 5.7(i), is not subject to cure and allows for an immediate Event of Default to be declared upon discovery. As such, a violation of Section 7.1(c)(i) requires express waiver by the Administrative Agent with the approval of the Required Lenders.

For all of the reasons set forth above, we reaffirm that the Events of Default identified in the Initial Notice of Default continue to exist.

# II. ADDITIONAL EVENTS OF DEFAULT

The Administrative Agent and the Required Lenders have determined that the following Events of Default, including as previously identified in the Initial Notice of Default, are currently ongoing under the Credit Agreement:

- Misrepresentation under Section 7.1(b): As previously noted in the Initial Notice of Default and further discussed herein, the Credit Parties have made representations and warranties under the Credit Agreement that were incorrect, false and/or misleading as prohibited under the Credit Agreement. Specifically, as clarified by the corrections set forth in the Audited Financial Statements, the following representations and warranties under the Credit Agreement were incorrect, false and/or misleading: Section 3.1(a) (Financial Condition); Section 3.2 (No Material Adverse Effect); Section 3.17(c) (Solvency); Section 3.22 (Accuracy and Completeness of Information); Section 3.32(a) (Compliance with Health Care Laws and Insurance Regulations). Additionally, the Solvency Certificate required under Section 4.1(f), as supplied in connection with closing, has also proven to be incorrect, false and/or misleading.
- Misrepresentation under Section 7.1(b): In the Initial Notice of Default, we clearly stated that the Tax Refund (as defined in the Initial Notice of Default) is a general intangible that constitutes the Lenders' Collateral and should be placed in escrow pending instructions from the Administrative Agent and the Required Lenders. In the Reservation of Rights, you have expressly and anticipatorily repudiated the obligation to preserve this Collateral and stated that you intend to use the Tax Refund to satisfy minimum statutory capital requirements. As a result of the foregoing, you have also rendered the representation contained in Section 9.1 incorrect, false and misleading, as that provision prohibits the release of Collateral without, among other things, the written consent of all of the Lenders.
- <u>Misrepresentation under Section 7.1(b)</u>: As reflected in the revised disclosures provided on October 10, 2012, it is clear that the amount of Combined Minimum Statutory Capital calculated as of the last day of the fiscal quarter ending June 30, 2012 for Universal Health Care Insurance Company, Inc.

("UHCIC") was actually less than 1.30 times the Minimum Statutory Capital and did not comply with the requirements of Section 5.9(d) of the Credit Agreement. Accordingly, the report provided for June 30, 2012, together with the covenant compliance certificate that accompanied that report, was incorrect, false and misleading.

- Covenant Default under Section 7.1(c)(i): As previously noted in the Initial Notice of Default and further discussed herein, the Credit Parties have failed to comply with the affirmative covenant set forth in Section 5.7(i) of the Credit Agreement, which requires "prompt" notice of any event "development or event which could reasonably be expected to have a Material Adverse Effect."
- Covenant Default under Section 7.1(c)(i): Combined Minimum Statutory Capital calculated as of the last day of the fiscal quarter ending June 30, 2012 (as reflected in the revised disclosures provided on October 10, 2012) for UHCIC is less than 1.30 times the Minimum Statutory Capital and, thus, does not comply with the requirements of Section 5.9(d) of the Credit Agreement.

While all of the foregoing is troubling, it bears stressing that the failure to comply with the Combined Minimum Statutory Capital requirement is of particular concern for additional reasons. Specifically, it is our understanding that the existence of minimum statutory capital requirements (as imposed on the Regulated Subsidiaries and reflected in the Credit Agreement)—and the failure and/or inability to abide by those requirements—creates the potential for events that will have a direct and adverse effect on patients, particularly when providers believe that they will not be paid for services rendered. Given the nature of the Credit Parties' business, there is significant concern that the lack of adequate capital at UHCIC will not only adversely impact that entity in the near term, but will ultimately impact the more than 180,000 Medicare and Medicaid members of United Health Care, Inc. ("UHC").

### III.ELECTION OF REMEDIES

Based on all of the Events of Default identified herein and in the Initial Notice of Default, and in accordance with the terms of Section 7.2 of the Credit Agreement, the Administrative Agent and the Required Lenders declare that the Commitments are hereby immediately terminated. Additionally, pursuant to and in accordance with Section 2.7(b) of the Credit Agreement, the Administrative Agent and the Required Lenders declare that the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing under the Credit Agreement or under the other Credit Documents shall automatically bear interest, at a per annum rate which is equal to the Default Rate.

The Administrative Agent and the Lenders reserve the right to exercise such other rights and remedies as provided under the Credit Agreement, the Credit Documents and under applicable law, including the right of acceleration.

Please govern yourself accordingly.

Sincerely,

BANKUNITED, N.A. as Administrative Agent

Charles I Klenk SVP

#### **BankUnited**

7765 NW 148th Street Miami Lakes, FL 33016

#### Charles J. Klenk

Senior Vice President, Commercial Banking Tel (305) 698 4113 E-mail: <u>cktenk@bankunited.com</u>



December 3, 2012

VIA EMAIL, FEDERAL EXPRESS OVERNIGHT AND FACSIMILE

Universal Health Care Group, Inc. American Managed Care, LLC 100 Central Avenue, Suite 200 Saint Petersburg, FL 33701

Attn: Deepak Desai, Chief Strategy Officer

Facsimile: (727) 497-5737 Email: ddesai@univhc.com Universal Health Care Group, Inc. American Managed Care, LLC 100 Central Avenue, Suite 200 Saint Petersburg, FL 33701 Attn: Alec Mahmood, CFO

Email: amahmood@univhc.com

Re: Second Supplemental Notice of Default Under Credit Agreement Among Universal Health Care Group, Inc., as Borrower ("Universal"), American Managed Care, LLC, as Guarantor ("AMC"), BankUnited, N.A., as

Administrative Agent, and the Lender Parties Thereto, Dated April 6, 2012 (the "Credit Agreement")

Dear Messrs. Desai and Mahmood:

The purpose of this letter is to inform you that the Administrative Agent<sup>1</sup> and all Required Lenders have determined that additional Events of Default exist under the Credit Agreement beyond those previously identified in the (i) Notice of Default (the "Initial Notice of Default") and (ii) Supplemental Notice of Default (the "Supplemental Notice of Default"), which were issued by the Administrative Agent to Universal and AMC on October 29, 2012 and November 14, 2012, respectively.

### I. ADDITIONAL EVENTS OF DEFAULT

On November 20, 2012, the Administrative Agent received Universal's Officer's Compliance Certificate (the "Compliance Certificate"), which reflects certain financial information for the fiscal quarter ended September 30, 2012, as contemplated under the Credit Agreement. In the Compliance Certificate, Universal specifically acknowledges that it is currently not in compliance with the following financial covenants contained in Section 5.9 of the Credit Agreement: Fixed Charge Coverage Ratio (Section 5.9(b)), Consolidated Combined Ratio (Section 5.9(c)), Combined Minimum Statutory Capital (Section 5.9(d)), and Tangible Net Worth (Section 5.9(e)). As you know, the failure to comply with any one of the foregoing financial covenants constitutes an Event of Default

Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Credit Agreement.

under Section 7.1(c)(i) of the Credit Agreement, which can only be cured by express waiver from the Administrative Agent with the approval of the Required Lenders.

