Oxford Health Insurance, Inc.

Statutory Basis Financial Statements as of and
for the Years Ended December 31, 2018 and 2017,
Supplemental Schedules as of and for the
Year Ended December 31, 2018,
Independent Auditors’ Report and Qualification Letter

OXFORD HEALTH INSURANCE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Oxford Health Insurance, Inc.
4 Research Drive, 5th Floor
Shelton, CT 06484

We have audited the accompanying statutory basis financial statements of Oxford Health Insurance, Inc. (the "Company"), which comprise the statutory basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2018 and 2017, and the related statutory basis statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Management's Responsibility for the Statutory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory basis financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of Oxford Health Insurance, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 1 to the statutory basis financial statements.

Basis of Accounting

We draw attention to Note 1 of the statutory basis financial statements, which describes the basis of accounting. As described in Note 1 to the statutory basis financial statements, the statutory basis financial statements are prepared by Oxford Health Insurance, Inc. using accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Department of Financial Services. Our opinion is not modified with respect to this matter.

Report on Supplemental Schedules

Our 2018 audit was conducted for the purpose of forming an opinion on the 2018 statutory basis financial statements as a whole. The supplemental schedule of investment risks interrogatories and the supplemental summary investment schedule, as of and for the year ended December 31, 2018 are presented for purposes of additional analysis and are not a required part of the 2018 statutory basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2018 statutory basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2018 statutory basis financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Audit Committee and the management of Oxford Health Insurance, Inc. and for filing with state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 3, 2019

OXFORD HEALTH INSURANCE, INC.

STATUTORY BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	$ 1,871,162,933	$ 1,554,003,267
Cash of $113,083,269 and $196,129,545, cash equivalents of $91,606,142 and $34,866,152, and short-term investments of $64,400,334 and $311,750,826 in 2018 and 2017, respectively	269,089,745	542,746,523
Other invested assets	46,319,173	44,804,034
Receivables for securities	10,683	5,606,766
Subtotal cash and invested assets	2,186,582,534	2,147,160,590
OTHER ASSETS:		
Investment income due and accrued	14,267,134	11,636,276
Premiums and considerations	171,301,889	231,219,277
Amounts recoverable from reinsurers	5,876,025	7,902,356
Current federal income taxes recoverable	14,311,945	-
Net deferred tax asset	14,055,355	36,286,189
Guaranty funds receivable or on deposit	6,050,071	3,356,194
Receivable from parent, subsidiaries and affiliates, net	86,433,238	24,163,683
Health care receivables	125,229,478	108,327,602
Subtotal other assets	437,525,135	422,891,577
TOTAL ADMITTED ASSETS	$ 2,624,107,669	$ 2,570,052,167
LIABILITIES AND CAPITAL AND SURPLUS		
LIABILITIES:		
Claims unpaid	$ 913,993,233	$ 734,408,198
Accrued medical incentive pool and bonus amounts	82,086,695	67,663,637
Unpaid claims adjustment expenses	4,368,076	5,579,803
Aggregate health policy reserves, including $22,023,506 and $21,865,060 for medical loss ratio rebate per the Public Health Service Act for 2018 and 2017, respectively	28,320,625	70,133,919
Aggregate health claim reserves	2,371,578	124,074
Premiums received in advance	194,977,845	207,403,947
General expenses due or accrued	45,538,847	57,853,321
Current federal income taxes payable	-	32,446,146
Ceded reinsurance premiums payable	4,594,023	4,993,238
Payable for securities	9,087,598	15,760,023
Funds held under reinsurance treaties with unauthorized reinsurers	3,916,923	27,732,123
Other liabilities	538,006	14,957,894
Total liabilities	1,289,793,449	1,239,056,323
CAPITAL AND SURPLUS:		
Section 9010 ACA subsequent fee year assessment	-	154,876,407
Common capital stock, $2.00 par value- 500,000 shares authorized, issued and outstanding	1,000,000	1,000,000
Gross paid-in and contributed surplus	44,610,000	44,610,000
Restricted surplus	210,000	210,000
Unassigned surplus	1,288,494,220	1,130,299,437
Total capital and surplus	1,334,314,220	1,330,995,844
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 2,624,107,669	$ 2,570,052,167

See notes to statutory basis financial statements.

OXFORD HEALTH INSURANCE, INC.

STATUTORY BASIS STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES:		
Net premium income	$ 8,182,197,880	$ 7,215,377,499
Change in unearned premium reserves and reserve for rate credits	(158,248)	1,706,103
Total revenues	8,182,039,632	7,217,083,602
UNDERWRITING DEDUCTIONS:		
Hospital and medical:		
Hospital/medical benefits	4,731,555,484	4,225,144,465
Other professional services	69,139,141	66,024,676
Emergency room and out of area	714,081,777	620,918,540
Prescription drugs	961,868,295	877,977,685
Incentive pool, withhold adjustments, and bonus amounts	51,918,644	39,904,018
Net reinsurance recoveries	65,265,575	(77,350,554)
Total hospital and medical	6,593,828,916	5,752,618,830
Claims adjustment expenses	195,896,071	181,404,225
General administrative expenses	932,142,114	706,074,910
Total underwriting deductions	7,721,867,101	6,640,097,965
NET UNDERWRITING GAIN	460,172,531	576,985,637
NET INVESTMENT GAINS:		
Net investment income earned	44,005,230	29,291,821
Net realized capital gains less capital gains tax of $104,832 and $269,535 in 2018 and 2017, respectively	258,800	375,363
Total net investment gains	44,264,030	29,667,184
NET GAIN (LOSS) FROM AGENTS' OR PREMIUM BALANCES CHARGED OFF	2,367,170	(961,787)
OTHER INCOME	88,549	125,457
NET INCOME BEFORE FEDERAL INCOME TAXES	506,892,280	605,816,491
FEDERAL INCOME TAXES INCURRED	96,219,463	240,415,027
NET INCOME	$ 410,672,817	$ 365,401,464

See notes to statutory basis financial statements.

OXFORD HEALTH INSURANCE, INC.

STATUTORY BASIS STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Section 9010 ACA Subsequent Fee Year Assessment	Common Capital Stock		Gross Paid-In and Contributed Surplus	Restricted Surplus	Unassigned Surplus	Total Capital and Surplus
		Shares	Amount				
BALANCE—January 1, 2017	$ -	500,000	$ 1,000,000	$ 44,610,000	$ 210,000	$ 1,146,773,697	$ 1,192,593,697
Net income	-	-		-	-	365,401,464	365,401,464
Change in net deferred income taxes	-	-	-	-	-	13,226,499	13,226,499
Change in nonadmitted assets	-	-	-	-	-	(9,218,562)	(9,218,562)
Change in accounting principles	-	-	-	-	-	3,992,746	3,992,746
Section 9010 ACA subsequent fee year assessment	154,876,407	-	-	-	-	(154,876,407)	-
Dividends paid	-	-	-	-	-	(235,000,000)	(235,000,000)
BALANCE—December 31, 2017	154,876,407	500,000	1,000,000	44,610,000	210,000	1,130,299,437	1,330,995,844
Net income	-	-	-	-	-	410,672,817	410,672,817
Change in net deferred income taxes	-	-	-	-	-	(22,230,834)	(22,230,834)
Change in nonadmitted assets	-	-	-	-	-	4,876,393	4,876,393
Section 9010 ACA subsequent fee year assessment	(154,876,407)	-	-	-	-	154,876,407	-
Dividends paid	-	-	-	-	-	(390,000,000)	(390,000,000)
BALANCE—December 31, 2018	$ -	500,000	$ 1,000,000	$ 44,610,000	$ 210,000	$ 1,288,494,220	$ 1,334,314,220

See notes to statutory basis financial statements.

OXFORD HEALTH INSURANCE, INC.

STATUTORY BASIS STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATIONS:		
Premiums collected, net of reinsurance	$ 8,186,727,302	$ 7,352,704,818
Net investment income	62,051,155	51,242,406
Benefit and loss related payments	(6,402,639,353)	(5,622,001,510)
Operating expenses paid	(1,141,905,897)	(899,605,738)
Federal income taxes paid, net	(143,082,386)	(201,105,055)
Net cash provided by operations	561,150,821	681,234,921
CASH FLOWS FROM INVESTMENTS:		
Proceeds from bonds sold, matured, or repaid	340,207,915	401,962,497
Cost of bonds and other invested assets acquired	(672,177,228)	(531,808,414)
Net gains on cash, cash equivalents, and short-term investments	(557)	-
Miscellaneous applications	(8,000,259)	(19,011,471)
Net cash used in investments	(339,970,129)	(148,857,388)
CASH FLOWS FROM FINANCING AND MISCELLANEOUS ACTIVITIES:		
Cash used in net transfers to affiliates	(62,269,555)	(41,412,044)
Dividends paid	(390,000,000)	(235,000,000)
Other cash (applied) provided	(42,567,915)	11,245,172
Net cash used in financing and miscellaneous activities	(494,837,470)	(265,166,872)
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS:		
NET CHANGE IN CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS	(273,656,778)	267,210,661
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—Beginning of year	542,746,523	275,535,862
CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS—End of year	$ 269,089,745	$ 542,746,523
DISCLOSURE OF NONCASH TRANSACTION—Change in accounting principle pursuant to SSAP No. 35R	$ -	$ 3,992,746

See notes to statutory basis financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

Organization and Operation

Oxford Health Insurance, Inc. (the “Company”), licensed as an accident and health organization, offers its enrollees a variety of managed care programs and products through contractual arrangements with health care providers. The Company is a wholly owned subsidiary of UnitedHealthcare Insurance Company (“UHIC”), a Connecticut corporation. UHIC’s ultimate parent company is UnitedHealth Group Incorporated (“UnitedHealth Group”). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated in the State of New York on January 30, 1987, for the purpose of providing accident and health insurance products. The Company’s health benefit product line includes its point of service (“POS”) plans, exclusive provider organization plans, preferred provider plans, and indemnity plans. The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees. The Company conducts business under accident and health insurance licenses granted by the New York State Department of Financial Services (the “Department”), Connecticut Department of Insurance, and the Department of Banking and Insurance of New Jersey (“DOBI”) and is licensed as an Article 42 corporation.

The Company offers comprehensive commercial products to individual and employer groups. Each contract outlines the coverage provided and renewal provisions.

A. Accounting Practices

The statutory basis financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices, prescribed or permitted by the State of New York (the “State”), for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under New York Insurance Law. The State prescribes the use of the National Association of Insurance Commissioners’ (“NAIC”) Accounting Practices and Procedures manual (“NAIC SAP”) in effect for the accounting periods covered in the statutory basis financial statements.

No significant differences exist between the practices prescribed or permitted by the State and the NAIC SAP which materially affect the statutory basis net income and capital and surplus, as illustrated in the table below:

	SSAP #	AFS Line	2018	2017
Net Income				
(1) Company state basis	XXX	XXX	$ 410,672,817	$ 365,401,464
(2) State prescribed practices that are an increase/(decrease) from NAIC SAP: Non applicable	N/A	N/A	-	-
(3) State permitted practices that are an increase/(decrease) from NAIC SAP: Non applicable	N/A	N/A	-	-
(4) NAIC SAP (1 - 2 - 3 = 4)	XXX	XXX	$ 410,672,817	$ 365,401,464
Capital and Surplus				
(5) Company state basis	XXX	XXX	$ 1,334,314,220	$ 1,330,995,844
(6) State prescribed practices that are an increase/(decrease) from NAIC SAP: Non applicable	N/A	N/A	-	-
(7) State permitted practices that are an increase/(decrease) from NAIC SAP: Non applicable	N/A	N/A	-	-
(8) NAIC SAP (5 - 6 - 7 = 8)	XXX	XXX	$ 1,334,314,220	$ 1,330,995,844

B. Use of Estimates in the Preparation of the Statutory Basis Financial Statements

The preparation of these statutory basis financial statements in conformity with the NAIC Annual Statement Instructions and the NAIC SAP include certain amounts that are based on the Company's estimates and judgments. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to hospital and medical benefits, claims unpaid, aggregate health policy reserves (including medical loss ratio rebates), and risk adjustment estimates. The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of net income in the period in which the estimate is adjusted.

C. Accounting Policy

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

Accounting policy disclosures that are required by the NAIC Annual Statement instructions are as follows:

(1–2) Bonds and short-term investments are stated at book/adjusted carrying value if they meet NAIC designation of one or two and stated at the lower of book/adjusted carrying value or fair value if they meet an NAIC designation of three or higher. The Company does not have any mandatory convertible securities or Securities Valuation Office of the NAIC ("SVO") identified funds (i.e.: exchange traded funds or bond mutual funds) in its bond portfolio. Amortization of bond premium or accretion of discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported using market prices published by the SVO in accordance with the NAIC Valuation of Securities manual prepared by the SVO or an external pricing service;

(3–4) The Company holds no common or preferred stock;

(5) The Company holds no mortgage loans on real estate;

(6) U.S. government and agency securities and corporate debt securities include loan-backed securities (mortgage-backed securities and asset-backed securities), which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the book/adjusted carrying value, commonly referred to as amortized cost, of loan-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors. The Company's investment policy limits investments in non-agency residential mortgage-backed securities, including home equity and sub-prime mortgages, to 10% of total cash and invested assets. Total combined investments in mortgage-backed securities and asset-backed securities cannot exceed more than 30% of total cash and invested assets;

(7) The Company holds no investments in subsidiaries, controlled, or affiliated entities;

(8) The Company has no investment interests with respect to joint ventures, partnerships, or limited liability companies;

(9) The Company holds no derivatives;

(10) Premium deficiency reserves (inclusive of conversion reserves) and the related expenses are recognized when it is probable that expected future health care expenses, claims adjustment expenses ("CAE"), direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts, and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts, and therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, CAE, and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected as an increase or decrease in reserves for accident and health contracts in the statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 30);

(11) CAE are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (the "Agreement") (see Note 10), the Company pays a management fee to its affiliate, United HealthCare Services, Inc. ("UHS"), in exchange for administrative and management services. A detailed review of the administrative expenses of the Company and UHS is performed to determine the allocation between CAE and general administrative expenses ("GAE") to be reported in the statutory basis statements of operations. It is the responsibility of UHS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid CAE associated with incurred but unpaid claims, which is included in unpaid CAE in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Management believes the amount of the liability for unpaid CAE as of December 31, 2018 is adequate to cover the Company's cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. Adjustments to the estimates for unpaid CAE are reflected in operating results in the period in which the change in estimate is identified;

(12) The Company does not carry any fixed assets on the statutory basis financial statements;

(13) Health care receivables consist of pharmacy rebates receivable estimated based on the most currently available data from the Company's claims processing systems and from data provided by the Company's affiliated pharmaceutical benefit manager, OptumRx, Inc. ("OptumRx"). Health care receivables are considered nonadmitted assets under the NAIC SAP if they do not meet admissibility requirements. Accordingly, the Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 28).

