

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
UniCare Life & Health Insurance Company)
120 Monument Circle)
Indianapolis, Indiana 46204)

Examination of UniCare Life & Health Insurance
Company

NOTICE OF ENTRY OF ORDER


Enclosed is the Final Order entered by Douglas Webber, Acting Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of UniCare Life & Health Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of UniCare Life & Health Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

Date

June 17, 2010



Connie Ridinger, CPA, CFE
Chief Examiner/Deputy Commissioner

CERTIFIED MAIL NUMBER: 7004 1160 0000 3839 2293

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
UniCare Life & Health Insurance Company)
120 Monument Circle)
Indianapolis, Indiana 46204)

Examination of UniCare Life & Health Insurance
Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the UniCare Life & Health Insurance Company (hereinafter "Company") for the time period January 1, 2004 through December 31, 2008.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on 1/15/2009.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 19, 2010 and was received by the Company on June 4, 2010.

On June 16, 2010 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

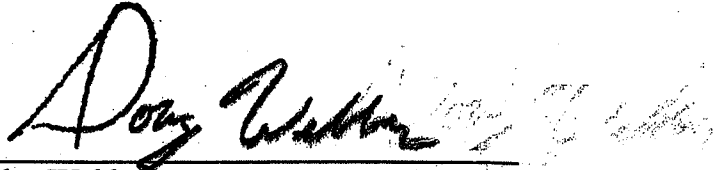
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.
2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2008.

3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 17th day of
June, 2009.



Douglas Webber
Acting Insurance Commissioner

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

UNICARE LIFE & HEALTH INSURANCE COMPANY

NAIC Co. CODE 80314

As of

December 31, 2008

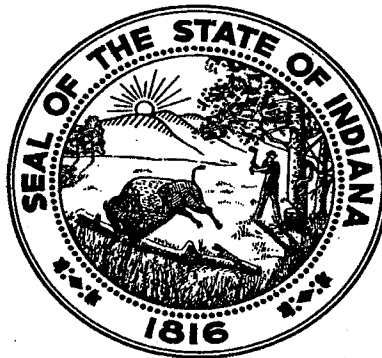


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

CAROL CUTTER, Commissioner

May 6, 2010

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee, NAIC
Commissioner of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, Virginia 23219

Honorable Douglas Webber
Acting Commissioner
Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioners:

Pursuant to the authority vested in Appointment Number 3578, an examination has been made of the affairs and financial condition of:

UniCare Life & Health Insurance Company
120 Monument Circle
Indianapolis, Indiana 46204

herein after referred to as the "Company," an Indiana domestic, life and accident and health insurance company. The examination was conducted at the corporate offices of WellPoint, Inc. in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2008, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of Noble Consulting Services, Inc. (Noble) as of the period ending December 31, 2007. The present examination was conducted by Noble and covered the period from January 1, 2008 through December 31, 2008 and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Actuarial Options, LLC was appointed by the Indiana Department of Insurance (IDOI) and conducted a review of the Company's statutory reserves as of December 31, 2008. There were no actuarial adjustments resulting from the review performed by Actuarial Options, LLC.

We conducted our risk-focused examination pursuant to and in accordance with the 2009 NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The working papers prepared by Ernst and Young, LLP; the Company's auditors, in their audit of the Company's accounts for the year ended December 31, 2008 were reviewed. A portion of the auditor's working papers have been incorporated into the working papers of the examiners and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

HISTORY

The Company was incorporated in Delaware on June 11, 1971 and commenced operations on December 16, 1980. Originally incorporated as Bay Colony Life Insurance Company of Delaware, it assumed the name of MML Pension Insurance Company in 1979. In March 1996, the name was changed to MIRUS Insurance Company. The Company's present name was adopted in May 1996. The Company became part of the insurance holding company system on November 30, 2004 as part of the WellPoint, Inc. (WellPoint) merger. The Company was re-domesticated to Indiana on June 8, 2005. Approval of the re-domestication was granted by the IDOI in October 2005.

