FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

CENTURION CASUALTY COMPANY
Name of Domestic Insurer

BY

UNITEDHEALTH GROUP INCORPORATED,

UNITED HEALTHCARE SERVICES, INC.,

AND

SPECIALTY BENEFITS, LLC
Name of Acquiring Parties

FILED WITH

THE INSURANCE DIVISION OF IOWA

Dated: November 12, 2019

Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should be Addressed:

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This Statement Regarding the Acquisition of Control of a Domestic Insurer (this "Statement") is submitted to the Iowa Insurance Division (the "Division") by UnitedHealth Group Incorporated, a Delaware corporation ("UHG"), United HealthCare Services, Inc., a Minnesota corporation and a direct wholly-owned subsidiary of UHG ("UHS"), and Specialty Benefits, LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of UHS ("Specialty Benefits") (collectively, the "Acquiring Parties"), in connection with the proposed acquisition of all of the issued and outstanding shares of capital stock of Centurion Casualty Company, an Iowa domiciled property and casualty insurer (the "Company"), pursuant to a Stock Purchase Agreement dated as of October 30, 2019 (the "Agreement") more particularly described below and attached as **Exhibit 1** (the "Acquisition"). As the Acquisition would constitute a change of control of the Company, the Acquiring Parties respectfully request that the Division review and approve this Statement and, by extension, the Acquisition.

ITEM 1. INSURER AND METHOD OF ACQUISITION.

Name and Address of the Company

The name and address of the Company to which this Statement relates is as follows:

Centurion Casualty Company
800 Walnut Street
Des Moines, Iowa 50309

The federal identification number of the Company is 42-1194107 and the NAIC number is 42765.

The Company is domiciled in Iowa and licensed to write direct business in 41 states, Guam and Northern Mariana Islands as a property and casualty insurance company and is licensed as a reinsurer in Connecticut. An abbreviated pre-acquisition organizational chart for the Company and its affiliates is attached as **Exhibit 2**.

Method of Acquisition of Control

The Company will be acquired by the Acquiring Parties pursuant to the Agreement, whereby Specialty Benefits will purchase from the Company's immediate parent company, Wells Fargo Financial, LLC, an Iowa limited liability company ("Wells Fargo"), 260,000 shares of common stock of the Company, which constitute all of the issued and outstanding shares of capital stock of the Company. Immediately upon closing of the Agreement, subject to the Division's approval, the Company will become a direct wholly-owned subsidiary of Specialty Benefits and an indirect wholly-owned subsidiary of UHS and UHG.

ITEM 2. IDENTITY AND BACKGROUND OF ACQUIRING PARTIES.

(a) Name and Address of the Acquiring Parties

The names and principal business addresses of the Acquiring Parties seeking to acquire control over the Company are as follows:

UnitedHealth Group Incorporated
9900 Bren Road East
Minnetonka, Minnesota 55343

United HealthCare Services, Inc.
9900 Bren Road East
Minnetonka, Minnesota 55343

Specialty Benefits, LLC
9900 Bren Road East
Minnetonka, Minnesota 55343

(b) Nature of the Acquiring Parties' Business

UnitedHealth Group Incorporated

UHG is a diversified health care company dedicated to helping people live healthier lives and helping make the health system work better for everyone. (The terms "we," "our," "us," or "its" used in this section refer to UHG and its subsidiaries.) We provide medical benefits to people residing in all 50 states in the United States and more than 130 other countries. Our 300,000 employees, which include 85,000 clinical professionals, seek to enhance the performance of the health system and improve the overall health and well-being of the people we serve and their communities. We work with health care professionals and other key partners to expand access to quality health care so people get the care they need at an affordable price. We also support the physician/patient relationship and empower people with the information, guidance, and tools they need to make personal health choices and decisions.

At its core, UHG is shaped by its people and their commitment to a culture, based on integrity, compassion, innovation, relationships, and performance. Through our diversified family of businesses, we leverage core competencies in data analytics and health information; advanced technology; and clinical expertise. These core competencies are deployed within our two distinct, but strategically aligned, business platforms: one providing health benefits and the other providing health services. For more information about our many diversified businesses, please see Item 1 of the Annual Report on Form 10-K of UHG for the year ended December 31, 2018, which is included as **Exhibit 9-A** to this Statement.

As of October 2019, UHG and its subsidiaries employed approximately 900 Iowa residents working in our Des Moines and West Des Moines offices and through work at home arrangements.

United HealthCare Services, Inc.

UHS was incorporated in 1974, is based in Minnetonka, Minnesota, and is a direct wholly-owned subsidiary of UHG. UHS provides management services to health care companies and is widely licensed as a third party administrator and a utilization review agent.

Specialty Benefits, LLC

Specialty Benefits was incorporated in 1998, is based in Minnetonka, Minnesota, and is a direct wholly-owned subsidiary of UHS. Specialty Benefits is the parent company of several legal entities through which UHG offers nationally its dental, vision, hearing, and financial protection (life, disability, critical illness, accident, and hospital indemnity insurance) products and manages those businesses.

The Acquiring Parties intend to continue operating their business along the lines described in Item 1 of the Annual Report on Form 10-K of UHG for the year ended December 31, 2018.

(c) Organizational Chart and Affiliate Information

An abbreviated pre-transaction organizational chart clearly presenting the identities of and interrelationships among the Acquiring Parties and certain affiliates of the Acquiring Parties is included as **Exhibit 3** to this Statement. Such chart indicates the percentage of voting securities of each such person that is owned or controlled by the Acquiring Parties or by any other such person. Unless otherwise indicated, control of all persons is maintained by the ownership or control of voting securities. Such chart indicates the type of organization and the jurisdiction of domicile of each person specified therein. No court proceedings involving a reorganization or liquidation are pending with respect to any such persons identified in Exhibit 3.

An abbreviated post-acquisition organizational chart of the Acquiring Parties is attached to this Statement as **Exhibit 4**.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH ACQUIRING PARTIES.

(a) Directors and Executive Officers' Names and Business Addresses

The names of the directors and executive officers of UHG and Specialty Benefits are set forth in **Exhibit 5**. Their business addresses are included in the Biographical Affidavits, which are being provided separately to the Division as **Exhibit 6**.

To the best of UHG's knowledge, there are no stockholders owning 10% or more of UHG's voting securities.

(b) Present Principal Business Activity, Occupation, or Employment

The present principal business activity, occupation, or employment, including positions and offices held, and the name, principal business, and address of any corporation or other organization in which such employment is carried on, with respect to the directors and executive officers of UHG and Specialty Benefits are included in their Biographical Affidavits.

(c) Material Occupations, Positions, Offices, or Employment

The material occupations, positions, offices, or employment during the last five years, including the starting and ending dates of each and the name, principal business, and address of any business corporation or other organization in which each such occupation, position, office, or employment was carried on, with respect to the directors and executive officers of UHG and Specialty Benefits, are included in the Biographical Affidavits included in Exhibit 6. Except as set forth in the Biographical Affidavits, no such occupation, position, office, or employment required licensing by or registration with any federal, state, or municipal governmental agency. The current status of any such licensing or registration, and an explanation of any surrender, revocation, suspension, or disciplinary proceedings in connection therewith, are stated in the Biographical Affidavits.

(d) Criminal Proceedings

Except as set forth in the Biographical Affidavits, to the best knowledge, information, and belief of the Acquiring Parties, no person listed in Exhibit 5 has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

ITEM 4. NATURE, SOURCE, AND AMOUNT OF CONSIDERATION.

(a) Nature, Source, and Amount of Funds or Other Consideration

Pursuant to the Agreement, the total consideration to be paid by Specialty Benefits for 260,000 shares of common stock of the Company and, thereby, to acquire 100% of the issued and outstanding shares of capital stock of the Company, will be up to $12,178,500 and is subject to certain adjustments as set forth in the Agreement. The consideration will be financed with cash on hand.

(b) Criteria Used in Determining the Nature and Amount of the Consideration

The nature and amount of consideration to be paid in connection with the Acquisition was determined by arm's length negotiations between unaffiliated parties assisted by independent advisors.

(c) Lender Confidentiality

Not applicable.

ITEM 5. FUTURE PLANS FOR INSURER.

Previously, the Company wrote directly and assumed (by means of indemnity reinsurance) credit unemployment insurance, credit leave of absence insurance and multi-peril insurance. The credit unemployment and credit leave of absence has been in run-off since 2010. In 2018, the Company cancelled its direct business and terminated most of its reinsurance agreements, returning the claim reserves to the ceding companies. In June of 2019, the Company released its remaining direct reserves. The Company's June 30, 2019 quarterly statement shows no liabilities of any kind.

The Company has agreed to terminate all affiliate agreements prior to the closing of the Acquisition; provided, that to the extent that any such agreement is not so terminated or any related balance is not satisfied on or prior to the closing, the parties will reasonably cooperate to cause the prompt termination of the applicable agreement and the settlement of any balances in connection therewith. Further, the Company will use commercially reasonable efforts to terminate (i) the remaining reinsurance agreements (for which the Company's June 30, 2019 quarterly statement shows no liabilities); and (ii) certain other agreements pursuant to Section 5.19 of the Agreement. It also will, following the submission of this Statement, request approval from the Division to pay an extraordinary dividend prior to the closing of the Acquisition pursuant to Section 5.11 of the Agreement.

Immediately following the closing, the directors and executive officers of the Company will be replaced, and the persons listed in **Exhibit 7** will serve as the Company's directors and executive officers. To the extent not already on file with the Division, Biographical Affidavits for these individuals are included as **Exhibit 8**.

The Acquiring Parties are still developing their plans for the Company. If the Acquisition is approved, the Acquiring Parties will not cause the Company to accept risk (through direct writing, reinsurance or otherwise) without first submitting a business plan and pro forma financial statements that are acceptable to the Division. Depending on how plans for the Company evolve, the Acquiring Parties may cause the Company to enter into actuarial and other consulting arrangements with entities not affiliated with the Acquiring Parties for purposes of making the Company operational. They may also consider hiring additional personnel.

Following the closing, the Acquiring Parties intend to cause the Company to enter into a tax sharing agreement with UHG. The Acquiring Parties will provide notice to the Commissioner under Iowa Code section 521A.5(c)(3) with respect to such agreement.

Other than as described in this Statement, including the Exhibits attached hereto, the Acquiring Parties do not currently have, nor do the Acquiring Parties currently contemplate, any plans or proposals to declare an extraordinary dividend, liquidate the Company, sell any of its assets or merge the Company with any person or persons or make any other material change in the Company's business operations or corporate structure or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED.

The Company has 260,000 shares of common stock issued and outstanding with a par value of $10 per share, all of which are beneficially held by Wells Fargo and which constitute all of the issued and outstanding shares of capital stock of the Company (the "Company Shares"). The Acquiring Parties propose to acquire 100% of the Company Shares, pursuant to the Agreement. The fairness of the proposal was arrived at by arm's length negotiations between unaffiliated parties assisted by independent advisors.

ITEM 7. OWNERSHIP OF VOTING SECURITIES.

None of the Acquiring Parties, their affiliates, or any person referenced in Item 3 owns any interest in (or has a right to acquire) the Company Shares or any voting securities of the Company's affiliates, except as set forth in the Agreement.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER.

Other than the Agreement, there are no contracts, arrangements, or understandings with respect to the Company Shares or any voting securities of the Company's affiliates in which the Acquiring Parties, their affiliates, or any person listed in Item 3 of this Statement is involved.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES.

There have been no purchases of the Company Shares or any voting securities of the Company's affiliates by the Acquiring Parties or, to the Acquiring Parties' knowledge, by any of their affiliates, or any person listed in Item 3, during the 12 calendar months preceding the filing of this Statement.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE.

To the best of the Acquiring Parties' knowledge, there have been no recommendations to purchase the Company Shares or any voting securities of the Company's affiliates made by the Acquiring Parties, their affiliates, or any person listed in Item 3 of this Statement, or by anyone based on interviews with or at the suggestion of the Acquiring Parties, their affiliates, or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS.

No agreement, contract, or understanding has been made by the Acquiring Parties or their affiliates with any broker-dealer as to solicitation of the Company Shares or any voting securities of the Company's affiliates and no amount of fees, commissions, or other compensation has been paid by the Acquiring Parties or their affiliates to broker-dealers with regard to solicitation of the Company Shares or any voting securities of the Company's affiliates.

ITEM 12. FINANCIAL STATEMENTS, EXHIBITS, AND THREE-YEAR FINANCIAL PROJECTIONS.

(a) Exhibits

The following Exhibits are attached to this Statement:

EXHIBIT NUMBER	TITLE
1	Stock Purchase Agreement
2	Abbreviated Organizational Chart of the Company and its Affiliates Prior to the Transaction
3	Abbreviated Organizational Chart of the Acquiring Parties Prior to the Transaction
4	Abbreviated Organizational Chart Post-Transaction
5	List of Directors and Executive Officers of UHG and Specialty Benefits
6	Biographical Affidavits for the Directors and Executive Officers of UHG and Specialty Benefits (confidential – filed separately under seal)
7	List of Directors and Executive Officers of the Company Post-Transaction
8	Biographical Affidavits for the Directors and Executive Officers of the Company Post-Transaction (confidential – filed separately under seal)
9-A	Annual Report on Form 10-K of UHG for the year ended December 31, 2018, filed with the Securities and Exchange Commission (includes audited financial statements for 2018 and 2017)
9-B	Annual Report on Form 10-K of UHG for the year ended December 31, 2017, filed with the Securities and Exchange Commission (includes audited financial statements for 2017 and 2016)
9-C	Annual Report on Form 10-K of UHG for the year ended December 31, 2016, filed with the Securities and Exchange Commission (includes audited financial statements for 2016 and 2015)
9-D	Annual Report on Form 10-K of UHG for the year ended December 31, 2015, filed with the Securities and Exchange Commission (includes audited financial statements for 2015 and 2014)
10	Quarterly Report on Form 10-Q of UHG for the period ended September 30, 2019, filed with the Securities and Exchange Commission
11	2018 and 2017 Annual Reports to the Stockholders of UHG

As noted in the chart above, Exhibits 6 and 8 will be separately filed in sealed envelopes marked "Confidential."

(b) Financial Statements

Audited consolidated financial statements of the Acquiring Parties as of December 31, 2018, 2017, 2016, 2015, and 2014 are attached as **Exhibits 9A-D**. Unaudited consolidated financial statements of the Acquiring Parties for the period ended September 30, 2019 are attached as **Exhibit 10**.

(c) Tender Offers, Agreements for Voting Securities, Proposed Employment Contracts, and Annual Reports

Other than as described in this Statement, there are no tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any voting securities of the Company or its affiliates or any additional soliciting material.

Other than as set forth in this Statement, in the Agreement, or in any contracts, arrangements, or understandings entered into in the ordinary course of business with any insurance agent, solicitor, or broker, there are no existing or proposed contracts, arrangements, or understandings between the Acquiring Parties and any present or former director, officer, or employee of the Company.

Annual reports to the stockholders of UHG for the last two fiscal years are attached as **Exhibit 11**. The Company does not prepare annual reports to stockholders.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT.

The Acquiring Parties agree to provide, to the best of their knowledge and belief, the information required by Form F within 15 days after the end of the month in which the acquisition of control occurs, and annually thereafter, in accordance with Iowa Code section 521A.4, for so long as control exists. The Acquiring Parties acknowledge that they and their subsidiaries will provide information to the Commissioner upon request and as necessary to evaluate enterprise risk to the Company.

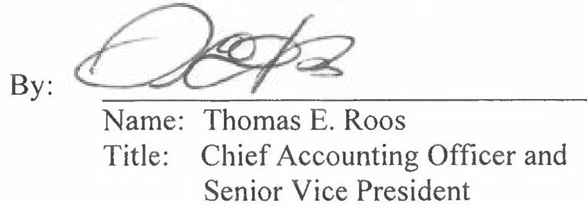
[Signature pages follow]

ITEM 14. SIGNATURE AND CERTIFICATION.

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, UnitedHealth Group Incorporated has caused this Statement to be duly signed on its behalf in the City of Minnetonka and State of Minnesota, on the 5th day of November, 2019.

UnitedHealth Group Incorporated

By: 

Name: Thomas E. Roos
Title: Chief Accounting Officer and Senior Vice President

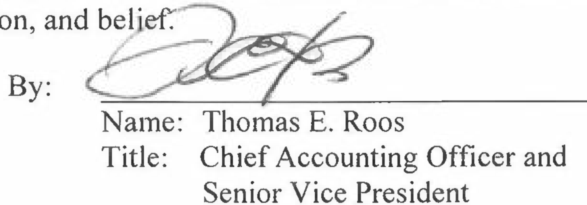
Attest:

By:

Name: Faraz A. Choudhry
Title: Assistant Secretary

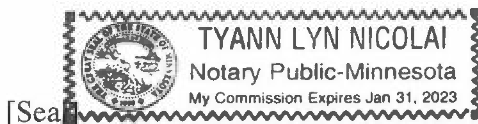
CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached Statement dated November 5th, 2019, for and on behalf of UnitedHealth Group Incorporated; that deponent is the Chief Accounting Officer and Senior Vice President of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information, and belief.