The Company has also deemed the following to be significant accounting policies and/or differences between statutory practices and GAAP:

ASSETS

Cash and Invested Assets

- Bonds include U.S. government and agency securities, state and agency municipal securities, city and county municipal securities, and corporate debt securities, with a maturity of greater than one year at the time of purchase;

- Certain debt investments categorized as available-for-sale or held-to-maturity under GAAP are presented at the lower of book/adjusted carrying value or fair value in accordance with the NAIC designations in the statutory basis financial statements, whereas under GAAP, these investments are shown at fair value or book/adjusted carrying value, respectively;

- Cash, cash equivalents, and short-term investments in the statutory basis financial statements represent cash balances and investments with original maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash, cash equivalents, and short-term investments includes cash balances and investments that will mature in one year or less from the balance sheet date;

- Cash represents cash held by the Company in disbursement accounts and certificates of deposit with a maturity date of less than one year from acquisition. Claims and other payments are made from the disbursement accounts daily;

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

- Cash equivalents include money-market funds and U.S. treasury bills. Cash equivalents have original maturity dates of three months or less from the date of acquisition. Cash equivalents, excluding money-market funds, are reported at cost or book/adjusted carrying value depending on the nature of the underlying security, which approximates fair value. Money-market funds are reported at fair value or net asset value ("NAV") as a practical expedient;

- Short-term investments include corporate debt securities, U.S. government and agency securities. Short-term investments have a maturity of greater than three months but less than one year at the time of purchase;

- Realized capital gains on sales of investments are calculated based upon specific identification of the investments sold. These gains and losses are reported as net realized capital gains less capital gains tax in the statutory basis statements of operations;

- The Company continually monitors the difference between amortized cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company has determined is other-than-temporary, or if the Company has determined it will sell a security that is in an impaired status, the Company will record a realized loss in net realized capital gains less capital gains tax in the statutory basis statements of operations. The new cost basis is not changed for subsequent recoveries in fair value. The prospective adjustment method is utilized for loan-backed securities for periods subsequent to the loss recognition. The Company has not recorded any other-than-temporary impairments ("OTTIs") for the years ended December 31, 2018 and 2017;

- The statutory basis statements of cash flows reconcile cash, cash equivalents, and short-term investments, which includes restricted cash reserves, with original maturities of one year or less from the time of acquisition; whereas under GAAP, pursuant to Accounting Standards Update 2016-18, *Statement of Cash Flows, Restricted Cash*, the statements of cash flows reconcile the corresponding captions of cash, cash equivalents and restricted cash with maturities of three months or less. Short-term investments with a final maturity of one year or less from the balance sheet date are not included in the reconciliation of GAAP cash flows. In addition, there are classification differences within the presentation of the cash flow categories between GAAP and statutory reporting. The statutory basis statements of cash flows are prepared in accordance with the NAIC Annual Statement Instructions.

- **Other Invested Assets**—Other invested assets include low-income housing tax credit ("LIHTC") investments which are stated at book/adjusted carrying value, which approximates fair value in the statutory basis statements of admitted assets, liabilities and capital and surplus.

- **Receivables for Securities**—The Company reports receivables for securities when investments are sold at the end of an accounting period and proceeds are received in a subsequent month in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Any receivables for securities not received within 15 days from the settlement date are nonadmitted.

Other Assets

- **Investment Income Due and Accrued**—Investment income earned and due as of the reporting date, in addition to investment income earned but not paid or collected until subsequent periods, is reported as investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company evaluates the collectability of the amounts due and accrued and amounts determined to be uncollectible are written off in the period in which the determination is made. In addition, the remaining balance is assessed for admissibility and any balance greater than 90 days past due is considered a nonadmitted asset.

- **Premiums and Considerations**—The Company reports uncollected premium balances from its insured members as premiums and considerations in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Uncollected premium balances that are over 90 days past due, are considered nonadmitted assets. In addition to those balances, current balances are also considered nonadmitted if the corresponding balance greater than 90 days past due is deemed more than inconsequential. Premiums and considerations also include risk adjustment receivables as defined in Section 1343 of the Affordable Care Act ("ACA"). Premium adjustments are based upon the risk scores (health status) of enrollees participating in risk adjustment covered plans, rather than the actual loss experience of the insured. Effective for 2018 benefit plan year, the risk adjustments and distributions are calculated using a high-cost risk pool which adds a reinsurance-like element to this program. A risk adjustment receivable is recorded when the Company estimates its average actuarial risk score for policies included in this program is greater than the average actuarial risk scores in that market and state risk pool. Premium adjustments for the ACA Section 1343 risk adjustment are accounted for as premium adjustments subject to redetermination (see Note 24).

- **Current Federal Income Tax Recoverable**—The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group, under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, the Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. A current federal income tax recoverable is recognized when the Company's allocated intercompany estimated payments are more than its actual calculated obligation based on the Company's stand-alone federal income tax return (see Note 9).

- **Net Deferred Tax Asset**—The NAIC SAP provides for an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax bases of assets, subject to a valuation allowance and admissibility limitations on deferred tax assets (see Note 9). In addition, under the NAIC SAP, the change in deferred tax assets is recorded directly to unassigned surplus in the statutory basis financial statements, whereas under GAAP, the change in deferred tax assets is recorded as a component of the income tax provision within the income statement and is based on the ultimate recoverability of the deferred tax assets. Based on the admissibility criteria under the NAIC SAP, any deferred tax assets determined to be nonadmitted are charged directly to surplus and excluded from the statutory basis financial statements, whereas under GAAP, such assets are included in the balance sheet.

- **Guaranty Funds Receivable**—The Company recognizes guaranty funds receivable when it is probable that a paid or accrued assessment will result in an amount that is recoverable from premium tax offsets. The receivable amount is determined based on current laws, projections of future premium collections from in-force policies, and as permitted by the NAIC SAP. In-force policies do not include expected renewals of short-term contracts except in cases when retrospective-premium-based assessments are imposed on short-duration contracts for losses on long-duration contracts. In which case, appropriate renewal rates based on persistency for the in-force short-duration contracts are taken into consideration when recognizing the asset (see Note 14). Any recognized asset from premium tax credits is re-evaluated regularly to ensure recoverability.

- **Receivables from Parent, Subsidiaries, and Affiliates, Net**—In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts due as receivables from parent, subsidiaries, and affiliates, net, in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

LIABILITIES

- **Claims Unpaid and Aggregate Health Claim Reserves**—Claims unpaid and aggregate health claim reserves include claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and payments and liabilities for physician, hospital, and other medical costs disputes.

  The estimates for incurred but not yet reported claims are developed using an actuarial process that is consistently applied, centrally controlled, and automated. The actuarial models consider factors such as historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The Company estimates such liabilities for physician, hospital, and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. These estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during 2018 and 2017. Management believes the amount of claims unpaid and aggregate health claim reserves is a best estimate of the Company’s liability for unpaid claims and aggregate health claim reserves as of December 31, 2018; however, actual payments may differ from those established estimates.

  The reserves ceded to reinsurers for claims unpaid have been reported as reductions of the related reserves rather than as assets, which would be required under GAAP.

  The Company contracts with hospitals, physicians, and other providers of health care under capitated or discounted fee for service arrangements, including a hospital per diem to provide medical care services to enrollees. Some of these contracts are with related parties (see Note 10). Capitated providers are at risk for the cost of medical care services provided to the Company’s enrollees; however, the Company is ultimately responsible for the provision of services to its enrollees should the capitated provider be unable to provide the contracted services.

- **Accrued Medical Incentive Pool and Bonus Amounts**—The Company has agreements with certain independent physicians and physician network organizations that provide for the establishment of a fund into which the Company places monthly premiums payable for members assigned to the physician. The Company manages the disbursement of funds from this account as well as reviews the utilization of nonprimary care medical services of members assigned to the physicians. Any surpluses in the fund are shared by the Company and the physician based upon predetermined risk-sharing percentage and the liability is included in accrued medical incentive pool and bonus amounts in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

  The Company has incentive and bonus arrangements with providers that are based on quality, utilization, and/or various health outcome measures. The estimated amount due to providers that meet the established metrics is included in accrued medical incentive pool and bonus amounts in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

- **Aggregate Health Policy Reserves**—The Company establishes a liability for estimated accrued retrospective and redetermination premiums due from the Company based on the actuarial method and assumptions for each respective contract. Aggregate health policy reserves also includes:

  a) risk adjustment payables as defined in Section 1343 of the ACA. Premium adjustments are based upon the risk scores (health status) of enrollees participating in risk adjustment covered plans, rather than the actual loss experience of the insured. Effective for the 2018 benefit plan year, the risk adjustments and distributions are calculated using a high-cost risk pool which adds a reinsurance-like element to this program A risk adjustment payable is recorded when the Company estimates its average actuarial risk score for policies included in this program is less than the average actuarial risk scores in that market and state risk pool (see Note 24);

  b) estimated rebates payable on the comprehensive commercial products, if the medical loss ratios on these fully insured products, as calculated under the definitions of the ACA (see Note 14) and implementing regulations, fall below certain targets. The Company is required to rebate the ratable portions of the premiums annually (see Note 24); and

  c) unearned premiums are established for the portion of premiums received during the current period that are partially unearned at the end of the period and are included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

- **Premiums Received in Advance**—Premiums received in full for the policies processed during the current period, but prior to the commencement of the service period are recorded as premiums received in advance in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

- **General Expenses Due or Accrued**—General expenses that are due as of the reporting date in addition to general expenses that have been incurred but are not due until a subsequent period are reported as general expenses due or accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. General expenses due or accrued also include the amounts for unpaid assessments, premium taxes, and the unpaid portion of the contributions required under the ACA risk adjustment and reinsurance programs (see Note 24).

- **Current Federal Income Taxes Payable**—The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, the Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. A liability for federal income taxes payable is recognized when its allocated intercompany estimated payments are less than its actual calculated obligation based on the Company’s stand-alone federal income tax return (see Note 9).

- **Payable for Securities**—The Company reports payable for securities when investments are traded at the end of an accounting period for which the settlement does not occur until the following month in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

CAPITAL AND SURPLUS AND MINIMUM STATUTORY REQUIREMENTS

- **Nonadmitted Assets**—Certain assets, including certain aged premium receivables, certain health care receivables, certain deferred tax assets, and prepaid expenses are considered nonadmitted assets under the NAIC SAP and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus and charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheet.

- **Restricted Cash Reserves**—The Company is required by the State to hold a minimum regulatory deposit in the amount of $210,000. The Company held regulatory deposits in the amount of $215,485 and $219,416 as of December 31, 2018 and 2017, respectively, in compliance with the State requirements for qualification purposes as a domestic insurer. These restricted cash reserves consist principally of government obligations and are stated at book/adjusted carrying value, which approximates fair value. These reserves are included in bonds in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on these deposits accrues to the Company.

- **Minimum Capital and Surplus**—Under the terms of its license, the Company's net premium to surplus ratio cannot be greater than the sum of eight-to-one ("in network") and four-to-one ("out of network") net premium income. Based on the Company's current premium levels the Company is required to have a minimum of $1,056,109,355 and $936,646,243 in statutory capital and surplus as of December 31, 2018 and 2017, respectively. The Company is also subject to minimum capital and surplus requirements in other states where it is licensed to do business. The Company has $1,334,314,220 and $1,330,995,844 in statutory capital and surplus, which is in compliance with the required amount as of December 31, 2018 and 2017, respectively.

- **Section 9010 ACA Subsequent Fee Year Assessment**—The Company is subject to the Section 9010 ACA subsequent fee year assessment. Under the NAIC SAP, an amount equal to the estimated subsequent year fee must be apportioned out of unassigned surplus and reported as Section 9010 ACA subsequent fee year assessment, in the statutory basis statements of admitted assets, liabilities, and capital and surplus, whereas under GAAP, no such special surplus designation is required. In accordance with the 2019 Health Insurer Fee ("HIF") moratorium, no HIF will be payable in 2019, therefore no amounts were apportioned out of unassigned funds in the 2018 statutory basis statements of admitted assets, liabilities, and capital and surplus.

STATEMENTS OF OPERATIONS

- **Net Premium Income and Change in Unearned Premium Reserves and Reserve for Rate Credits**—Revenues consist of net premium income that is recognized in the period in which enrollees are entitled to receive health care services. Net premium income is shown net of reinsurance premiums paid and reinsurance premiums incurred but not paid in the statutory basis statements of operations. The corresponding change in unearned premium from year to year is reflected as a change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations. Under GAAP, the change in unearned premium from year to year is reported through premium income.

