REPORT OF THE LEAD REGULATORS

THE COMMISSIONER OF THE IOWA INSURANCE DIVISION
THE COMMISSIONER OF THE ARKANSAS INSURANCE DEPARTMENT
THE COMMISSIONER OF THE CONNECTICUT INSURANCE DEPARTMENT
THE COMMISSIONER OF THE FLORIDA OFFICE OF INSURANCE REGULATION
THE SUPERINTENDENT OF THE NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

JANUARY 18, 2013

IN THE MATTER OF

UNITEDHEALTHCARE INSURANCE COMPANY, ET AL.
REGULATORY SETTLEMENT AGREEMENT

Contents

EXECUTIVE SUMMARY

On August 27, 2007, the insurance regulators of forty-one (41) jurisdictions and twenty-six (26) UnitedHealthcare Companies entered into a Regulatory Settlement Agreement that emphasized compliance, collaboration, innovation and continuous improvement. The agreement was premised on the multi-jurisdictional regulation of a national health insurer. Unlike a traditional market conduct exam, it addressed past practices by employing forward-looking methods to improve regulatory performance. Regulators from the states of Iowa, New York, Florida, Connecticut and Arkansas took the lead in identifying areas of concern that crossed jurisdictional boundaries and, with the UnitedHealthcare Companies, agreed on a plan to improve regulatory performance that would be implemented and monitored over a three (3) year period. The agreement included minimum standards against which the UnitedHealthcare Companies' performance would be measured in real time, escalating penalties for non-attainment, the payment of restitution when appropriate, and extensive assessment by an independent examiner.

The parties concentrated on quality improvements and maximizing performance for consumers and healthcare providers. The agreement provided a three-year platform for regular and continuous discussions between the lead regulators and the UnitedHealthcare Companies. These discussions included executive level management of the UnitedHealthcare Companies and members of the board of directors at the holding company level to ensure focused attention on improvement efforts. Most importantly, the agreement provided a framework for meaningful discussions concerning appropriate national metrics, the importance of real-time information in evaluating compliance and quality improvement efforts and, the role of self-assessment with the verification and assistance of an independent examiner.

The independent examiner verified that the UnitedHealthcare Companies successfully achieved the required performance standards for each year of the three-year monitoring period and that they were fully engaged in implementing agreed upon improvements. The approach employed by the agreement was a success in its multi-state regulation of a national insurer and in driving performance improvement, which continues today.

INTRODUCTION

On August 27, 2007, UnitedHealthcare Insurance Company and its affiliates listed on the attached **Exhibit A** which is incorporated herein by reference (collectively the "UnitedHealthcare Companies"), the Commissioner of the Iowa Insurance Division, the Commissioner of the Arkansas Department of Insurance, the Commissioner of the Connecticut Insurance Department, the Commissioner of the Florida Office of Insurance Regulation, and the Superintendent of the New York State Department of Financial Services (collectively the "Lead Regulators") entered into a Regulatory Settlement Agreement (the "Agreement"). The Agreement was joined by the insurance regulators of the thirty-six (36) participating jurisdictions listed in **Exhibit B** and incorporated herein by reference (the Lead Regulators and the insurance regulators listed in Exhibit B shall sometimes be referred to collectively as "Signatory Regulators").

BACKGROUND OF THE AGREEMENT

The Agreement arose out of a detailed analysis of the UnitedHealthcare Companies' operations by regulators from multiple jurisdictions and was facilitated by the Market Analysis Working Group (MAWG) of the National Association of Insurance Commissioners (NAIC). From this analysis certain areas of concern related to the UnitedHealthcare Companies' administrative service activities were identified for a multi-jurisdiction review (the "Multi-state Areas of Review"). The Agreement was a progressive effort by Lead Regulators and the UnitedHealthcare Companies to prospectively address, on a multi-jurisdictional level, regulatory concerns related to performance on behalf of consumers and healthcare providers. The Agreement emphasized collaboration, innovation and continuous improvement with a focus on regulatory compliance and the consumer experience. Through its clearly-defined processes and standards, the Agreement provided a forum for the joint review and consideration of real-time information by the Lead Regulators and the UnitedHealthcare Companies in order to identify the root causes of regulatory concerns and to address any systemic issues identified. To facilitate cross-border review, national metrics were established by the Lead Regulators. Unlike a traditional market conduct examination, assessing compliance involved a combination of reliance on management representations and independent verification. Finally, the Agreement provided for the measurement of process improvements over time. All of these components were intended to foster regulatory coordination and efficiency and create a framework for overall and sustained improvement by the UnitedHealthcare Companies in each of the Multi-state Areas of Review. The processes covered by the Agreement are detailed herein. Although the items covered by the Agreement represent a comprehensive review of matters that typically affect consumers, providers and similar parties, they were not designed, nor intended to match the breadth and scope of a typical market conduct examination.