By: 

Name: Thomas E. Roos
Title: Chief Accounting Officer and Senior Vice President

Sworn to and subscribed before me on November 5, 2019, to certify which witness my hand and seal of office.



[Seal]

Notary Public in and for

Minnesota, County, Hennepin

[Signature Page to Iowa Form A]

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, United HealthCare Services, Inc. has caused this Statement to be duly signed on its behalf in the City of Minnetonka and State of Minnesota, on the 5th day of November, 2019.

United HealthCare Services, Inc.

By: ______________________________
Name: Thomas E. Roos
Title: Chief Financial Officer

Attest:

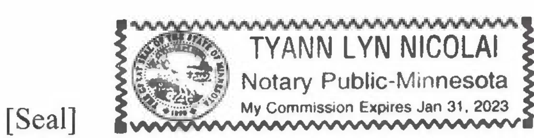
By: ______________________________
Name: Heather A. Lang
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached Statement dated November 5th, 2019, for and on behalf of United HealthCare Services, Inc.; that deponent is the Chief Financial Officer of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information, and belief.

By: ______________________________
Name: Thomas E. Roos
Title: Chief Financial Officer

Sworn to and subscribed before me on November 5, 2019, to certify which witness my hand and seal of office.

[Seal] 

Tyann Lyn Nicolai
Notary Public in and for

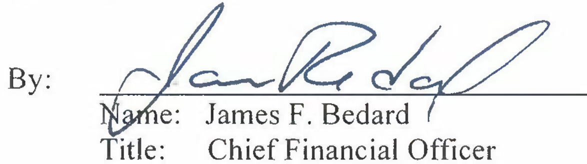
Minnesota, County, Hennepin

[Signature Page to Iowa Form A]

SIGNATURE

Pursuant to the requirements of Iowa Code section 521A.3 and Regulation 3.01, Specialty Benefits, LLC has caused this Statement to be duly signed on its behalf in the City of Hartford and State of Connecticut, on the 5 day of November, 2019.

Specialty Benefits, LLC

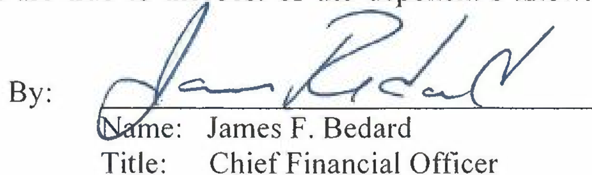
By: 
Name: James F. Bedard
Title: Chief Financial Officer

Attest:

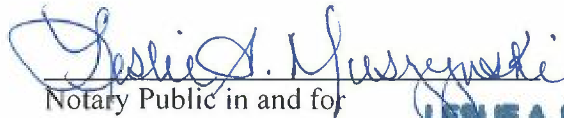
By:
Name: Heather A. Lang
Title: Assistant Secretary

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached Statement dated November 5, 2019, for and on behalf of Specialty Benefits, LLC; that deponent is the Chief Financial Officer of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information, and belief.

By: 
Name: James F. Bedard
Title: Chief Financial Officer

Sworn to and subscribed before me on November 5, 2019, to certify which witness my hand and seal of office.


Notary Public in and for

LESLIE A. MUSZYNSKI
Notary Public, State of Connecticut
My Commission Expires: May 31, 2023

[Seal]

Connecticut, County, Hartford

[Signature Page to Iowa Form A]

Exhibit 1: Stock Purchase Agreement

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

BY AND BETWEEN

WELLS FARGO FINANCIAL, LLC

AND

SPECIALTY BENEFITS, LLC

DATED AS OF OCTOBER 30, 2019

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Annex 1 Pre-Closing Reorganization Transactions

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "**Agreement**"), dated as of October 30, 2019 (the "**Date of this Agreement**"), is by and between Wells Fargo Financial, LLC, an Iowa limited liability company ("**Seller**"), and Specialty Benefits, LLC, a Delaware limited liability company ("**Buyer**"). Seller and Buyer are sometimes also referred to as the "**Parties**" and each, individually, as a "**Party**".

RECITALS

WHEREAS, Seller owns all of the issued and outstanding shares of capital stock of Centurion Casualty Company, an Iowa corporation (the "**Company**"); and

WHEREAS, prior to the Closing, pursuant to Section 5.11, Seller shall use commercially reasonable efforts to cause the Pre-Closing Reorganization Transactions to occur; and

WHEREAS, Seller desires to sell and transfer to Buyer, and Buyer desires to purchase from Seller, 260,000 shares of common stock of the Company (the "**Company Shares**"), which constitute all of the issued and outstanding shares of capital stock of the Company.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Defined Terms. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"**Acquisition Proposal**" means any proposal for a merger, consolidation or other business combination involving the Company, any proposal or offer to acquire in any manner any equity interest in, or all or a portion of the business or assets of the Company, any proposal or offer with respect to any recapitalization or restructuring of the Company or any proposal or offer with respect to any other transaction similar to any of the foregoing with respect to the Company other than in connection with the transactions contemplated by this Agreement.

"**Action**" means any civil, criminal, administrative, investigative or informal action, audit, demand, suit, claim, arbitration, hearing, litigation, dispute, investigation or other proceeding of any kind or nature.

"**Affiliate**" means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person in question. For purposes of the foregoing, "control," including the terms "controlling," "controlled by" and "under common control with," means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through

the ownership of voting securities, by Contract or otherwise. For the avoidance of doubt, the Company shall not be an Affiliate of Buyer prior to the Closing or an Affiliate of Seller following the Closing.

"**Affiliated Group**" means any affiliated group within the meaning of Code Section 1504(a) or any similar group defined under a similar provision of state, local, or non-U.S. Law.

"**Banking Regulator**" means any of the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, any Federal Reserve Bank, and the Office of the Comptroller of the Currency.

"**Books and Records**" means records in the Company's or Seller's possession specified on Schedule 1.1, including minute books, licenses, certificates of authority or other insurance authorizations, whether in electronic or paper format, to the extent primarily relating to the Company or its business or assets, but, in each case, excluding the Retained Books and Records.

"**Business Day**" means any day other than a Saturday, a Sunday or any other day on which commercial banks in Wilmington, Delaware are required to be closed for regular banking business.

"**Buyer Material Adverse Effect**" means a material adverse effect on the ability of Buyer to perform its obligations under this Agreement or to consummate the transactions contemplated hereby on a timely basis.

"**Buyer's Group**" means, at any time, the group of companies comprised of Buyer, its ultimate holding company and its ultimate holding company's subsidiaries at that time (including following the Closing, for the avoidance of doubt, the Company).

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Constituent Documents**" of a Person means, as applicable, the declaration and charter, certificate of incorporation, articles of incorporation, certificate of designations, bylaws, or any similar organizational or governing document or instrument of a Person.

"**Contract**" means any contract, agreement, mortgage, indenture, debenture, note, loan, bond, lease, sublease, license, franchise, obligation, instrument, promise, understanding or other binding commitment, arrangement or undertaking of any kind whether oral or written, and whether express or implied, to which a Person is a party or by which any property or assets owned or used by it may be bound or affected, including any Insurance Contract or Reinsurance Agreement.

"**Core Buyer Representations and Warranties**" means those representations and warranties of Buyer contained in the following Sections of this Agreement: Section 4.1, Section 4.4, and Section 4.5.

"**Core Seller Representations and Warranties**" means those representations and warranties of Seller contained in the following Sections of this Agreement: Section 3.1, Section 3.2, Section 3.5, Section 3.10, Sections 3.14(a) through (f), and (l), and Section 3.15.

"**Due Date**" means the date on which a Tax Return is required to be filed (taking into account all valid extensions).

"**Employee Benefit Plan**" means (a) any pension plan, 401(k) plan, profit-sharing plan, health and welfare plan, and any other "employee benefit plan" (as defined in Section 3(3) of ERISA); (b) any "multiemployer plan" (as defined in Section 3(37) of ERISA); (c) any other benefit arrangement, obligation, or practice, whether or not legally enforceable, to provide benefits, other than salary, as compensation for services rendered, to one or more present or former employees, directors, agents, or independent contractors, including employment agreements, severance policies or arrangements, executive compensation arrangements, incentive arrangements, sick leave, compensation, bonus plans, deferred compensation, incentive compensation, stock purchase, stock option, stock appreciation or other equity-based severance, employee assistance, cafeteria (Section 125 plan), medical reimbursement, dependent care reimbursement or other plan or agreement relating to compensation or fringe benefits; and (d) any change in control plan, deal bonus, retention program or agreement, in the case of each of (a) - (d) that was or is established, maintained or sponsored by the Company or to which the Company contributes or which the Company otherwise has or may have any liability, contingent or otherwise, either directly or as a result of an ERISA Affiliate.

"**Encumbrance**" means any charge, pledge, mortgage, lien, hypothecation, usufruct, deed of trust, security interest or easement of any kind (other than restrictions on transfer imposed by the Securities Act (or any other applicable securities Laws) or any applicable insurance Laws).

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and all regulations and rules issued thereunder, or any successor Law.

"**ERISA Affiliate**" means any Person that, together with the Company, is or was at any time treated as a single employer under Section 414 of the Code or Section 4001 of ERISA and any general partnership of which Seller or the Company is or has been a general partner.

"**Excluded Assets**" means all of the following (a) all digital video recorders, network digital recorders or power-over-ethernet switches for the forgoing, card access panel private branch exchange boards, alarm panels, other electronic security equipment and devices having the capability to store confidential information, signs and artwork branded with any Seller's Trademark, computing equipment, hardware and devices, including any cell phone, mobile device, tablet, desktop and laptop computer, and servers and network equipment and devices; (b) all insurance proceeds which Seller or any other member of Seller's Group has a right to receive as of the Closing and that relate to events, circumstances or occurrences prior to the Closing unless such proceeds are reflected in the Seller Financial Statements; (c) all domain names, email addresses and URLs containing, identifying or referencing the Wells Fargo name; (d) all customer lists and supplier lists of the Company, Seller or any member of Seller's Group; and (e) all Retained Books and Records.

"**Excluded Taxes**" means any and all of the following Taxes (and any Losses related thereto): (a) Taxes imposed on the Company attributable to any transaction or action taken, or that occurs, after the Closing; (b) Transfer Taxes for which Buyer is responsible pursuant to Section 9.6; and (c) Taxes to the extent treated as a liability in the calculation of Final Closing Surplus Amount that reduces Final Closing Surplus Amount on a dollar-for-dollar basis.

"**Final Determination**" means: (a) a decision, judgment, decree or other Order by the United States Tax Court or any other court of competent jurisdiction that has become final and unappealable; (b) a closing agreement under Section 7121 of the Code or a comparable provision of any state, local or foreign Tax Law that is binding against the IRS or other Taxing Authority; (c) any other final settlement with the IRS or other Taxing Authority; or (d) the expiration of an applicable statute of limitations.

"**GAAP**" means United States generally accepted accounting principles.

"**Governmental Entity**" means any federal, state, local or foreign governmental or regulatory authority, agency, commission, department, body, court or other legislative, executive, or judicial or quasi-judicial governmental entity.

"**Guaranty Fund**" means any insolvency fund, including any guaranty fund, association, pool, plan or other facility (whether participation therein is voluntary or involuntary) that provides for the assessment of, payment by or assumption by its participants or members of a part or the whole of any claim, debt, charge, fee or other obligation of any insurer or reinsurer, or its respective successors or assigns, that has been declared insolvent by any authority having jurisdiction, or which is otherwise unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

"**IID**" means the Iowa Insurance Division.

"**Insurance Contract**" means any insurance policy or contract issued by the Company, in each case, together with all policies, binders, slips, certificates, participation agreements, applications, supplements, endorsements, riders, and ancillary agreements in connection therewith.

"**Insurance Permit**" means any approvals, authorizations, consents, licenses and permits authorizing and qualifying the Company to issue, underwrite, assume, place, sell or otherwise transact the business of insurance or reinsurance in a particular jurisdiction.

"**Intellectual Property**" means (a) trademarks, service marks, brand names, certification marks, collective marks, d/b/a's, domain names, logos, symbols, trade dress, assumed names, fictitious names, trade names, and other indicia of origin, all applications and registrations for the foregoing, and all goodwill associated therewith and symbolized thereby, including all renewals of same (collectively, "**Trademarks**"); (b) inventions and discoveries, whether patentable or not, and all patents, registrations, invention disclosures and applications therefor, including divisions, continuations, continuations-in-part and renewal applications, and including renewals, extensions and reissues; (c) trade secrets, confidential information and know-how, including processes, schematics, business methods, formulae, drawings, prototypes, models and designs; (d) published and unpublished works of authorship, whether copyrightable or not

(including databases and other compilations of information), including mask rights and computer software (including firmware and middleware), copyrights therein and thereto, registrations and applications therefor, and all renewals, extensions, restorations and reversions thereof; and (e) any other intellectual property rights. For the avoidance of doubt, "**Intellectual Property**" does not include any customer lists and supplier lists of the Company, Seller or any member of Seller's Group.

"**Intercompany Payables**" means all account, note or loan payables recorded on the books of Seller or any other member of Seller's Group for goods or services purchased by or provided to the Company by any member of Seller's Group (other than the Company) or advances (cash or otherwise) or any other extensions of credit to the Company from any member of Seller's Group (other than the Company), including amounts recorded on the Seller Financial Statements as "Intercompany Loans", whether current or non-current.

"**Intercompany Receivables**" means all account, note or loan receivables recorded on the books of Seller or any other member of Seller's Group for goods or services sold or provided by the Company to any member of Seller's Group (other than the Company) or advances (cash or otherwise) or any other extensions of credit made by the Company to any member of Seller's Group (other than the Company), including amounts recorded on the Statutory Statements as "Loans to Affiliates", whether current or non-current.

"**IRS**" means the United States Internal Revenue Service.

"**Knowledge**" of a fact or other matter will be attributable to Seller if any of the individuals listed in Section 1.1(a) of the Seller Disclosure Schedule are actually aware of such fact or other matter or would have been aware of such matter after reasonable inquiry.

"**Law**" means any foreign, federal, state or local law, ordinance, writ, statute, treaty, rule or regulation.

"**Liability**" means any liability, debt, expense, claim, demand, loss, commitment, damage, deficiency, obligation or actions of any kind, character or description, whether asserted or not asserted, disputed or undisputed, known or unknown, joint or several, fixed or unfixed, liquidated or unliquidated, secured or unsecured, accrued or unaccrued, matured or unmatured, absolute, contingent, determined, determinable or otherwise, whenever or however arising (including, whether arising out of any contract or tort based on negligence or strict liability) and whether or not the same would be required by SAP or GAAP to be reflected in financial statements or disclosed in the notes thereto, including all costs and expenses related thereto.

"**Order**" means any award, decision, injunction, judgment, decree, settlement, order, process, ruling, subpoena or verdict (whether temporary, preliminary or permanent) entered, issued, made or rendered by any court, administrative agency, arbitrator, Governmental Entity or other tribunal of competent jurisdiction.

"**Permit**" means any federal, state, local or foreign governmental approval, authorization, consent, license or permit, excluding Insurance Permits and any other licenses or authorizations to conduct the business of insurance.

"**Permitted Encumbrances**" means (a) mechanics', materialmen's, warehousemen's, carriers', workers', landlord's or repairmen's liens or other similar common law, statutory or consensual Encumbrances that are not, in the aggregate, material to the Company or its business, taken as a whole, (b) liens for Taxes, assessments and other governmental charges not yet due and payable or which may be hereafter paid without penalty or that are being contested in good faith by appropriate proceedings, (c) statutory limitations, conditions, exceptions (including easements, covenants, rights of way, restrictions or other similar charges), gaps or other imperfections or defects in title or chain of title, (d) any Encumbrance that is disclosed in Section 1.1(b) of the Seller Disclosure Schedule, (e) covenants, conditions, restrictions, agreements, easements or Encumbrances identified, referenced or reserved against in the Statutory Statements or the Statutory Statements, (f) Encumbrances incurred or deposits made to secure the performance of statutory obligations, (g) Encumbrances in favor of banking or other financial institutions arising as a matter of Law encumbering deposits or other funds maintained with a financial institution and not incurred in connection with the borrowing of money by the Company, (h) any Encumbrances arising as a result of any agreement of, or any Order binding on, or any act or omission by, Buyer or its designated assignee(s) hereunder or any of its respective Affiliates, but not Seller or any of its respective Affiliates and (i) any Encumbrances that will be terminated at or prior to Closing in accordance with this Agreement.

"**Person**" means any natural person, firm, company, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

"**Post-Closing Tax Period**" means a Tax period that begins after the Closing Date, including the portion of any Straddle Period beginning after the Closing Date.

"**Pre-Closing Tax Period**" means a Tax period ending on or before the Closing Date, and the portion of any Straddle Period ending on and including the Closing Date.