  Comprehensive commercial health plans with medical loss ratios on fully insured products, as calculated under the definitions in the ACA (see Note 14) and implementing regulations, that fall below certain targets are required to rebate ratable portions of premiums annually. The Company classifies its estimated rebates as change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations.

Pursuant to Section 1343 of the ACA, the Company records premium adjustments for changes to risk adjustment balances which are reflected in net premium income in the statutory basis statements of operations.

In the New York region, POS members received two forms of coverage—Health Maintenance Organization ("HMO") coverage through Oxford Health Plans (NY), Inc., ("OHP-NY") an affiliate of the Company for in-network coverage and conventional indemnity health insurance provided by the Company (see Note 10). OHP-NY allocated net premium income from its POS plans to the Company based upon historical medical experience for each type of coverage in accordance with its administrative services agreement. Effective September 30, 2017, the Company had no membership remaining relating to the dually licensed product.

- **Total Hospital and Medical Expenses**—Total hospital and medical expenses include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, estimates for the costs of health care services enrollees have received but for which claims have not yet been submitted, and payments and liabilities for physician, hospital, and other medical costs disputes.

  Total hospital and medical expenses also include amounts incurred for incentive pool, withhold adjustments, and bonus amounts that are based on the underlying contractual provisions with the respective providers. In addition, adjustments to claims unpaid estimates and aggregate health claim reserves are reflected in the period once the change in estimate is identified and included in total hospital and medical expenses in the statutory basis statements of operations.

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

  The Company is subject to an annual fee under Section 9010 of the ACA. A health insurance entity's annual fee becomes payable once the entity provides health insurance for any U.S. health risk during the calendar year, which is nondeductible for tax purposes. Under the NAIC SAP, the entire amount of the estimated annual fee expense is recognized on January 1 of the fee year in GAE in the statutory basis statements of operations, whereas under GAAP, a deferred asset is created on January 1 of the fee year which is amortized to expense on a straight-line basis throughout the year.

- **Net Investment Income Earned**—Net investment income earned includes investment income collected during the period, as well as the change in investment income due and accrued on the Company's holdings. Amortization of premium or discount on bonds and certain external investment management costs are also included in net investment income earned (see Note 7).

- **Federal Income Taxes Incurred**—The provision for federal income taxes incurred is calculated based on applying the statutory federal income tax rate of 21% in 2018 and 35% in 2017 to net income before federal income taxes and net realized capital gains subject to certain adjustments (see Note 9).

- **Comprehensive Income**—Comprehensive income and its components are not separately presented in the statutory basis financial statements, whereas under GAAP, it is a requirement to present comprehensive income and its components in the financial statements.

REINSURANCE

- **Reinsurance Ceded**—In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding premium to other insurance enterprises or reinsurers under excess coverage contracts or specific transfer of risk agreements. The Company remains primarily liable as the direct insurer on the risks reinsured. Reinsurance premiums paid and reinsurance premiums incurred but not paid are deducted from net premium income in the statutory basis statements of operations. Any amounts due to the Company pursuant to these agreements are recorded as amounts recoverable from reinsurers in the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 23).

  The Company had a reinsurance agreement with Unimerica Insurance Company ("Unimerica"), an affiliate, through which a contractual per member per month ("PMPM") rate was paid for Unimerica to assume 100% of obligations relating to mental health and substance abuse treatments and services (see Note 23). The Company remained primarily liable as the direct insurer on the risks reinsured. Reinsurance premiums were deducted from net premium income in the statutory basis financial statements. Pursuant to the reinsurance agreement, any amounts recoverable from the reinsurer for claims paid or estimates of claims incurred but not yet paid are recorded as amounts recoverable from reinsurers and as a reduction to claims unpaid, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as net reinsurance recoveries in the statutory basis statements of operations. The agreement was terminated effective December 31, 2017.

  The Company also had a reinsurance agreement with an unaffiliated company, Consulting Engineers Reinsurance Company (the "Reinsurer") for the group American Council of Engineering Companies ("ACEC") (see Note 23). The ACEC contract terminated as of July 31, 2017. These amounts were reflected as a reduction to net premium income, total hospital and medical, claims adjustment expenses and general administrative expenses in the accompanying statutory basis financial statements. Pursuant to the quota-share agreement, the Company records amounts recoverable from the Reinsurer for claims paid and for GAE and CAE as reinsurance in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as a reduction to total hospital and medical, GAE, and CAE in the statutory basis statements of operations.

  In addition, the Company has a reinsurance agreement with Oxford Health Plans (NJ), Inc. ("OHP-NJ") to cover out-of-network point-of-service claim payments. (See Note 23).

  Lastly, the Company participates in the Connecticut Small Employer Health Reinsurance Pool ("CSEHRP") (see Note 23). Reinsurance premiums paid and incurred are deducted from net premium income in the accompanying statutory basis statements of operations.

- **Funds Held under Reinsurance Treaties with Unauthorized Reinsurers**—Unimerica and ACEC are deemed unauthorized reinsurers by the State. As a result, a portion of the premiums due to Unimerica and ACEC were not paid by the Company, but were withheld pursuant to the reinsurance agreement (see Note 23).

- **Amounts Recoverable from Reinsurers**—The Company records amounts recoverable from reinsurers which represents amounts contractually due to the Company for state-sponsored market stabilization in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as net reinsurance recoveries in the statutory basis statements of operations. The Company recorded amounts recoverable from reinsurers for claims paid pursuant to the reinsurance agreements with Unimerica and ACEC in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as net reinsurance recoveries in the statutory basis statements of operations.

- **Section 1341 ACA Transitional Reinsurance**—The Company has established a receivable of $46,497 and $1,618,644 as of December 31, 2018 and 2017, respectively, pursuant to Section 1341 of the ACA which is included in amounts recoverable from reinsurers in the statutory basis statements of admitted assets, liabilities, and capital and surplus, for the transitional reinsurance program. This program is designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations (see Note 24).

- **Ceded Reinsurance Premiums Payable**—The ceded reinsurance premiums payable balance represents amounts due to the reinsurers for specified coverage which will be paid based on the contract terms.

<u>OTHER</u>

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

  The Company has no customers that individually exceed 10% of total direct premiums written and premiums and considerations, including receivables for contracts subject to redetermination, for the years ended December 31, 2018 and 2017.

Recently Issued Accounting Standards—

The Company reviewed all recently issued guidance in 2018 and 2017 that has been adopted for 2018 or subsequent years' implementation and has determined that none of the items would have a significant impact to the statutory basis financial statements.

D. Going Concern

The Company has the ability and will continue to operate for a period of time sufficient to carry out its commitments, obligations and business objectives.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

No changes in accounting principles or correction of errors have been recorded during the year ended December 31, 2018.

Effective March 2017, the Company adopted the revised accounting and disclosure requirements of Statements of Statutory Accounting Principles ("SSAP") No. 35R, *Guaranty Fund and Other Assessments* ("SSAP No. 35R"). As a result of this adoption, in 2017 the Company recorded the net difference between the undiscounted and discounted guaranty association assessment liability and associated premium tax credit asset, net of tax, as a change in accounting principle, net of tax, in the statutory basis statements of changes in capital and surplus. This change is reported as a non-cash transaction in the statutory basis statements of cash flows.

3. BUSINESS COMBINATIONS AND GOODWILL

A–D. The Company was not party to a business combination during the years ended December 31, 2018 and 2017, and does not carry goodwill in its statutory basis statements of admitted assets, liabilities, and capital and surplus.

4. DISCONTINUED OPERATIONS

A. Discontinued Operation Disposed of or Classified as Held for Sale

(1–4) The Company did not have any discontinued operations disposed of or classified as held for sale during 2018 and 2017.

B. **Change in Plan of Sale of Discontinued Operation**—Not applicable.

C. **Nature of any Significant Continuing Involvement with Discontinued Operations after Disposal**—Not applicable.

D. **Equity Interest Retained in the Discontinued Operation after Disposal**—Not applicable.

5. INVESTMENTS AND OTHER INVESTED ASSETS

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of long-term investments were $638,763 and $274,575, respectively, for 2018 and $835,948 and $191,050, respectively, for 2017. The gross realized gains and losses on sales of short-term investments were $0 and $557, respectively, for 2018 and $0 and $0, respectively, for 2017. The net realized gain is included in net realized capital gains less capital gains tax in the statutory basis statements of operations. Total proceeds on the sale of long-term investments were $86,984,501 and $147,817,559 and for short-term investments were $480,647,953 and $598,103,980 in 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the book/adjusted carrying value, fair value, and gross unrecognized unrealized gains and losses of the Company's investments, excluding cash and cash equivalents of $204,689,411 and $230,995,697, respectively, are as follows:

	2018				
	Book/Adjusted Carrying Value	Gross Unrecognized Unrealized Gains	Gross Unrecognized Unrealized Losses < 1 Year	Gross Unrecognized Unrealized Losses > 1 Year	Fair Value
U.S. government and agency securities	$ 493,525,623	$ 1,231,389	$ 535,479	$ 8,779,729	$ 485,441,804
State and agency municipal securities	329,415,019	1,993,342	354,745	1,534,662	329,518,954
City and county municipal securities	301,250,500	1,919,929	274,692	2,311,486	300,584,251
Corporate debt securities (includes commercial paper)	811,372,125	468,559	3,331,588	6,779,281	801,729,815
Other invested assets	46,319,173	-	-	-	46,319,173
Total bonds, short-term investments, and other invested assets	$ 1,981,882,440	$ 5,613,219	$ 4,496,504	$ 19,405,158	$ 1,963,593,997

	2018				
	Book/Adjusted Carrying Value	Gross Unrecognized Unrealized Gains	Gross Unrecognized Unrealized Losses < 1 Year	Gross Unrecognized Unrealized Losses > 1 Year	Fair Value
Less than one year	$ 258,227,997	$ 30,944	$ 186,120	$ 495,112	$ 257,577,709
One to five years	769,818,625	714,445	1,456,109	6,838,888	762,238,073
Five to ten years	559,090,115	3,436,976	2,110,792	6,195,050	554,221,249
Over ten years	394,745,703	1,430,854	743,483	5,876,108	389,556,966
Total bonds, short-term investments, and other invested assets	$ 1,981,882,440	$ 5,613,219	$ 4,496,504	$ 19,405,158	$ 1,963,593,997

	2017				
	Book/Adjusted Carrying Value	Gross Unrecognized Unrealized Gains	Gross Unrecognized Unrealized Losses < 1 Year	Gross Unrecognized Unrealized Losses > 1 Year	Fair Value
U.S. government and agency securities	$ 393,071,356	$ 280,828	$ 928,617	$ 4,687,874	$ 387,735,693
State and agency municipal securities	305,336,461	3,591,529	500,836	634,297	307,792,857
City and county municipal securities	286,330,734	2,764,211	573,859	675,112	287,845,974
Corporate debt securities (includes commercial paper)	881,015,542	1,351,572	1,442,020	1,546,221	879,378,873
Other invested assets	44,804,034	-	-	-	44,804,034
Total bonds, short-term investments, and other invested assets	$ 1,910,558,127	$ 7,988,140	$ 3,445,332	$ 7,543,504	$ 1,907,557,431

Included in U.S. government and agency securities and corporate debt securities in the tables above are loan-backed securities, which do not have a single maturity date. For the years to maturity table above, these securities have been presented in the maturity group based on the securities' final maturity date and at a book/adjusted carrying value of $246,383,212 and fair value of $240,651,807.

The following table illustrates the fair value and gross unrecognized unrealized losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrecognized unrealized loss position as of December 31, 2018 and 2017:

	2018					
	< 1 Year		> 1 Year		Total	
	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses
U.S. government and agency securities	$ 86,044,199	$ 535,479	$ 273,293,523	$ 8,779,729	$ 359,337,722	$ 9,315,208
State and agency municipal securities	69,025,278	354,745	92,718,459	1,534,662	161,743,737	1,889,407
City and county municipal securities	53,626,569	274,692	106,852,932	2,311,486	160,479,501	2,586,178
Corporate debt securities (includes commercial paper)	391,236,067	3,331,588	261,937,981	6,779,281	653,174,048	10,110,869
Total bonds and short-term investments	$ 599,932,113	$ 4,496,504	$ 734,802,895	$ 19,405,158	$ 1,334,735,008	$ 23,901,662

	2017					
	< 1 Year		> 1 Year		Total	
	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses	Fair Value	Gross Unrecognized Unrealized Losses
U.S. government and agency securities	$ 162,923,651	$ 928,617	$ 193,729,595	$ 4,687,874	$ 356,653,246	$ 5,616,491
State and agency municipal securities	90,317,181	500,836	30,129,300	634,297	120,446,481	1,135,133
City and county municipal securities	101,991,296	573,859	33,532,481	675,112	135,523,777	1,248,971
Corporate debt securities (includes commercial paper)	357,102,682	1,442,020	72,969,079	1,546,221	430,071,761	2,988,241
Total bonds and short-term investments	$ 712,334,810	$ 3,445,332	$ 330,360,455	$ 7,543,504	$ 1,042,695,265	$ 10,988,836

The unrecognized unrealized losses on investments in U.S. government and agency securities, state and agency municipal securities, city and county municipal securities, and corporate debt securities at December 31, 2018 and 2017, were mainly caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities. The Company evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its book/adjusted carrying value. The contractual cash flows of the U.S. government and agency securities are guaranteed either by the U.S. government or an agency of the U.S. government. It is expected that the securities would not be settled at a price less than the cost of the investment, and the Company does not intend to sell the investment until the unrealized loss is fully recovered. The Company evaluated the credit ratings of the municipal, local agency and corporate debt securities, noting whether a significant deterioration since purchase or other factors that may indicate an OTTI, such as the length of time and extent to which fair value has been less than cost, the financial condition, and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company's intent to sell the investment. Additionally, the Company evaluated its intent and ability to retain loan-backed securities for a period of time sufficient to recover the amortized cost. As a result of these reviews, no OTTIs were recorded by the Company as of December 31, 2018 and 2017.