In addition to the foregoing, the Compliance Certificate also states that Universal is in compliance with the Total Leverage Ratio imposed under Section 5.9(a) of the Credit Agreement. This is inaccurate. The calculation of Total Leverage Ratio, as such term is defined in the Credit Agreement, is the ratio of Consolidated Funded Debt to Consolidated EBITDA and, pursuant to Section 1.3(a) of the Credit Agreement, must be calculated in accordance with GAAP. In the Compliance Certificate, the denominator in the calculation, which is Consolidated EBITDA, was calculated without regard for the fact that the number was negative. Thus, Universal's Total Leverage Ratio calculation treats a loss of \$37 million as indistinguishable from a profit of \$37 million to conclude that the ratio is compliant despite the fact that it is stated as a negative number. Universal does not have negative debt, which is what is implied by this calculation. Any such conclusion is contradicted by both logic and the rules of GAAP, which prohibit the use of a negative Total Leverage Ratio. The most obvious reason for this, as exemplified by Universal's calculation, is that the ratio you have stated as a negative 1.08 is far better (i.e., closer to zero, at a loss of \$37 million) than the ratio that would have resulted if the company had positive Consolidated EBITDA of even one dollar (i.e., 40,878,242 to 1.00). Based on the foregoing and the disclosures in the Compliance Certificate, the Administrative Agent and the Required Lenders have additionally determined that Universal is not in compliance with the Total Leverage Ratio requirement set forth in Section 5.9(a) of the Credit Agreement, which constitutes an additional Event of Default under Sections 7.1(b) and 7.1(c)(i) of the Credit Agreement, which require express waiver by the Administrative Agent with the approval of the Required Lenders.

In addition to the Events of Default reflected in the Compliance Certificate, the Administrative Agent and Required Lenders have determined that Universal has also breached the negative covenant contained in Section 6.4(a) of the Credit Agreement—which generally prohibits the transfer of certain assets—by down streaming a tax refund of approximately \$11 million (the "Tax Refund") to its affiliate Universal Health Care Insurance Company, Inc. ("UHCIC"). Although Universal was repeatedly warned (including in both the Initial and Supplemental Notice of Default) that any transfer of the Tax Refund would violate the Credit Agreement, the transfer was nevertheless purposefully and improperly effectuated. Accordingly, the transfer of the Tax Refund to UHCIC constitutes an intentional breach of the Credit Agreement, violates Section 6.4(a), and results in an additional Event of Default under Section 7.1(c)(i) of the Credit Agreement.

Notwithstanding the foregoing, it is our understanding that the Tax Refund was transferred to UHCIC in exchange for a note to Universal from UHCIC (the "<u>UHCIC Note</u>"). Please be advised that the Lenders have received a pledge of all "Statutory Notes" under the Credit Agreement, which include the UHCIC Note as a "subordinated surplus promissory note issued by a Regulated Subsidiary to a Credit Party." Accordingly, the UHCIC Note constitutes the Lenders' collateral and must be immediately allonged to the Administrative Agent.

### II. ELECTION OF REMEDIES

The Administrative Agent and the Lenders have not elected to pursue additional remedies beyond those already set forth in the Supplemental Notice of Default and those referred to above, but reserve the right to exercise such other rights and remedies as provided under the Credit Agreement, the Credit Documents and under applicable law, including the right of acceleration.

Please be further advised that upon information and belief, the Credit Parties have suggested that the real property owned by Universal might be transferred to UHCIC to make up statutory capital shortfalls. Such a transfer would be in direct violation of Section 6.4 of the Credit Agreement without the express written consent of the Administrative Agent and the Required Lenders and such consent is not granted at this time.

Please govern yourself accordingly.

Sincerely,

BANKUNITED, N.A. as Administrative Agent

Charles Klenk SVP



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Audit Committee and Management Universal Health Care, Inc.

April 12, 2012

In planning and performing our audit of the statutory-basis financial statements of Universal Health Care, Inc. (the Company) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statutory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

During our audit, we noted the following matters involving internal control over financial reporting and its operation that we consider to be material weaknesses as of December 31 2011.

#### Financial Statement Close Process

The financial statement close process is defined as the process where the results of various transactions are summarized, reviewed, consolidated, edited and created into a variety of management financial reports. The boundaries of this process begin with the preparation of the preliminary trial balance and end with the preparation of the financial statements and related disclosures and analyses. The process includes closing the general ledger and preparing the trial balances and any consolidation entries, accumulating the posting of journal entries, drafting the financial statements and disclosures, and preparing management's discussion and analysis.

Several of the Company's processes that are integral parts of the financial statement close process were found to be deficient during the course of our audit. As a result, approximately sixty entries have been proposed by either Company personnel or our audit team, including an individually significant entry related to medical and pharmacy claims payable for approximately \$7.0 million that was not recorded by management and contributed to our issuance of a qualified audit opinion. Additionally, we noted that the financial statement close process had not been formally completed when we began our year-end audit fieldwork in late February 2012. We also note that the

EXHIBIT

EXHIBIT "G"

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Company's accrual for medical claims payable was not finalized until the middle of March 2012 and a complete draft of the statutory-basis financial statements was not available until early April 2012, which is beyond the regulatory reporting requirement of April 1, 2012.

There should be a formal process in place in order to ensure that financial statements are generated appropriately and timely. This should include, but not be limited to, the following:

- A process to ensure all expenses incurred during the period are accrued as of the month-end date
- A process to ensure that premiums and other health care receivables are recognized correctly as they are earned and that proper cut-off is achieved from period to period
- A process to improve the tracking of claim overpayments.
- A process to consider the effects of subsequent claims payments on the liability for medical and pharmacy claims payable.
- A formal process to review key financial information by employees that are not responsible for the preparation of such financial information.
- A re-evaluation of the information technology and accounting resource capability in response to an increase in the complexity, nature, volume of transactions, and growth of the entity over the past two years

We recommend management review its current procedures for key processes within the financial statement close process and determine the appropriateness for those processes for preventing or detecting and correcting material misstatements, preparing reliable, accurate monthly and annual reporting and ensuring such processes are consistent with leading practices in the industry. The Company should consider computer, computer-dependent and manual controls that affect such processes as well as the adequacy of the Company's current information system to provide the necessary information.

This communication is intended solely for the information and use of the audit committee, board of directors, management, others within the organization and the State of Florida Department of Financial Services Office of Insurance Regulation 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.

April 12, 2012

Ernet + Young LLP

To:

Kerby Baden, EIC

From:

Jenny L Jeffers IS Specialist

Subject:

**Documentation of Data Analysis** 

Date:

December 10, 2012

Jennan Enterprises, LLC was contracted with Invotex Group on behalf of the state of Florida Office of Insurance Regulation to review the claims system and integrity of the claims data as a part of a targeted Financial and Market Conduct examination of Universal Health Group. The companies were scheduled to convert the Fortuna System, which has been implemented at the companies since 2006, to the QNXT system by Trizetto.