"**Real Property**" means all land, together with all buildings, structures, improvements and fixtures located thereon, including all electrical, mechanical, plumbing and other building systems, fire protection, security and surveillance systems, telecommunications, computer, wiring, and cable installations, utility installations, water distribution systems, and landscaping, together with all easements and other rights and interests appurtenant thereto (including air, oil, gas, mineral, and water rights).

"**Reinsurance Agreement**" means any contract to which the Company is a party relating to reinsurance, coinsurance, excess insurance, ceding of insurance, assumption of insurance or indemnification with respect to an insurance contract, policy, or similar arrangement.

"**Requirements of Law**" means, with respect to any Person, any Law or Order, in each case binding on that Person or its property or assets.

"**Reserves**" means any reserves for payment of benefits, losses, claims, unearned premium and/or expenses under any Insurance Contract or Reinsurance Agreement.

"**Retained Books and Records**" means all books, ledgers, files, reports, plans, records, manuals and other materials (in any form or medium) of, or maintained by, Seller and any

other members of Seller's Group, other than the Books and Records, regardless of whether any such item will be owned as of the Closing Date by the Company; provided that, without limiting the forgoing, the following shall be included among the Retained Books and Records: (a) any books, ledgers, files, reports, plans, records, manuals and other materials (in any form or medium) to the extent (i) they are included in or relate to any Excluded Assets, (ii) any Law or, as the Date of this Agreement, any written confidentiality or similar agreement or provision by which Seller or any other member of Seller's Group, other than any of the Company, is bound, or any policies or procedures of Seller or any other member of Seller's Group prohibits their transfer, or (iii) any transfer thereof otherwise would subject Seller or any other member of Seller's Group to any Liability; (b) any emails, (c) any portion of any materials that contain information that is not primarily related to the Company, (d) any information collected by Seller or its agents for purposes of administering any Employee Benefit Plan, (e) any information subject to attorney-client privilege of Seller or any other member of Seller's Group, other than information subject to the attorney-client privilege that is primarily related to the Company, (f) records containing information constituting "confidential supervisory information," within the meaning of the rules and regulations of any Banking Regulator, (g) any correspondence with any insurance regulator or any other Governmental Entity to the extent not primarily related to the Company, (h) any income Tax Returns or any other Tax Returns or any other information related to Taxes of Seller or any other member of Seller's Group to the extent not primarily related to the Company, including any combined, unified, consolidated, affiliated or similar group Tax Returns (or any portion thereof) filed by or on behalf of the Company, or any work papers, documents, books, records, data or other information pertaining thereto, (i) confidential information relating to Affiliates of the Company and (j) any customer information or personal identifiable information owned by or in the possession or control of any member of Seller's Group, including the Company, or any employee of any member of the Seller's Group; it being understood that Seller shall be permitted to redact or otherwise exclude from Books and Records any information to the extent that it constitutes Retained Books and Records.

"**Retained Liabilities**" means: (a) any and all Liabilities of the Company either (i) existing as of the Closing Date or (ii) arising out of or relating to events, acts or omissions occurring, or disclosures or contracts made, prior to the Closing Date; and (b) any and all Liabilities of Seller and any of its Affiliates (other than the Company), other than such Liabilities, if any, assumed by Buyer pursuant to the express terms and conditions of this Agreement; provided that, for the avoidance of doubt, notwithstanding anything herein to the contrary, Retained Liabilities shall not include any Tax liabilities of the Company or of the Seller and any of its Affiliates.

"**SAP**" means the statutory accounting practices prescribed or permitted by the IID, applied on a consistent basis.

"**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Seller Disclosure Schedule**" means the disclosure schedule (including any attachments thereto) in respect of this Agreement and delivered by Seller to Buyer on the Date of this Agreement, which will be arranged in Sections corresponding to the numbered and lettered Sections contained herein.

"**Seller Material Adverse Effect**" means any fact, condition, change, event, circumstance, effect or development that has, or would reasonably be expected to have, individually or in the aggregate with all other facts, conditions, changes, events, circumstances, effects and developments, (a) a material adverse effect on the financial condition, results of operations, business, assets or Liabilities of the Company, taken as a whole; provided, that none of the following (or the results thereof) shall constitute or be deemed to contribute to a "Seller Material Adverse Effect", and otherwise shall not be taken into account in determining whether a "Seller Material Adverse Effect" has occurred or would be reasonably expected to occur: an adverse fact, condition, change, event, circumstance, effect or development arising out of, resulting from or attributable to: (i) any change in applicable accounting principles, including SAP or GAAP, or any adoption, proposal, implementation or change in Law (including any Law in respect of Taxes) or any enforcement or interpretation thereof by any Governmental Entity; (ii) any change in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in general global, national or regional economic, business, regulatory, political or market conditions or in national or global financial or capital markets, including changes in interest or currency rates; (iii) any change generally affecting the casualty insurance industries or market sectors in the geographic regions in which the Company operates; (iv) any change resulting from or arising out of hurricanes, earthquakes, floods or other natural disasters; (v) the negotiation, pendency, execution, announcement or performance of this Agreement or consummation of the purchase and sale of the Company Shares, including adverse effects related to compliance with the covenants or agreements contained herein, the failure to take any action as a result of any restrictions or prohibitions set forth herein or the identity of Buyer or its Affiliates; (vi) any actions (or the effects of any action) taken (or omitted to be taken) upon the request or instruction of, or with the consent of, any member of Buyer's Group or omitted to be taken because any member of Buyer's Group withheld, delayed or conditioned its consent, or actions that are taken (or omitted to be taken), consistent with the terms hereof, to consummate the purchase and sale of the Company Shares; (vii) any action (or the effects of any action) taken (or omitted to be taken) by Seller, the Company or any other member of Seller's Group as required pursuant to this Agreement; (viii) any occurrence or condition arising out of the identity of or facts relating to Buyer; (ix) the effect of any action taken by Buyer or its Affiliates with respect to the transactions contemplated hereby; (x) any change or development in the business, financial condition, results of operations or credit, financial strength or other ratings of Seller or any of its Affiliates (other than the Company); or (xi) the credit, financial strength or other ratings of, or the value of any of the investment assets of, the Company; provided, that, notwithstanding the foregoing, with respect to clauses (i), (ii), (iii), and (iv), such fact, condition, change, event, circumstance, effect or development shall be taken into account in determining whether a Seller Material Adverse Effect has occurred or would be reasonably expected to occur solely to the extent such fact, condition, change, event, circumstance, effect or development is disproportionately adverse with respect to the Company as compared to other property and casualty companies operating in the United States that issued insurance policies with similar features and risks as the Insurance Contracts; or (b) a material impairment or delay of the ability of Seller to perform its material obligations under this Agreement, taken as a whole, including consummation of the transactions contemplated hereby.

"**Seller's Group**" means, at any time, the group of companies comprised of Wells Fargo & Company, a Delaware corporation, and its subsidiaries at that time (excluding following the Closing, for the avoidance of doubt, the Company).

"**Seller's Trademarks**" means any and all Trademarks owned by any member or members of Seller's Group or any of their Affiliates (including all Trademarks owned by the Company prior to the Closing), including the name "Wells Fargo", or any derivation, variation, translation, adaptation, abbreviation or acronym of any of the foregoing or any confusingly similar trade name, corporate name or business name, trademark, tag-line, identifying logo, trade dress, monogram, slogan, service mark, domain name, brand name or other name or source identifier or any Trademark embodying any of the foregoing, whether alone or in combination with any other words, names, logos or Trademarks.

"**Straddle Period**" means any Tax period beginning on or before and ending after the Closing Date.

"**Tax Return**" means any return, report, information return or other document (including schedules or any related or supporting information) filed or required to be filed with any Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any Laws, regulations or administrative requirements relating to any Tax.

"**Taxes**" means (a) any federal, state, local or foreign income, gross receipts, capital stock, franchise, profits, premium, withholding, social security, unemployment, disability, real property, ad valorem/personal property, stamp, excise, occupation, sales, use, transfer, value added, alternative minimum, estimated or other tax, including any interest, penalty or addition thereto, whether or not disputed, (b) any liability for payment of amounts described in clause (a) as a result of being a member of an Affiliated Group payable by reason of Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof) or any analogous or similar provision under Law, resulting from a relationship existing at any time prior to the Closing, and (c) any liability for payment of amounts described in clauses (a) or (b) for a Pre-Closing Tax Period as a result of transferee or successor liability, or any tax sharing, tax indemnity or tax allocation agreement (other than pursuant to a commercial agreement the primary subject of which is not Taxes), that results from an event or circumstance occurring or existing prior to the Closing.

"**Taxing Authority**" means the IRS and any other Governmental Entity responsible for the administration of any Tax.

"**Treasury Regulations**" means the final, temporary or proposed regulations promulgated by the United States Department of the Treasury Department under the Code.

"**Trademark**" has the meaning set forth in the definition of "Intellectual Property".

"**Virtual Data Room**" means the virtual data room maintained by Intralinks, Inc. established in connection with this transaction containing certain documents and information relating to Seller, the Company and its business and assets, and made available in electronic form to Buyer and its representatives.

In addition to the foregoing, the following terms are defined in the corresponding Sections of this Agreement:

Term	**Section Reference**
"**Accountant**"	Section 2.2(c)(ii)
"**Adjusted Closing Surplus Amount**"	Section 2.2(c)(i)
"**Affiliate Agreements**"	Section 3.16
"**Agreement**"	Introductory paragraph of this Agreement
"**Basket**"	Section 8.1(b)(i)
"**Buyer**"	Introductory paragraph of this Agreement
"**Buyer Indemnified Parties**"	Section 8.1(a)
"**Cap**"	Section 8.1(b)(ii)
"**Closing**"	Section 2.4
"**Closing Date**"	Section 2.4
"**Closing Surplus Amount**"	Section 2.2(c)(i)
"**Closing Unrealized Gains and Losses on Investments**"	Section 2.2(c)(i)
"**Company**"	First Recital of this Agreement
"**Company Contracts**"	Section 3.13
"**Company Shares**"	Third Recital of this Agreement
"**CPA Cost**"	Section 2.2(c)(ii)
"**Date of this Agreement**"	Introductory paragraph of this Agreement
"**Defense Notice Period**"	Section 8.3(b)(i)
"**Delaware Court**"	Section 11.4
"**Demand Notice**"	Section 8.2(b)
"**Designated Buyer Contact**"	Section 5.17(d)
"**Dispute Notice**"	Section 2.2(c)(ii)
"**Dispute Period**"	Section 2.2(c)(ii)
"**Disputed Items**"	Section 2.2(c)(ii)
"**Final Closing Surplus Amount**"	Section 2.2(c)(ii)
"**Form 8023**"	Section 9.7(a)
"**Form 8883**"	Section 9.7(a)
"**IID Dividend Request**"	Section 5.11(d)
"**Indemnification Notice**"	Section 8.2(a)
"**Indemnified Party**"	Section 8.2(a)
"**Indemnifying Party**"	Section 8.2(a)
"**Losses**"	Section 8.1(a)
"**Material Filings**"	Section 5.4(a)
"**Notice Period**"	Section 2.2(c)(ii)
"**Outside Date**"	Section 10.1(e)
"**Party**" and "**Parties**"	Introductory paragraph of this Agreement
"**Post-Closing Statutory Statements**"	Section 5.9(b)
"**Pre-Closing Quarterly Statutory Balance Sheet**"	Section 2.2(b)
"**Pre-Closing Reorganization Transactions**"	Section 5.11(a)

"Pre-Closing Tax Claim"	Section 9.4(a)
"Purchase Price"	Section 2.2(a)
"Remaining Disputed Items"	Section 2.2(c)(ii)
"Resolved Items"	Section 2.2(c)(ii)
"Section 338(h)(10) Election"	Section 9.7(a)
"Seller"	Introductory paragraph of this Agreement
"Seller Financial Statement"	Section 3.4(c)
"Seller Indemnified Parties"	Section 8.1(c)
"Specified Minimum Capital Amount"	Section 2.2(a)(i)
"Statutory Examination"	Section 5.17(a)
"Statutory Statements"	Section 3.4(a)
"Straddle Period Tax Claim"	Section 9.4(c)
"Tax Claim"	Section 9.4(a)
"Third Party Claim"	Section 8.3(a)
"Transaction Agreements"	Section 3.1(c)
"Transfer Taxes"	Section 9.6

Section 1.2 Other Definitional Provisions. Unless the express context otherwise requires:

(a) the words "hereof", "herein", and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) the table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement;

(c) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(d) the terms "USD", "Dollars" and "$" mean United States Dollars;

(e) wherever the word "include", "includes", or "including" is used in this Agreement (except in the definition of the term "Agreement"), it shall be deemed to be followed by the words "without limitation";

(f) references herein to either gender includes the other gender;

(g) references to a "company" include any company, corporation or body corporate (including a limited liability company), wherever incorporated;

(h) references to "subsidiary" mean, in respect of any person, any corporation, company (including any limited liability company), association, partnership, joint venture or other business entity of which 50% or more of the total voting power of the voting stock is at the time owned or controlled, directly or indirectly;

(i) a company is deemed to be another's "holding company" if (but only if) the other is its subsidiary;

(j) references to "paragraphs", "Clauses", "Articles", "Sections", "Recitals", "Annexes", Schedules and "Seller Disclosure Schedule" are to paragraphs, Clauses, Articles, Sections and Recitals of, Annexes, Schedules and the Seller Disclosure Schedule, to this Agreement. References to "paragraphs", "Sections" and "Parts" of the Annexes are to paragraphs, Sections and Parts of the Annexes to this Agreement;

(k) a reference to any statute or statutory provision, or other rule, regulation, policy or procedure, shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified, re-enacted or replaced except to the extent that any statutory provision or rule, regulation, policy or procedure made or enacted, or as amended, modified, re-enacted or replaced, after the Date of this Agreement would create or increase a Liability of Seller under this Agreement;

(l) references to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm;

(m) references to a time of day are, unless otherwise specified, references to New York time;

(n) any fact or item disclosed in any section of the Seller Disclosure Schedule shall be deemed disclosed in all other sections of the Seller Disclosure Schedule, as applicable, to which such fact or item may apply where the relevance of such disclosure is readily apparent from the text or information disclosed;

(o) disclosure of any item in the Seller Disclosure Schedule shall not be deemed an admission that such item represents a material item, fact, exception of fact, event or circumstance or that occurrence or non-occurrence of any change or effect related to such item would result in a Seller Material Adverse Effect;

(p) references to "made available", "provided to" or "delivered to" (or words of similar import) in respect of information made available, provided or delivered (or words of similar import) by Seller mean any information made available, provided or delivered to a member of Buyer's Group or its representatives by or on behalf of any member of Seller's Group, including without limitation by posting such information in the Virtual Data Room;

(q) references to writing shall include any mode of reproducing words in a legible and non-transitory form;

(r) claims, proceedings, disputes, investigations, actions and other matters will only be deemed to have been threatened if sufficient written notice, demand or statement has been given; and

(s) the rule known as the *ejusdem generis* rule shall not apply, and accordingly, general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things.

ARTICLE II
PURCHASE AND SALE OF CAPITAL STOCK

Section 2.1 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller shall sell to Buyer, and Buyer shall purchase from Seller, the Company Shares, free and clear of all Encumbrances.

Section 2.2 Purchase Price.

(a) The aggregate purchase price to be paid at Closing for the Company Shares (the "**Purchase Price**"), subject to adjustment in accordance with Section 2.2(c), shall be an amount equal to the sum of the following:

(i) $5,000,000, representing the highest statutory capital minimum amount that the Company is required to hold by any of the Governmental Entities that have issued an Insurance Permit to the Company (the "**Specified Minimum Capital Amount**"); plus

(ii) an amount equal to $5,928,500; provided, that the amount set forth in this Section 2.2(a)(ii) shall be reduced by $143,000 for each state listed in Section 3.14(c) of the Seller Disclosure Schedule (A) for which the Company is not duly licensed or authorized as an insurance company with authority to engage in each line of business specified for such State in Section 3.14(c) of the Seller Disclosure Schedule or (B) with respect to which Seller has not delivered a certificate of compliance or similar statement in accordance with Section 2.5(a)(vi), provided, that in the event of a reduction to the amount set forth in this Section 2.2(a)(ii) in respect of the State of Connecticut, such reduction shall be $71,500.

(b) Set forth on Schedule 2.2(b) is the statutory balance sheet of the Company as of June 30, 2019 (the "**Pre-Closing Quarterly Statutory Balance Sheet**"), which the Company has prepared in accordance with SAP, applied on a consistent basis, together with supporting documentation showing the basis of the calculation of the net unrealized gains and losses on investments as of June 30, 2019.

(c) Post-Closing Adjustments.