Other invested assets at December 31, 2018 and 2017, respectively, consist of the LIHTC investments (see Note 5K).

A–C. The Company has no mortgage loans, real estate loans, restructured debt, or reverse mortgages. The Company also has no real estate property occupied by the Company, real estate property held for the production of income, or real estate property held for sale.

D. Loan-Backed Securities

(1) U.S. government and agency securities and corporate debt securities include loan-backed securities (mortgage-backed securities and asset-backed securities), which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the book/adjusted carrying value, commonly referred to as amortized cost, of loan-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors.

(2) The Company did not recognize any OTTIs on loan-backed securities as of December 31, 2018 and 2017.

(3) The Company did not have any loan-backed securities with OTTIs to report by CUSIP as of December 31, 2018 or 2017.

(4) The following table illustrates the fair value, gross unrecognized unrealized losses, and length of time that the loan-backed securities have been in a continuous unrecognized unrealized loss position as of December 31, 2018 and 2017:

	2018
The aggregate amount of unrealized losses:	
1. Less than 12 months	$ 632,704
2. 12 Months or longer	6,384,649
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	125,274,161
2. 12 Months or longer	233,047,396

	2017
The aggregate amount of unrealized losses:	
1. Less than 12 months	$ 895,357
2. 12 Months or longer	2,351,693
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	199,181,048
2. 12 Months or longer	115,632,443

(5) The Company believes that it will collect all principal and interest due on all investments that have an amortized cost in excess of fair value. The unrecognized unrealized losses as of December 31, 2018 and 2017 were primarily caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions—Not applicable.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing—Not applicable.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing—Not applicable.

H. Repurchase Agreements Transactions Accounted for as a Sale—Not applicable.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale—Not applicable.

J. Real Estate—Not applicable.

K. LIHTC—

(1–7) LIHTC investments of $46,319,173 and $44,804,034 as of December 31, 2018 and 2017, respectively, are included in other invested assets in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company also has a corresponding liability of $9,087,598 and $15,760,023, as of December 31, 2018 and 2017, respectively, which represents the future capital contributions that will be required as long as the asset is performing based on the agreed upon terms. The number of remaining years of unexpired tax credits is 7 and the required holding period for the low-income housing investments is 14 years. The LIHTC investments are not currently subject to any regulatory reviews. The Company did not recognize any impairment losses, write-downs, or reclassifications during 2018 or 2017.

L. Restricted Assets—

(1) Restricted assets, including pledged securities as of December 31, 2018 and 2017, are presented below:

Restricted Asset Category	1 Total Gross (Admitted & Nonadmitted) Restricted From Current Year	2 Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	3 Increase/ (Decrease) (1 Minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted (1 minus 4)	6 Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	7 Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	$ -	$ -	$ -	$ -	$ -	- %	- %
b. Collateral held under security lending agreements	-	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale—excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	-	-	-	-	-	-	-
j. On deposit with states	215,485	219,416	(3,931)	-	215,485	0.01	0.01
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-
n. Other restricted assets	-	-	-	-	-	-	-
o. Total restricted assets	$ 215,485	$ 219,416	$ (3,931)	$ -	$ 215,485	0.01 %	0.01 %

(a) Column 1 divided by Asset Page, Column 1, Line 28
(b) Column 5 divided by Asset Page, Column 3, Line 28

(2–4) The Company has no assets pledged as collateral not captured in other categories and no other restricted assets as of December 31, 2018 or 2017.

M. Working Capital Finance Investments—Not applicable.

N. Offsetting and Netting of Assets and Liabilities

The Company does not have any offsetting or netting of assets and liabilities as it relates to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending activities.

O. Structured Notes

The Company does not have any structured notes.

P. 5GI Securities

The Company does not have any investments with an NAIC designation of 5GI as of December 31, 2018 and 2017.

Q. **Short Sales**—Not applicable.

R. **Prepayment Penalty and Acceleration Fees**—Not applicable.

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

A–B. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of admitted assets and did not recognize any impairment write-down for its investments in joint ventures, partnerships, and limited liability companies during the statement periods.

7. INVESTMENT INCOME

A. The Company excludes all investment income due and accrued amounts that are over 90 days past due from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

B. There were no investment income amounts excluded from the statutory basis financial statements.

8. DERIVATIVE INSTRUMENTS

A–H. The Company has no derivative instruments.

9. INCOME TAXES

The Tax Cuts and Jobs Act (“Tax Reform”) enacted by the U.S. federal government in December 2017 changed the existing United States tax law including reducing the U.S. corporate income tax rate from 35% in 2017 to 21% beginning in 2018. The Company accounted for the impacts of Tax Reform and as of December 31, 2017, remeasured its deferred tax assets/(liabilities) at the 21% enacted tax rate.

A. Deferred Tax Asset/Liability

(1) The components of the net deferred tax asset for the years ended at December 31, 2018 and 2017 are as follows:

	2018			2017			Change		
	1	2	3 (Col 1 + 2)	4	5	6 (Col 4 + 5)	7 (Col 1 - 4)	8 (Col 2 - 5)	9 (Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross deferred tax assets	$ 22,498,163	$ 25,056	$ 22,523,219	$ 41,113,576	$ -	$ 41,113,576	$ (18,615,413)	$ 25,056	$ (18,590,357)
(b) Statutory valuation allowance adjustments	-	25,056	25,056	-	-	-	-	25,056	25,056
(c) Adjusted gross deferred tax assets (1a - 1b)	22,498,163	-	22,498,163	41,113,576	-	41,113,576	(18,615,413)	-	(18,615,413)
(d) Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
(e) Subtotal net admitted deferred tax asset (1c - 1d)	22,498,163	-	22,498,163	41,113,576	-	41,113,576	(18,615,413)	-	(18,615,413)
(f) Deferred tax liabilities	8,442,808	-	8,442,808	4,823,974	3,413	4,827,387	3,618,834	(3,413)	3,615,421
(g) Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	$ 14,055,355	$ -	$ 14,055,355	$ 36,289,602	$ (3,413)	$ 36,286,189	$ (22,234,247)	$ 3,413	$ (22,230,834)

(2) The components of the adjusted gross deferred tax assets admissibility calculation under SSAP No. 101, *Income Taxes—A Replacement of SSAP No. 10R and SSAP No. 10*, are as follows:

	2018			2017			Change		
	1	2	3	4	5	6	7	8	9
Admission Calculation Components SSAP No. 101	**Ordinary**	**Capital**	**(Col 1 + 2) Total**	**Ordinary**	**Capital**	**(Col 4 + 5) Total**	**(Col 1 - 4) Ordinary**	**(Col 2 - 5) Capital**	**(Col 7 + 8) Total**
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ 22,498,163	$ -	$ 22,498,163	$ 41,113,576	$ -	$ 41,113,576	$ (18,615,413)	$ -	$ (18,615,413)
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below)	-	-	-	-	-	-	-	-	-
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	-	-	-	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	198,038,830	XXX	XXX	194,206,448	XXX	XXX	3,832,382
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	-	-	-	-	-	-	-	-	-
(d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total (2(a) + 2(b) + 2(c))	$ 22,498,163	$ -	$ 22,498,163	$ 41,113,576	$ -	$ 41,113,576	$ (18,615,413)	$ -	$ (18,615,413)

(3) The ratio percentage and adjusted capital and surplus used to determine the recovery period and threshold limitations for the admissibility calculation are presented below:

	2018	2017
(a) Ratio percentage used to determine recovery period and threshold limitation amount	516 %	590 %
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)(2) above	$ 1,320,258,865	$ 1,294,709,655

(4) The Company had no impact to the gross deferred tax assets balances as a result of tax-planning strategies as of December 31, 2018 and 2017, as shown in the table below:

	2018		2017		Change	
	1	2	3	4	5 (Col 1 - 3)	6 (Col 2 - 4)
Impact of Tax-Planning Strategies	**Ordinary**	**Capital**	**Ordinary**	**Capital**	**Ordinary**	**Capital**
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets by tax character as a percentage.						
1. Adjusted gross DTAs amount from Note 9A1(c)	$ 22,498,163	$ -	$ 41,113,576	$ -	$ (18,615,413)	$ -
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax-planning strategies	- %	- %	- %	- %	- %	- %
3. Net admitted adjusted gross DTAs amount from Note 9A1(e)	$ 22,498,163	$ -	$ 41,113,576	$ -	$ (18,615,413)	$ -
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax-planning strategies	- %	- %	- %	- %	- %	- %
(b) Does the Company's tax-planning strategies include the use of reinsurance?			Yes		No	X

B. Unrecognized Deferred Tax Liabilities

(1–4) There are no unrecognized deferred tax liabilities for the years ended December 31, 2018 and 2017.

C. Significant Components of Income Taxes

(1) The current federal income taxes incurred for the years ended December 31, 2018 and 2017, are as follows:

	1	2	3 (Col 1 - 2)
	2018	**2017**	**Change**
1. Current income tax			
(a) Federal	$ 96,219,463	$ 240,415,027	$ (144,195,564)
(b) Foreign	-	-	-
(c) Subtotal	96,219,463	240,415,027	(144,195,564)
(d) Federal income tax on net capital gains	104,832	269,535	(164,703)
(e) Utilization of capital loss carryforwards	-	-	-
(f) Other	-	-	-
(g) Total federal and foreign income taxes incurred (benefit)	$ 96,324,295	$ 240,684,562	$ (144,360,267)

(2–4) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2018 and 2017, are as follows:

	1 2018	2 2017	3 (Col 1 - 2) Change
2 Deferred tax assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses	$ 3,234,695	$ 1,224,919	$ 2,009,776
(2) Unearned premium reserve	8,189,295	8,711,199	(521,904)
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefits accrual	-	-	-
(9) Pension accrual	-	-	-
(10) Receivables—nonadmitted	7,096,132	8,120,740	(1,024,608)
(11) Net operating loss carryforward	-	-	-
(12) Tax credit carry forward	-	-	-
(13) Other (including items <5% of total ordinary tax assets)	3,978,041	23,056,718	(19,078,677)
(99) Subtotal	22,498,163	41,113,576	(18,615,413)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	22,498,163	41,113,576	(18,615,413)
(e) Capital:			
(1) Investments	25,056	-	25,056
(2) Net capital loss carryforward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	25,056	-	25,056
(f) Statutory valuation allowance adjustment	25,056	-	25,056
(g) Nonadmitted	-	-	-
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	-	-	-
(i) Admitted deferred tax assets (2d + 2h)	22,498,163	41,113,576	(18,615,413)
3 Deferred tax liabilities:			
(a) Ordinary:			
(1) Investments	267,129	108,291	158,838
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	8,175,679	4,715,683	3,459,996
(99) Subtotal	8,442,808	4,823,974	3,618,834
(b) Capital:			
(1) Investments	-	3,413	(3,413)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities	-	-	-
(99) Subtotal	-	3,413	(3,413)
(c) Deferred tax liabilities (3a99 + 3b99)	8,442,808	4,827,387	3,615,421
4 Net deferred tax assets/liabilities (2i - 3c)	$ 14,055,355	$ 36,286,189	$ (22,230,834)

The other ordinary deferred tax asset of $3,978,041 for 2018 consists of partnership investments of $2,894,107, accrued expenses of $1,026,876 and bad debt of $57,058. The other ordinary deferred tax asset of $23,056,718 for 2017 consists of bad debt of $21,170,808, partnership investments of $1,758,264 and accrued expenses of $127,646. The other ordinary deferred tax liabilities of $8,175,679 in 2018 consist of $4,686,561 in partnership investments, $2,281,056 of premium acquisition expense and $1,208,062 in loss reserve discounting. The other ordinary deferred tax liabilities of $4,715,683 in 2017 consist of $2,344,419 of premium acquisition expense and $2,371,264 in partnership investments.

The Company's measurement of the income tax effects on Tax Reform for the year ended December 31, 2017 was reasonably estimated. The Company has completed the accounting for the income tax effects of Tax Reform by the end of the measurement period in 2018.

The Company assessed the potential realization of the gross deferred tax asset and established a valuation allowance of $25,056 and $0 to reduce the gross deferred tax asset to $22,498,163 and $41,113,576 as of December 31, 2018 and 2017, respectively, which represents the amount of the asset estimated to be recoverable via carryback of losses and reduction of future taxes. The change in the valuation allowance is attributable to the change in timing of deductibility of expenses and/or expectations for future taxable income.

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 21% in 2018 and 35% in 2017 to net income before federal income taxes incurred, plus capital gains tax. A summarization of the significant items causing this difference as of December 31, 2018 and 2017 are as follows:

	2018		2017	
	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Tax provision at the federal statutory rate	$ 106,469,394	21.00 %	$ 212,130,109	35.00 %
Tax-exempt interest	(1,983,274)	(0.39)	(3,598,080)	(0.59)
Current year tax credit	(4,579,827)	(0.90)	(2,910,792)	(0.48)
Health insurer fee	30,636,121	6.04	-	-
Tax effect of nonadmitted assets	1,024,043	0.20	(3,226,497)	(0.53)
Change in statutory valuation allowance	25,056	-	-	-
Other current year items	1,037,120	0.20	872,530	0.14
Change in tax law	(14,073,504)	(2.77)	24,190,793	3.99
Total statutory income taxes	$ 118,555,129	23.38 %	$ 227,458,063	37.53 %
Federal income taxes incurred	$ 96,219,463	18.98 %	$ 240,415,027	39.67 %
Capital gains tax	104,832	0.02	269,535	0.04
Change in net deferred income tax	22,230,834	4.38	(13,226,499)	(2.18)
Total statutory income taxes	$ 118,555,129	23.38 %	$ 227,458,063	37.53 %

E. At December 31, 2018, the Company had no net operating loss carryforwards.

Current federal income taxes recoverable (payable) of $14,311,945 and $(32,446,146) as of December 31, 2018 and 2017, respectively, are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds were $143,082,386 and $201,105,055 in 2018 and 2017, respectively.