CAPITAL AND SURPLUS

As of December 31, 2008, the Company had 3,500,000 shares of common stock authorized with a par value of \$1 per share, of which 3,000,000 shares were issued and outstanding. The Company did not pay dividends during 2008.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company was licensed to transact business in fifty (50) states, the District of Columbia, and Puerto Rico. The Company primarily offers group and individual life and disability; group and individual accident and health products; Medicare Advantage; Medicare Part D; and administrative services. All of WellPoint's 'non-blue' health insurance and Medicare part D business is underwritten by the Company.

- Group insurance – The Company's product offerings for employee benefit plans include, medical, dental, vision, group term life, accidental death and dismemberment, dependent life, short term disability, and long term disability insurance. The employer selects the coverage and benefit amounts and pays all or part of the premium for basic employee coverage.
- Individual insurance – The Company also offers products to individuals, including medical, dental, term life, Medicare Advantage, and Medicare Part D.
- Administrative Services Only (ASO) and Administrative Contracts Only (ASC) – For larger employers that prefer to fund their own benefits but want professional claims administration; the Company provides highly customized services.

The Company distributes its products through various mediums such as business partnerships, call centers, captive sales agents, brokers, and many other distribution channels. The target markets for its products include; Small Groups & Individuals, Senior's, Local Groups and Large Groups / National markets. The Company seeks to align their various distribution channels with the appropriate products and customers.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2008	\$ 1,636,272,497	\$ 1,274,811,133	\$ 361,461,364	\$ 2,832,179,372	\$ 7,077,053
2007	1,725,804,981	1,380,869,631	344,935,350	2,554,682,579	111,596,107

Total assets decreased during the examination period as a result of decreases in cash, cash equivalents and short-term investments, uncollected premiums and accrued retrospective premiums. Total liabilities decreased during the examination period as a result of decreased provision for experienced rating refunds and decreased liability for amounts held under uninsured plans.

Total capital and surplus increased approximately \$16 million during the examination period. The increase in capital and surplus is primarily due to an increase in unassigned surplus of \$14 million. The increase in unassigned surplus is due to an increase in net income, a positive change in non-admitted assets, asset valuation reserve, change in liability for reinsurance with unauthorized companies while offset by a negative change in net deferred income tax and net unrealized capital losses.

Premiums earned increased of \$277 million during the examination period primarily due to an increase in membership in the Medicare Advantage product offered by the Company. The remaining increase in

premiums earned is attributed to premium rate increases in 2008 in the Company's other products.

Net income decreased during the examination period by \$105 million due to an increase in benefit expenses related to the Medicare Advantage and Medicare Part D products. Also, an increase in impairments was recorded due to the deterioration of the economic markets in 2008.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors, whose number shall be fixed from time to time and shall fall within the range prescribed by the Company's Amended and Restated Articles of Incorporation and Redomestication. The Company's Amended and Restated Articles of Incorporation and Redomestication state the number of Directors constituting the Board of Directors shall not be less than five (5) nor more than fourteen (14). The shareholder, at its annual meeting, elects the members of the Board of Directors for terms of not more than one (1) year. The following is a listing of persons serving as Directors at December 31, 2008, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Dennis William Casey Indianapolis, Indiana	Senior Vice President, WellPoint, Inc. President and Chief Executive Officer UniCare Life and Health Insurance Company
Wayne Scott DeVeydt Indianapolis, Indiana	Executive Vice President and Chief Financial Officer WellPoint, Inc.
Catherine Irene Kelaghan Carmel, Indiana	Vice President and Counsel WellPoint, Inc.
Nancy Louise Purcell Carmel, Indiana	Vice President and Corporate Secretary WellPoint, Inc.
David Michael Henley St. Peters, Missouri	Managing Associate General Counsel WellPoint, Inc.