An initial visit was performed by Lisa Marteney of Jennan Enterprises, LLC and a report generated on October 24, 2012. In this report and associated meeting notes, it was stated that:

- Jason Mitchell stated that during the last year, between 3 and 4 million dollars has been
  invested in Universal's infrastructure. Changes to the infrastructure include new servers, more
  storage systems, rebuilt switches, additional fiber optic lines, rebuilt circuits, upgraded internet
  lines and becoming more virtualized. A tremendous investment in money and resources has
  been made to upgrade Universal's infrastructure.
- Currently the load percentages are where Universal likes to see them except for storage, which
  is currently running at 65% of capacity. Jason stated that additional storage will be added in the
  near future.
- Jason Mitchell stated that over the last 18 months, IT has grown approximately 35%. Jason,
  Deby and a lot of the new IT team have had the opportunity to work together at WellCare.
  Jason also stated that IT is utilizing quite a few contractors. They have added two new positions.
  Director of IT Security and a Sr. IT Auditor
- Jason stated that the current plan is to have the conversion from the Fortuna claim system to the TriZetto claim system complete by the June/July 2013 time frame.
- Jason stated that anything "relevant" from the Fortuna system will be moved to the new
  TriZetto system. All data from the Fortuna system will be maintained in the Operational Data
  Store (ODS). All new data will be held here also. This will allow for easier reporting and
  auditing. The Fortuna system will also be maintained and running for audit purposes.
- Jason stated that one reason for the change from the current Fortuna claim system to the TriZetto claim system is that TriZetto has the capacity to handle the Company's growth. TriZetto will be hosted in their Denver facility. Jason does not want any critical systems to be run out of the Universal Healthcare facility. Jason stated that Universal does not have the data center layout, environmental controls or the capacity to handle supporting all of the critical systems. It appears from review of the Statement of Work contracts between TriZetto and Universal that the claim capacity issues that Universal has been plagued with in the past should be taken care of by the new TriZetto claim system. The company has entered into a 10 year contract with Trizetto.
- Jason stated that the original target date for completion of the conversion from the Fortuna claim system to the TriZetto claim system was before open enrollment. Open enrollment begins



**EXHIBIT "H"** 

on October 15<sup>th</sup> and runs for 45 days. On the 1<sup>st</sup> of September, a meeting was held and it was decided that instead of rushing the conversion process, the process would stop for now and resume in the January/February 2013 timeframe. Jason stated that the new date for all testing and the conversion to be complete is the June/July 2013 time frame.

Following the review of Ms. Marteney's report and interview notes from her interview with Jason Mitchell, VP of Technology and Deby McCourt, Director of IT and the processing of the claims data provided by the company for the selection of samples, a discussion was held with the EIC and Jenny Jeffers, IT Lead on the project. Questions were raised regarding:

- The expenditure of funds for upgrade of the systems in spite of the conversion to QNXT and the hosting of all processes by Trizetto
- The curtailment of the conversion project on September 1, 2012 when it was further stated by Jason Mitchell that no surprises were noted during the conversion
- The difficulty experienced in interpreting the claims data to determine fully and partially denied claims as well as the issues noted during the claim sample review
- Difficulty encountered in the attempt to determine the percentages of denied claims for each company and line of business

It was decided that a second onsite visit – this time by Jenny Jeffers, Lead IS Specialist was needed to determine the actual reason for curtailing the conversion as well as to further discuss the quality of the data going into the new system. This visit occurred on November 20, 2012.

Additional interviews were conducted with:

- Jason Mitchell, VP of Technology overview of conversion project and discussion of project delay
- Shalendra Dhanasar, Sr. Data Analyst data quality overview
- Bryan Richardson, Sr. Director Provider Services
- Travis Johnson, Sr. Director Enrollment Operations
- Melissa Johnson, Sr. Manager of Claims
- Debra Wingo, Manager of Diversion
- Linda Shoenfelt, VP Operations

The primary discussion for the meetings of the day focused on the data quality prior to the initial conversion attempt and during the period under review as well as the efforts by the company to clean up the data and continue with the conversion. One primary concern was the basis for the decision to curtail the conversion project.

In the discussion with Jason Mitchell, he explained that the conversion was stopped September 1, 2012 when it was discovered that the data from the Fortuna system needed a lot more cleanup before the conversion would work appropriately. This was detected during the UAT (User Acceptance Training). The conversion was not working. IT presented the case to upper management that the data was not converting appropriately due to multiple issues with the source data (the issues are explained in more detail in the discussion with Bryan Richardson). Mr. Mitchell felt that if the conversion was completed and the new system was implemented prior to open enrollment, serious consequences would ensue. Therefore, the decision was made to "beef up" the Fortuna system to accommodate any growth resulting from the open enrollment process. Infrastructure was expanded and changes were made to the Fortuna system, both of which were at near capacity. The contracts with Fortuna (Indus/E4E) were extended more than once (as evidenced by the contracts with Indus provided and reviewed by the IS -

Specialist). New rates were negotiated and the current expectation is to have the new system up and running by summer of 2013 – the dates are specified in the Indus (E4E) contracts – see Attachment 1.

The original conversion project was driven by two major company needs:

- The need for sufficient capacity to accommodate the growth of the company
- The end of the service contract with Indus (E4E) for providing both software support and TPA services

The project team (no dedicated team was established, rather all IT personnel and available business personnel were a part of the team) was given a March 30, 2012 deadline for completing the conversion project. The contract with Trizetto was not signed until December of 2011. The contracts provided for review did not include the completed signature blocks and dates signed, however the date stamps were present on the documents. See Attachments 2a - 2d. The original negotiations were occurring during October 2011 and that is when the work began on the conversion planning. The size of project and amount of data to be converted made the target date virtually impossible to achieve. Therefore, the project plan was modified to minimize the work required. One of the items that were de-emphasized was the scrubbing of data prior to performing the conversion. Rather, emphasis was on mapping the data from Fortuna to QNXT (Trizetto product). There were field mismatches (fields in Fortuna that were not in QNXT and fields that were in QNXT that were not in Fortuna). These situations were handled utilizing user defined fields in QNXT to accommodate needed information in Fortuna that was not in QNXT and in developing ODS (Operational Data Store) which would contain information from both systems. The project plan for the development of the ODS system was provided and reviewed - See Attachment 3. Data that was not in Fortuna was minimal according to the company; but to enhance the data and provide some normalization, a contract was developed with Enclarity to do data improvement on the provider data and signed on 12/2/2011 - See Attachment 4. Fees are addressed on page 9 of this document. Discussion with Bryan Richardson indicated that the Enclarity process did not improve the data quality as expected. HHI Consulting was utilized to assist in the Project Charter development and conversion project plan - See Attachment 5.