Federal income taxes incurred of $131,508,056 and $206,308,386 for 2018 and 2017, respectively, are available for recoupment in the event of future net losses.

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

F. The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group. The entities included within the consolidated return are included in NAIC Statutory Statement Schedule Y—Information Concerning Activities of Insurer Members Of A Holding Company Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, the Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The IRS has completed exams on UnitedHealth Group's consolidated income tax returns for fiscal years 2016 and prior. UnitedHealth Group's 2017 and 2018 tax returns are under advance review by the IRS under its Compliance Assurance Program. With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to 2012 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

G. **Tax Contingencies**—Not applicable.

H. **Repatriation Transition Tax**—Not applicable.

I. **Alternative Minimum Tax Credit**—Not applicable.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

A–O. Material Related Party Transactions

Management believes that its transactions with affiliates are fair and reasonable; however, operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company.

Pursuant to the terms of the Agreement, UHS will provide management services to the Company under a fee structure, which is based on a percentage of premium charge representing UHS' expenses for services or use of assets provided to the Company. In addition, UHS provides or arranges for services on behalf of the Company using a pass-through of charges incurred by UHS on a PMPM basis or using another allocation methodology consistent with the Agreement. These services may include, but are not limited to, integrated personal health management solutions, such as disease management, treatment decision support, and wellness services, including a 24-hour call-in service, access to a network of transplant providers, and discount program services. The amount and types of services provided pursuant to the pass-through provision of the Agreement can change year over year as UHS becomes the contracting entity for services provided to the Company's members. Total administrative services, capitation, and access fees under this arrangement totaled $404,278,066 and $369,346,032 in 2018 and 2017, respectively, and are included in GAE and CAE in the statutory basis statements of operations. Direct expenses not covered under the Agreement, such as broker commissions, Department exam fees, ACA assessments, and premium taxes, are paid by UHS on behalf of the Company. UHS is reimbursed by the Company for these direct expenses.

In the ordinary course of business, the Company also directly contracts with related parties to provide services that are routine in nature to its members. The administrative services, access fees, and cost of care services provided are calculated using a PMPM, per employee per month ("PEPM"), per claim or a combination thereof. These amounts are included in GAE, CAE, and hospital and medical expenses in the statutory basis statements of operations.

The following table identifies the amounts for the administrative services, access fees, and cost of care services provided by related parties for the years ended December 31, 2018 and 2017, which meet the disclosure requirements pursuant to SSAP No. 25, *Affiliates and Other Related Parties* ("SSAP No. 25"), regardless of the effective date of the contract:

	2018	**2017**
United HealthCare Services, Inc.	$ 404,278,066	$ 369,346,032
OptumHealth Care Solutions, Inc.	168,541,135	159,231,863
United Behavioral Health	136,307,600	112,964,283
OptumRx, Inc.	72,278,278	67,514,609
ProHEALTH Care Associates LLP	30,650,021	28,437,988
AxelaCare Intermediate Holdings, LLC	23,232,213	8,248,481

OptumHealth Care Solutions, Inc. manages a network of therapy providers and performs other administrative functions in order to provide physical health solutions such as chiropractic and physical, occupation, and speech therapy to the Company's members.

United Behavioral Health provides mental health and substance abuse treatment services.

Optum Rx, Inc. provides administrative services related to pharmacy management and pharmacy claims processing for its enrollees, specialty drug pharmacy services, durable medical equipment services including orthotics and prosthetics and personal health products catalogues showing the healthcare products and benefit credits enrollees needed to redeem the respective products.

ProHealth Care Associates provides primary care, urgent care and specialized services to the Company's members.

AxelaCare, LLC provides home infusion therapy services and per diem nursing services.

The Company has premium payments that are received and claim payments that are processed by an affiliated UnitedHealth Group entity. Both premiums and claims applicable to the Company are settled at regular intervals throughout the month via the intercompany settlement process and any amounts outstanding are reflected in payable amounts due to parent, subsidiaries, and affiliates, net in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company holds a $200,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of London InterBank Offered Rate plus a margin of 0.50%. This credit agreement is subordinate to the extent it does not conflict with any credit facility held by either party. The credit agreement is for a one-year term and automatically renews annually, unless terminated by either party. No amounts were outstanding under the line of credit as of December 31, 2018 and 2017.

Members of dually licensed POS products in New York received two forms of coverage: HMO coverage through the OHP-NY for in-network coverage and conventional indemnity health insurance provided by the Company. The two products that were dually licensed were the Freedom and Liberty Plans. The Company's Freedom Plan was a type of POS health care plan that combines the benefits of an HMO with certain benefits of conventional indemnity health insurance. The Liberty Plan offered lower premiums than the standard Freedom Plan by allowing member groups to choose from a smaller network of in-network providers. The amount of revenue that was subject to allocation for 2018 and 2017 was $0 and $9,902,915, respectively. The amount of premium revenue that was allocated to the Company for 2018 and 2017 was $0 and $986,635, respectively and is included in net premium income within the statutory basis statements of operations. The allocation method, approved by the Department, was an allocation of total Freedom Plan revenue equal to the percentage of total Freedom Plan claims expense incurred by the Company. Effective September 30, 2017, the Company had no membership remaining relating to the dually licensed products.

The Company has entered into a Tax Sharing Agreement with UnitedHealth Group (see Note 9).

The Company paid dividends of $390,000,000 and $235,000,000 in 2018 and 2017, respectively, to its parent (see Note 13).

The Company reported $86,433,238 and $24,163,683 as receivables from parent, subsidiaries and affiliates, net as of December 31, 2018 and 2017, respectively, and are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. These balances are generally settled within 90 days from the incurred date. Any balances due to the Company that are not settled within 90 days are considered nonadmitted assets.

The Company has not extended any guarantees or undertakings for the benefit of an affiliate or related party.

The Company does not have any amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity.

The Company does not have any investments in a subsidiary, controlled, or affiliated entity that exceeds 10% of admitted assets.

The Company does not have any investments in impaired subsidiaries, controlled, or affiliated entities.

The Company does not have any investments in foreign insurance subsidiaries.

The Company does not hold any investments in a downstream noninsurance holding company.

The Company does not have any investments in non-insurance subsidiaries, controlled, or affiliated entities.

The Company does not have any investments in insurance subsidiaries, controlled, or affiliated entities.

11. DEBT

A–B. The Company had no outstanding debt with third-parties or outstanding Federal Home Loan Bank agreements during 2018 and 2017.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES, AND OTHER POSTRETIREMENT BENEFIT PLANS

A–I. The Company has no defined benefit plans, defined contribution plans, multiemployer plans, consolidated/holding company plans, postemployment benefits, or compensated absences plans and is not impacted by the Medicare Modernization Act on postretirement benefits, since all personnel are employees of UHS, which provides services to the Company under the terms of the Agreement (see Note 10).

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS, AND QUASI-REORGANIZATIONS

(1–2) The Company has 500,000 shares issued and outstanding of $2.00 par value common stock. The Company has no preferred stock outstanding. All issued and outstanding shares of common stock are held by the Company's parent, UHIC.

(3) The Company is subject to laws in the State of New York that restrict the payment of dividends. The Company may not declare or distribute any dividend without the approval of the Superintendent of the Department, that together with all dividends declared or distributed by the Company during the prior 12 month period, exceeds the lesser of 10% of its surplus as shown by its last statement on file with the Superintendent, or 100% of the adjusted net investment income for the period.

(4) On March 6, 2018, the Company requested an extraordinary dividend of $95,000,000 to its parent, UHIC. The dividend was approved on December 6, 2018 and paid on December 28, 2018.

On May 16, 2018, the Company requested an extraordinary dividend of $65,000,000 to its parent, UHIC. The dividend was approved on December 6, 2018 and paid on December 28, 2018.

On August 16, 2018, the Company requested an extraordinary dividend of $70,000,000 to its parent, UHIC. The dividend was approved on December 6, 2018 and paid on December 28, 2018.

On November 16, 2018, the Company requested an extraordinary dividend of $75,000,000 to its parent, UHIC. The dividend was approved on December 6, 2018 and paid on December 28, 2018.

On November 15, 2017, the Company requested an extraordinary dividend of $85,000,000 to its parent company, UHIC. The dividend was approved on December 6, 2018 and paid on December 28, 2018.

On August 15, 2017, the Company requested an extraordinary dividend of $90,000,000 to its parent company, UHIC. The dividend was approved on September 25, 2017 and paid on October 18, 2017.

On May 16, 2017, the Company requested an extraordinary dividend of $95,000,000 to its parent company, UHIC. The dividend was approved on September 25, 2017 and paid on October 18, 2017.

On March 8, 2017, the Company requested an extraordinary dividend of $50,000,000 to its parent company, UHIC. The dividend was approved in September 25, 2017 and paid on October 18, 2017.

The Company recorded the above dividend payments as reductions to unassigned surplus in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

(5) The amount of ordinary dividends that may be paid out during any given period is subject to certain restrictions as specified by state statute.

(6) There are no restrictions placed on the Company's unassigned surplus.

(7) The Company is not a mutual reciprocal or a similarly organized entity and does not have advances to surplus not repaid.

(8) The Company does not hold any stock, including stock of affiliated companies for special purposes, such as conversion of preferred stock, employee stock options, or stock purchase warrants.

(9) For the year ended December 31, 2017, the amount of the estimated Section 9010 ACA subsequent fee year assessment apportioned out of unassigned surplus was $154,876,407. As discussed in Note 1, in 2017 no amount was required to be apportioned out of unassigned surplus for the Section 9010 ACA subsequent fee year assessment.

(10) The portion of unassigned surplus, excluding the apportionment of estimated Section 9010 ACA subsequent fee year assessment, net income, and dividends, represented (reduced) by each item below is as follows:

	2018	**2017**	**Change**
Net deferred income taxes	$ 14,055,355	$ 36,286,189	$ (22,230,834)
Nonadmitted assets	(33,800,289)	(38,676,683)	4,876,394
Total	$ (19,744,934)	$ (2,390,494)	$ (17,354,440)

(11–13) The Company does not have any outstanding surplus notes and has never been a party to a quasi-reorganization.

14. LIABILITIES, CONTINGENCIES AND ASSESSMENTS

A. Contingent Commitments

The Company has no contingent commitments.

B. Assessments

(1-2) The Company is not aware of any other guaranty fund assessments or premium tax offsets, potential or accrued, that could have a material financial effect on the operations of the entity other than what is reported below.

(3) Under state guaranty association laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies that write the same line or similar lines of business. On March 1, 2017, the Commonwealth of Pennsylvania Court entered the written liquidation orders regarding Penn Treaty Network America Insurance Company and its subsidiary ("Penn Treaty"). As of December 31, 2018 and 2017, the Company has recorded $17,724 and $103,595, respectively, for its estimated share of the guaranty association assessment liability and $1,921,739 and $3,356,194, respectively, for its associated premium tax credit asset resulting from the Penn Treaty liquidation, which is included in general expenses due and accrued and guaranty funds receivable or on deposit, respectively, in the statutory basis financial statements. As of December 31, 2017, pursuant to SSAP No. 35R the net difference between the undiscounted and discounted amounts established for the guaranty association assessment liability and associated premium tax credit asset, net of tax is $3,992,746 which is included as a change in accounting principle, net of tax, in the statutory basis statements of changes in capital and surplus. While the ultimate payment timing and associated recovery is currently unknown, the Company initially anticipated that the majority of the assessments would be paid within five years. Management of the Company has subsequently learned that some states have opted to defer the funding to later years and while this impacts the aggregation tables, it does not have a significant financial impact on the guaranty association assessment liability and related expense or the associated premium tax credit asset.

As of December 31, 2018, assessments from insolvencies is presented below:

a. Discount rate applied 3.5 %

b. The undiscounted and discounted amount of the guaranty Fund assessments and related assets by insolvency;

	Guaranty Fund Assessment		Related Assets	
Name of the Insolvency	**Undiscounted**	**Discounted**	**Undiscounted**	**Discounted**
Penn treaty allocation	$ 914,556	$ 17,724	$ 2,356,659	$ 1,921,739

c. Number of jurisdictions, ranges of years used to discount and weighted average number of years of the discounting time period for payables and recoverables by insolvency;

	Payables			Recoverables		
Name of the Insolvency	**Number of Jurisdictions**	**Range of Years**	**Weighted Average of Number of Years**	**Number of Jurisdictions**	**Range of Years**	**Weighted Average of Number of Years**
Penn treaty allocation	1	5	5	2	6–9	8

C. Gain Contingencies

The Company is not aware of any gain contingencies that should be disclosed in the statutory basis financial statements.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits—Not applicable.

E. Joint and Several Liabilities—Not applicable.

F. All Other Contingences

The Company's business is regulated at the federal, state, and local levels. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products.

The ACA and the related federal and state regulations will continue to impact how the Company does business and could restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase the Company's medical and administrative costs, expose the Company to an increased risk of liability (including increasing the Company's liability in federal and state courts for coverage determinations and contract interpretation), or put the Company at risk for loss of business. In addition, the Company's statutory basis results of operations, financial condition, and cash flows could be materially adversely affected by such changes. The ACA may create new or expand existing opportunities for business growth, but due to its complexity, the long term impact of the ACA remains difficult to predict and is not yet fully known.

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators, relating to the Company's businesses, including management and administration of health benefit plans and other services.