In settlement of concerns related to the past practices identified in the Agreement, the UnitedHealthcare Companies agreed to pay an up front monetary assessment totaling in excess of Fourteen Million Dollars ($14,000,000.00) to the Signatory Regulators. Also, the UnitedHealthcare Companies and the Lead Regulators developed a plan to address the Multi-state Areas of Review (the "Process Improvement Plan"). The Process Improvement Plan was to be implemented over a three (3) year period and monitored by the Lead Regulators (the

"Monitoring Period"). During the Monitoring Period, compliance with the Agreement was measured against certain performance standards applied on a nationwide basis (the "Benchmarks"). The Agreement further provided for the reporting and payment of restitution by the UnitedHealthcare Companies to insureds and providers for erroneous claims payments resulting from the incorrect installation of provider contracts and fee schedules, eligibility files, product and case installation, and any other claim processing errors, including any identified systemic errors resulting from the UnitedHealthcare Companies' administrative services platforms.

COMPONENTS OF THE AGREEMENT

Independent Examiner

The Lead Regulators retained RSM McGladrey, Inc. as an independent examiner (the "Independent Examiner") to assist them in monitoring the UnitedHealthcare Companies' compliance with all components of the Agreement. The Independent Examiner was critical to verifying both the performance and improvement efforts of the UnitedHealthcare Companies. The Independent Examiner's responsibilities included: conducting a compliance review for each year of the Monitoring Period and preparing a written report for the Lead Regulators and the UnitedHealthcare Companies; reviewing the UnitedHealthcare Companies' progress in implementing the Process Improvement Plan; assessing the accuracy of the UnitedHealthcare Companies' reports provided to the Lead Regulators; and assessing the UnitedHealthcare Companies' achievement of the Benchmarks.

Over the course of the Monitoring Period over one hundred (100) regulators, Independent Examiner personnel and UnitedHealthcare Company personnel and representatives were actively involved in the process. In excess of five hundred (500) meetings and conference calls were held between the various participants focusing on the monitoring process reporting information, process improvement issues and accuracy of data. Yearly reports were issued which detailed the review and discussed the findings of the Independent Examiner pursuant to the Agreement.

The Independent Examiner also accompanied Lead Regulators to meetings with the Audit Committee of the Board of Directors of UnitedHealth Group Incorporated to discuss each annual compliance review and the UHC Companies' overall compliance with the Agreement. By Agreement's end, the Independent Examiner had conducted a thorough assessment of the UHC Companies' compliance with the Agreement resulting in the Independent Examiner's expenditure over the three-year period of over 40,000 hours of assessment and review activities.

Multi-State Areas of Review

The Multi-state Areas of Review identified by the Lead Regulators and assessed by the Independent Examiner reflected areas affecting consumers and healthcare providers and included the following:

- Claims performance, including the appropriate and correct investigation, payment, and denial of claims through examination of, among other areas, timeliness and completeness of correspondence; correct interest paid when required; and payments being made at the correct contractual rate to consumers and providers.

- Coordination of benefits, with an emphasis on policies and procedures being consistently followed and ensuring claims were being paid correctly under the coordination of benefits rules.

- Appeals, grievances and complaint handling, with a focus on timeliness, efficiency and thoroughness; proper and accurate explanations; complete information being provided; and the proper maintenance of complaint registers.

- Explanation of benefits, including the accuracy and completeness of such documents.

- Contracted entities oversight, including adequacy of oversight over vendors, service providers, and other companies that supply insurance-related services for the UnitedHealthcare Companies, including, but not limited to, affiliates such as United Behavioral Health; third party administrators, intermediaries, utilization review agents, participating providers, and other service providers.

- Utilization review performance, including the processing and handling of utilization review determinations in accordance with statutes and regulations.

- Operations/Management structure, with a focus on the formal structure to address state regulatory concerns and the completeness, accuracy, and timeliness of responses to regulator, provider, insured, and enrollee inquiries, issues and concerns.

- Provider network adequacy and disclosure, including accuracy and completeness of lists of in-network providers, availability of lists to subscribers and scope and thoroughness of the network.

Benchmarks and Penalties

Pursuant to the Agreement, compliance with the Process Improvement Plan was measured against the Benchmarks which addressed specific items included within the Multi-state Areas of Review. The Benchmarks were classified and defined as follows:

- Claims Accuracy – represented by the accuracy of claims payments.

- Claims Timeliness – represented by the percentage of claims processed within thirty (30) calendar days.

- Non-Clinical Appeals – represented by the percentage of claim-based non-clinical appeals addressed within thirty (30) calendar days of receipt.

- Clinical Appeals – represented by the percentage of claim-based clinical appeals addressed within thirty (30) calendar business days of receipt.