Officers

The Company's Bylaws state that the officers of the Company, who shall be chosen by the Board of Directors shall consist of the President, Secretary and Treasurer. Any two (2) or more offices may be held by the same person, except that the person holding the office of Secretary shall not hold the office of the President. The President shall have the authority to appoint administrative officers such as Vice President, Assistant Secretaries, and Assistant Treasurers to perform such functions and duties as prescribed and approved by the President. The following is a list of key officers and their respective titles as of December 31, 2008:

<u>Name</u>	<u>Office</u>
Dennis William Casey	President and Chief Executive Officer
Robert David Kretschmer	Treasurer
Nancy Louise Purcell	Secretary
David Michael Henley	Assistant Secretary

CONFLICT OF INTEREST

Officers and Directors are required to review and sign Conflict of Interest statements annually. It was determined that officers and Directors listed in the management and control section of this report have reviewed and signed their statements as of year-end 2008.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every Director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each Director signed an Oath of Office statement in 2008.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Articles of Incorporation or Bylaws during the examination period.

Minutes

The Board of Directors and Sole Shareholder meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted that the annual meetings and the regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the upstream affiliates from the Company to the ultimate controlling entity:

	<u>NAIC Co.</u>	<u>Domiciliary</u>
	<u>Code</u>	<u>State</u>
Wellpoint, Inc,		IN
Anthem Holding Corp.		IN
UNICARE National Services, Inc.		DE
UniCare Life & Health Insurance Company*	80314	IN

* denotes an insurer

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed as required with the IDOI, in accordance with IC 27-1-23-4.

Master Administrative Services Agreement

Effective January 1, 2005, the Company entered into an Amended and Restated Master Administrative Services Agreement with WellPoint Health Networks, Inc. (WHN) and other affiliates. Under which each company provides certain administrative, consulting, and other support services for the benefit/use of the other affiliated companies. The costs and expenses related to these administrative management and support services are allocated by the company in an amount equal to the direct and indirect costs and expenses incurred in providing these services. The Company paid \$177,652,943 in 2008.

Administrative Services Agreement

Effective January 1, 2004, the Company entered into an Administrative Services Agreement with Golden West Health Plan (Golden West). Under this agreement, Golden West provides administrative services to the Company including, but not limited to, billing and collection of funds, financial services, human resource serves and claims processing services. In 2008, the Company paid \$10,625,089 to Golden West pursuant this agreement.

Cash Concentration Agreement

Effective November 20, 2007, the Company entered into the WellPoint Cash Concentration Agreement. Under this agreement, any of the Company's affiliates may be designated as a cash manager to handle the collection and /or payment of funds on behalf of the Company. Conversely, the Company may be designated as a cash manager to handle the collection and/or payment of funds on behalf of its affiliates. Cash services covered under this agreement include the collection of premiums and other revenue, the collection of benefit and administrative expense reimbursements, the payment of policy benefits, payroll expense, general and administrative expense, and accounts payable disbursements. As of December 31, 2008, the Company had an estimated net receivable of \$243,872,220.

Consolidated Federal Income Tax Agreement

The Company entered into a Consolidated Federal Income Tax Agreement with WellPoint effective December 31, 2005. Allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis, and is recorded as part of the federal income tax receivable or payable. Intercompany income tax balances are settled based on the Internal Revenue

Service due dates. As of December 31, 2008, the Company had federal income taxes payable to affiliated companies of \$10,729,004.

Employee Benefits

The Company participates in the WellPoint Cash Balance Pension Plan (the Plan), a frozen non-contributory defined benefit pension plan sponsored by ATH Holding Company, LLC (ATH Holding) covering most employees of WellPoint and its subsidiaries. ATH Holding allocates a share of the total accumulated costs of the Plan to the Company based on the number of allocated employees. During 2008 these costs totaled \$(1,365,760). The Company has no legal obligation for the benefits under this plan. Prior to December 31, 2007, Anthem Insurance Companies, Inc. an affiliated company sponsored the Plan.

The Company participates in a postretirement medical benefit plan, sponsored by ATH Holding, providing certain health, life, vision, and dental benefits to eligible retirees. ATH Holding allocates a share of the total accumulated costs of this benefit to the Company based on the number of allocated employees. During 2008 these costs totaled \$1,303,777. The Company has no legal obligation for benefits under this plan.