The Company records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving the

Company are inherently difficult to predict, particularly where the matters involve: indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, the Company is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility or it is probable that a loss may be incurred. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect on the statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

The Company routinely evaluates the collectability of all receivable amounts included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Impairment reserves are established for those amounts where collectability is uncertain. Based on the Company's past experience, exposure related to uncollectible balances and the potential of loss for those balances not currently reserved for is not material to the Company's statutory basis financial condition.

There are no assets that the Company considers to be impaired at December 31, 2018 and 2017.

15. LEASES

A–B. According to the Agreement between the Company and UHS (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UHS. Fees associated with the lease agreements are included as a component of the Company's management fee.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

(1–4) The Company does not hold any financial instruments with off-balance-sheet risk or have any concentrations of credit risk.

17. SALE, TRANSFER, AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A–C. The Company did not participate in any transfer of receivables, financial assets, or wash sales.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A–C. The Company does not have any uninsured or partially insured accident and health plans.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD-PARTY ADMINISTRATORS

The Company did not have any direct premiums written or produced by managing general agents or third-party administrators in 2018 and 2017.

20. FAIR VALUE MEASUREMENT

The NAIC SAP defines fair value, establishes a framework for measuring fair value, and outlines the disclosure requirements related to fair value measurements. The fair value hierarchy is as follows:

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

Level 2—Other observable inputs, either directly or indirectly, including:

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

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

The estimated fair values of bonds, short-term investments and cash equivalents, are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service ("pricing service"), which generally uses quoted prices or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, non-binding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source, prices reported by its custodian, its investment consultant, and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in an adjustment in the prices obtained from the pricing service.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

A. Fair Value

(1) Fair Value Measurements at Reporting Date

The following table present information about the Company's financial assets that are measured and reported at fair value at December 31, 2018, in the statutory basis statements of admitted assets, liabilities, and capital and surplus according to the valuation techniques the Company used to determine their fair values:

Description for Each Class of Asset or Liability	December 31, 2018 (Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value:					
Perpetual preferred stock:					
Industrial and misc	$ -	$ -	$ -	$ -	$ -
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total perpetual preferred stocks	-	-	-	-	-
Bonds:					
U.S. governments	-	-	-	-	-
Industrial and misc	-	-	-	-	-
Hybrid securities	-	-	-	-	-
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total bonds	-	-	-	-	-
Common stock:					
Industrial and misc	-	-	-	-	-
Parent, subsidiaries, and affiliates	-	-	-	-	-
Total common stock	-	-	-	-	-
Derivative assets:					
Interest rate contracts	-	-	-	-	-
Foreign exchange contracts	-	-	-	-	-
Credit contracts	-	-	-	-	-
Commodity futures contracts	-	-	-	-	-
Commodity forward contracts	-	-	-	-	-
Total derivatives	-	-	-	-	-
Money-market funds	43,151,955	-	-	-	43,151,955
Other invested assets	-	-	-	-	-
Separate account assets	-	-	-	-	-
Total assets at fair value/NAV	$ 43,151,955	$ -	$ -	$ -	$ 43,151,955
b. Liabilities at fair value:					
Derivative liabilities	$ -	$ -	$ -	$ -	$ -
Additional write-ins	-	-	-	-	-
Additional write-ins	-	-	-	-	-
Total liabilities at fair value	$ -	$ -	$ -	$ -	$ -

(2) The Company does consider its investments in LIHTC investments as a level 3 investment as there is no readily available market. As a result these investments are recorded and reported at book/adjusting carrying value of $46,319,173 and $44,804,034 as of December 31, 2018 and 2017.

(3) Transfers between fair value hierarchy levels, if any, are recorded as of the beginning of the reporting period in which the transfer occurs. There were no transfers between Levels 1, 2 or 3 of any financial assets or liabilities during the years ended December 31, 2018 or 2017.

(4) **Investments**—Fair values of debt and equity securities are based on quoted market prices, where available. The Company obtains one price for each security primarily from a pricing service, which generally uses quoted prices or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, and, if necessary, makes adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to prices reported by a secondary pricing source, such as its custodian, its investment consultant and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and reviews of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

LIHTC—The Company does consider its investments in LIHTC investments as a Level 3 investment even though no market valuation adjustment was required as of December 31, 2018 and 2017. As there is no readily available market, these securities are recorded and reported at book/adjusted carrying value and considered held to maturity as they will not be sold. Should any contractual breakage occur that jeopardizes the ability to receive the tax credits associated with these securities, impairments will be recognized. As of December 31, 2018, all of these investments are performing in accordance with their original contract terms.

(5) The Company has no derivative assets and liabilities to disclose.

B. **Fair Value Combination**—Not applicable.

C. Aggregate Fair Value Hierarchy

The aggregate fair value by hierarchy of all financial instruments as of December 31, 2018 and 2017 is presented in the table below:

	2018					
Types of Financial Investment	**Aggregate Fair Value**	**Admitted Assets**	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Not Practicable (Carrying Value)**
U.S. government and agency securities	$ 485,441,804	$ 493,525,623	$ 193,110,540	$ 292,331,264	$ -	$ -
State and agency municipal securities	329,518,954	329,415,019	-	329,518,954	-	-
City and county municipal securities	300,584,251	301,250,500	-	300,584,251	-	-
Corporate debt securities (includes commercial paper)	801,729,815	811,372,125	9,428,977	792,300,838	-	-
Cash equivalets	91,606,142	91,606,142	91,606,142			
Other invested assets	46,319,173	46,319,173	-	-	46,319,173	-
Total bonds, short-term investments, and other invested assets	$ 2,055,200,139	$ 2,073,488,582	$ 294,145,659	$ 1,714,735,307	$ 46,319,173	$ -

	2017					
Types of Financial Investment	**Aggregate Fair Value**	**Admitted Assets**	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Not Practicable (Carrying Value)**
U.S. government and agency securities	$ 387,735,693	$ 393,071,356	$ 169,362,889	$ 218,372,804	$ -	$ -
State and agency municipal securities	307,792,857	305,336,461	-	307,792,857	-	-
City and county municipal securities	287,845,974	286,330,733	-	287,845,974	-	-
Corporate debt securities (includes commercial paper)	879,378,873	881,015,543	235,404,852	643,974,021	-	-
Other invested assets	44,804,034	44,804,034	-	-	44,804,034	-
Total bonds, short-term investments, and other invested assets	$ 1,907,557,431	$ 1,910,558,127	$ 404,767,741	$ 1,457,985,656	$ 44,804,034	$ -

Included as Level 1 in U.S. government and agency securities in the fair value hierarchy tables above are U.S. Treasury securities of $193,110,540 and $169,362,889 as of December 31, 2018 and December 31, 2017, respectively.

Included as Level 2 in corporate debt securities in the fair value hierarchy tables above are commercial paper investments of $9,671,619 and $1,045,528 as of December 31, 2018 and December 31, 2017, respectively. The commercial paper investments reflected in the tables above are included in short-term investments in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

Included as Level 3 in other invested assets in the fair value hierarchy table above are LIHTC investments. The change in other invested assets was due to purchases of $6,923,917 and settlements of $5,408,778 in 2018.

D. Not Practicable to Estimate Fair Value—Not applicable.

E. Investments Measured Using the NAV Practical Expedient—Not applicable.

21. OTHER ITEMS

A. Unusual or Infrequent Items

The Company did not encounter any unusual or infrequent items for the years ended December 31, 2018 and 2017.

B. Trouble Debt Restructuring

The Company has no troubled debt restructurings as of December 31, 2018 and 2017.

C. Other Disclosures

The Company does not have any amounts not recorded in the statutory basis financial statements that represent segregated funds held for others. The Company also does not have any exposures related to forward commitments that are not derivative instruments.

D. Business Interruption Insurance Recoveries

The Company has not received any business interruption insurance recoveries during 2018 and 2017.

E. State Transferable and Non-transferable Tax Credits

The Company has no transferable or non-transferable state tax credits.

F. Sub-Prime Mortgage-Related Risk Exposure

(1) The investment policy for the Company limits investments in loan-backed securities, which includes sub-prime issuers. Further, the policy limits investments in private-issuer mortgage securities to 10% of the portfolio, which also includes sub-prime issuers. The exposure to unrealized losses on sub-prime issuers is due to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered have an NAIC designation of 1 or 2.

(2) The Company has no direct exposure through investments in sub-prime mortgage loans.

(3) The Company has no direct exposure through other investments.

(4) The Company has no underwriting exposure to sub-prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

G. Retained Assets

The Company does not have any retained asset accounts for beneficiaries.

H. Insurance-Linked Securities Contracts

As of December 31, 2018, the Company is not aware of any possible proceeds of insurance-linked securities.

22. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 3, 2019, which is the date these statutory basis financial statements were available for issuance.

<u>TYPE I—Recognized Subsequent Events</u>

There are no events subsequent to December 31, 2018, that require recognition and disclosure.

TYPE II—Non-Recognized Subsequent Events

The Company is subject to the annual fee under Section 9010 of the ACA. The fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of the health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, of the year the fee is due. Pursuant to the 2019 HIF moratorium (see Note 1), no HIF will be payable in 2019 and therefore there is no amount apportioned out of unassigned funds in 2018 representing an estimate of the 2019 HIF. The table below presents information regarding the annual fee under Section 9010 of the ACA as of December 31, 2018 and 2017.

	Current 2018	Prior 2017
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	Yes	
B. ACA fee assessment payable for the upcoming year	$ -	$ 154,876,407
C. ACA fee assessment paid	145,886,290	-
D. Premium written subject to ACA 9010 assessment	-	7,269,942,155
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	1,334,314,220	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	1,334,314,220	
G. Authorized Control Level (Five-Year Historical Line 15)	255,885,072	
H. Would reporting the ACA assessment as of December 31, 2018, have triggered an RBC action level (YES/NO)?	No	

On March 6, 2019, the Company requested an extraordinary cash dividend of $95,000,000 to its parent, UHIC.

There are no other events subsequent to December 31, 2018 that require disclosure.

23. REINSURANCE

Reinsurance Agreements—In the normal course of business, the Company seeks to reduce potential losses that may arise from catastrophic events that cause unfavorable underwriting results by reinsuring certain levels of such risk with affiliated and other nonaffiliated reinsurers. The Company remains primarily liable as the direct insurer on all risks reinsured.

The Company had a reinsurance agreement with an affiliated entity, Unimerica, to cede obligations relating to chiropractic and physical therapy coverage, transplant coverage, infertility treatment coverage, and mental health and substance use disorder coverage. Reinsurance premiums, which were calculated on a PMPM basis, of $62,784 and $59,088,428 as of December 31, 2018 and 2017, respectively, were netted against premium income in the statutory basis statement of operations. Reinsurance recoveries of $1,260,798 and $58,299,612 as of December 31, 2018 and 2017 are included in net reinsurance recoveries in the statutory basis statement of operations. There was $88,953 and $3,089,773 of reinsurance receivables related to this agreement as of December 31, 2018 and 2017, respectively. The funds withheld amounts due to Unimerica were $3,904,800 and $27,720,000 as with unauthorized reinsurers in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The reinsurance agreement was terminated effective December 31, 2017.

The Company has a reinsurance agreement with OHP-NJ to cover out-of-network point-of-service claim payments. Premiums received from OHP-NJ and claims reimbursed by the Company were $2,412,571 and $3,670,837 respectively, during 2018 and $991,958 and ($10,723,089) respectively, during 2017. The Company recognized a reinsurance payable of $132,509 and $108,591 to OHP-NJ at December 31, 2018 and 2017, respectively, which is included in claims unpaid in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. During 2017, the Company discovered an error that affected the years 2013-2016, whereby certain claims were inadvertently ceded under the Unimerica and OHP-NJ reinsurance agreements, when they should have only been ceded to Unimerica. If the claims had been recorded correctly, on a cumulative basis, the Company would have less reinsurance expense of $11,772,811. The Company received an intercompany payment from OHP-NJ in 2017 relating to the reinsurance correction totaling $11,772,811 which was recorded in the statutory basis statements of operations.

Pursuant to Section 1341 of the ACA, through 2017, the Company was subject to the reinsurance provisions for compliant individual policies (see Note 24).

The Company had a reinsurance agreement with Consulting Engineers Reinsurance Company (the “Reinsurer”) for 90% of premiums written for the group ACEC. Premiums of approximately $0 and $308,599 were ceded to the Reinsurer in 2018 and 2017, respectively, and are netted against net premium income in the statutory basis statements of operations. Total hospital and medical benefits ceded and general administrative and claims adjustment expenses ceded related to the reinsurance agreement totaled $(38,379) and $328,114 in 2018 and 2017, respectively, and are netted against hospital and medical benefits and GAE in the statutory basis statements of operations. The funds withheld amounts due to ACEC were $12,123 as of December 31, 2018 and 2017, respectively, and are included in funds held under reinsurance treaties with unauthorized reinsurers in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus. The ACEC agreement was terminated on July 31, 2017.

The Company participates in the CSEHRP, which allows Connecticut health plans to purchase low deductible stop-loss coverage from the CSEHRP for individuals ceded by the plans to the CSEHRP. Plans are assessed based on market share to cover CSEHRP losses, which have commonly occurred in years past. Membership in the CSEHRP is mandatory for all Connecticut small employer health insurers. At December 31, 2018 and 2017, the Company recorded $4,594,023 and $129,934 relating to premiums ceded and $2,398,644 and $632,302 relating to this pool within net reinsurance recoveries.

The Company is a member of a mandatory-specified medical condition pool, established pursuant to 11 NYCRR-361.5, with respect to its Healthy New York small employer group risk. These expenses are treated as reinsurance per the instructions of the Department. As of December 31, 2018 and December 31, 2017, the Company recorded a receivable of $5,767,287 and $3,182,091 within amounts recoverable from reinsurers relating to the Healthy New York stop loss pool. Hospital and medical benefits related to the Healthy New York small employer pool totaled $5,201,535 and $3,182,091 as of December 31, 2018 and 2017, respectively, and are netted against hospital and medical in the statutory basis statements of operations.