- Department of Insurance Complaints – represented by the percentage of complaints upheld.

The Independent Examiner's duties included review of the UnitedHealthcare Companies' performance against the Benchmarks with the failure to achieve any of the Benchmarks for each year of the Monitoring Period resulting in the assessment of penalties, increasing from year to year, as set forth in the Agreement. These penalties were to be assessed in addition to the

amount paid upon entering into the Agreement. The Benchmarks and the tolerance standards were as follows:

Benchmarks	2008	2009	2010
Claims Accuracy	> or = to 96%	> or = to 97%	> or = to 97%
Claims Timeliness	> or = to 94%	> or = to 95%	> or = to 96%
Non-Clinical Appeals	> or = to 93%	> or = to 94%	> or = to 95%
Clinical Appeals	> or = to 97%	> or = to 97%	> or = to 97%
Department of Insurance Complaints	< or = to 35%	< or = to 34%	< or = to 33%

Quarterly Reports and Scorecards

Importantly, the Agreement established a framework for real-time communication between the UnitedHealthcare Companies and the Lead Regulators. This included regularly scheduled quarterly meetings to discuss progress in implementing the Process Improvement Plan, status reports on achievement of the Benchmarks, restitution efforts, and any other issues relating to compliance with the Agreement. The UnitedHealthcare Companies, in collaboration with the Lead Regulators, developed a "Scorecard" reporting form consisting of metrics correlating to the Multi-state Areas of Review. The quarterly Scorecards were certified by an appropriate officer of the UnitedHealthcare Companies and included, among other things, national and state specific information concerning:

- Internal complaints data from insureds, enrollees, providers, and regulators by complaint category, consistent with NAIC database coding.
- Claims processing timeliness as defined in the Agreement.
- Claims processing accuracy rates as defined in the Agreement.
- Data relating to reviews and compliance with coordination of benefits requirements.
- Data relating to appeals, grievances, and complaints.
- Data relating to reviews of utilization determinations for compliance with applicable law.
- Data relating to reviews of the accuracy of information provided regarding in-network providers.
- Specific revisions or adjustments to the Process Improvement Plan and impacted Multi-state Areas of Review as necessary.
- Data relating to efforts made during the Monitoring Period concerning money paid to consumers or providers as a result of claim re-processing, including the number of claims and dollar impact of claims reprocessed and paid.
- Data relating to reviews of the accuracy and completeness of explanations of benefits.

RESULTS AND VERIFICATION

Scope of Work Performed

The review of the Independent Examiner was designed to assess the UnitedHealthcare Companies' Benchmark performance, implementation of the Process Improvement Plan and the adequacy of processes implemented in addressing the Multi-state Areas of Review. The scope of the review included calendar years 2008 – 2010. Meetings between the Lead Regulators, the UnitedHealthcare Companies and the Independent Examiner included robust discussions about the Agreement, the reporting metrics, the Process Improvement Plan as well as the consumer and healthcare provider experience. In addition to quarterly meetings, other meetings were held involving detailed presentations about the internal operations of the UnitedHealthcare Companies, including: quality assurance testing; claims systems; employee training; provider contracting; controls and reporting, among other things. The Lead Regulators and the Independent Examiner visited several of the UnitedHealthcare Companies' operations centers and conducted extensive interviews, reviews, and testing.

In order to evaluate achievement of the Benchmarks, the Independent Examiner reviewed the calculations utilized by the UnitedHealthcare Companies to produce the quarterly Scorecards and reviewed the source data to determine that the information used to calculate the compliance ratios was consistent with the Scorecard description. The testing conducted by the Independent Examiner included obtaining an understanding of the data sources, the data extraction criteria, the data extraction processes and the data storage area controls. Reconciliation of reporting data was also performed in an electronic testing environment. In addition, the Independent Examiner used population data files from the UnitedHealthcare Companies' own testing and recalculated the data fields for each quarter of the Monitoring Period to validate that the totals were consistent and to verify that the data files received were actually used by the UnitedHealthcare Companies to generate their results. The Independent Examiner also reviewed and evaluated business arrangements with, and activities of, third-party vendors, services providers and other companies providing insurance-related services for the UnitedHealthcare Companies and activities implemented under the Process Improvement Plan and their actual or expected impact on the Multi-state Areas of Review. From this assessment and review, the Independent Examiner provided written annual reports to the Lead Regulators concerning the UnitedHealthcare Companies' performance against the Benchmarks, implementation of the Process Improvement Plan and their impact on the Multi-state Areas of Review.

Achievement of the Benchmarks

Based on the UnitedHealthcare Companies' testing and Scorecard reporting, as confirmed by the Independent Examiner, the Benchmarks for the Monitoring Period were met or exceeded. The results of the UnitedHealthcare Companies' performance relative to the tolerance standards established for the Benchmarks for each year of the Monitoring Period are set forth below as verified by the Independent Examiner.