The Company participates in various deferred compensation plans sponsored by WellPoint which covers certain employees. The deferred accounts are payable according to the terms and subject to the conditions of said deferred compensation agreements. WellPoint allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees participating in the plan. During 2008, these costs totaled \$448,841. The Company has no legal obligation for the benefits under this plan.

The Company participates in the WellPoint 401(K) Retirement Savings Plan, sponsored by ATH Holding, covering substantially all employees. Voluntary employee contributions are matched by ATH Holding subject to certain limitations. ATH Holding allocates a share of the total accumulated costs of the plan to the Company based on the number of allocated employees. During 2008, these costs totaled \$4,484,139. The Company has no legal obligation for benefits under this plan.

Reinsurance Agreements

See the "Reinsurance" section of this Report of Examination for affiliated reinsurance agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by the Federal Insurance Company (Chubb Group of Insurance Companies). The bond has blanket coverage of \$10,000,000 with a \$1,500,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force at December 31, 2008, including, but not limited to, auto, commercial property, Directors & officers liability, managed care professional liability, fiduciary, umbrella, general liability, and workers' compensation.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory deposits at December 31, 2008:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders:		
Arkansas	\$ 172,923	\$ 170,723
Georgia	40,000	40,000
Indiana	5,440,620	5,647,298
Massachusetts	105,000	105,000
New Mexico	105,148	107,962
North Carolina	459,574	474,521
South Carolina	131,240	132,754
Virginia	225,000	232,463
Puerto Rico	612,688	592,362
Total Deposits	<u>\$ 7,292,194</u>	<u>\$ 7,503,081</u>

REINSURANCE

Reinsurance Assumed

The Company was formed as part of the WellPoint's 1996 acquisition of several companies from Massachusetts Mutual Holding Company. At that time, the Company assumed all group term life and accident and health business associated with the Mass Mutual Pension contracts. This block of business accounted for assumed reserves totaling \$23 million at December 31, 2008.

In addition, in 1997 the Company acquired the health business of the John Hancock Mutual Life Insurance Company and the group life business associated with cases having group health coverage. In 2008 this block of business accounted for a financially insignificant amount of premium income, life reserves of \$40 million and accident and health claims payable of \$24 million.

The Company has no other significant assumed reinsurance business.

Reinsurance Ceded

The Company cedes risk to various reinsurers to control its overall risk. Currently, corporate policy specifies that business is ceded only to reinsurers rated "A-" or better by A.M. Best's and that contracts contain provisions enabling the company to terminate and recapture business in the event the financial rating of any reinsurer declines below specified levels. At December 31, 2008, approximately 35% of total ceded reserves of the Company were ceded to reinsurers not authorized in Indiana. For these cessions the Company also maintains either compensating collateral covering ceded reserve credits or posts compensating reserves for unauthorized reinsurance.

Basic and supplemental term life and accidental death and dismemberment benefits are reinsured above a retention of \$300,000 per life. Voluntary accidental death and dismemberment benefits are reinsured under a 50% quota share arrangement. Long-term disability risks are reinsured through several reinsurance arrangements. Currently, active cases with 500 or fewer lives are 50% reinsured while larger cases are 90% reinsured.

In addition to the business ceded covering accidental death and dismemberment and long term disability risks, the Company provides an issuing facility for Highway to Health (HTH) covering a book of health related international travel insurance business through universities, various government programs, corporations and individuals. HTH is an indirect affiliate of the Company via an equity participation in HTH by Wellpoint Health Networks, Inc., an affiliate of the ultimate controlling parent company.

This business written under this program is then ceded to a Bermuda based reinsurer, HTH Re Ltd. on a funds held basis whereby the Company retains funds equal to all ceded reserves. At December 31, 2008 this arrangement accounted for \$11.2 million of ceded premiums. At December 31, 2008, the Company held collateral totaling approximately \$10.1 million (consisting of \$3 million in funds held and a trust valued at \$7.1 million) to cover all ceded reserves and future performance under this program.