The Company recognized reinsurance assumed related to Regulation 146 of $70,417,185 as of December 31, 2018, which is recorded in claims unpaid and reinsurance recoveries in 2018, in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus and statement of operations.

The effect of both internal and external reinsurance agreements outlined above on net premium income and hospital and medical expenses and general administrative expenses and claims adjustment expenses are presented below:

	2018	2017
Premiums:		
Direct	$ 8,184,442,116	$ 7,273,912,502
Assumed—		
Affiliate	2,412,571	991,958
Ceded:		
Affiliate	62,784	59,088,428
Nonaffiliate	4,594,023	438,533
Net premium income	$ 8,182,197,880	$ 7,215,377,499
Hospital and medical expenses:		
Direct	$ 6,528,563,341	$ 5,829,969,384
Assumed:		
Affiliate	3,670,837	(10,723,089)
Nonaffiliate	70,417,185	-
Ceded:		
Affiliate	1,260,798	58,299,612
Nonaffiliate	7,561,649	8,327,853
Net hospital and medical expenses	$ 6,593,828,916	$ 5,752,618,830
General administrative expenses and claims adjustment expenses:		
Direct	$ 1,128,038,336	$ 887,509,709
Assumed—		
Affiliate	-	-
Ceded:		
Affiliate	-	-
Nonaffiliate	151	30,574
Net general administrative expenses and claims adjustment expenses	$ 1,128,038,185	$ 887,479,135

The Company recognized reinsurance (recoveries) costs related to internal and external reinsurance agreements of $(65,265,575) and $77,350,554 in 2018 and 2017, respectively, which are recorded as net reinsurance recoveries in the statutory basis statements of operations. In addition, reinsurance recoverables related to internal and external reinsurance agreements of $5,876,025 and $7,902,356 for paid losses are recorded as amounts recoverable from reinsurers and $5,974,180 and $19,676,714 for unpaid losses are recorded as a reduction to claims unpaid in 2018 and 2017, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

A. Ceded Reinsurance Report

Section 1—General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes ( ) No (X)

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

Yes ( ) No (X)

Section 2—Ceded Reinsurance Report—Part A

(1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

(2) Does the reporting entity have any reinsurance agreements in effect that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

Section 3—Ceded Reinsurance Report—Part B

(1) What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

The Company estimates there should be no aggregate reduction in surplus for termination of all reinsurance agreements as of December 31, 2018.

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

B. Uncollectible Reinsurance—During 2018 and 2017, there were no uncollectible reinsurance recoverables.

C. **Commutation of Ceded Reinsurance**—There was no commutation of reinsurance in 2018 or 2017.

D. **Certified Reinsurer Rating Downgraded or Status Subject to Revocation**—Not applicable.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A. The Company estimates accrued retrospective premium adjustments for its group health insurance business based on mathematical calculations in accordance with contractual terms.

B. Estimated accrued retrospective premiums due from the Company are recorded in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as an adjustment to change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations.

C. Pursuant to the ACA, the Company's commercial business is subject to retrospectively rated features based on the actual medical loss ratios experienced on the commercial lines of business. The formula is calculated pursuant to the ACA guidance. The total amount of direct premiums written for the commercial lines of business subject to the retrospectively rated features was $8,184,442,116 and $7,273,912,502, representing 100% of total direct premiums written as of December 31, 2018 and 2017, respectively.

D. The Company is required to maintain a specific minimum loss ratio on the comprehensive commercial lines of business. The following table discloses the minimum medical loss ratio rebate liability which is included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus for the years ended December 31, 2018 and 2017:

	1 Individual	2 Small Group Employer	3 Large Group Employer	4 Other Categories with Rebates	5 Total
Prior reporting year:					
(1) Medical loss ratio rebates incurred	$ 3,844,606	$ -	$ 15,389,699	$ -	$ 19,234,305
(2) Medical loss ratio rebates paid	3,817,859	-	17,128,112	-	20,945,971
(3) Medical loss rebates unpaid	26,747	-	21,838,313	-	21,865,060
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	21,865,060
Current reporting year-to-date:					
(7) Medical loss ratio rebates incurred	237,037	-	21,327,617	-	21,564,654
(8) Medical loss ratio rebates paid	263,784	-	21,142,425	-	21,406,209
(9) Medical loss rebates unpaid	-	-	22,023,506	-	22,023,506
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	22,023,506

In addition to the ACA minimum loss ratio requirements, all Corporations and HMOs shall submit to the DOBI, the New Jersey loss ratio reports showing loss ratios for the previous calendar year for small group and individual direct pay standardized business. For small group and individual direct pay contracts, a minimum loss ratio of 80% must be met. The loss ratios on the New Jersey business were in excess of the minimum requirements for the year ended December 31, 2018 and 2017, so no minimum loss ratio rebate liability was established in either year.

E. Risk-Sharing Provisions of the Affordable Care Act

(1) The Company has accident and health insurance premiums in 2018 and 2017 subject to the risk-sharing provisions of the ACA.

The ACA imposes fees and premium stabilization provisions on health insurance issuers offering comprehensive commercial health insurance. The three premium stabilization programs are commonly referred to as the 3Rs—risk adjustment, reinsurance, and risk corridors.

Risk Adjustment—The permanent risk adjustment program, designed to mitigate the potential impact of adverse selection and provide stability for health insurance issuers, applies to all non-grandfathered plans not subject to transitional relief in the individual and small group markets both inside and outside of the insurance exchanges. Effective for 2018 benefit plan year, the risk adjustments and distributions are calculated using a high-cost risk pool which adds a reinsurance-like element to this program. The operation of the high-cost risk pools exclude a percentage of costs above a threshold level determined by federal regulations. The program operates two national high-cost risk pools, one for individuals and one for small groups. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments.

Reinsurance—The transitional reinsurance program was designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations. The transitional reinsurance program was effective from 2014 through 2016 and applied to all issuers of major medical commercial products and third-party administrators. Contributions attributable to enrollees in the ACA compliant individual plans, including program administrative costs, were accounted for as ceded premium and payments received were accounted for as ceded benefit recoveries. The portion of the individual contributions earmarked for the U.S. Treasury was accounted for as an assessment. Contributions made for enrollees in fully insured plans other than the ACA compliant individual plans, including program administrative costs and payments to the U.S. Treasury, were treated as assessments.

Risk Corridors—The temporary risk corridors program, designed to provide some aggregate protection against variability for issuers in the individual and small group markets during the period 2014 through 2016, applied to Qualified Health Plans in the individual and small group markets both inside and outside of the insurance exchanges. Premium adjustments pursuant to the risk corridors program were accounted for as premium adjustments for retrospectively rated contracts.

(2) The following table presents the current year impact of risk-sharing provisions of the ACA on assets, liabilities and operations:

a. Permanent ACA Risk Adjustment Program	**December 31, 2018**
Assets—	
1. Premium adjustments receivable due to ACA Risk Adjustment (including high risk pool payments)	$ 149,883,522
Liabilities:	
2. Risk adjustment user fees payable for ACA Risk Adjustment	947,354
3. Premium adjustments payable due to ACA Risk Adjustment (including high risk pool payments)	6,291,755
Operations (revenue & expense):	
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	225,739,697
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)	958,876
b. Transitional ACA Reinsurance Program	
Assets:	
1. Amounts recoverable for claims paid due to ACA Reinsurance	$ 46,497
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	-
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	-
Liabilities:	
4. Liabilities for contributions payable due to ACA Reinsurance—not reported as ceded premium	-
5. Ceded reinsurance premiums payable due to ACA Reinsurance	-
6. Liability for amounts held under uninsured plans contributions for ACA Reinsurance	-
Operations (revenue & expense):	
7. Ceded reinsurance premiums due to ACA Reinsurance	-
8. Reinsurance recoveries (income statement) due to ACA reinsurance payments or expected payments	-
9. ACA Reinsurance contributions—not reported as ceded premium	-
c. Temporary ACA Risk Corridors Program	
Assets—	
1. Accrued retrospective premium due to ACA Risk Corridors	$ -
Liabilities—	
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	-
Operations (revenue & expense):	
3. Effect of ACA Risk Corridors on net premium income (paid/received)	-
4. Effect of ACA Risk Corridors on change in reserves for rate credits	-

(3) The following table is a rollforward of the prior year ACA risk-sharing provisions for asset and liability balances, along with reasons for adjustments to prior year balances.

	Accrued during the Prior Year on Business Written before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium Adjustment Receivable	$ 212,389,465	$ -	$ 246,274,099	$ -	$ (33,884,634)	$ -	$58,463,348	$ -	A	$ 24,578,714	$ -
2. Premium Adjustment (Payable) (including high risk pool premium)	-	(48,263,296)	-	-	-	(48,263,296)	-	48,263,296	B	-	-
3. Subtotal ACA Permanent Risk Adjustment Program	212,389,465	(48,263,296)	246,274,099	-	(33,884,634)	(48,263,296)	58,463,348	48,263,296		24,578,714	-
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	1,618,644	-	1,572,147	-	46,497	-	-	-	C	46,497	-
2. Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-	D	-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-	E	-	-
4. Liabilities for contributions payable due to ACA Reinsurance—not reported as ceded premium	-	-	-	-	-	-	-	-	F	-	-
5. Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-	G	-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-	H	-	-
7. Subtotal ACA Transitional Reinsurance Program	1,618,644	-	1,572,147	-	46,497	-	-	-		46,497	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	I	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	J	-	-
3. Subtotal ACA Risk Corridors Program	-	-	-	-	-	-	-	-		-	-
d. Total for ACA Risk-Sharing Provisions	$ 214,008,109	$ (48,263,296)	$ 247,846,246	$ -	$ (33,838,137)	$ (48,263,296)	$58,463,348	$48,263,296		$ 24,625,211	$ -

Explanation of Adjustments

A. The risk adjustment receivable as of December 31, 2018 was adjusted based on the final CMS Summary Report on Permanent Risk Adjustment Transfers for the 2017 Benefit Year. The risk adjustment receivable as of December 31, 2017 utilized paid claims through October 31, 2017. The adjustment to the prior year receivable balance reflects the true up to final results for the 2017 Benefit Year.

B. The risk adjustment payable as of December 31, 2018 was adjusted based on the final CMS Summary Report on Permanent Risk Adjustment Transfers for the 2017 Benefit Year. The risk adjustment payable as of December 31, 2017 utilized paid claims through October 31, 2017. The adjustment to the prior year payable balance reflects the true up to final results for the 2017 Benefit Year.

C. N/A

D. N/A

E. N/A

F. N/A

G. N/A

H. N/A

I. N/A

J. N/A

(4) The Company does not have any risk corridor receivables or payables to present in the table below:

	Accrued during the Prior Year on Business Written before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
Risk Corridors Program Year	**Receivable**	**(Payable)**	**Receivable**	**(Payable)**	**Receivable**	**(Payable)**	**Receivable**	**(Payable)**	**Ref**	**Receivable**	**(Payable)**
a. 2014											
1. Accrued retrospective premium	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	A	$ -	$ -
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	B	-	-
b. 2015											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	C	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	D	-	-
c. 2016											
1. Accrued retrospective premium	-	-	-	-	-	-	-	-	E	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	F	-	-
d. Total for Risk Corridors	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -

Explanation of Adjustments

A. N/A
B. N/A
C. N/A
D. N/A
E. N/A
F. N/A

(5) The Company does not have any risk corridor receivables to present in the table below:

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts Received from CMS	4 Asset Balance (Gross of Non-admissions) (1 - 2 - 3)	5 Non-admitted Amount	6 Net Admitted Asset (4 - 5)
a. 2014	$ -	$ -	$ -	$ -	$ -	$ -
b. 2015	-	-	-	-	-	-
c. 2016	-	-	-	-	-	-
d. Total (a + b + c)	$ -	$ -	$ -	$ -	$ -	$ -

25. CHANGE IN INCURRED CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

(A) Changes in estimates related to the prior year incurred claims are included in total hospital and medical expenses in the current year in the statutory basis statements of operations. The following tables disclose paid claims, incurred claims, and the balance in claims unpaid, accrued medical incentive pool and bonus amounts, health care receivable and reinsurance recoverables for the years ended December 31, 2018 and 2017:

	2018		
	Current Year Incurred Claims	**Prior Years Incurred Claims**	**Total**
Beginning of year claim reserve	$ -	$(802,195,909)	$ (802,195,909)
Paid claims—net of health care receivables and reinsurance recoveries collected	5,827,874,996	574,764,357	6,402,639,353
End of year claim reserve	888,088,863	110,362,643	998,451,506
Incurred claims excluding the change in health care receivables and reinsurance recoverables as presented below	6,715,963,859	(117,068,909)	6,598,894,950
Beginning of year health care receivables and reinsurance recoverables	-	154,506,946	154,506,946
End of year health care receivables and reinsurance recoverables	(151,143,270)	(8,429,710)	(159,572,980)
Total incurred claims	$6,564,820,589	$ 29,008,327	$6,593,828,916

	2017		
	Current Year Incurred Claims	**Prior Years Incurred Claims**	**Total**
Beginning of year claim reserve	$ -	$ (656,608,628)	$ (656,608,628)
Paid claims—net of health care receivables and reinsurance recoveries collected	5,127,365,836	494,635,674	5,622,001,510
End of year claim reserve	749,957,010	52,238,899	802,195,909
Incurred claims excluding the change in health care receivables and reinsurance recoverables as presented below	5,877,322,846	(109,734,055)	5,767,588,791
Beginning of year health care receivables and reinsurance recoverables	-	139,536,985	139,536,985
End of year health care receivables and reinsurance recoverables	(143,789,013)	(10,717,933)	(154,506,946)
Total incurred claims	$ 5,733,533,833	$ 19,084,997	$ 5,752,618,830

The liability for claims unpaid, accrued medical incentive pool and bonus amounts, net of health care receivable and reinsurance recoverables as of December 31, 2017 was $647,688,962. As of

December 31, 2018, $574,764,356 has been paid for incurred claims attributable to insured events of prior years. Reserves remaining for prior years, net of health care receivable and reinsurance recoverables are now $101,932,932, as a result of re-estimation of unpaid claims. Therefore, there has been $29,008,327 unfavorable prior year development since December 31, 2017 to December 31, 2018. The primary drivers consist of unfavorable development as a result of $38,998,929 in Regulation 146, $26,741,532 in surcharges and $8,197,804 in provider settlement; partially offset by $22,474,760 in development in a change in the provision for adverse deviations in experience, $15,431,997 in retroactivity for inpatient, outpatient, physician, and pharmacy, $4,773,463 related to capitation and $3,133,501 in pharmacy rebates. At December 31, 2017, the Company recorded unfavorable development of $19,084,997 driven by $29,703,898 in surcharges and $22,127,228 in retroactivity for inpatient, outpatient, physician, and pharmacy expense; partially offset by $15,169,416 related to reinsurance, $15,078,631 in development in a change in the provision for adverse deviations in experience, and $2,918,793 related to risk share expense. Original estimates are increased or decreased, as additional information becomes known regarding individual claims, which could have an impact to the accruals for medical loss ratio rebates and retrospectively rated contracts. As a result of the prior year effects, on a regular basis, the Company adjusts revenue and the corresponding liability and/or receivable related to retrospectively rated policies and the impact of the change is included as a component of change in unearned premium reserves and reserve for rate credits in the statutory basis statements of operations.