(i) No later than sixty (60) days following the Closing Date, Seller shall prepare and deliver to Buyer a balance sheet of the Company setting forth the amount of the capital and surplus of the Company as of the Closing Date as would be required to be reported on line 38 of the Liabilities, Surplus and Other Funds section of a statutory balance sheet, prepared in accordance with SAP, applied on a consistent basis (the "**Closing Surplus Amount**"), together with supporting documentation showing the calculation of the net unrealized gains and losses on investments as of the Closing Date, which calculation shall be determined on the same basis as the calculation of unrealized gains and losses on investments in Section 2.2(b) above (the "**Closing**

Unrealized Gains and Losses on Investments"). The sum of the Closing Surplus Amount and the Closing Unrealized Gains and Losses on Investments shall be the "**Adjusted Closing Surplus Amount**".

(ii) Within sixty (60) days following the delivery of the balance sheet and supporting documentation prepared in accordance with Section 2.2(c)(i) by Seller to Buyer (the "**Notice Period**") setting forth the Adjusted Closing Surplus Amount, Buyer shall deliver notice in writing to Seller of either (A) Buyer's agreement as to the Adjusted Closing Surplus Amount or (B) Buyer's dispute thereof (if any), specifying in reasonable detail the items or amounts with which Buyer disagrees and the basis therefor (any such items in dispute, the "**Disputed Items**" and any such notice of the Disputed Items, the "**Dispute Notice**"). If Buyer agrees to the Adjusted Closing Surplus Amount or Buyer fails to deliver to Seller a Dispute Notice within the Notice Period, then the calculation of the Adjusted Closing Surplus Amount determined pursuant to Section 2.2(c)(i), shall be deemed to be the "**Final Closing Surplus Amount**" and binding on the Parties enforceable by any court of competent jurisdiction, except in the case of fraud. If Buyer delivers a Dispute Notice to Seller prior to the expiration of the Notice Period, each Party shall cooperate and shall cause its representatives to cooperate with the other Party and their representatives in good faith to seek to promptly resolve the Disputed Items. Any Disputed Items that are agreed to in writing by the Parties (such resolved Disputed Items, "**Resolved Items**") within fifteen (15) days of receipt of the Dispute Notice or such other time as is mutually agreed in writing by the Parties (the "**Dispute Period**") shall be final and binding upon the Parties. If at the end of the Dispute Period, the Parties have failed to reach agreement with respect to any Disputed Items (such unresolved Disputed Items, "**Remaining Disputed Items**"), such Remaining Disputed Items shall, within twenty (20) days after the expiration of the Dispute Period, be submitted to an independent accounting firm of national reputation jointly agreed to by Seller and Buyer which has experience in the substance of the Remaining Disputed Items. In the event that the Parties fail to appoint an independent accounting firm pursuant to the immediately preceding sentence within such twenty (20) day period, the Parties agree that the independent accounting firm shall be appointed (on the application of either Party) by the President of the American Institute of Certified Public Accountants. The accounting firm so selected shall be referred to herein as the "**Accountant**." The Accountant may consider only the Remaining Disputed Items and must resolve such Remaining Disputed Items in accordance with the terms and provisions of this Agreement and based solely on the submissions by Seller and Buyer. In resolving any disputed item, the Accountant may not assign a value to any item greater than the greatest value for such item claimed by either Party or less than the least value for such items claimed by either Party. Buyer and Seller shall use reasonable efforts to cause the Accountant to render a written decision resolving the Remaining Disputed Items submitted to the Accountant within thirty (30) days of the making of such submission. Accountant shall deliver a written report setting forth the resolution of each Remaining Disputed Item and the resulting adjustments to the Adjusted Closing Surplus Amount. Except in the case of fraud, the conclusions in the Accountant's written report, including the adjustments to the balance sheet prepared in accordance with Section 2.2(c)(i) above and taking into account the effect of Resolved Items, shall be deemed to be the "**Final Closing Surplus Amount**", binding upon the Parties and enforceable by any court of competent jurisdiction. The cost of the Accountant's review and determination pursuant to this Section 2.2 (the "**CPA Cost**") shall be borne severally and not jointly by Seller and Buyer. Buyer shall be responsible for an amount equal to (I) the CPA Cost *multiplied* by (II) the percentage that is equal to (x) the amount of the Remaining Disputed Items determined by the Accountant in favor of Seller *divided* by (y)

the aggregate amount of all Remaining Disputed Items. Seller shall pay an amount equal to (1) the CPA Cost *multiplied* by (2) the percentage that is equal to (x) the amount of the Remaining Disputed Items determined by the Accountant in favor of Buyer *divided* by (y) the aggregate amount of all Remaining Disputed Items.

(iii) During the time in which the Accountant is reviewing the Remaining Disputed Items, each Party shall make available to the Accountant such work papers, schedules, books and records and other supporting documents and data as the Accountant may reasonably request to resolve the Remaining Disputed Items; provided, however, that the independent accountants of Seller or Buyer shall not be obligated to make any working papers available to the Accountant unless and until the Accountant has signed a customary confidentiality and hold harmless agreement relating to such access to working papers in form and substance reasonably acceptable to such independent accountants. All information, working papers or other data as to which Buyer (or, as applicable, Seller) or any other member of Buyer's Group (or, as applicable, Seller's Group) shall have access or may obtain pursuant to this Section 2.2 shall be returned to Seller (or, as applicable, to Buyer) promptly upon completion of the procedures described in this Section 2.2. Buyer (or, as applicable, Seller) shall assume responsibility for expunging copies of any such information, working papers or other data from any computer, word processor or other device containing such information otherwise required to be returned by it pursuant to the preceding sentence. For the avoidance of doubt, all working papers provided pursuant to this Section 2.2 shall remain the sole property of the relevant member or members of Seller's Group or Buyer's Group, as the case may be.

(iv) On or prior to the fifth (5th) Business Day following the determination of the Final Closing Surplus Amount, (A) if the Specified Minimum Capital Amount exceeds the Final Closing Surplus Amount, Seller shall pay the amount of any such excess to Buyer via wire transfer of immediately available funds, and (B) if the Final Closing Surplus Amount exceeds the Specified Minimum Capital Amount, Buyer shall pay to Seller via wire transfer of immediately available funds the lesser of (1) the amount of any such excess, and (2) $500,000; provided, however, that Buyer shall pay up to $1,250,000 of any such excess pursuant to clause (B) if Seller timely made the IID Dividend Request in accordance with Section 5.11(d) and the payment of all or a portion of the related dividend was denied by the IID.

(v) For the avoidance of doubt, any change in SAP, GAAP, Law or any other rule that is adopted after December 31, 2018 shall not be given effect in the determination of the Adjusted Closing Surplus Amount to the extent that any such change was not given effect in the preparation of the Pre-Closing Quarterly Statutory Balance Sheet and the calculation of the net unrealized gains and losses on investments as of that date.

(vi) The Parties hereto hereby acknowledge and agree that any amounts paid pursuant to this Section 2.2(c) shall be deemed an adjustment to the Purchase Price.

Section 2.3 Excluded Assets. Notwithstanding anything herein to the contrary, the Company shall not retain any right, title or interest in and to, the Excluded Assets (for the avoidance of doubt, Seller's Group will use commercially reasonable efforts to cause the Company to transfer all Excluded Assets out of the Company prior to the Closing as part of or in connection with the Pre-Closing Reorganization Transactions contemplated by Section 5.11). Buyer shall,

and shall cause the Company or any other member of Buyer's Group to, transfer to Seller, as soon as reasonably practicable following the Closing, any Excluded Assets that remain in the possession of the Company, Buyer or any member of Buyer's Group following the Closing.

Section 2.4 Closing. Unless this Agreement shall have been terminated pursuant to Section 10.1, the consummation of the purchase and sale of the Company Shares and the other transactions contemplated by this Agreement (the "**Closing**") shall take place at 10:00 a.m. Central Time on the final calendar day of the month in which all of the conditions set forth in Article VI have been satisfied or waived, provided, that such day shall not be on the last calendar day of a calendar quarter, unless another date, time or place is agreed to in writing by the Parties (such time and date are herein referred to as the "**Closing Date**"). Unless a place is agreed to in writing by the Parties, documents to be delivered at Closing shall be delivered by electronic mail (as a .pdf, .tif or similar uneditable attachment), and the delivery of the original documents shall be made on the first Business Day following the Closing Date. The Closing shall be effective as of 11:59 p.m. Central Time on the Closing Date.

Section 2.5 Closing Deliveries.

At the Closing, the Parties shall take the following actions:

(a) Seller shall deliver to Buyer:

(i) certificates representing the Company Shares to be transferred by Seller, duly endorsed in blank (or accompanied by stock powers executed in blank) with any required transfer stamps affixed or provided for;

(ii) the officer's certificate contemplated in Section 6.1(a), Section 6.1(b) and Section 6.1(d);

(iii) resignations, effective as of the Closing Date, of the directors and officers of the Company in form and substance reasonably acceptable to Buyer;

(iv) a certificate of the Secretary or Assistant Secretary of Seller, dated as of the Closing Date, certifying the completeness and correctness of attached copies of the Company's Constituent Documents, including a copy of the articles of incorporation of the Company certified by the applicable Iowa Governmental Entity no more than ten (10) Business Days prior to Closing;

(v) all Books and Records that are reasonably capable of being delivered to Buyer prior to the Closing (provided that Seller shall be permitted to retain a copy of such Books and Records for its internal recordkeeping purposes);

(vi) Certificates of compliance or similar official statements of active licensure in good standing or other comparable formulation issued by the insurance regulators regarding each of the Insurance Permits set forth in Section 3.14(c) of the Seller Disclosure Schedule (other than the Insurance Permits for those states listed in Section 3.14(c) of the Seller Disclosure Schedule for which Seller has notified Buyer on or prior to the Closing Date that the

Company is not duly licensed or authorized as an insurance company and in good standing or other comparable formulation), as of a date not more than thirty (30) days before the Closing Date;

(vii) all such additional instruments, documents and certificates provided for by this Agreement in connection with the consummation of, or reasonably required to effectuate, the transactions contemplated by this Agreement; and

(viii) a non-foreign affidavit dated as of the Closing Date, sworn under penalty of perjury and in form and substance required under the Treasury Regulations issued pursuant to Section 1445(b)(2) of the Code, stating that Seller is not a "foreign person" as defined in Section 1445 of the Code.

(b) Buyer shall deliver to Seller:

(i) the Purchase Price, by wire transfer of immediately available funds to an account designated in writing by Seller, with such designation made at least two (2) Business Days prior to the Closing Date;

(ii) copies (or other evidence) of all valid approvals or authorizations of all Persons required to be obtained, filed or made by Buyer in satisfaction of Section 6.1(c);

(iii) the officer's certificate contemplated in Section 6.2(a) and Section 6.2(b);

(iv) all such additional instruments, documents and certificates provided for by this Agreement in connection with the consummation of, or reasonably required to effectuate, the transactions contemplated by this Agreement; and

(v) a properly completed and executed Form 8023, as described in Section 9.7(a).

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer, each as of the date hereof and as of the Closing Date (except that any representation and warranty made as of a specific date, is made only as of such date), as follows:

Section 3.1 Organization, Standing, Corporate Power and Authorization.

(a) Except as set forth on Section 3.1(a) of the Seller Disclosure Schedule, the Company is a stock insurance company duly organized, validly existing and in good standing under the Laws of the State of Iowa and has the requisite power and authority to own its properties and assets and to carry on its business as currently conducted.

(b) Seller is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Iowa and has the requisite limited liability company power and authority to own its properties and assets.

(c) Seller has the requisite power and authority to enter into this Agreement and all Transaction Agreements to which Seller is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and any Transaction Agreement by Seller and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary organizational action on the part of Seller and no other proceedings on the part of Seller are necessary to authorize this Agreement or any Transaction Agreement to which Seller is a party or the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by Seller. This Agreement constitutes, and the Transaction Agreements to which Seller is a party when executed and delivered, will constitute (assuming due authorization, execution and delivery by Buyer) the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with their respective terms subject to the effect of receivership, conservatorship and supervisory powers of bank or insurance regulatory agencies generally, as well as bankruptcy, insolvency, reorganization, liquidation, dissolution, moratorium or other similar Laws relating to or affecting the rights of creditors generally and to the effect of the application of general principles of equity (regardless of whether construed in proceeding at law or in equity). All agreements where Seller or Buyer is a party and referred to in this Agreement, executed in connection herewith or contemplated hereby or herein, are referred to as the "**Transaction Agreements**".

Section 3.2 Capital Structure.

(a) Section 3.2(a) of the Seller Disclosure Schedule sets forth the number of authorized, issued and outstanding shares of capital stock of the Company. Seller legally and beneficially owns all of the Company Shares, free and clear of any Encumbrances (other than any restrictions imposed by the Securities Act, other applicable securities Laws or applicable insurance Laws). The Company Shares represent one hundred percent (100%) of the shares of outstanding capital stock of the Company

(b) All the issued and outstanding Company Shares have been duly authorized and validly issued and are fully paid, non-assessable and not issued in violation of any preemptive or other similar right. There are no (i) outstanding options, warrants, rights of conversion, exchange or purchase or any similar rights in respect of, or (ii) agreements or understandings outstanding with respect to the issue, voting, sale or transfer of, any Company Shares.

(c) The Company does not own any equity interests in any Person.

(d) Except as set forth in Section 3.2(d) of the Seller Disclosure Schedule, the Company has not issued, or currently does not have outstanding, any bonds, debentures, notes, debt instruments or other indebtedness.

Section 3.3 Non-Contravention; Consents.

(a) Subject to Section 5.19 and except as set forth in Section 3.3(a) of the Seller Disclosure Schedule, the execution, delivery and performance by Seller of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (i) conflict with any of the provisions of the Constituent Documents of Seller or the Company; (ii) conflict with, result in a breach of or default (with or without notice or lapse of time, or both) under or give rise to a

right of termination under, any Company Contract, Permit or instrument to which the Company is a party or otherwise bound; or (iii) contravene any Requirements of Law applicable to Seller or the Company in any material respect, except in the case of clause (ii) of this Section 3.3(a), for any such conflicts, violations, breaches, defaults, or terminations that, individually or in the aggregate, would not have a Seller Material Adverse Effect.

(b) No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity or Person, is required to be made by Seller or the Company in connection with the execution and delivery of this Agreement and all of the Transaction Agreements by Seller or the consummation by Seller or the Company of any of the transactions contemplated by this Agreement, except for (i) those consents, approvals, authorizations, declarations, filings or notices set forth in Section 3.3(b) of the Seller Disclosure Schedule, and (ii) such other consents, approvals, authorizations, declarations, filings or notices which the failure to obtain or make could not reasonably be expected to have a Seller Material Adverse Effect.

Section 3.4 Financial Statements; Reserves; Actuarial Results.

(a) Seller has furnished Buyer with copies of the following statutory statements of the Company, in each case together with the exhibits, schedules, interrogatories, notes, and actuarial opinions, thereto and any affirmations and certifications filed therewith (collectively, the "**Statutory Statements**"): (i) the audited annual statutory financial statements as of December 31 for each of the years 2018, 2017, and 2016, in each case, as filed with the IID; and (ii) the unaudited quarterly statutory financial statement for each of the quarterly periods ended March 31 and June 30, 2019 and September 30, 2019, as filed with the IID. Notwithstanding the foregoing, if the aforementioned September 30, 2019 Statutory Statements are not yet complete as of the date hereof, Seller has furnished Buyer with such Statutory Statements promptly after the date of their filing with the IID.

(b) Except as set forth in Section 3.4(b) of the Seller Disclosure Schedule, (i) the Statutory Statements were prepared in all material respects in accordance with SAP; (ii) the Statutory Statements were prepared in all material respects in accordance with the books and records of the Company; (iii) the Statutory Statements present fairly in all material respects the statutory financial position of the Company at the respective date thereof and the statutory results of operations, capital and surplus and cash flows of the Company for the respective periods then ended; (iv) the Statutory Statements complied in all material respects with all applicable Requirements of Law when filed; (v) the Statutory Statements were filed with or submitted to the IID, in a timely manner on forms prescribed by the IID; and (vi) no material deficiency has been asserted by any Governmental Entity with respect to any of the Statutory Statements.

(c) Seller has furnished Buyer with copies of the consolidated financial statements of Seller, consisting of (i) the unaudited financial statements (including balance sheets and statements of earnings) of Seller for the years ended 2016, 2017 and 2018, and (ii) the unaudited financial statements (including balance sheet and statement of earnings) of Seller as of June 30, 2019 (each a "**Seller Financial Statement**").

(d) Except as set forth in Section 3.4(d) of the Seller Disclosure Schedule, the Seller Financial Statements (i) were prepared in all material respects in accordance with GAAP

applied on a consistent basis (except in the case of unaudited statements, for the absence of footnote disclosure) and with the books and records of Seller; and (ii) fairly present in all material respects the assets, Liabilities, financial position, results of operations and cash flows of Seller as of the dates and for the periods indicated.

Section 3.5 Rights to the Company Shares. Upon consummation of the transactions contemplated by this Agreement, including the execution and delivery of documents in accordance with Section 2.5, at the Closing, Buyer shall acquire all right, title and interest in and to the Company Shares, free of any Encumbrances (excluding any Encumbrances of Buyer and other than any restrictions imposed by the Securities Act, other applicable securities Laws or applicable insurance Laws).