RESERVES

Cheryl G. Allari, FSA, MAAA, Vice President and Valuation Actuary for the Company was appointed by the Board of Directors on March 1, 2008, to render an opinion on the statutory-basis for the year ended December 31, 2008.

The scope of the opinion was to examine the actuarial assumptions and actuarial methods used in determining reserves and the related actuarial items, as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials, as of December 31, 2008. In forming the opinion, information prepared by the Company was relied upon. In all other respects, the examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests of the calculations as considered necessary.

The 2008 opinion stated that the balances of reserves and related actuarial values concerning the Annual Statement items: 1) are computed in accordance with generally accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles; 2) are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions; 3) meet the requirements of the insurance laws and regulations of the State of Indiana; 4) are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end; and 5) include provision for all actuarial reserves and related statement items which ought to be established.

During the examination, it was determined that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2008 and 2007 were materially reconciled to the respective Annual Statements. The Annual Statement for the year ended December 31, 2008 was reconciled to the independent audit report with no exceptions noted.

UNICARE LIFE & HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2008			December 31, Prior Year
	Per Annual Statement	Exam Adjustments	Per Examination	
Assets:				
Bonds	\$ 1,277,804,729	\$ -	\$ 1,277,804,729	\$ 1,272,647,457
Stocks:				
Preferred stocks	9,047,099	-	9,047,099	11,520,846
Cash, cash equivalents and short-term investments	60,593,070	-	60,593,070	87,151,236
Contract loans	52,161	-	52,161	34,215
Receivables for securities	56,496	-	56,496	81,288
Subtotals, cash and invested assets	\$ 1,347,553,555	\$ -	\$ 1,347,553,555	\$ 1,371,435,042
Investment income due and accrued	15,566,319	-	15,566,319	14,550,882
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	15,831,036	-	15,831,036	26,497,782
Accrued retrospective premiums	535,104	-	535,104	67,252,638
Reinsurance:				
Amounts recoverable from reinsurers	12,112,853	-	12,112,853	7,921,121
Other amounts receivable under reinsurance contracts	42,081	-	42,081	841,458
Amounts recievable relating to uninsured plans	11,082,163	-	11,082,163	5,746,199
Current federal and foreign income tax recoverable and interest thereon	-	-	-	7,667,303
Net deferred tax asset	67,314,417	-	67,314,417	62,104,360
Guaranty funds receivable or on deposit	2,516,865	-	2,516,865	2,296,937
Electronic data processing equipment and software	3,983,856	-	3,983,856	4,133,095
Receivables from parent, subsidiaries and affiliates	20,561,977	-	20,561,977	57,342,958
Health care and other amounts recievable	139,172,270	-	139,172,270	97,912,708
Aggregate write-ins for other than invested assets	-	-	-	102,498
Total assets	\$ 1,636,272,496	\$ -	\$ 1,636,272,496	\$ 1,725,804,981