The Company incurred claims adjustment expenses of $195,896,071 and $181,404,225 in 2018 and 2017, respectively. These costs are included in the management service fees paid by the Company to UHS as a part of its Agreement (see Note 10). The following tables disclose paid CAE, incurred CAE, and the balance in the unpaid claim adjustment expenses reserve for 2018 and 2017:

	2018	**2017**
Total claims adjustment expenses	$ 195,896,071	$ 181,404,225
Less: current year unpaid claims adjustment expenses	(4,368,076)	5,579,803
Add: prior year unpaid claims adjustment expenses	5,579,803	(4,857,124)
Total claims adjustment expenses paid	$ 197,107,798	$ 182,126,904

(B) The Company did not make any significant changes in methodologies and assumptions used in the calculation of the liability for claims unpaid and unpaid CAE in 2018.

26. INTERCOMPANY POOLING ARRANGEMENTS

A–G. The Company did not have any intercompany pooling arrangements in 2018 or 2017.

27. STRUCTURED SETTLEMENTS

A–B. The Company did not have structured settlements in 2018 or 2017.

28. HEALTH CARE RECEIVABLES

A. Pharmacy rebates receivable are recorded when reasonably estimated or billed by the affiliated pharmaceutical benefit manager in accordance with pharmaceutical rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the pharmaceutical benefit manager and adjusted for significant changes in pharmaceutical contract provisions.

The Company evaluates admissibility of all pharmacy rebates receivable based on the administration of each underlying pharmaceutical benefit management agreement. The Company has nonadmitted and excluded all pharmacy rebates receivable that do not meet the admissibility criteria of SSAP No. 84, *Certain Health Care Receivables and Receivables under Government Insured Plans* ("SSAP No. 84") from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

For each pharmaceutical management agreement for which a portion of the total pharmacy rebates receivable can be admitted based on the admissibility criteria of SSAP No. 84, the pharmacy rebate transaction history is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	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
12/31/2018	$ 94,255,182	$ -	$ -	$ -	$ -
9/30/2018	90,217,232	82,681,220	49,443,456	-	-
6/30/2018	87,768,027	90,142,506	44,043,111	40,126,703	-
3/31/2018	83,774,289	82,772,328	30,648,618	44,880,863	6,243,403
12/31/2017	76,514,908	77,256,168	34,166,533	39,411,165	2,812,128
9/30/2017	72,834,877	72,477,461	29,070,996	38,207,353	4,229,383
6/30/2017	76,688,098	76,725,219	21,337,044	44,827,672	9,885,684
3/31/2017	71,892,332	70,068,623	10,289,880	48,555,280	10,422,501
12/31/2016	69,271,598	67,642,335	24,441,502	32,842,553	9,368,862
9/30/2016	72,687,219	68,836,147	20,392,762	37,059,525	10,297,495
6/30/2016	66,212,348	66,568,912	34,613,455	28,226,723	2,679,576
3/31/2016	62,205,034	61,177,459	18,366,112	40,579,612	1,817,240

The total health care receivables of $125,229,478 and $108,327,602 relates to pharmacy rebates receivable as of December 31, 2018 and 2017, respectively. This increase is primarily due to increased membership.

B. The Company does not have any risk-sharing receivables.

29. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2018 or 2017.

30. PREMIUM DEFICIENCY RESERVES

The Company has not recorded any premium deficiency reserves as of December 31, 2018 or 2017. The analysis of premium deficiency reserves was completed as of December 31, 2018 and 2017. The Company did consider anticipated investment income when calculating the premium deficiency reserves.

The following table summarizes the Company's premium deficiency reserves as of December 31, 2018 and 2017:

	2018
1. Liability carried for premium deficiency reserves	$ -
2. Date of the most recent evaluation of this liability	12/31/2018
3. Was anticipated investment income utilized in this calculation?	Yes [X] No [ ]

	2017
1. Liability carried for premium deficiency reserves	$ -
2. Date of the most recent evaluation of this liability	12/31/2017
3. Was anticipated investment income utilized in this calculation?	Yes [X] No [ ]

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written, the Company has no salvage. As of December 31, 2018 and 2017, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of claims unpaid.

* * * * * *

SUPPLEMENTAL SCHEDULES

**EXHIBIT I:
SUPPLEMENTAL INVESTMENT
RISKS INTERROGATORIES**

7 8 0 2 6 2 0 1 8 2 8 5 0 0 1 0 0

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2018
(To Be Filed by April 1)

Of The Oxford Health Insurance, Inc.

ADDRESS (City, State and Zip Code) Shelton , CT 06484

NAIC Group Code 0707 NAIC Company Code 78026 Federal Employer's Identification Number (FEIN) 22-2797560

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

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

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 2,624,107,669

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	FNMA	Bond	$ 168,683,026	6.4 %
2.02	FHLMC	Bond	$ 82,794,191	3.2 %
2.03	FHLB	Bond	$ 43,742,005	1.7 %
2.04	MET TRANSPRTN AU - TRAN	Bond	$ 29,053,800	1.1 %
2.05	CALIFORNIA St	Bond	$ 27,963,903	1.1 %
2.06	NEW YORK NY	Bond	$ 27,817,462	1.1 %
2.07	PORT AUTH OF NEW - PRT	Bond	$ 26,910,641	1.0 %
2.08	BANK OF AMERICA	Bond	$ 14,428,329	0.5 %
2.09	JP MORGAN CHASE	Bond	$ 14,377,298	0.5 %
2.10	NEW YORK ST DORM - GEN	Bond	$ 13,805,826	0.5 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 1,922,953,983	73.3 %	3.07	P/RP-1	$	0.0 %
3.02	NAIC-2	$ 61,063,460	2.3 %	3.08	P/RP-2	$	0.0 %
3.03	NAIC-3	$ 0	0.0 %	3.09	P/RP-3	$	0.0 %
3.04	NAIC-4	$ 0	0.0 %	3.10	P/RP-4	$	0.0 %
3.05	NAIC-5	$ 0	0.0 %	3.11	P/RP-5	$	0.0 %
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$	0.0 %

4. Assets held in foreign investments:

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

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

4.02	Total admitted assets held in foreign investments	$ 25,682,592	1.0 %
4.03	Foreign-currency-denominated investments	$	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.0 %

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	At Year End 1	At Year End 2	At End of Each Quarter: 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01 Hedging	$ 0	0.0 %	$	$	$
22.02 Income generation	$ 0	0.0 %	$	$	$
22.03 Replications	$ 0	0.0 %	$	$	$
22.04 Other	$ 0	0.0 %	$	$	$

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

	At Year End 1	At Year End 2	At End of Each Quarter: 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
23.01 Hedging	$ 0	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

EXHIBIT II:
SUMMARY INVESTMENT SCHEDULE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	185,884,002	8.501	185,884,002		185,884,002	8.501
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies	0	0.000	0		0	0.000
1.22 Issued by U.S. government sponsored agencies	60,764,332	2.779	60,764,332		60,764,332	2.779
1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities)	0	0.000	0		0	0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :						
1.41 States, territories and possessions general obligations	91,146,857	4.168	91,146,857		91,146,857	4.168
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	92,809,887	4.245	92,809,887		92,809,887	4.245
1.43 Revenue and assessment obligations	446,708,773	20.430	446,708,773		446,708,773	20.430
1.44 Industrial development and similar obligations	0	0.000	0		0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	3,112,802	0.142	3,112,802		3,112,802	0.142
1.512 Issued or guaranteed by FNMA and FHLMC	227,675,222	10.412	227,675,222		227,675,222	10.412
1.513 All other	0	0.000	0		0	0.000
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	6,779,669	0.310	6,779,669		6,779,669	0.310
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	8,815,519	0.403	8,815,519		8,815,519	0.403
1.523 All other	0	0.000	0		0	0.000
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	678,887,772	31.048	678,887,772		678,887,772	31.048
2.2 Unaffiliated non-U.S. securities (including Canada)	68,578,098	3.136	68,578,098		68,578,098	3.136
2.3 Affiliated securities	0	0.000	0		0	0.000
3. Equity interests:						
3.1 Investments in mutual funds	0	0.000	0		0	0.000
3.2 Preferred stocks:						
3.21 Affiliated	0	0.000	0		0	0.000
3.22 Unaffiliated	0	0.000	0		0	0.000
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	0	0.000	0		0	0.000
3.32 Unaffiliated	0	0.000	0		0	0.000
3.4 Other equity securities:						
3.41 Affiliated	0	0.000	0		0	0.000
3.42 Unaffiliated	0	0.000	0		0	0.000
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated	0	0.000	0		0	0.000
3.52 Unaffiliated	0	0.000	0		0	0.000
4. Mortgage loans:						
4.1 Construction and land development	0	0.000	0		0	0.000
4.2 Agricultural	0	0.000	0		0	0.000
4.3 Single family residential properties	0	0.000	0		0	0.000
4.4 Multifamily residential properties	0	0.000	0		0	0.000
4.5 Commercial loans	0	0.000	0		0	0.000
4.6 Mezzanine real estate loans	0	0.000	0		0	0.000
5. Real estate investments:						
5.1 Property occupied by company	0	0.000	0		0	0.000
5.2 Property held for production of income (including $ .... of property acquired in satisfaction of debt)	0	0.000	0		0	0.000
5.3 Property held for sale (including $ .... property acquired in satisfaction of debt)	0	0.000	0		0	0.000
6. Contract loans	0	0.000	0		0	0.000
7. Derivatives	0	0.000	0		0	0.000
8. Receivables for securities	10,683	0.000	10,683		10,683	0.000
9. Securities Lending (Line 10, Asset Page reinvested collateral)	0	0.000	0	XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	269,089,745	12.306	269,089,745		269,089,745	12.306
11. Other invested assets	46,319,173	2.118	46,319,173		46,319,173	2.118
12. Total invested assets	2,186,582,534	100.000	2,186,582,534	0	2,186,582,534	100.000

OTHER ATTACHMENT

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To the Audit Committee of
Oxford Health Insurance, Inc.
4 Research Drive, 5th Floor
Shelton, CT 06484

The Management of
Oxford Health Insurance, Inc.
4 Research Drive, 5th Floor
Shelton, CT 06484

Dear Members of the Audit Committee and Management:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory basis financial statements of Oxford Health Insurance, Inc. (the "Company") for the years ended December 31, 2018, and 2017, and have issued our report thereon dated April 3, 2019. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the *Code of Professional Conduct* and pronouncements of the American Institute of Certified Public Accountants, the rules and regulations of the New York State Department of Financial Services, and the Rules of Professional Conduct of the Connecticut State Board of Accountancy.

b. The engagement managing director and engagement manager, who are certified public accountants, have 19 years and 5 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 29 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

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

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

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

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

d. We will retain the working papers (including those kept in a hard copy or electronic medium) prepared in the conduct of our audit until the New York State Department of Financial Services has filed a Report of Examination covering 2018, but no longer than six calendar years from the date of the audit report or until the filing of the report on examination covering the period of the audit, whichever is longer. After notification to the Company, we will make the working papers available for review by the New York State Department of Financial Services or its delegates, at the offices of the insurer, at our offices, at the New York State Department of Financial Services, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the New York State Department of Financial Services, photocopies of pertinent audit working papers may be made (under the control of Deloitte & Touche LLP) and such copies may be retained by the New York State Department of Financial Services. In addition, to the extent requested, we may provide the New York State Department of Financial Services with copies of certain audit working papers (such as unlocked copies of Excel spreadsheets that do not contain password protection or encryption). As such, these audit working papers will be subject to potential modification by New York State Department of Financial Services or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the New York State Department of Financial Services; and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance, or outcome of your regulatory examination.

e. The engagement partner has served in this capacity with respect to the Company since 2015, is licensed by the Connecticut State Board of Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

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

This letter is intended solely for the information and use of the Audit Committee and management of Oxford Health Insurance, Inc. and for filing with the New York State Department of Financial Services and other state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 3, 2019