Section 3.6 No Undisclosed Liabilities. Except for those Liabilities that are specifically reflected or reserved against in the most recent Statutory Statements, the Company has no Liabilities.

Section 3.7 Employees; Labor Matters.

(a) Since May 1, 2013, the Company has not had any employees. The Company does not have any responsibilities or Liabilities in respect of any employees, including any Liabilities to any Governmental Entity relating to employees.

(b) Since May 1, 2013, the Company has not been party to any labor or collective bargaining agreement or other agreement with any labor organization.

Section 3.8 Benefit Plans.

(a) The Company (i) has never sponsored, maintained or contributed to any Employee Benefit Plan and (ii) has no debts, commitments, Liabilities or obligations of any kind or nature whatsoever, whether accrued, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, contingent, absolute, known or unknown, due or to become due, determined, determinable or otherwise (and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a debt, Liability, obligation or commitment) with respect to any Employee Benefit Plan (including any excise, income or other Tax or any penalties, or any Liability or obligation to the Pension Benefit Guaranty Corporation under Section 4001, et seq. of ERISA). No condition exists that is reasonably likely to result in the Company incurring liability under Title IV of ERISA, either directly or with respect to any ERISA Affiliate.

(b) The Company has made no plan or commitment, whether or not legally binding, to create any Employee Benefit Plan.

(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will result in any payment becoming due under any Employee Benefit Plan to any Person from the Company.

(d) There are no facts or circumstances that could reasonably be expected to, directly or indirectly, subject the Company to any (i) excise Tax or other liability under Chapters

43, 46 or 47 of Subtitle D of the Code, (ii) penalty Tax or other liability under Chapter 68 of Subtitle F of the Code, or (iii) civil penalty, damages or other liabilities arising under Section 502 of ERISA.

Section 3.9 Absence of Certain Changes or Events. Since December 31, 2018, there has not been any Seller Material Adverse Effect. Except as contemplated or permitted by this Agreement, or as disclosed in Section 3.9 of the Seller Disclosure Schedule, since December 31, 2018, there has not occurred any of the following actions or events:

(a) The Company has not incurred debt for borrowed money or contracted for the extension or ability to incur debt for borrowed money (even if not yet incurred), or incurred any other material obligation or Liability.

(b) The Company has not authorized, declared, paid or effected any dividend, payment or other distribution on or with respect to any of its capital stock.

(c) The Company has not purchased, redeemed or otherwise acquired or committed itself to acquire, directly or indirectly, any of its capital stock.

(d) The Company has not mortgaged, pledged or otherwise encumbered or subjected to Encumbrance (other than any Permitted Encumbrances) any of its material assets or properties, tangible or intangible.

(e) The Company has not sold, leased or otherwise disposed of any material asset or property, tangible or intangible, except for consideration at least equal to the fair value of such asset or property, nor has Company leased or licensed to others (including officers and directors) any material asset or property.

(f) The Company has not paid or prepaid any obligation or Liability, or discharged or satisfied any Encumbrance (other than any Permitted Encumbrances), or settled any Liability, claim, dispute, proceeding, suit or appeal, pending or threatened against it or any of its assets or properties.

(g) The Company has not purchased or otherwise acquired any debt or equity securities of any corporation, partnership, joint venture, firm or other entity, other than investment securities.

(h) The Company has not sold, assigned, transferred or conveyed any Intellectual Property.

(i) Neither the Company, nor, with respect to the Company, Seller, has effected any employee profit-sharing, stock option, stock purchase, pension, bonus, incentive, retirement, medical reimbursement, life insurance, deferred compensation, severance or termination agreements or any other Employee Benefit Plan or arrangement.

(j) The Company has not had any amendment or modification to its respective charter documents, bylaws or other governing documents.

(k) Neither the Company, nor, with respect to the Company, Seller, has made any change in accounting methods or principles used for Tax, financial or regulatory reporting purposes, except for changes which are required for all companies of like kind.

(l) Neither the Company, nor, with respect to the Company, Seller, has entered into any agreement or commitment, whether in writing or otherwise, to take any action described in this Section 3.9.

Section 3.10 Taxes.

(a) All material Tax Returns of the Company that are required to be filed (taking into account any available extensions) have been timely filed, all such Tax Returns are true and complete in all material respects, all material Taxes (whether or not shown to be due on such Tax Returns) have been timely paid, and all deficiencies asserted in writing or assessments made in writing by the relevant Taxing Authority in connection with any such Taxes or Tax Return have been timely paid, except for (i) Taxes that are being contested in good faith and described in Section 3.10(a) of the Seller Disclosure Schedule and (ii) Taxes being contested with respect to consolidated, combined or unitary Tax Returns.

(b) The Company has properly withheld and paid to the relevant Taxing Authority all material Taxes required to have been withheld and paid with respect to third parties.

(c) The Company is a member of the "selling consolidated group" within the meaning of Section 338(h)(10)(B) of the Code, which includes Seller.

(d) Other than with respect to consolidated, combined or unitary Tax Returns which include the Company, no waiver extending any statute of limitations with respect to any Taxes or agreement to any extension of time with respect to any Tax assessment or deficiency in respect to the Company, remains outstanding.

(e) Other than with respect to consolidated, combined or unitary Tax Returns, which include the Company, no audits or administrative or judicial proceedings are pending or being conducted, or to Seller's Knowledge, are threatened with respect to the Taxes of the Company.

(f) The Company is not and has never been a party to any "listed transaction," as defined in Code Section 6707A(c)(2) and Treasury Regulation Section 1.6011-4(b)(2).

(h) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any election made or amount received by the Company on or prior to the Closing Date.

Notwithstanding anything contrary contained in this Agreement, the representations and warranties set forth in this Section 3.10 and those relating to Taxes contained in Section 3.9 constitute the sole and exclusive representations and warranties regarding Taxes, Tax Returns and other matters relating to Taxes, and nothing in this Section 3.10 shall cause Seller to be liable for

any Taxes for which Seller is not expressly liable pursuant to Section 8.1(a)(iii) and Article IX (relating to Tax matters).

Section 3.11 Compliance with Applicable Law. Except as set forth in Section 3.11 of the Seller Disclosure Schedule, (a) the Company has in full force and effect all Permits necessary for it to own, lease or operate its properties and assets and to carry on its business as now conducted; (b) the Company is, and for the past three (3) years has been, in compliance in all material respects with all applicable Requirements of Law; (c) the Company has not received any written notice from any Governmental Entity or any other Person regarding (i) any actual, alleged, possible, or potential violation of, or failure to comply with, any applicable Requirements of Law in any material respect, or (ii) any actual, proposed, possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or material modification to any Permit which has not been resolved; and (d) all applications required to have been filed for the renewal of each Permit have been duly filed on a timely basis with the appropriate Governmental Entity, and all other filings required to have been made with respect to each Permit have been duly made on a timely basis with the appropriate Governmental Entity.

Section 3.12 Litigation. There are no Actions or Orders issued, pending or, to the Knowledge of Seller, threatened against Seller or the Company on any of their respective properties or assets, at law, in equity or otherwise, in, before or by, or otherwise involving any Governmental Entity or other Person, including any that, individually or in the aggregate, challenge the validity or legality of, or have the effect of prohibiting, preventing, restraining, delaying, making illegal or otherwise interfering with, this Agreement or the consummation of transactions contemplated by this Agreement. There are no unsatisfied judgments or outstanding injunctions, decrees or awards against the Company or against any of its respective assets, businesses or properties. Except as set forth in Section 3.12 of the Seller Disclosure Schedule, during the past three (3) years the Company has not been party to any Action.

Section 3.13 Contracts. Section 3.13 of the Seller Disclosure Schedule lists all Contracts (other than any Affiliate Agreement) providing for the payment or receipt by the Company of amounts in excess of $25,000 to which the Company is a party or by which it or properties or assets owned or used by it are bound or affected and currently in effect (collectively, the "**Company Contracts**"). Each Company Contract is the legal, valid and binding obligation of the Company, and to the Knowledge of Seller and assuming the due authorization, execution and delivery of such Company Contract by each other part thereto, of each such other party, and is enforceable in accordance with its terms, subject to the effect of receivership, conservatorship and supervisory powers of bank or insurance regulatory agencies generally, as well as bankruptcy, insolvency, reorganization, liquidation, dissolution, moratorium or other similar Laws relating to or affecting the rights of creditors generally and to the effect of the application of general principles of equity (regardless of whether construed in proceeding at law or in equity). The Company, and to the Knowledge of Seller, all other parties, are not in material violation or default of any term of any such Company Contract and no condition or event exists which with the giving of notice or the passage of time, or both, would constitute a material violation or default of any Company Contract by the Company or permit the termination, modification, cancellation or acceleration of performance of the obligations of the Company or any other party to such Company Contract. Except as set forth in Section 3.13 of the Seller Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not give rise to a right of a party or parties (other

than the Company) to any Company Contract to terminate such Company Contract or impose liability under the terms thereof on the Company. None of the Company Contracts (i) commits the Company to pay any fees, bonus or other amount upon or following any change in control, or change in the nature of the business of the Company or (ii) contains covenants restricting, restraining or impairing the ability of (A) the Company to engage in any line of business or with any Person, to compete with any Person, to do business with any Person or in any location or to employ any Person or (B) any Person to obtain products or services from the Company.

Section 3.14 Insurance Matters.

(a) (i) Seller has provided Buyer with copies of any reports of examination (including financial, market conduct and similar examinations) of the Company issued by any insurance regulatory authority since December 31, 2016, and (ii) Seller has provided, or will provide prior to Closing, Buyer with copies of the following documents to the extent set forth on Schedule 1.1: all material filings or submissions under insurance holding company statutes and regulations, made by the Company with the IID since December 31, 2016, which filings described in clauses (i) and (ii) of this clause (a) may be redacted by Seller to remove (x) information constituting "confidential supervisory information," within the meaning of the rules and regulations of any Banking Regulator, and (y) confidential information relating to Affiliates of the Company. The Company has filed all material reports, registrations, filings and submissions required to be filed with any insurance regulatory authority (including under the applicable insurance holding company statute) since December 31, 2016.

(b) All such reports of examination (including financial, market conduct and similar examinations), registrations, filings and submissions were in compliance in all material respects with applicable Requirements of Law when filed or as amended or supplemented, and no material deficiencies have been asserted in writing by any applicable insurance regulatory authority with respect to such reports of examinations, registrations, filings or submissions that have not been cured or remedied to the satisfaction of the applicable insurance regulatory authority.

(c) The Company's Iowa certificate of authority to transact the business of property and casualty insurance is in full force and effect. The Company (i) holds an Insurance Permit in each of the jurisdictions listed on Section 3.14(c) of the Seller Disclosure Schedule, (ii) is in good standing with each insurance regulatory authority with no restrictions, limitations, or impairments with respect to each such Insurance Permit, and (iii) duly licensed and authorized to write those lines of business listed in Section 3.14(c) of the Seller Disclosure Schedule, in each case, other than for those states listed in Section 3.14(c) of the Seller Disclosure Schedule for which Seller has notified Buyer in writing (which may be made by email to the Designated Buyer Contact) on or prior to the Closing Date that the Company is not duly licensed or authorized as an insurance company and in good standing with the applicable insurance regulatory authority. The Insurance Permits set forth in Section 3.14(c) of the Seller Disclosure Schedule, including the Company's Iowa certificate of authority, are each in full force and effect, other than for those states listed in Section 3.14(c) of the Seller Disclosure Schedule for which Seller has notified Buyer in writing (which may be made by email to the Designated Buyer Contact) on or prior to the Closing Date that the Company is not duly licensed or authorized as an insurance company and in good standing. The Company has not received from any Governmental Entity (A) prior to the Date of this Agreement and (B) from the Date of this Agreement until the Closing Date, except under

clause (B) with respect to which Seller will have notified Buyer in writing (which may be made by email to the Designated Buyer Contact) on or prior to the Closing Date, any notice of suspension, cancellation, revocation, denial, or termination in connection with any Insurance Permit listed on Section 3.14(c) of the Seller Disclosure Schedule, or any subpoena or other notice of investigation of any current or prior business practice of the Company. Since December 31, 2016, the Company has conducted no insurance business or other business in any jurisdiction other than the jurisdictions listed in Section 3.14(c) of the Seller Disclosure Schedule with respect to which it would be required to have an Insurance Permit except to the extent the Company did hold such an Insurance Permit. The Company has not engaged in any activity which would reasonably be expected to cause the loss, limitation, restriction, revocation, suspension or impairment of any Insurance Permit or authorizations, in each case, with respect to the jurisdictions listed on Section 3.14(c) of the Seller Disclosure Schedule. No Action or notification with respect to any loss, limitation, restriction, revocation, suspension or impairment of any Insurance Permit listed on Section 3.14(c) of the Seller Disclosure Schedule or authorization is pending or, to the Knowledge of Seller, threatened (A) prior to the Date of this Agreement and (B) from the Date of this Agreement until the Closing Date, except under clause (B) with respect to which Seller will have notified Buyer in writing (which may be made by email to the Designated Buyer Contact) on or prior to the Closing Date.

(d) Except as set forth in Section 3.14(d) of the Seller Disclosure Schedule, since December 31, 2018, the Company has not issued any insurance policies, entered into any Reinsurance Agreements or reinsurance recapture arrangements. Seller has made available to Buyer true and complete copies of all Reinsurance Agreements that are presently in-force or were in-force at any time following December 31, 2016 (including Reinsurance Agreements that have been terminated but with respect to which not all risks have not been recaptured or otherwise extinguished).

(e) The Company does not have any in-force insurance policies. The Company is not "commercially domiciled" for insurance regulatory purposes in any jurisdiction or otherwise treated as domiciled in a jurisdiction other than the State of Iowa.

(f) The Company has made available to Buyer all material actuarial reports in the Company's possession and prepared by actuaries, independent or otherwise, that cover periods beginning on or after December 31, 2016. The information and data furnished by the Company to its independent actuaries in connection with the preparation of such actuarial reports were accurate in all material respects for the periods covered in such reports.

(g) (i) Except as required by applicable Laws and the Insurance Permits listed on Section 3.14(c) of the Seller Disclosure Schedule, there is no (A) written agreement, memorandum of understanding, commitment letter or similar written undertaking with any insurance regulatory authority that is binding on the Company or (B) order or directive by, or supervisory letter or cease-and-desist order from (other than those that are generally applicable to the insurance industry), any insurance regulatory authority that is binding on the Company and (ii) the Company has not adopted any board or shareholder resolution at the request of any insurance regulatory authority, in the case of each of clauses (i) and (ii), that (1) limits in any material respect the ability of the Company to conduct its business, (2) requires the divestiture of any material investment of the Company (3) limits in any material respect the ability of the

Company to pay dividends or (4) requires any material investment of the Company to be treated as a non-admitted asset (or the local equivalent).

(h) There are no Insurance Contracts under which holders or owners of such Insurance Contracts have any rights with respect dividends, surplus, profits, participation or voting rights.

(i) Except as set forth in Section 3.14(i) of the Seller Disclosure Schedule, since December 31, 2016, no agent, broker, intermediary or producer has any underwriting or binding authority on behalf of the Company, and the Company is not a party to any general agency Contract or other similar arrangement.

(j) To the Knowledge of Seller, no proceeding or customer complaint has been filed with the insurance regulatory authorities which could reasonably be expected to lead to the revocation, failure to renew, limitation, suspension, restriction, or impairment of any Permit held by the Company.

(k) Except as set forth in Section 3.14(k) of the Seller Disclosure Schedule, no claim or assessment by any Guaranty Fund is pending or, to the Knowledge of Seller, threatened, Seller and the Company have not received notice of any such claim or assessment, and, to the Knowledge of Seller, there is no basis for the assertion of any such claim or assessment against the Company by any such Guaranty Fund.

(l) The Reserves of the Company contained in the Statutory Statements, except as otherwise noted in such Statutory Statements and notes thereto, (i) were computed in all material respects in accordance with generally accepted actuarial standards consistently applied (except as otherwise noted in such Statutory Statements) and were fairly stated in accordance with sound actuarial principles, (ii) were based on actuarial assumptions which produced 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 contract provisions and (iii) satisfied the requirements of all applicable Laws in all material respects.

Section 3.15 Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller or any of its Affiliates (including the Company), except those for which Seller will be solely responsible.

Section 3.16 Certain Relationships. Except as set forth in Section 3.16 of the Seller Disclosure Schedule, the Company is not party to any Contract or other transaction with Seller or its other Affiliates, or any officer or director of such Persons or, to Seller's Knowledge, any employee of such Persons (the "**Affiliate Agreements**"). Section 3.16 of the Seller Disclosure Schedule sets forth a true and complete list of all Intercompany Payables, Intercompany Receivables and all other balances due under any Affiliate Agreement, including loans and advances, commitments and amounts relating to Taxes with respect thereto, in respect of Company, on the one hand, and Seller or Seller's Affiliates (other than Company), on the other

hand, as of the last Business Day of the calendar month immediately preceding the Date of this Agreement.