A conversation was held with Linda Shoenfelt, Project Manager of the conversion project. Linda was hired from WellCare and had assisted in the Implementation of Facets at that company. She noted that she came in at the contract negotiation stage of the game and assisted with the development of the Statements of Work (SOWs) and Service Level Agreements (SLAs). She further indicated that she worked with the outside Project manager from HHI Consulting – specialized in QNXT conversions. A Gap analysis was performed and it was discovered that ZNXT and MedHOK (Medical House of Knowledge – software for encounters) would provide the needed functionality. QNXT is a medical services admin system that is specifically written for government medical system processing. The concept of groups is not the emphasis, but rather the members. Some issues were noted – for example that encounters were not being loaded. Solutions were developed for gaps as much as possible with the short time frame. See Attachment 6. Personnel were working around the clock to attempt to achieve the implementation deadline. The company had grown very fast before the infrastructure was ready for the growth. Finally, after 4 mapping attempts and failed testing, the entire team together decided not to go live. This was not until September 2012.

The result of the conversion not being completed in March, 2012 was the requirement for the management of UHCG to negotiate extensions with Indus (E4E) for maintenance and TPA services to their contract which had been signed initially in October, 2006. The IS Specialist asked if Fortuna was a commercial package or written for UHCG. The response was that it is a commercial package but was

developed with advice from UHCG and they were the primary client. It was stated that one impetus for the short conversion project period was disagreement between UHCG management and Indus management. Thus, the differences had to be worked out to allow the company to continue to process business on the old system. Additionally, the infrastructure had to be enhanced at UHCG to allow for adequate capacity and some changes were required for the Fortuna system to handle increased capacity that may arise from open enrollment. The contract amendments were reviewed and changes in prices and dates of renegotiation — See Attachment 7. The amendments show the renegotiations at dates specified in the description of the conversion target and modified target dates and the current contract is scheduled to end in March 31, 2013. This is an issue in light of the current conversion date being July — September 2013. It was noted that the run out charge was significantly greater for the contract amendment in March 2011. This could have been a contributing factor in the disagreement between the two companies.

# The initial conversion project failed due to two major issues:

- The time allocated for the project created an unattainable goal, therefore important steps were not carried out.
- The data that has not been in good shape since the inception of the Fortuna system (October 2006) and was not appropriately cleaned up and corrected prior to the conversion.

The company is to be commended for curtailing the implementation and go live with the new product prior to open enrollment for 2013. This avoided what the company called a certain fiasco with the acceptance of new members and new plans.

The IS Specialist requested interviews with Bryan Richardson, Sr. Director of Provider Services and Travis Johnson, Sr. Director of Enrollment Services to discuss issues they are working on with the data. These meetings were to gain a better understanding of the data issues other than the claims data that was provided to the IS Specialist for the selection of samples.

Bryan Richardson came to the company from WellCare and has been with the company since June 2012. He noted large data discrepancies and verified that due to the time restraints, insufficient data cleanup and normalization had been done on the provider data prior to the initial conversion attempt. The mapping efforts did not take into account the differences in data relationships in the two systems such as the Line of Business and Plan relationships. The group is an entity for providers in QNXT and the affiliation concept is used whereas this concept had not been applied in Fortuna. Roles would change of a specific group and changes were not appropriately made. Processors were allowed to enter a new provider record if the appropriate address was not found. There were not checks to make sure that the appropriate record did not exist. This resulted in multiple records for many providers - one provider was found to have 5300 records associated with his provider number - 13 locations were valid for the group. There was no QA or really way to find the errors. Bryan's cleanup efforts began following the Enclarity cleanup work, which he stated was not productive. The data was too bad for the Enclarity process to clean up - they did however add the NPI (National Provider Identifier) numbers to the provider records. This fact indicates that the company did not have NPI numbers (which are required for all providers for Medicare and Medicaid) for all providers prior to this effort. The issues with the provider data could have led to incorrect payment of claims, Inability to identify duplicate claims submitted and inappropriate pricing of claims prior to the major cleanup effort that is now being conducted at the company. Bryan Richardson hired temps to manually make corrections to much of the data. IT personnel have looked at the original logic for converting provider data and have redone or reworked it to be correct. Bryan is currently reviewing the mapping for correctness. He has created design-templates for-each-type-of-provider--QNXT-pays-claims-well-according-to-Bryan-but-does-not-dothe best job on providers. Therefore UI fixes had to be added to the scope. MedHOK will be used to fill the gaps between needed functionality and the functionality provided by QNXT. Bryan stated that he hopes to do the final provider conversion in mid to late December. One major concern is being able to provide correct and complete provider directory information. There is currently no Trizetto help but they will need to be re-engaged. The project is over budget for both time and cost — The IS Specialist requested a budget to actual comparison — not provided.

A conversation was held with Shalendra Dhansar, Sr. Data Analyst to discuss the issues with the data. He explained that 6 years ago Fortuna was a small package and that the company had little growth for the first few years. In 2007, there was a dramatic increase in PFFS enrollment from 20,000 - 66,000 members in 1 week. Due to CMS compliance requirements, the company had to enter the new members onto the system within a short period of time. Thus these members were entered manually resulting in a "flasco". PFFS indicates any doctor any time with slack requirements at that time. This was the source of many of the data errors - hand entry and no editing in the system at that time. In 2008 and 2009 CMS began requiring NPI (National Provider Identifier) and clamped down on restrictions. In entering the address for both members and providers, there were no data checks allowing incorrect addresses, cities, counties and states to be entered. Incorrect addresses can result in communications with members being misdirected and incorrect data entry can result in inappropriate denial of claims due to apparent ineligibility. These issues were possible with the data at UHCG. IN 2010 the growth began to slow down and the company began to set up for HEDIS (Healthcare Effectiveness Data and Information Set) and decided to strive for 5 star data. The data has been much improved between 2010 and the present according to Shalendra. The IS Specialist followed up on the member data and asked to speak to the head of enrollment.

A new person has also been brought over on March 26, 2012 from WellCare to handle enrollment. Travis Johnson is very experienced in SQL which is the database that Fortuna utilizes. The cleanup process for the enrollment data is being done outside of the master database. The goal is to clean up 3-6 years of experience in enrollment data. QNXT utilizes AEM (Automated Enrollment Management) to handle enrollment. It was discovered that the interface did not accomplish all of the functionality required by the company. They now have an in house process for eligibility handling. Travis has increased the enrollment team from 25-30 people to 65 currently including 22 phone service team number increase. Roles and responsibilities have been added and assigned. There is a team doing member reconciliation between CMS and the company. When there is a reject from CMS a root cause is found by the Quality Team. This team is also handling complaints. The SOW (Statement of Work) for Trizetto and project plan were re-done to reflect all changes from regulatory agencies. Trizetto is taking over the processing functions that are currently being performed by E4E/Indus/Fortuna. There were no SLAs (Service Level Agreements) in the past but they are being incorporated into the Trizetto contract.

The original observation and one of the reasons for the second on site visit resulted from the difficulty experienced in interpreting the data provided for the selection of denied claim samples. The IS Specialist noted the apparent high occurrence of denied claims. Verification of the method of identifying totally denied claims and partially denied claims resulted in discussions with Shalendra Dhansar, Sr Data Analyst. The answers were not clearly defined and often Melissa Johnson, Sr. Claims Manager was brought into the conversation. The data provided was not consistent. Denials were noted in different ways in different data. Rather than having a relational database with denial reasons in a related table, the data had fields numbered – denial reason 1, 2, etc. The fields were not named to reasonably reflect the data in them and the data was not consistent or complete. Some records were found in the claims header records but there were no detail records matching the header records. Some claims indicated no payment-but-there were-records-matching those claim numbers in the check file:—No-

explanation was available for these occurrences. Another improvement was that prior to 2010 anyone could request a change by E4E which kept thing changing unnecessarily. That has been changed and change requests have a defined path.