UNICARE LIFE & HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2008

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Aggregate reserve for life contracts	\$ 126,883,487	\$ -	\$ 126,883,487	\$ 137,209,403
Aggregate reserve for accident and health contracts	70,429,459	-	\$ 70,429,459	67,524,751
Liability for deposit-type contracts	140,457,436	-	140,457,436	141,146,633
Contract claims:				
Life	26,982,771	-	26,982,771	29,927,920
Accident and health	359,733,263	-	359,733,263	326,276,679
Premiums and annuity considerations for life and accident and health contracts received in advance	7,739,780		7,739,780	12,936,160
Contract liabilities not included elsewhere:				
Provision for experience rating refunds; including accident and health experience rating refunds	56,765,271	-	56,765,271	104,214,040
Other amounts payable on reinsurance	341		341	487
Interest Maintenance Reserve	17,602,956	-	17,602,956	15,712,161
Commissions to agents due or accrued-life and annuity contracts; accident and health and deposit-type contract funds	7,374,824	-	7,374,824	7,987,756
Commissions and expense allowances payable on reinsurance assumed	50,147	-	50,147	-
General expenses due or accrued	30,580,531	-	30,580,531	39,136,021
Taxes, licenses and fees; excluding federal income taxes	1,297,232	-	1,297,232	193,405
Current federal and foreign income taxes; including on realized capital gains (losses)	10,729,004	-	10,729,004	-
Amount withheld or retained by company as agent or trustee	23,083,430	-	23,083,430	302,865
Remittances and items not allocated	21,817,586	-	21,817,586	22,029,383
Miscellaneous liabilities:				
Asset valuation reserve	-	-	-	1,309,279
Reinsurance in unauthorized companies	2,636,280	-	2,636,280	3,259,308
Funds held under reinsurance treaties with unauthorized reinsurers	3,008,525	-	3,008,525	7,477,004
Payable to parent, subsidiaries and affiliates	287,909,749	-	287,909,749	113,570,025
Liability for amounts held under unisured plans	63,019,371	-	63,019,371	321,760,633
Payable for securities	-	-	-	11,981,500
Aggregate write-ins for liabilities	16,709,690	-	16,709,690	16,914,220
Total Liabilities	\$ 1,274,811,133	\$ -	\$ 1,274,811,133	\$ 1,380,869,633
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
Gross paid in and contributed surplus	237,957,317	-	237,957,317	237,108,216
Unassigned funds (surplus)	120,504,047	-	120,504,047	104,827,133
Surplus	358,461,364		358,461,364	341,935,349
Total capital and surplus	\$ 361,461,364	\$ -	\$ 361,461,364	\$ 344,935,349
Total liabilities, surplus and other funds	\$ 1,636,272,497	\$ -	\$ 1,636,272,497	\$ 1,725,804,982

UNICARE LIFE & HEALTH INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

	As of December 31, 2008			December 31, Prior Year
	Per Annual Statement	Exam Adjustments	Per Examination	
Premiums and annuity considerations for life and accident and health contracts	\$ 2,832,179,372	-	\$ 2,832,179,372	\$ 2,554,682,579
Considerations for supplementary contracts with life contingencies	294,335	-	294,335	5,875,521
Net Investment income	76,965,450	-	76,965,450	72,489,442
Amortization of Interest Maintenance Reserve	733,358	-	733,358	1,142,719
Commissions and expense allowances on reinsurance ceded	1,443,628	-	1,443,628	1,394,079
Miscellaneous Income:				
Aggregate write-ins for miscellaneous income	5,735,473	-	5,735,473	3,223,733
Totals	\$ 2,917,351,616	\$ -	\$ 2,917,351,616	\$ 2,638,808,073
Death benefits	\$ 142,263,332	\$ -	\$ 142,263,332	\$ 140,852,228
Disability benefits and benefits under accident and health contracts	2,367,702,586	-	2,367,702,586	1,986,660,455
Coupons, guaranteed annual pure endowments and similar benefits	654,583	-	654,583	-
Surrender benefits and withdrawals for life contracts	-	-	-	850,378
Group conversions	511,790	-	511,790	272,166
Interest and adjustments on contract or deposit-type contract funds	4,007,785	-	4,007,785	12,220,556
Payments on supplementary contracts with life contingencies	441,339	-	441,339	10,805,159
Increase in aggregate reserves for life and accident and health contracts	(7,421,208)	-	(7,421,208)	(4,955,839)
Totals	\$ 2,508,160,207	\$ -	\$ 2,508,160,207	\$ 2,146,705,103
Commissions on premiums, annuity considerations and deposit-type contract funds	98,104,595	-	98,104,595	95,006,964
Commissions and expense allowances on reinsurance assumed	50,147	-	50,147	-
General insurance expenses	218,210,329	-	218,210,329	217,560,786
Insurance taxes, licenses and fees, excluding federal income taxes	34,623,955	-	34,623,955	43,094,239
Aggregate write-ins for deductions	19,708	-	19,708	(57,107)
Totals	\$ 2,859,168,941	\$ -	\$ 2,859,168,941	\$ 2,502,309,985
Net gain from operations before dividends to policyholders and federal income taxes	\$ 58,182,675	\$ -	\$ 58,182,675	\$ 136,498,088
Federal and foreign income taxes incurred	23,662,219	-	23,662,219	19,739,356
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 34,520,456	\$ -	\$ 34,520,456	\$ 116,758,732
Net realized capital gains (losses)	(27,443,402)	-	(27,443,402)	(5,162,625)
Net income	\$ 7,077,053	\$ -	\$ 7,077,053	\$ 111,596,107
Capital and Surplus Account:				
Capital and surplus, December 31, prior year	\$ 344,935,349	\$ -	\$ 344,935,349	\$ 278,101,692
Net income	7,077,053	-	7,077,053	111,596,107
Change in net unrealized capital gains (losses)	(1,828,439)	-	(1,828,439)	304,784
Change in net deferred income tax	(15,188,841)	-	(15,188,841)	(4,293,762)
Change in nonadmitted assets	23,684,834	-	23,684,834	80,089,251
Change in liability for reinsurance in unauthorized companies	623,027	-	623,027	114,377
Change in asset valuation reserve	1,309,279	-	1,309,279	4,188,746
Surplus adjustment: Paid in	849,101	-	849,101	15,649,050
Dividends to stockholders	-	-	-	(117,600,000)
Aggregate write-ins for gains and losses in surplus	-	-	-	(23,214,895)
Net change in capital and surplus for the year	\$ 16,526,014	\$ -	\$ 16,526,014	\$ 66,833,658
Capital and surplus, December 31, current year	\$ 361,461,363	\$ -	\$ 361,461,363	\$ 344,935,349