Section 3.17 Accounts with Financial Institutions. Section 3.17 of the Seller Disclosure Schedule sets forth a list of all safe deposit boxes, active bank accounts and other time or demand deposits of the Company, including any custodial accounts for securities owned by the Company, together with the names and addresses of the applicable financial institution or other depository, the account number, and the identities of all Persons authorized to draw thereon or who have access thereto.

Section 3.18 Insurance. Section 3.18 of the Seller Disclosure Schedule sets forth each insurance program (including policies providing property, casualty, liability, and workers' compensation coverage) currently applicable to the Company; these same programs have been in place and applicable to the Company for the past three (3) years subject to applicable deductibles as set forth in Section 3.18 of the Seller Disclosure Schedule. The Company is not in material breach of any insurance policy and there is no pending or, to the Knowledge of Seller, threatened, claims against such insurance involving the Company as to which the insurers have denied liability.

Section 3.19 Powers of Attorney. No Person holds a power of attorney entitling such Person to bind the Company except those agents for service of process or identified in Section 3.19 of the Seller Disclosure Schedule.

Section 3.20 Intellectual Property.

(a) The Company does not own or possess any Intellectual Property. The Company has a valid right to use any Intellectual Property used by it, to the extent such Intellectual Property exists.

(b) To the Knowledge of Seller, the Company has not received any written notice that it has infringed, misappropriated, diluted or otherwise violated any third party's Intellectual Property. There is no litigation pending or, to the Knowledge of Seller, threatened against Seller or the Company that involves a claim alleging that the Company infringes, misappropriates, dilutes or otherwise violates any third party's Intellectual Property.

Section 3.21 Real Property. The Company does not own or lease, and has no other interest in, any real property.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller, each as of the date hereof and as of the Closing Date (except that any representation and warranty made as of a specific date, is made only as of such date), as follows:

Section 4.1 Organization, Standing and Corporate Power.

(a) Buyer is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Delaware and has the requisite corporate power and authority to own its properties and assets and carry on its business as currently conducted, except for those jurisdictions where the failure to be so organized, existing or in good standing or where the failure to have such power and authority could not reasonably be expected to have a Buyer Material Adverse Effect. Buyer is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership or operation of its properties and assets or the conduct of its business as currently conducted requires such qualification, except for those jurisdictions where the failure to be so qualified or to be in good standing could not reasonably be expected to have a Buyer Material Adverse Effect.

(b) Buyer has the requisite corporate power and authority to enter into this Agreement, the Transaction Agreements and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and the Transaction Agreements and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement and all of the Transaction Agreements have been duly executed and delivered by Buyer and (assuming the due authorization, execution and delivery by Seller) constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms subject to the effect of receivership, conservatorship and supervisory powers of bank or insurance regulatory agencies generally, as well as bankruptcy, insolvency, reorganization, liquidation, dissolution, moratorium or other similar Laws relating to or affecting the rights of creditors generally and to the effect of the application of general principles of equity (regardless of whether construed in proceeding at Law or in equity).

Section 4.2 Non-Contravention; Consents.

(a) The execution, delivery and performance by Buyer of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (i) conflict with any of the provisions of its Constituent Documents; (ii) conflict with, result in a breach of or default (with or without notice or lapse of time, or both) under or give rise to a right of termination under, any Contract, Permit or instrument to which Buyer is a party; or (iii) contravene any Requirements of Law applicable to Buyer or any Affiliate of Buyer in any material respect, except in the cases of clause (ii) of this Section 4.2(a), for any such conflicts, violations, breaches, defaults, or terminations that, individually or in the aggregate, would not have a Buyer Material Adverse Effect.

(b) No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Entity is required to be made by Buyer in connection with the execution and delivery of this Agreement and all of the Transaction Agreements by Buyer or the consummation by Buyer of any of the transactions contemplated by this Agreement, except for (i) those consents, approvals, authorizations, declarations, filings or notices set forth in Schedule 6.1(c) and (ii) such other consents, approvals, authorizations, declarations, filings or notices which the failure to obtain or make could not reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.3 Litigation. There are no Actions or Orders issued, pending or, to the knowledge of Buyer, threatened against Buyer or any of its respective properties or assets, at law, in equity or otherwise, in, before or by, or otherwise involving any Governmental Entity or other Person that individually or in the aggregate, challenge the validity or legality of, or have the effect of prohibiting, preventing, restraining, delaying, making illegal or otherwise interfering with, this Agreement or the consummation of transactions contemplated by this Agreement. There are no unsatisfied judgments or outstanding injunctions, decrees or awards against Buyer or against any of its respective assets, businesses or properties that could reasonably be expected to have a Buyer Material Adverse Effect.

Section 4.4 Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer or any of its Affiliates, except those for which Buyer will be solely responsible.

Section 4.5 Financing. Buyer has the resources and capabilities (financial and otherwise, including funds immediately available to pay the Purchase Price and all other amounts that Buyer is required to pay pursuant to this Agreement and all expenses incurred by Buyer in connection with the transactions contemplated hereby) to perform Buyer's obligations under this Agreement, and Buyer has not incurred any obligation, commitment, restriction or Liability of any kind that would impair or adversely affect such resources and capabilities. Buyer has obtained, or caused to be obtained, all approvals, consents, authorizations, guarantees, pledges, certificates and other documents, and completed all other action, necessary to enable Buyer to effect such payments.

Section 4.6 Securities Act. Buyer is acquiring, directly or indirectly, the Company Shares solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act or other similar applicable Law. Buyer acknowledges that the Company Shares are not registered under any securities Laws and that such securities may not be transferred, sold or otherwise disposed of except pursuant to the registration provisions of the Securities Act or pursuant to an applicable exemption therefrom and pursuant to other securities Laws and regulations, as applicable, and pursuant to insurance Laws and regulations, as applicable.

Section 4.7 Due Diligence by Buyer. Buyer (on behalf of itself and each other member of Buyer's Group) acknowledges and agrees that:

(a) SELLER'S REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN ARE THE ONLY REPRESENTATIONS, WARRANTIES OR ASSURANCES OF ANY KIND GIVEN BY OR ON BEHALF OF SELLER OR THE COMPANY, AND ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE EXPRESSED OR IMPLIED (INCLUDING, ANY RELATING TO THE FUTURE OR HISTORICAL FINANCIAL CONDITION, RESULTS OF OPERATIONS, ASSETS OR LIABILITIES OF OR INCLUDED IN THE COMPANY OR THE QUALITY, QUANTITY OR CONDITION OF THE ASSETS OF ITS BUSINESS) ARE SPECIFICALLY DISCLAIMED BY SELLER, AND NONE OF SELLER, THE OTHER MEMBERS OF SELLER'S GROUP OR THEIR RESPECTIVE REPRESENTATIVES MAKE OR PROVIDE ANY OTHER WARRANTY OR REPRESENTATION, AND BUYER HEREBY WAIVES (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF BUYER'S GROUP) ANY OTHER WARRANTY OR REPRESENTATION, IN EACH CASE, EXPRESS OR IMPLIED, AS TO THE QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION OF THE BUSINESS OF THE COMPANY, ITS ASSETS OR ANY PART THEREOF; AND

(b) notwithstanding anything to the contrary in this Agreement, except for Seller's representations and warranties set forth herein, no other statement, promise or forecast made by or on behalf of Seller or any other member of Seller's Group may form the basis of, or be pleaded in connection with, any claim in respect of any matter arising under or in connection with this Agreement.

ARTICLE V
COVENANTS

Section 5.1 Conduct of Business of the Company. Seller agrees that, during the period from the Date of this Agreement until the earlier of the Closing Date or the termination of this Agreement pursuant to its terms, except as (i) otherwise contemplated or permitted by this Agreement (including, as contemplated or permitted under Section 5.11), (ii) set forth in Section 5.1 of the Seller Disclosure Schedule, (iii) required by applicable Requirements of Law, or (iv) unless otherwise consented to by Buyer, in writing, which consent shall not be unreasonably withheld, conditioned or delayed, Seller shall cause the Company to maintain the present business organization of the Company, conduct the operations of the business of the Company in compliance with applicable Laws in all material respects, use commercially reasonable efforts to maintain in full force and effect all Permits (including licenses or authorizations to conduct the business of insurance) of the Company, preserve the assets and properties of the Company, and, without limiting the generality of the foregoing, shall cause the Company to refrain from taking any of the following actions:

(a) (i) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of the Company Shares that would cause the Company to fail to satisfy the Specified Minimum Capital Amount, (ii) split, combine or reclassify any of the Company Shares or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for the Company Shares or (iii) purchase, redeem or otherwise acquire any of the Company Shares or any rights, warrants or options to acquire any such shares;

(b) issue, sell, grant, pledge, subject to any Encumbrance or otherwise dispose of its equity, including but not limited to the Company Shares, or any options, warrants or other similar rights or Contracts of any kind to purchase any securities convertible into or exchangeable for any shares of capital stock;

(c) sell, lease, assign, license, convey or otherwise dispose of (including by way of reinsurance) any of its assets (tangible or intangible) or permit any mortgage or other Encumbrance (other than a Permitted Encumbrance) on any of its assets (tangible or intangible);

(d) authorize or effect any change in its Constituent Documents;

(e) (i) issue any note, bond, or other debt security or create, incur, assume, pre-pay or guarantee any indebtedness for borrowed money or capitalized lease obligation, (ii) fail to pay or discharge any indebtedness when due in accordance with its terms or (iii) make any loans, advances or capital contributions to, or investments in, any other Person;

(f) make any capital expenditures;

(g) breach, amend, modify or waive any provision under any Contract listed on Section 3.13 of the Seller Disclosure Schedule, or enter into any Contract that, if existing on the Date of this Agreement, would be required to be listed in Section 3.13 of the Seller Disclosure Schedule (including, for the avoidance of doubt, issuing, renewing or extending any Insurance Contract or Reinsurance Agreement of any type); provided, however, that on or prior to the Closing but subject to Section 5.19, (i) Seller will terminate or cause the Company to terminate the Contracts that are listed with asterisks in Section 3.13 of the Seller Disclosure Schedule and (ii) Seller may terminate or cause to be terminated the Reinsurance Agreements;

(h) (i) conclude or agree to any corrective action plans, consents, decrees, actions or orders, or (ii) cancel, compromise or settle any claim that is related to or affects the Company, or waive or release any its rights, other than the payment of any insurance or reinsurance claims in the ordinary course of business;

(i) hire any employee or otherwise employ any Person;

(j) make charitable contributions or pledges which in the aggregate exceed $5,000;

(k) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit or enter into any joint venture or partnership;

(l) make or change any election in respect of Taxes, amend, modify or otherwise change any filed Tax Return, adopt or request permission of any Taxing Authority to change any accounting method in respect of Taxes, enter into any closing agreement in respect of Taxes, settle any claim or assessment in respect of Taxes, surrender or allow to expire any right to claim a refund of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes or in respect to any Tax attribute that would give

rise to any claim or assessment of Taxes, except, in each case, as related to Taxes paid on an affiliated, consolidated, combined or unitary basis;

(m) make any change in any method of accounting or accounting practice policy, other than in accordance with GAAP, SAP or applicable Law; or

(n) agree or otherwise commit in writing to take any of the foregoing actions.

Notwithstanding anything to the contrary in this Section 5.1 or any other provision of this Agreement or any other document to be executed and delivered in connection with transactions contemplated hereunder, no member of Seller's Group shall be prevented from undertaking, be required to obtain Buyer's consent in relation to, or incur any Liability as a result of acts or omissions relating to any of the following: (i) any matter necessary or desirable to comply or increase compliance with applicable Law, anticipated developments in applicable Law or the lawful directive of a Governmental Entity of competent jurisdiction or any applicable policies or procedures as may be adopted, implemented and applied on an enterprise-wide basis by Seller's Group from time to time; (ii) the implementation of any transaction or the taking of any action contemplated or referred to in, or necessary in connection with the implementation of the Pre-Closing Reorganization Transactions; (iii) the performance of an obligation existing as of the Date of this Agreement; or (iii) the release or discharge of any Liability owed by the Company to a member of Seller's Group, or from a member of Seller's Group to the Company, including settling or cancelling any Intercompany Payables or Intercompany Receivables.

Section 5.2 Access to Information; Books and Records.

(a) From the Date of this Agreement until the Closing Date, Seller and the Company shall afford Buyer and its officers, employees and other representatives reasonable access upon reasonable advance notice at reasonable times during normal business hours to all of the Books and Records and Seller and the Company shall furnish Buyer such information concerning the Company's business, properties, financial condition and operations as Buyer may from time to time reasonably request, other than any such information that (i) is subject to an attorney-client or other legal privilege which might be impaired by such disclosure or (ii) is subject to an obligation of confidentiality on the part of the Company or Seller to a third party. Buyer's investigation shall be conducted in a manner that does not unreasonably interfere with the normal operations of Seller or the Company.

(b) Seller will cause Books and Records that were not reasonably capable of being delivered to Buyer prior to the Closing, or that otherwise were not delivered to Buyer prior to the Closing, to be delivered to Buyer after the Closing (provided that Seller shall be permitted to retain a copy of such Books and Records for its internal recordkeeping purposes).

Section 5.3 Reasonable Best Efforts.

(a) Upon the terms and subject to the conditions and other agreements set forth in this Agreement, each of the Parties to this Agreement agree to use reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this

Agreement; provided, that this Section 5.3(a) shall not require either Party to waive any condition to Closing set forth in Article VI.

(b) During the period from the Date of this Agreement until the earlier of the date this Agreement is terminated and the Closing Date, neither Party shall take any action or omit to take any action for the purpose of directly or indirectly preventing, materially delaying or materially impeding (or that would reasonably be expected to prevent, materially delay or materially impede) the consummation of the transactions contemplated by this Agreement or agree, commit in writing or otherwise, to take any such actions.

Section 5.4 Consents, Approvals and Filings.

(a) Seller and Buyer shall each use their reasonable best efforts and will cooperate fully with each other to (i) comply as promptly as reasonably practicable with all requirements of any Governmental Entity applicable to the transactions contemplated by this Agreement and the Transaction Agreements, and (ii) obtain as promptly as reasonably practicable all consents, approvals or authorization of, or declaration or filing with, or notice to, any Governmental Entity or Person applicable to the transactions contemplated hereby and thereby. In connection therewith, Seller and Buyer shall make and cause their respective Affiliates to make all formal filings and material supplements thereto required pursuant to applicable Requirements of Law (such formal filings and material supplements thereto, collectively, "**Material Filings**") as promptly as reasonably practicable in order to facilitate the prompt consummation of the transactions contemplated by this Agreement and the Transaction Agreements and shall make, and shall cause their respective Affiliates to make, such Material Filings as such Governmental Entities may reasonably request. Each Party shall provide to the other Party copies of all Material Filings in advance of the filing or submission thereof so that the other Party has a reasonable opportunity to review and comment thereon. To the extent permitted by applicable Law, each Party shall request confidential treatment of Material Filings made by it.

(b) Without limiting the generality of the foregoing, as promptly as practicable, but in no event later than ten (10) Business Days after the Date of this Agreement, Buyer shall file with all applicable insurance regulatory authorities requests for approval of the transactions contemplated by this Agreement and the Transaction Agreements, which requests shall include substantially all required exhibits and with completed exhibits promptly delivered thereafter. A reasonable time prior to furnishing any written materials to any insurance regulatory authority in connection with the transactions contemplated by this Agreement and the Transaction Agreements, Buyer shall furnish Seller with a copy thereof, and Seller shall have a reasonable opportunity to provide comments thereon. Buyer shall give to Seller prompt written notice if it receives any notice or other communication from any insurance regulatory authority in connection with the transactions contemplated by this Agreement and the Transaction Agreements, and, in the case of any such notice or communication which is in writing, shall promptly furnish Seller with a copy thereof. If any insurance regulatory authority requires that a hearing be held in connection with any such approval, Buyer shall use its best efforts to arrange for such hearing to be held promptly after the notice that such hearing is required has been received by Buyer. Buyer shall give to Seller reasonable prior written notice of the time and place when any meetings or other conferences may be held by it with any insurance regulatory authority in connection with the transactions contemplated by this Agreement and the Transaction Agreements, and Seller shall have the right

to have a representative or representatives attend or otherwise participate in any such meeting or conference.

Section 5.5 Public Announcements. Seller and Buyer shall not, and shall not permit their respective Affiliates or representatives, without the prior written approval of the other Party, to issue any press releases or otherwise make any public statements with respect to the transactions contemplated by this Agreement and the Transaction Agreements, except as may be required by applicable Requirements of Law, any Governmental Entity or any recognized stock exchange on which the shares of any member of Seller's Group or Buyer's Group are listed (in which case the disclosing Party (being either Seller or Buyer, as applicable) will use its reasonable best efforts to consult with the other Party (being the other of Seller or Buyer, as applicable) before making the disclosure and to allow such other Party to review and comment upon the text of the disclosure before it is made). For the avoidance of doubt, nothing contained in this Agreement shall preclude any member of Seller's Group from reflecting the financial impact of the transactions contemplated under this Agreement on an aggregated and anonymized basis in any such Person's earnings releases or similar public statements (provided no such release or statement shall disclose the names of the Company or Buyer or any of its Affiliates, or any specific terms of the transactions contemplated hereby).