A conversation was requested with Melissa Johnson, who came to the company from WellCare the end of May, 2012. She noted that there were no management tools in place as she had expected. Her impression is that the data is there somewhere but is hard to get to. In some cases fields have been used for other things. The IS Specialist had run some queries to determine percentages of denied claims. It was determined that no reliance could be placed on the results due to difficulties with data consistency. Melissa was asked by the EIC to create a denied claim report showing percentages. During the onsite discussion, she was working on perfecting her queries to take all of the differences in the meaning of denied into consideration. IPAs and capitated services which should have been excluded — in the remark field (open text). She was working on the iterations of the query to be able to produce an accurate denial report (a basic management tool) from the current data. When asked about the new system, Melissa stated that the prior managers who have now left the company had seen the system but she has not seen the new system. Most first pass processing is performed in India by Indus (E4E) with some of the reconsiderations being worked at the St Petersburg location. Weekly audit meetings are held with the claims processing units in India and daily inventory is reviewed.

Debra Wingo discussed Diversion claims with the IS Specialist and the EIC. She explained that this is a pilot program in Florida and that the company has put in a bid to provide services for multiple counties. The new program will be called MLTC. The company submitted a bid on 8 of the 11 counties where the LOB will be offered. QNXT does not have the required configuration to handle Diversion. The current Diversion data indicated that 95% of the claims were denied. This was not correct but is an example of the data quality and completeness associated with the claims data for diversion. A system will need to be found or developed to handle Diversion members, providers and claims in the future.

In summary, the following observations have been made:

- The data of the company has been unsatisfactory for several years. An initiative is currently in
  place to improve the quality and completeness of the data for providers, members and claims.
  Claims data and processing is dependent on provider and member data. Therefore, claims
  processing could have been compromised over the last years due to the inadequacy of the
  provider and member data.
- The company has spent a large amount of money to date on infrastructure upgrades, changes to
  Fortuna to increase capacity, consultants to improve data and conversion efforts that have not
  been successful. The comparison of the conversion budget to actual comparison has not been
  provided so it is not possible to quantify how much over budget and over hours the project is.
  Additionally, infrastructure will be outsourced for the hosting of QNXT once the conversion is
  complete.
- There are several functions that cannot be performed in QNXT which are essential for the business to run, for example, provider tracking, enrollment and diversion processing. Additional software has been purchased to accommodate these functions.
- The current contract for claims processing and maintenance of Fortuna is scheduled to be terminated in March of 2013 and the project plan Indicates that the conversion will be completed in July – September of 2013. This implies that an additional renewal will probably be required.

- The company has brought in new personnel to perform data cleanup, mapping and conversion.

  This should bring a more positive result to the new conversion process.
- It was stated that storage is currently at 65% which is high when growth is anticipated, however, the infrastructure will be outsourced to Trizetto once the conversion is complete.

The IS Specialist strongly recommends that the state follow the progress of the conversion and new processing implementation as well as the implementation of the ODS (Operational Data Store).

America's 1<sup>st</sup> Choice Holdings of Florida, LLC Dr. Kiran Patel Chairman

STRICTLY CONFIDENTIAL

# Letter Agreement

January 31, 2013

Dr. Akshay M. Desai Chairman, Chief Executive Officer Universal Health Care Group, Inc. 100 Central Avenue, Suite 200 St. Petersburg, FL 33701

Dear Dr. Desai:

The purpose of this Letter Agreement ("Agreement") is to set forth certain agreements reached through discussions to date among Universal Health Care Group, Inc., ("UHCG or Seller"), America's First Choice Holdings of Florida, LLC ("AFCH"), Universal Health Care, Inc., Universal HMO of Texas, Inc., and Universal Health Care of Nevada, Inc., ("UHC" or the "Company") with respect to the proposed acquisition by AFCH or one or more of its subsidiaries and affiliates ("Buyer") of One Hundred Percent (100%) of the issued and outstanding shares of UHC (or 100% of its assets), subject to the terms of a more definitive purchase agreement ("Purchase Agreement") to be entered into between the parties.

#### 1. The Acquisition

Buyer shall acquire One Hundred Percent (100%) of the issued and outstanding shares and all the equity interests of UHC (or 100% of its assets) at closing, free and clear of all liens, claims, encumbrances and security interests.

### 2. The Consideration

### (i). Equity Interests

In exchange for One Hundred Percent of the outstanding shares of UHC or of its assets, AFCH shall grant UHCG, Twelve and One Half Percent (12.5%) of the total issued and outstanding ownership interests in AFCH ("Equity Interests"). The Equity Interests shall not be diluted except in cases of where AFCH is raising capital or in the event of recapitalizations, reorganizations, acquisitions, or mergers wherein all equity holders are diluted on a pro-rata basis.

UHC AFCH 31/01/2013 16:18

& And

## (ii). Cash Consideration

In addition to the Equity Interests, Buyer shall infuse up to Thirty Million Dollars (\$30M) in additional capital as needed for UHC to meet statutory requirements in the state of Florida. Further additional capital as needed will be raised from the disposition of certain assets of UHC including the potential sale of its Medicaid line of business. All capital infused in accordance herein shall be in the form of subordinated notes.

# 3. Non Assumption of Certain Liabilities

AFCH shall not assume and UHCG shall indemnify against any and all liabilities relating to UHC's employees, leases, equipment, software agreements and any and all other liabilities, including contingent liabilities which existed prior to the date of Closing or which arises from any action or inaction of Seller taken prior to Closing.

### 4. Management Company

With effect from Closing, UHC and all its affiliated health plans shall enter into a general and administrative services agreement with a management company affiliated, owned or operated by Dr. Patel to provide general and administrative management services to UHC and its affiliates for a 10% monthly management fee. With effect upon Closing UHC and all its affiliated health plans shall terminate all existing third party administrator ("TPA") or management agreements.

### 5. Due Diligence

From the date of this Agreement, UHCG, UHC and related parties shall cooperate fully and assist AFCH and its advisors to conduct an investigation of the business, financial and legal affairs of the Company (the "Due Diligence"). For this purpose, with appropriate notice from AFCH, you will permit the management of AFCH to gain access to the premises of UHC and to the books, records, and contracts of UHC. You shall also permit the appropriate management employees and the accountants/advisors of UHCG and UHC to be available to give explanations and provide information, as reasonably requested. The parties agree to negotiate, execute, and deliver within a reasonable time from the execution hereof but no later than the end of the exclusivity period (as defined below), a mutually acceptable Purchase Agreement containing such covenants (including a 5-year noncompete and non-solicitation agreement), representations and warranties as are customary in transactions of this kind (including, without limitation, representations and warranties by seller, and related indemnification obligations, as to the financial statements of UHC for the past three years and as to assets, liabilities, title, litigation, taxes, and other customary matters).