Benchmark	2008 Tolerance Standard	UHC Companies' Reported Performance
Claims Accuracy	> or = to 96%	99.4%
	2009 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 97%	99.8%
	2010 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 97%	99.7%

Benchmark	2008 Tolerance Standard	UHC Companies' Reported Performance
Claims Timeliness	> or = to 94%	98.7%
	2009 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 95%	99%
	2010 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 96%	99.3%

Benchmark	2008 Tolerance Standard	UHC Companies' Reported Performance
Non-Clinical Appeals	> or = to 93%	93.6%
	2009 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 94%	96.7%
	2010 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 95%	98.5%

Benchmark	2008 Tolerance Standard	UHC Companies' Reported Performance
Clinical Appeals	> or = to 97%	97.1%
	2009 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 97%	98.2%
	2010 Tolerance Standard	UHC Companies' Reported Performance
	> or = to 97%	98.9%

Benchmark	2008 Tolerance Standard	UHC Companies' Reported Performance
Department of Insurance Complaints	< or = to 35%	29.7%
	2009 Tolerance Standard	UHC Companies' Reported Performance
	< or = to 34%	29.1%
	2010 Tolerance Standard	UHC Companies' Reported Performance
	< or = to 33%	23.1%

Implementation of the Process Improvement Plan

The Lead Regulators, through the Independent Examiner, have confirmed that the UnitedHealthcare Companies have substantially completed implementation of the Process Improvement Plan and determined that the Process Improvement Plan was successful as to attainment of the Benchmarks. As contemplated by the Agreement, and as part of the review and reporting process, the Independent Examiner made suggestions and recommendations for continued improvements. The UnitedHealthcare Companies considered and discussed the recommendations and related matters identified by the Independent Examiner during meetings with the Lead Regulators. As a direct result, the UnitedHealthcare Companies reported that they have made changes (not verified as part of the monitoring process covered by the Agreement) that include the further aligning of internal quality reviews and performance standards with NAIC standards; creating improved pathways for escalation of market regulation issues; further focused its responsible teams on reduction of errors driven by manual and auto-adjudication claim payment and processing; and improved their service model focused on provider claim resolution, as well as handling of consumer and healthcare provider complaints, including a process to trend complaint data to determine where areas of improvement might be immediately needed. Other suggested areas of improvement for the UnitedHealthcare Companies' include retroactive provider contract loads, claim lifecycle testing and continued improvement of testing based on state law standards.

CONCLUSION

The UnitedHealthcare Companies attained the Benchmarks and achieved "Compliance" as contemplated by the terms of the Agreement. As a result, no additional penalties were assessed. In addition, the UnitedHealthcare Companies achieved measurable improvement in the Multi-state Areas of Review. The Agreement successfully served as a catalyst for meaningful dialogue between the UnitedHealthcare Companies and its insurance regulators. Moving forward, the UnitedHealthcare Companies have committed to the Lead Regulators that they will continue efforts to ensure regulatory compliance and further explore opportunities for improvement. As a further commitment of continuous process improvement, UnitedHealthcare Companies announced they will employ an independent consultant to assist them in the maintenance and continued improvement of their claim payment process.

EXHIBIT A

UnitedHealthcare Insurance Company

UnitedHealthcare of Alabama, Inc.

UnitedHealthcare of Arizona, Inc.

UnitedHealthcare of Arkansas, Inc.

UnitedHealthcare of Colorado, Inc.

UnitedHealthcare of Florida, Inc.

UnitedHealthcare of Georgia, Inc.

UnitedHealth Insurance Company of Illinois

UnitedHealthcare of Illinois, Inc.

UnitedHealthcare of Kentucky, Ltd.

UnitedHealthcare of Louisiana, Inc.

UnitedHealthcare of the Mid-Atlantic, Inc.

UnitedHealthcare of the Midlands, Inc.

UnitedHealthcare of the Midwest, Inc.

UnitedHealthcare of Mississippi, Inc.

UnitedHealthcare of New England, Inc.

UnitedHealthcare of New Jersey, Inc.

UnitedHealth Insurance Company of New York

UnitedHealthcare of New York, Inc.

UnitedHealth Insurance Company of Ohio

UnitedHealthcare of Ohio, Inc.

UnitedHealthcare of North Carolina, Inc.

UnitedHealthcare of Tennessee, Inc.

UnitedHealthcare of Texas, Inc.

UnitedHealthcare of Utah

UnitedHealthcare of Wisconsin, Inc.

EXHIBIT B

Participating Regulators

Alabama
Alaska
California
Hawaii
Idaho
Illinois
Indiana
Kansas
Kentucky
Louisiana
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Mexico
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Utah
Vermont
Virginia
West Virginia
Wyoming
Washington, D.C.