Section 5.6 Confidentiality.

(a) Subject to Section 5.5 and Section 5.6(b), (i) each of the Parties shall treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement (or any agreement entered into pursuant to this Agreement) which relates to: (A) the provisions of this Agreement and any other Transaction Agreements, or (B) the negotiations relating to this Agreement and any other Transaction Agreements, (ii) Seller shall, and shall procure that each member of Seller's Group shall, treat as strictly confidential and not disclose or use any information relating to the business, financial or other affairs (including future plans and targets) of Buyer Group (including, following the Closing, the Company), and (iii) Buyer shall, and shall procure that each other member of Buyer's Group (including, following the Closing, the Company) shall, treat as strictly confidential and not disclose or use any information relating to the business, financial or other affairs (including future plans and targets) of Seller's Group, in each case for the foregoing clauses (i), (ii) and (iii), other than information that (w) is or becomes available in the public domain other than pursuant to a breach of this Agreement, (x) can be demonstrated to have been known by the applicable Party through lawful means prior to disclosure to such Party in connection with this Agreement or the transactions contemplated hereby, (y) lawfully is or becomes available to the applicable Party on a non-confidential basis other than pursuant to this Agreement or the transactions contemplated hereby (provided that the source of such information is not known by the applicable Party to be bound by a confidentiality agreement with the other Party by a contractual, legal or fiduciary obligation owed to such Party) or (z) is independently developed by the applicable Party without the use of any information provided to such Party in connection with this Agreement or the transactions contemplated hereby.

(b) This Section 5.6 shall not prohibit disclosure or use of any information if and to the extent: (i) the disclosure or use is required by applicable Law, any Governmental Entity or any recognized stock exchange on which the shares of any member of Seller's Group or Buyer's Group are listed (including where this is required as part of any actual or potential offering, placing

and/or sale of securities of any member of Seller's Group or Buyer's Group), (ii) the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a Taxing Authority in connection with the Tax affairs of the disclosing Party (or any subsidiary or holding company thereof), (iii) the disclosure is made to professional advisers of the disclosing Party on a need-to-know basis and on terms that such professional advisers undertake to comply with the provisions of this Section 5.6 in respect of such information as if they were a party to this Agreement, (iv) in the case of disclosure or use by any member of Seller's Group, Buyer has given prior written approval to the disclosure or use and in the case of disclosure or use by any member of Buyer's Group, Seller has given prior written approval to the disclosure or use, or (v) in the case of disclosure or use by any member of Buyer's Group, the information relates wholly to the Company and is independently developed after the Closing; provided that, prior to disclosure or use of any information pursuant to clause (i) above, Seller or Buyer, as the case may be, shall promptly notify the other of such requirement with a view to providing it with the opportunity to contest such disclosure or use or otherwise to agree to the timing and content of such disclosure or use, except that no notice shall be required to be provided for disclosure (x) requested or required by a bank examiner, regulatory examiner or self-regulatory examiner, (y) pursuant to a routine request by a Governmental Entity not specifically targeting such information or (z) to the extent that such notice is prohibited by applicable Law.

(c) All information exchanged between the Parties (including their respective Affiliates and representatives) will be through the use of secure methods agreed upon by Seller and Buyer. Where applicable, Seller and Buyer are expected to use industry standard cryptographic (encryption) techniques or in-depth security measures to store and/or transmit any sensitive information. Where applicable, Seller and Buyer must ensure the integrity and authenticity of all stored or transmitted information through the use of digital signatures or equivalent secure technology.

Section 5.7 Insurance. With respect to the Company and to the extent that coverage is maintained for the broader benefit of Seller's Group, Seller shall keep, or cause to be kept, all insurance policies listed in Section 3.18 of the Seller Disclosure Schedule or suitable replacements therefor, in full force and effect through the close of business on the Closing Date. However, if Seller's Group makes a decision to discontinue any of the policies in Section 3.18 of the Seller Disclosure Schedule for the broader benefit of Seller's Group, that policy or policies will be discontinued with respect to the Company as well. These policies and any and all additional insurance policies maintained by Seller's Group for the benefit of Seller's Group are owned and maintained by the respective members of Seller's Group. Subject to the rest of this Section 5.7, (a) neither Buyer nor any of its Affiliates will have any rights under any such insurance policies from or after the Closing Date, and, without prejudice to or lessening in any way the indemnification rights of the Buyer Indemnified Parties hereunder, Buyer shall become solely responsible for all insurance coverage and related risk of loss with respect to the Company and its assets and current or former directors, officers and employees, effective at and following the Closing with respect to any post-closing activities and as further provided under Section 5.8; and (b) except as otherwise agreed to by the Parties prior to the Closing, Seller shall be entitled to remove all coverage in respect of the Company and its assets and current or former directors, officers and employees under such policies effective at the Closing.

Section 5.8 D&O Indemnification, Exculpation and Insurance.

(a) Seller shall cause to be maintained, for six (6) years following the Closing Date, directors and officers liability insurance for pre-Closing Liabilities of the Company's directors and officers in an amount not less than the existing coverage of Seller's Group and which shall have other terms not materially less favorable to the insured persons than the directors' and officers' liability insurance coverage presently maintained by Seller's Group with respect to the directors and officers of the Company, except to the extent the Seller's and its Affiliate's enterprise-wide Side-A directors and officers coverage is modified, which modifications shall be permitted by this Section 5.8(a).

(b) To the fullest extent permitted by Law, from and after the Closing, all rights to indemnification, as provided in the Constituent Documents of the Company in effect on the Closing Date, in favor of the current or former directors or officers of the Company with respect to their activities on behalf of the Company prior to the Closing, shall survive the Closing and shall continue in full force and effect (without amendment adverse to such directors or officers) for a period of not less than six (6) years following the Closing.

(c) In the event that, after the Closing, Buyer or the Company or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a substantial portion of its properties and other assets to any Person, then, and in each such case, Buyer or the Company (or the successor or assign thereof), as applicable, shall cause proper provision to be made so that such successors and assigns shall assume the obligations set forth in this Section 5.8.

Section 5.9 Subsequent Statutory Statements.

(a) Seller shall cause the Company to commence preparation of and, consistent with past practice and on a timely basis, if required prior to the Closing Date, file with or submit to the IID, and any other insurance department or other Governmental Entity with which the Company is required to make such filings or submissions, and promptly deliver to Buyer, true, accurate and complete copies of, any Statutory Statement required to be filed by the Company; provided, that all such Statutory Statements shall (i) be prepared in all material respects in accordance with SAP applying practices permitted by the IID; (ii) be prepared in all material respects in accordance with the books and records of the Company; (iii) present fairly in all material respects the statutory financial position of the Company at the respective date thereof and the statutory results of operations and cash flows of the Company for the respective periods then ended; (iv) comply in all material respects with applicable Requirements of Law; and (v) be filed with or submitted to the IID and any other insurance department or other Governmental Entity with which the Company is required to make such filings or submissions.

(b) Following the Closing, Seller, at its own expense, shall cause to be prepared, consistent with past practice and on a timely basis, any Statutory Statements required to be filed by the Company relating to periods prior to January 1, 2020, including, specifically, the annual statutory financial statements as of December 31, 2019, (such statutory statements, the "**Post-Closing Statutory Statements**") provided, that such Post-Closing Statutory Statements shall

(i) be prepared in all material respects in accordance with SAP applying practices permitted by the IID; (ii) be prepared in all material respects in accordance with the books and records of the Company; (iii) present fairly in all material respects the statutory financial position of the Company at the respective date thereof and the statutory results of operations and cash flows of the Company for the respective periods then ended; and (iv) comply in all material respects with applicable Requirements of Law. Buyer shall cause the Company to execute and file the Post-Closing Statutory Statements with the IID and any other insurance department or other Governmental Entity with which the Company is required to make such filings or submissions. Buyer shall, at Sellers's cost (which in any event shall be an amount no more than a reasonable amount), until the earlier of June 30, 2020 and the date the Company's audited annual statutory financial statements as of December 31, 2019 is filed (i) provide, or cause to be provided, to Seller, any information necessary to prepare such Post-Closing Statutory Statement that is in the possession of Buyer and not otherwise in the possession of Seller or any of its Affiliates and (ii) reasonably cooperate, and shall instruct its respective Affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate with Seller in the preparation of the Post-Closing Statutory Statements, including providing explanations of any documents or information provided hereunder. Seller shall deliver any and all Post-Closing Statutory Statements (in each case prepared in accordance with this Section 5.9) to Buyer no later than fifteen (15) Business Days prior to the filing deadline for each such Post-Closing Statutory Statements.

Section 5.10 Notification of Certain Matters. Each Party shall give prompt written notice to the other Party of (a) the occurrence, or failure to occur, of any event or the existence of any condition that has caused or could reasonably be expected to cause, any of its representations or warranties contained in this Agreement to be untrue or inaccurate in any material respect at any time after the Date of this Agreement, up to and including the Closing and (b) any failure on its part to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, that if any fact or matter disclosed pursuant to clause (a) or (b) would result in the failure of condition in, as applicable, Section 6.1 or Section 6.2 to be satisfied, and the affected Party elects to consummate the Closing notwithstanding the existence of such fact or matter, such fact or matter shall not thereafter form the basis for any claim for indemnification under Article VIII or Article IX.

Section 5.11 Pre-Closing Reorganization Transactions; IID Dividend Request.

(a) Buyer acknowledges and agrees that between the Date of this Agreement and the Closing Date, Seller's Group will use commercially reasonable efforts to effect the transactions set forth in Annex 1 (the "**Pre-Closing Reorganization Transactions**").

(b) Seller's Group shall bear all out-of-pocket costs and expenses incurred in connection with the Pre-Closing Reorganization Transactions. Seller agrees to keep Buyer reasonably informed regarding the timing and actions made in connection with the Pre-Closing Reorganization Transactions.

(c) Notwithstanding anything to the contrary contained in this Agreement, to the extent that the sale, assignment, sublease, transfer, conveyance or delivery or attempted sale, sublease, assignment, transfer, conveyance or delivery by the Company to one or more members of Seller's Group (other than the Company) as part of or in connection with the Pre-Closing

Reorganization Transactions contemplated by this Section 5.11 of any asset that would be an Excluded Asset or any claim or right or any benefit arising thereunder or resulting therefrom is prohibited by any applicable Law or would require any governmental or third party authorizations, approvals, consents or waivers, and such authorizations, approvals, consents or waivers shall not have been obtained prior to the Closing, then following the Closing, the Parties shall use their commercially reasonable efforts, and cooperate with each other, to obtain promptly such authorizations, approvals, consents or waivers; provided, however, that none of Seller or Buyer or any of their respective Affiliates shall be required to pay any consideration therefor other than filing, recordation or similar fees which shall be borne by Seller. Pending such authorization, approval, consent or waiver, the Parties shall cooperate with each other in any mutually agreeable, reasonable and lawful arrangements designed to provide to Seller the benefits of use of such asset that it would have obtained had the asset been conveyed to Seller's Group (other than the Company) prior to the Closing. Once authorization, approval, consent or waiver for the sale, assignment, sublease, transfer, conveyance or delivery of any such asset not sold, assigned, subleased, transferred, conveyed or delivered prior to the Closing is obtained, Buyer shall, or shall cause the Company to, assign, transfer, convey and deliver such asset to Seller at no cost.

(d) Either concurrent with or within five (5) Business Days after the filings with the IID that Buyer is required to make pursuant to Section 5.4(b) and applicable Law, the Company will make a request to the IID, in a form reasonably acceptable to Buyer, for the Company to dividend to Seller, prior to the Closing, an amount that would result in the Final Closing Surplus Amount being between $5,000,000 and $5,500,000 (such request, the "**IID Dividend Request**"). If the IID Dividend Request is approved, Seller will promptly (and in any event prior to Closing) cause the Company to consummate such dividend at the maximum amount so approved.

Section 5.12 Acquisition Proposal. None of Seller or the Company or any Affiliate of Seller shall itself, nor shall Seller, the Company or any Affiliate of Seller authorize or permit any officer, director or employee of, or any investment banker, attorney, accountant or other advisor or representative of Seller or the Company to, directly or indirectly, (a) solicit, initiate or encourage the submission of any Acquisition Proposal; or (b) participate in any negotiations or any material discussions regarding, or furnish to any Person any information with respect to, or agree to or endorse, or take any other action to facilitate, or consummate any transaction contemplated by, any Acquisition Proposal or any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal. The Seller will, and shall cause the Company to, cause its representatives to immediately terminate any and all existing discussions or negotiations with any Persons other than with Buyer and its Affiliates regarding any potential Acquisition Proposal. Seller shall promptly notify Buyer in writing (i) if any written inquiries, proposals or requests for information concerning an Acquisition Proposal are received by Seller, the Company, or any of their respective Affiliates, owners or directors or officers, or (ii) when Seller becomes aware that any such inquiries or proposals have been received by any of Seller's or the Company's employees, investment bankers, financial advisors, attorneys, accountants or other representatives. Such written notice shall include the material terms and conditions of the Acquisition Proposal.

Section 5.13 Intercompany Accounts. Other than as set forth in Section 5.13 of the Seller Disclosure Schedule, (a) the Company's participation in all Affiliate Agreements shall be terminated and discharged without any further liability or obligation to the Company thereunder

(or any premium or penalty) effective at the Closing and (b) all balances listed in Section 3.16 of the Seller Disclosure Schedule, including all Intercompany Payables and Intercompany Receivables, shall have been satisfied and all commitments with respect thereto shall have been terminated, or amended such that the Company has no obligations or Liabilities with respect to such balances, on or before the Closing Date; provided, that to the extent that any Affiliate Agreement is not so terminated or balance not satisfied on or prior to the Closing Date, Buyer and Seller shall reasonably cooperate to cause the prompt termination of such Affiliate Agreement and the settlement of any balances (including, any Intercompany Payables and Intercompany Receivables) in connection therewith, in each case without any Liability or payment obligations on the part of the Company unless Seller has fully indemnified the Buyer Indemnified Parties therefore.

Section 5.14 Termination of Signing and Withdrawal Powers. Prior to the Closing Seller shall cause Company to deliver written notification to any financial institution which maintains, on behalf of Company, any account or safe deposit box listed in Section 3.17 of the Seller Disclosure Schedule, except for any such account or safe deposit box listed in Section 5.14 of the Seller Disclosure Schedule, notifying each such financial institution that the signing or withdrawal powers or other authority of all Persons with respect to such accounts or safe deposit boxes are revoked effective upon the Closing Date.

Section 5.15 Access and Information. Following the Closing, to the extent permitted by applicable Law, Seller's Group may retain copies of all Books and Records transferred in connection with the purchase and sale of the Company Shares and Buyer agrees to provide (or cause the relevant members of Buyer's Group to provide) Seller's Group with access to all such Books and Records that Buyer acquires pursuant to this Agreement and to Buyer's assets, properties and representatives, in each case, to the extent that such access is reasonably required by any member of Seller's Group to (a) defend, prosecute, appeal or cooperate with any judicial, arbitral or regulatory proceeding, audit or investigation (including relating to any insurance claims) to which any Seller's Group member is a party, (b) prepare financial statements or regulatory filings of Seller's Group in respect of periods ending on or prior to the Closing Date, or (c) comply with the terms of this Agreement, any other document contemplated hereunder, any applicable Law or request of any Governmental Entity (including the preparation of any regulatory filings); provided that, in the case of any confidential information of Buyer or any member of Buyer's Group that is provided pursuant to the preceding clause, the provision of such information to Seller's Group and its representatives is subject to such Persons (other than a Governmental Entity) agreeing to maintain the confidentiality of such information on customary terms; provided, further, that neither Buyer nor any other member of Buyer's Group shall be required to provide such access to the extent that doing so would violate applicable Law or any Contract or obligation of confidentiality owing to a third party or result in the loss of attorney-client privilege if, in the case of any such Contract or confidentiality obligation, either Buyer or another member of Buyer's Group, as applicable, shall have used reasonable efforts to have obtained the consent of such third party to such access, in which case, Buyer or such other member of Buyer's Group, as applicable, will use its reasonable best efforts (at the sole cost and expense of Seller or another member of Seller's Group) to make appropriate substitute disclosure arrangements. Following the Closing, to the extent permitted by applicable Law, Seller agrees to provide (or cause the relevant member of Seller's Group to provide) Buyer's Group with access to the relevant books and records to the extent related to the Company or its business but only to the extent that such access is reasonably

required by any member of Buyer's Group in connection with any obligations or Liabilities of the Company to any third parties, to maintain or obtain any Insurance Permit for the Company, to comply with any applicable Law or in connection with any request of any Governmental Entity (including the preparation of any regulatory filings); provided that, in the case of any confidential information contained in such books and records that is provided pursuant to the preceding clause, the provision of such information to Buyer's Group and its representatives is subject to such Persons (other than a Governmental Entity) agreeing to maintain the confidentiality of such information on customary terms; provided, further, that neither Seller nor any other member of Seller's Group shall be required to provide such access to the extent that doing so would violate applicable Law or any Contract or obligation of confidentiality owing to a third party or result in the loss of attorney-client privilege if, in the case of any such Contract or confidentiality obligation, either Seller or another member of Seller's Group, as applicable, shall have used its reasonable efforts to have obtained the consent of such third party to such access, in which case, Seller or such other member of Seller's Group, as applicable, will use its reasonable best efforts (at the sole cost and expense of Buyer or another member of Buyer's Group) to make appropriate substitute disclosure arrangements. Seller will, and will cause Seller's Group to, retain the books, records and filings primarily relating to the Company and its operations until the seventh (7th) anniversary of the Closing Date, other than emails, which may be automatically deleted without regard to such seven (7) year retention requirement in accordance with the enterprise-wide email retention policy of the Seller Group; provided, however, that all material correspondence regarding the Insurance Permits or related regulatory matters (including correspondence with the IID) contained in emails that have not been deleted prior to the date hereof shall be archived or otherwise treated such that they are retained notwithstanding such email retention policy.