### 6. Conditions

The understandings set forth in this Agreement and the Closing of the transactions contemplated hereby are conditional upon, among other things:

Receipt of all required governmental and regulatory approvals, including the approval from all regulatory agencies with which UHC holds contracts and the reasonable assurance that such contracts will continue post Closing without any impositions of any material conditions ("Regulatory Approval");

6.2 Lender approval of the proposed transaction and agreement to accept the Equity Interests as substituted collateral.

### 7. PPO/PFFS Entities

As part of the transaction contemplated hereby, Buyer shall assist Seller to raise up to an additional Fifteen Million Dollars (\$15M) to be infused as additional capital into the PPO and PFFS entities (owned by Seller) as needed to meet statutory capital surplus requirements. Dr. Patel or Buyer shall be granted 20% (non-dilutive) ownership in all such PPO/PFFS entities owned by UHCG. All capital infused may be in the form of subordinated notes or if in the form of direct paid in capital, provided that Dr. Patel's or Buyer's ownership interests shall never be diluted below 20%.

### 8. Closing

All parties shall cooperate with each other and shall use reasonable endeavours to enter into a Purchase Agreement, execute closing documents, and complete the transactions contemplated by the end of the exclusivity period but in no event shall Closing occur prior to the receipt of all Regulatory Approvals.

# 9. Exclusivity and Non-Solicitation

You hereby agree that, during the exclusivity period, unless the parties mutually agree or unless AFCH notifies you in writing of its decision not to proceed with the proposed transaction due to failure of a condition, you will not solicit any offer from, or negotiate or have any discussions with, any party other than AFCH with respect to any sale, transfer or disposal of assets or shareholdings of UHCG or UHC or any sale, merger, or other business combination involving UHCG or any of its subsidiaries or assets, except that during the exclusivity period, UHCG, UHC and AFCH shall continue to market UHC's Medicaid and Nursing Home Diversion lines of business to potential third party buyers.

AFCH's willingness to proceed with this transaction is subject to the Company's willingness to negotiate in good faith and on an exclusive basis. Accordingly, during the period beginning upon execution of this Letter Agreement and ending at midnight (Eastern time) on February 28, 2013 (the "exclusivity period"), UHCG and UHC (a) shall cease, and shall cause their affiliates to cease, any negotiations with any other party regarding the potential acquisition, directly or indirectly, of all or any substantial portion of their assets (whether by way of an asset purchase, stock purchase, merger, consolidation, business combination or otherwise) and (b) shall not, and shall not permit their affiliates directly or indirectly, through any officer, director, manager, employee, agent or representative, to initiate, solicit or encourage (including by way of furnishing any information or assistance), or enter into negotiations of any type, directly or indirectly, or enter into a confidentiality agreement, letter of intent or purchase agreement, merger agreement or other similar agreement with any person other than AFCH or its affiliates with respect to a sale or transfer of all or any substantial portion of the assets, merger, consolidation, business combination, sale or transfer of any of the capital stock of the UHCG or UHC or the liquidation or similar transaction with respect to the Company. The Company or its representative shall notify AFCH orally and in writing (as promptly as practicable) of all relevant terms of any inquiry or proposal that are material and bonafide to acquire the Company by a third party to do any of the foregoing that the Company or any of their affiliates or officers, directors, partners, managers, employees, investment bankers, financial advisors, attorneys, accountants or

other representatives may receive relating to any such matters. In the event such inquiry or proposal is in writing, the Company shall immediately deliver to AFCH a copy of such inquiry or proposal together with such written notice.

# 10. Continuing Operations

From the date of this Agreement through and including actual completion of the transaction or the date AFCH notifies you in writing that it does not intend to proceed with the proposed transaction, or the date that the conditions to the transaction are unable to be met, you shall ensure that the business of UHC and its affiliates is conducted only in the ordinary course, customer contracts are renewed as usual as in the ordinary course of business and that none of the assets of UHC or its affiliates are disposed of without the consent of AFCH. In addition, you shall ensure that during such period, UHCG shall not, without AFCH's prior written consent:

- 10.1 Declare any dividend or issue any form of cash outside the normal course of business, except as agreed in this Letter Agreement, or as agreed to by written permission of AFCH.
- 10.2 Make any distribution of its assets in any form without the written permission of AFCH;
- 10.3 Award any salary increase or approve any bonus payments, except those consistent with prior practice in the ordinary course of business; or as agreed to by written consent of AFCH;
- 10.4 Take any other action of any kind, which can be reasonably anticipated to impair or to reduce the value of the assets of UHC or its affiliates.

# 11. Servicing of UHCG Bank Debt

Upon Closing, Buyer on behalf of Seller shall be responsible to make all regular payments as they become due to Bank United on the outstanding loan made to UHCG by Bank United Syndication ("Lender") and standing on the books of UHCG in the principal amount of approximately Thirty Eight Million Dollars (\$38M) (the "Loan"). Provided however that any and all payments made or arranged by Buyer that are applied to the principal balance of the Loan (as such may be refinanced) shall be treated as a loan to Seller from Buyer and shall be offset against any proceeds due to Seller from the sale of AFCH.

# 12. Confidentiality / Non-disclosure

Except for such disclosure to the parties' professional advisors as may be necessary or appropriate and such disclosure as may be required by court order or by any law or regulation to which a party is subject or in order to defend litigation, the parties hereto agree that the parties shall use all reasonable efforts to maintain in confidence the existence and terms of this Agreement and the fact that the proposed transaction is under consideration and no party will issue any press release or public statement concerning this Agreement or any of the transactions contemplated hereby without the prior written consent of the other parties. Provided, however, that AFCH and UHC may make such disclosure as is required by law.

#### 13. Costs

Whether or not the transaction contemplated by this Agreement is consummated, each of the parties (AFCH and UHC) shall bear their own costs arising out of and in connection with the preparation of this Agreement, the contract negotiations and closing the proposed transaction, including the fees and expenses of any accountants, lawyers, or other advisors retained by such party; provided however that the parties shall equally share the cost of the Form A filing to the Florida Office of Insurance Regulation and the HSR filing (if required).

#### 14. Notices

Any notice or other communication required or permitted by this Agreement shall be in writing and shall be hand delivered or sent by facsimile transmission or by registered airmail, postage prepaid (provided that a copy of any notice sent by facsimile transmission shall also be sent by registered mail, postage prepaid) to the relevant party or parties at the address specified below or to such other address as such party may specify by notice to the other parties in accordance with this clause. All such notices shall be effective upon receipt.

If to AFCH:

Dr. Kiran C. Patel
President & CEO
America's 1<sup>st</sup> Choice Holdings of Florida, LLC
5600 Mariner Street, Suite 200
Tampa, FL 33609
Facsimile Number: 813.506.6250

If to you:

Dr. Akshay M. Desai
Chairman, Chief Executive Officer
Universal Health Care Group, Inc.
100 Central Avenue, Suite 200
St. Petersburg, FL 33701
Facsimile Number:

#### 15. Governing Law

This Letter of Intent shall be governed by the laws of the State of Florida. Any action or proceeding against any party relating to this Agreement shall be brought in the courts of State of Florida.