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2008 based on the results of this examination.

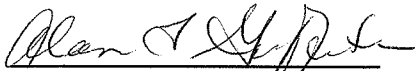
SUBSEQUENT EVENTS

As a result of a strategic action, on October 28, 2009, WellPoint announced the Company entered into a member transition agreement with Health Care Service Corporation (HCSC), which operates as Blue Cross and Blue Shield in Illinois and Texas. Under this agreement, HCSC will, upon completion of receipt of regulatory approvals, offer guaranteed replacement coverage to the Company's commercial group and individual members in those states. Management believes this agreement provides the Company's existing commercial membership in Illinois and Texas with an opportunity for a smooth transition of benefits and coverage, and most of this membership is expected to transition to HCSC by December 31, 2009. Management expects that members transitioning to HCSC will experience significant benefits, including gaining access to HCSC's extensive provider networks and leading discounts. For those members who elect not to accept HCSC's offer of replacement coverage, the Company will continue to provide coverage until the members' current policies expire or are terminated. The Company will continue to operate nationwide and other Senior and State-Sponsored related products and specialty products.

On January 12, 2009, the Centers for Medicare and Medicaid Services (CMS) imposed intermediate sanctions on WellPoint, thereby suspending WellPoint's marketing and enrollment activities for all WellPoint contracts. On September 9, 2009, CMS had determined WellPoint had made sufficient progress in correcting deficiencies to merit lifting the marketing and enrollment sanctions. Effective October 1, 2009, WellPoint may begin marketing and on November 15, 2009, may begin enrolling beneficiaries for the 2010 contract year. In addition, CMS will be periodically asking WellPoint for specific data to provide CMS with assurance that the deficiencies that were the basis for CMS' decision to impose intermediate sanctions do not recur.

CONCLUSION

The preceding report of examination of **UniCare Life & Health Insurance Company** as of December 31, 2008 reflects its financial condition in accordance with the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and any and all prescribed and permitted accounting practices of the Indiana Department of Insurance. An Affidavit of the Examiner-in-Charge, Michael P. Dinius, CPA, CFE, is on file with the Indiana Department of Insurance and attests that the examination was performed in a manner consistent with the standards and procedures required by the Indiana Department of Insurance and the National Association of Insurance Commissioners Financial Condition Examiners Handbook. Based on my review, to the best of my knowledge, the examination was performed in a manner consistent with those standards and procedures and properly reflects the financial condition of **UniCare Life & Health Insurance Company**.



Alan T. Griffith, CFE
Examinations Manager
Indiana Department of Insurance