### 16. Prior Agreements

This Agreement supersedes all prior written and oral understandings or agreements between the parties relating to the subject matter hereof.

# 17. Representations

Each of Buyer and Seller represents and warrants that each has all requisite power and authority to execute and deliver this Agreement. The Seller represents and warrants that the Company is not a party to or bound by any written or oral agreement or understanding with respect to a transaction involving the sale of the stock or assets of the Company other than this Agreement and the execution and delivery hereof will not breach any written or oral agreement to which the Company is a party.

If the foregoing is in accordance with your understanding, please so indicate by signing the enclosed copy of this Agreement where indicated and returning it to the undersigned no later than January 31, 2013.

Dr. Kiran C. Patel

President

America's 1st Choice Holdings of Florida, LLC

The above terms correctly set forth our understanding with respect to the matters indicated above.

Dr. Akshay.M. Desai

Chairman, CEO

Universal Health Care Group, Inc.

Universal Health Care, Inc.

Universal HMO of Texas, Inc.

Universal Health Care of Nevada, Inc.

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# IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT, IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the Department of Financial Services of The State of Florida,

Relator,			
v.		CASE NO:	
Universal Health Care, Inc.			
Respondent,	1		

# ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATION, INJUNCTION AND NOTICE OF AUTOMATIC STAY

THIS CAUSE was considered on the Application of the State of Florida, Department of Financial Services (hereinafter the "Department") for an Order to Show Cause on the appointment of a Receiver of Universal Health Care, Inc. (hereinafter the "Respondent" or "UHC") for Purposes of Liquidation and Request for Expedited Hearing filed on February 4, 2013 (hereinafter, "Application"). After consideration, this Court entered its Order to Show Cause, Injunction and Automatic Stay, on \_\_\_\_\_\_, 2013. A hearing was conducted on the Order to Show Cause on \_\_\_\_\_, 2013, wherein the Department and Respondent appeared and presented evidence and argument related to the Department's allegations contained in its Application.

The Court, having reviewed and considered the pleadings of record, heard the evidence of the parties and arguments of counsel, and otherwise being fully informed in the premises, finds:

- 1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
- 2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a Medicare and Medicaid health maintenance organization insurer since 2003. Respondent's principal place of business is located at 100 Central Avenue, Suite 200, St. Petersburg, Florida.
- 3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.
- 4. Sections 631.031 and 631.061(1), Florida Statutes, authorize the Department to apply to this Court for an Order directing it to liquidate a domestic insurer upon the existence of any grounds specified in Section 631.051, Florida Statutes, or if an insurer is or is about to become insolvent.
- 5. Section 631.031 directs the Department to initiate such delinquency proceedings after receiving notification from the Director of the Office of Insurance Regulation as to the existing grounds for the initiation of such proceedings.
- 6. On February 1, 2013, pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, Commissioner of the Florida Office of Insurance Regulation ("Office"), advised by letter to Florida's Chief Financial Officer, Jeff Atwater, that the Office determined grounds existed for the initiation of delinquency proceedings against Respondent.
- 7. Respondent is found by the Opffice to be in such condition as to render its further transaction of insurance hazardous to its policyholders, creditors, stockholders, or the public. Section 631.051(3), Florida Statutes. Accordingly, grounds exist pursuant to Sections

631.051(3) and 631.061 for entry of an Order appointing the Department as receiver of Respondent for purposes of Liquidation.

8. Pursuant to Sections 631.051 and 631.061, Florida Statutes, this Court finds that it is in the best interests of Respondent, its creditors and its members that the relief requested in the Department's Application be granted. The Court further finds the Respondent to be insolvent pursuant to Section 631.061(1), Florida Statutes.

# THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

- 9. The Department of Financial Services of the State of Florida shall be and is hereby appointed Receiver of Respondent for purposes of liquidation effective immediately.
  - 10. The Receiver shall be authorized and directed to:
- A. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located belonging to Respondent pursuant to Sections 631.111 and 631.141, Florida Statutes, including but not limited to: offices maintained by Respondent, rights of action, books, papers, electronic records, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, wherever situate and however titled, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates and all real property of Respondent, wherever situate, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates or other persons.
- B. Liquidate the assets of Respondent, including but not limited to, funds held by Respondent's agents, subagents, producing agents, brokers, solicitors, service representatives or others under agency contracts or otherwise which are due and unpaid to

Respondent, including premiums, unearned commissions, agents' balances, agents' reserve funds, and subrogation recoveries.

- C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.
- D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.
- E. Not defend or accept service of process on legal actions wherein Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.
- F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.
- G. Collect all debts which are economically feasible to collect which are due and owing to Respondent.
- H. Deposit funds and maintain bank accounts in accordance with Section 631.221, Florida Statutes.

- I. Take possession of all of Respondent's securities and certificates of deposit on deposit with the Chief Financial Officer of Florida or any similar official of any other state, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership.
- J. Publish notice specifying the time and place fixed for the filing of claims with the Receiver once each week for three consecutive weeks in the Florida Administrative Weekly published by the Secretary of State, and at least once in the Florida Bar News and to publish notice by similar methods in all states where Respondents may have issued insurance policies.
- K. Negotiate and settle subrogation claims and Final Judgments without further order of this Court.
  - L. Sell any salvage recovered property without further order of this Court.
- M. Coordinate the operation of the Receivership with the Florida Health Maintenance Organization Consumer Assistance Plan ("FLHMOCAP") pursuant to Part IV, Chapter 631, Florida Statutes, as may be necessary. The Receiver may in its discretion, contract with the FLHMOCAP to provide services as are necessary to carry out the purposes of Chapter 631.
- N. Give notice of this proceeding to Respondent's agents pursuant to Section 631.341, Florida Statutes, and to its insureds, if any.
- O. For purposes of this Order, the term "affiliate" shall be defined in accordance with Section 631.011(1), Florida Statutes and includes but is not limited to Universal Health Care Insurance Company, Inc., Universal Health Care Group, Inc., and American Managed Care, LLC.

- P. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority is hereby suspended, except as such powers are redelegated in writing by the Receiver. The Receiver has full power to direct and manage the affairs of Respondent, to hire and discharge employees, and to deal with the property and business of the Respondent.
- Q. Apply to this Court for further instructions in the discharge of its duties as the Receiver deems necessary.

# IT IS FURTHER ORDERED AND DIRECTED:

- Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates shall be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph. Any person who fails to cooperate with the Receiver, interferes with the Receiver, or fails to follow the instructions of the Receiver, may, at the Receiver's discretion, be excluded from Respondent's business premises.
- 12. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Sections 631.111 and 631.141, Florida Statutes.
- 13. All officers, directors, trustees, administrators, agents and employees and all other persons representing Respondent or currently employed or utilized by Respondent in connection with the Conduct of its business are discharged forthwith; provided, however, the Receiver may

retain such persons in the Receiver's discretion.

- 14. All attorneys employed by Respondent as of the date of the Order, within 10 days notice of the Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report shall also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent shall be discharged as of the date of the Order unless their services are retained by the Receiver. All attorneys employed by Respondent shall be advised that pursuant to Section 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1st DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on behalf of Respondent shall be required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, shall not be extinguished by the delivery of these documents.
- All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent shall be required to account for and pay all premiums and commissions unearned due to cancellation of policies by the Order or in the normal course of business owed to the Respondent directly to Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they shall not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person shall use premium monies owed to the Respondent for refund of unearned premium or for

any purpose other than payment to the Receiver.

- 16. Any premium finance company which has entered into a contract to finance a premium for a policy which has been issued by the Respondent shall be required to pay any premium owed to the Respondent directly to the Receiver.
- 17. Reinsurance premiums due to or payable by Respondent shall be remitted to, or disbursed by, the Receiver. Reinsurance losses recoverable or payable by Respondent shall be handled by the Receiver. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.
- 18. Upon request by the Receiver, any company providing telephonic services to Respondent shall be required to provide a reference of calls from the number presently assigned to Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.
- 19. Any bank, savings and loan association, or other financial institution which has on deposit, in its possession, custody or control any funds, accounts and any other assets of Respondent, shall be required to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver shall be authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution shall be permitted to exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court.

- 20. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to Respondent shall be required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.
- 21. Any data processing service, which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver shall be authorized to compensate any such entity for the actual use of hardware and software which the Receiver finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which was in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver.
- 22. The United States Postal Service shall be directed to provide any information requested by the Receiver regarding Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.
- 23. All claims shall be filed with the Receiver on or before 11:59:59 p.m. EST, on the date of one year following the entry of this Order, or be forever barred, and all such claims shall be filed on proof of claim forms prepared by the Receiver.
- 24. In order to assure the validity of claim assignments, to assure that the processing of assignments does not create an undue burden on estate resources, and to assure that assignment decisions are made using the best information available, the Receiver shall not recognize or accept any assignment of claim by the claimant of record unless the following

#### criteria are met:

- A. A distribution petition has not been filed with this Court;
- B. The Receiver has been provided with a properly executed and notarized assignment of claim agreement entered into between the parties; and
- C. The Receiver has been provided with a properly executed and notarized Receiver's Assignment of Claim Change Form and required supporting documentation.
- D. The Receiver's Assignment of Claim Change Form shall contain an acknowledgement by the claimant, or someone authorized to act on behalf of the claimant, that:
- 1. The claimant is aware that financial information regarding claims distributions and payments published on the Receiver's website or otherwise available can assist the claimant in making an independent and informed decision regarding the sale of the claim;
- 2. The claimant understands that the purchase price being offered in exchange for the assignment may differ from the amount ultimately distributed in the receivership proceeding with respect to the claim;
- 3. It is the claimant's intent to sell their claim and have the Receiver's records be permanently changed to reflect the new owner; and
- 4. The claimant understands that that they will no longer have any title, interest, or rights to the claim including future mailings and distributions if they occur.
- 25. All executory contracts to which the Respondent was a party shall be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such

contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract.

Further, the Receiver shall have the authority to do the following:

- 1) Pay for services provided by any of Respondent's vendors, in the ninety (90) day period prior to assuming or rejecting the contract, which are necessary to administer the Receivership estate;
- 2) Once the Receiver determines Respondent's vendor is necessary in the continued administration of the Receivership estate for a period to exceed the ninety (90) days from the date of this order, or form the date of Receiver's actual knowledge of such contract, whichever is later, the Receiver may make minimal modifications to the terms of the contract, including, but not limited to, the expiration date of the agreement, the scope of the services to be provide, and/or the compensation to be paid to Respondent's vendor pursuant to the contract. "Minimal Modifications" shall mean any minimum alteration made to the contract in order to adapt to the new circumstances of the Receivership estate. In no event will any minimal modification be construed as the receiver entering into a new contract with Respondent's vendor.

Any vendor, including but not limited to, any and all employees / contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship. This notice shall include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were

provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision shall not be treated as an anticipatory breach of such contracts.

- All affiliated companies and associations, including but not limited to Universal Health Care Insurance Company, Inc., Universal Health Care Group, Inc., and American Managed Care, LLC., shall make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver shall have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an affiliate company or any other person, corporation, or association. The Receiver shall be authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but shall be safeguarded and presented to this Court for review prior to copying by the Receiver.
- 27. The Receiver shall have complete access to and administrative control of all information technology resources of the Respondent and its affiliates at all times including, but not limited to, Respondent's computer hardware, software and peripherals. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

- Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any they may have, as to why they shall not be held in contempt of Court for violation of the provisions of this Order.
- Except as noted in the following paragraph, pursuant to the provisions of 631.252, Florida Statutes, all policies providing health care coverage to Medicare or Medicaid members whose coverage has not previously expired are cancelled effective 12:01 a.m. EST on the date of liquidation. All of Respondent's in-force Florida insurance policies, bonds, or similar contracts of coverage providing health care coverage to commercial groups or individual members shall continue in force pursuant to the provisions of Part IV, Chapter 631, Florida Statutes. Policies or contracts of coverage with normal expiration dates prior to the dates otherwise applicable under this paragraph, or which are terminated by insureds/members or lawfully cancelled by the Receiver or insurer before such date, shall stand cancelled as of the earlier date.
- 30. Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined and restrained from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver; from the removal, concealment, or other disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against the Respondent or the Receiver together with its agents or

employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receivers should be permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver should be authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07(1)(a), and 624.501, Florida Statutes.

- 31. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent shall fully cooperate with the Receiver in the effort to liquidate Respondent.
- 32. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the building located at 100 Central Avenue, Suite 200, St. Petersburg, Florida, 33701, or any other facility in which Respondent may operate, shall make available, at that location and at no charge to the Receiver or to Respondent, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

33. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the computer equipment and software currently used by or for Respondent shall make such computer equipment and software available to the Receiver at no charge to the Receiver or Respondent to the extent deemed necessary by the Receiver in its sole discretion.

# CONTINUATION OF INVESTIGATION

- The Receiver shall be authorized to conduct an investigation as authorized by 34. Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its affiliate shall be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. Respondent and the above specified entities shall be required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.
- 35. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any

other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates shall be required to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution shall be required to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

- 36. All Sheriffs and all law enforcement officials of this state shall cooperate with and assist the Receiver in the implementation of this Order.
- 37. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver shall prepare a plan to effect such changes and submit the plan to this Court for consideration.

# **NOTICE OF AUTOMATIC STAY**

- 38. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of this order, and which prohibits:
- A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;

B. The enforcement of judgment against the insurer or an affiliate, provided that such affiliate is owned by or constitutes an asset of Respondent, obtained either before or after the commencement of the delinquency proceeding;

C. Any act to obtain possession of property of the insurer;

D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;

E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;

F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

39. This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

DONI	E and OKDEKED	in Chambers at the L	eon County Court	iouse in Tallanassee,
Florida this _	day of	, 2013.		

CIRCUIT JUDGE

Copies furnished to:

Robert V. Elias, Esq. Lourdes Calzadilla, Esq. Jody E. Collins, Esq.