Section 5.16 Change in Registered Office. Buyer shall procure that, as soon as reasonably practicable after the Closing and in any event within twenty (20) Business Days thereafter, the registered address of the Company is changed to an address which is not used by any member of Seller's Group, and shall provide confirmation of such address change by means of a written notice to Seller.

Section 5.17 Statutory Exams; Post-Closing or Other Transition Services.

(a) Except to the extent covered by Section 5.15, with respect to any statutory examination of the Company, whether with regard to its financial condition, market conduct or otherwise, by the IID or any other applicable insurance regulatory authority (a "**Statutory Examination**") covering a period of time prior to the Closing Date, Seller hereby agrees to use commercially reasonable efforts to cooperate and cause its applicable Affiliates to cooperate with the IID and any other applicable insurance regulatory authority (and, notwithstanding (a) above, to the extent such Statutory Examination continues after Closing, to cooperate with the Company and the Buyer after the Closing) in connection with such Statutory Examination including, but not limited to, providing such information and materials to the Company or the Buyer that are in the possession or control of Seller and its Affiliates as may be requested of the Company from time to time by the IID or and any other applicable insurance regulatory authority. Notwithstanding anything herein to the contrary, Seller shall not reimburse the Company for any exam fees or other costs assessed against the Company with respect to any such Statutory Examination covering periods prior to the Closing Date, and such fees or other costs shall not constitute Retained Liabilities.

(b) Post-Closing Insurance Claims. Seller agrees to handle, adjudicate and pay valid claims on, and be solely responsible for, all insurance and reinsurance business underwritten by the Company at any time prior to the Closing Date. Buyer agrees to promptly forward to Seller or provided claimants the following contact information:

Credit Insurance Products
800 Walnut Street
MAC F0001-080
Des Moines, IA 50309
Telephone: 1-800-903-7306

(c) Buyer acknowledges and agrees that, other than the obligations expressly set forth in this Agreement, neither Seller nor any member of Seller's Group nor any of their Affiliates have any obligation after the Closing Date to provide any services to the Company, Buyer or any of their respective Affiliates, including any accounting, financial, investment mangement, regulatory compliance, legal or other services needed to operate the Company or comply with any Law or any reporting obligation.

(d) Books and Records Cooperation. Each Party appoints the individuals set forth on Section 5.17(d) of the Seller Disclosure Schedule to serve as such Party's primary contact with respect coordinating the Books and Records transfer contemplated by Section 5.2 (such contact designated with respect to Buyer, the "**Designated Buyer Contact**"). Each Party may replace any of its respective coordinators by giving notice as soon as reasonably practical to the other Party stating the name, title and contact information for the new coordinator.

Section 5.18 Filing Fees. On or prior to the Closing Date, Seller, on behalf of the Company, will have paid all remaining annual statement filing fees, license renewal fees, examination fees, membership fees or dues to state guaranty associations and joint underwriting associations, minimum required state insurance premium Taxes (i.e., those imposed without regard to the amount of premiums written) and other Taxes, fees or assessments in order to maintain the Insurance Permits listed on Section 3.14(c) of the Seller Disclosure Schedule in good standing that are due for payment on or before the Closing Date. For the avoidance of doubt, nothing in this Section 5.18 shall expand the Seller's obligation as to payment of Taxes or preparation or filing of Tax Returns under Article IX.

Section 5.19 Termination of Company Contracts and Reinsurance Agreements. From and after the date hereof, Seller shall use commercially reasonable efforts to cause the Company to terminate, on or prior to the Closing Date, (a) all Reinsurance Agreements under which the Company reinsured risks, with such termination providing that all risks ceded under such Reinsurance Agreements are recaptured by the ceding company or otherwise extinguished; and (b) all Company Contracts marked with an asterisk in Section 3.13 of the Seller Disclosure Schedule; provided, however, that, in the case of the Reinsurance Agreements, (I) failure to obtain such recapture or extinguishment in connection with such termination despite such efforts by Seller shall not constitute a breach of this Agreement, and (II) none of Seller, the Company or Buyer shall be required to compensate or otherwise make any payments to any counterparty in connection with any such termination. In the event any such Company Contract or Reinsurance Agreement has not been so terminated on or prior to the Closing, Seller shall use commercially reasonable

efforts to terminate such Company Contract or Reinsurance Agreement promptly following the Closing.

ARTICLE VI
CONDITIONS PRECEDENT

Section 6.1 Conditions to Obligations of Buyer. The obligations of Buyer to effect the purchase and sale of the Company Shares and the other actions to be taken at the Closing are further subject to the satisfaction or waiver by Buyer of the following conditions:

(a) Representations and Warranties. The representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects as of the Date of this Agreement and as of the Closing as though made at and as of the Closing; and Buyer shall have received a certificate signed by an officer of Seller to the effect set forth in this Section 6.1(a).

(b) Performance of Obligations. Seller shall have performed and complied in all material respects with all of its covenants and obligations hereunder through the Closing; and Buyer shall have received a certificate signed by an officer of Seller to the effect set forth in this Section 6.1(b).

(c) Required Regulatory Approvals. All consents, waivers, approvals, orders, notice or authorization of, or registrations or filings with (as applicable under applicable law), each Governmental Entity set forth on Schedule 6.1(c) shall have been duly obtained or made, as applicable, by Buyer.

(d) No Actions. No Action shall be pending or threatened against the Company before any Governmental Entity wherein an unfavorable Order would or would reasonably be expected to (i) prevent consummation of the transactions contemplated by this Agreement; (ii) cause the transactions contemplated by this Agreement to be rescinded following the Closing; (iii) adversely affect the right of Buyer to own the Company Shares and to control the Company; or (iv) adversely affect the right of the Company to own its properties and assets and to operate its business; and Buyer shall have received a certificate signed by an officer of Seller to the effect set forth in this Section 6.1(d).

(e) Insurance Permits. The Iowa, California, Texas, Florida, North Carolina New Mexico and Wisconsin Insurance Permits shall each be active and in full force and effect.

(f) Delivery of Documents. Seller shall have delivered, or caused to be delivered, to Buyer each of the deliverables specified in Section 2.5(a).

Section 6.2 Conditions to Obligations of Seller. The obligations of Seller to effect the purchase and sale of the Company Shares and the other actions to be taken at the Closing are further subject to the satisfaction or waiver by Seller of the following conditions:

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects as of the Date of this Agreement and as of the Closing as though made at and as of the Closing; and Seller shall

have received a certificate signed on behalf of Buyer by an officer of Buyer to the effect set forth in this Section 6.2(a).

(b) Performance of Obligations of Buyer. Buyer shall have performed and complied in all material respects with all of its covenants and obligations hereunder through the Closing; and Seller shall have received a certificate signed by an officer of Buyer to the effect set forth in this Section 6.2(b).

(c) Required Regulatory Approvals. All consents, waivers, approvals, orders, notice or authorization of, or registrations or filings with (as applicable under applicable law), each Governmental Entity set forth on Schedule 6.1(c) shall have been duly obtained or made, as applicable, by Buyer.

(d) Delivery of Documents. Buyer shall have delivered, or caused to be delivered, to Seller each of the deliverables specified in Section 2.5(b).

ARTICLE VII
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

Section 7.1 Survival.

(a) All representations and warranties contained in this Agreement shall survive the Closing until the close of business on the date that is eighteen (18) months after the Closing Date except:

(i) for the Core Seller Representations and Warranties, which shall survive until the later of (A) sixty (60) days past the expiration of the applicable statute of limitations, and (B) the close of business on the date that is four (4) years after the Closing Date; and

(ii) for the Core Buyer Representations and Warranties and those representations and warranties contained in Section 4.6, which shall survive until the later of (A) sixty (60) days past the expiration of the applicable statute of limitations, and (B) the close of business on the date that is four (4) years after the Closing Date.

(b) All covenants and agreements contained in this Agreement, to the extent that the foregoing by their express terms are to have effect or be performed after the Closing, shall survive the Closing in accordance with their terms.

ARTICLE VIII
INDEMNIFICATION

Section 8.1 Obligation to Indemnify.

(a) Seller agrees to indemnify and hold harmless Buyer, its Affiliates (including, following the Closing, the Company), and their respective directors, officers, shareholders, partners, members and employees and their heirs, successors and permitted assigns (collectively, "**Buyer Indemnified Parties**") from, against and in respect of any damages, losses,

charges, Liabilities, payments, judgments, settlements, assessments, deficiencies, interest, penalties, and reasonable costs and expenses (including reasonable attorneys' fees, and reasonable out of pocket disbursements) ("**Losses**") imposed on, sustained, or incurred or suffered by any of Buyer Indemnified Parties, whether in respect of Third Party Claims, claims between the Parties, or otherwise, directly or indirectly resulting from, in connection with or arising out of: (i) the inaccuracy or any breach of the representations and warranties of Seller contained in this Agreement or any Transaction Agreement, in each case without giving effect to any qualifications as to materiality, Material Adverse Effect or similar qualifications contained therein; (ii) any breach or failure by Seller to perform any of its covenants or obligations contained in this Agreement or any Transaction Agreement; (iii) any Taxes for which Seller is responsible in accordance with Article IX; or (iv) any Retained Liabilities, except to the extent reflected as a liability in the calculation of Final Closing Surplus Amount that reduces Final Closing Surplus Amount on a dollar-for-dollar basis.

(b) The rights of Buyer Indemnified Parties to indemnification under Section 8.1(a)(i), (ii) and (iii) shall be subject to the following limitations:

(i) Except as set forth in Section 8.1(b)(iii), Buyer Indemnified Parties shall be entitled to indemnification under Section 8.1(a)(i) only to the extent that the aggregate amount of Losses exceed on a cumulative basis seventy-five thousand dollars ($75,000) (the "**Basket**"), at which point Seller will be obligated to indemnify Buyer Indemnified Parties from and against all such Losses in excess of such Basket amount.

(ii) Except as set forth in Section 8.1(b)(iii), the aggregate amount of Losses for which Buyer Indemnified Parties are entitled to indemnification under Section 8.1(a)(i) or (ii) shall not, in any event, exceed an amount equal to the Purchase Price paid to Seller (the "**Cap**").

(iii) Notwithstanding Section 8.1(b)(i) and Section 8.1(b)(ii), Losses arising out of the following shall not be subject to the Basket or the Cap: (A) any breaches or inaccuracies of any Core Seller Representations and Warranties, (B) fraud or intentional misrepresentation, and (C) any Retained Liabilities.

(c) Buyer agrees to indemnify and hold harmless Seller, its Affiliates, and their respective directors, officers, shareholders, partners, members and employees and their heirs, successors and permitted assigns (collectively, "**Seller Indemnified Parties**") from, against and in respect of any Losses imposed on, sustained, or incurred or suffered by any of Seller Indemnified Parties, whether in respect of Third Party Claims, claims between the Parties, or otherwise, directly or indirectly resulting from, in connection with or arising out of: (i) the inaccuracy or any breach of the representations and warranties of Buyer contained in this Agreement, in each case without giving effect to any qualifications as to materiality, Material Adverse Effect or similar qualifications contained therein; or (ii) any breach or failure by Buyer to perform any of its covenants or obligations contained in this Agreement. Seller Indemnified Parties shall be entitled to indemnification under Section 8.1(c)(i) only to the extent that the aggregate Losses exceed the Basket amount, at which point Buyer will be obligated to indemnify Seller Indemnified Parties from and against all such Losses in excess of such Basket amount.

Section 8.2 Indemnification Notice Procedures.

(a) Promptly after the incurrence of any Loss by the party seeking indemnification hereunder (an "**Indemnified Party**") or pursuant to any Third Party Claim which might give rise to indemnification pursuant to Section 8.1, the Indemnified Party shall provide prompt written notice (the "**Indemnification Notice**") to the Party from whom indemnification is sought (the "**Indemnifying Party**") of any claim or demand that it may have pursuant to Section 8.1; provided, that in the event such Indemnification Notice relates to a Third Party Claim, the Indemnified Party shall provide an Indemnification Notice to the Indemnifying Party with respect thereto within fifteen (15) Business Days following such Indemnified Party's receipt of such Third Party Claim. Any delay in delivering an Indemnification Notice shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been materially prejudiced as a result of such delay. An Indemnification Notice shall contain a reasonably detailed description of the facts underlying or related to such claim and copies of any correspondence, notices or pleadings (if a Third Party Claim), and a good faith estimate of the Losses to the extent reasonably determinable at such time.

(b) At any time after an Indemnified Party has delivered an Indemnification Notice, such Indemnified Party in his, her or its discretion may supplement or amend such Indemnification Notice by delivery of any correspondence, notice or other information relating to the claim covered by the original Indemnification Notice. In addition, at any time after an Indemnified Party has delivered a Indemnification Notice with respect to a claim other than a Third Party Claim, such Indemnified Party in its discretion may deliver a notice which attaches the original Indemnification Notice, sets forth a summary in reasonable detail of the facts underlying or relating to such claim to the extent then known by the Indemnified Party, includes a statement demanding indemnification from the Indemnified Party and includes a statement of the amount of Losses for which the Indemnified Party seeks indemnification at that time (a "**Demand Notice**"). The Indemnifying Party shall have thirty (30) Business Days from the date on which the Indemnified Party delivers a Demand Notice during which to notify the Indemnified Party in writing of any objections it has to the Indemnified Party's notice or claims for indemnification. If the Indemnifying Party accepts the claim as set forth in the Demand Notice, it shall have ten (10) Business Days from the date of acceptance to pay such claim. If the Indemnifying Party gives notice to the Indemnified Party that it disputes the Demand Notice or fails to notify the Indemnified Party whether the Indemnifying Party disputes the Demand Notice described in such notice, in either case, within thirty (30) Business Days of the Indemnifying Party's receipt of such written notice of such Demand Notice, the Indemnified Party may pursue its indemnification rights hereunder and whatever other legal remedies may be available to enforce its rights under this Article VIII.

Section 8.3 Third Party Claims.

(a) The Indemnified Party agrees to give the Indemnifying Party notice in writing of the assertion of any claim, communication or demand made by, or any other Action instituted by, any Person not a Party to this Agreement (a "**Third Party Claim**") in respect of which indemnity may be sought under Section 8.1 in accordance with the notice procedures set forth in Section 8.2 within fifteen (15) Business Days after such Indemnified Party received written notice of the Third Party Claim; provided, however, that any delay in delivering such notice shall

not affect the indemnification provided hereunder, except to the extent the Indemnifying Party shall have been materially prejudiced as a result of such delay. From and after the delivery of an Indemnification Notice with respect to a Third Party Claim, the Indemnified Party shall deliver to the Indemnifying Party, within ten (10) Business Days after the Indemnified Party's receipt thereof, copies of all material notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim.

(b) (i) With respect to a Third Party Claim, the Indemnifying Party will be entitled to participate in the defense thereof and, if it so elects, to assume the defense thereof, provided that the Indemnifying Party within thirty (30) days from receipt of the Claim Notice with respect to a Third Party Claim (the "**Defense Notice Period**") notified the Indemnified Party of its election to assume the defense of such Third Party Claim. If the Indemnifying Party notifies the Indemnified Party within the Defense Notice Period that it elects to defend such Third Party Claim, it shall assume the defense of such action, with counsel selected by the Indemnifying Party that is reasonably acceptable to the Indemnified Party, and except as contemplated herein, all fees, costs and expenses incurred in connection with defending or settling the Third Party Claim shall be borne solely by the Indemnifying Party. Once the Indemnifying Party has duly assumed the defense of a Third Party Claim, the Indemnified Party shall have the right, but not the obligation, to participate in the defense thereof, including the opportunity to participate in any discussions or correspondence with any Governmental Entity, and to employ counsel at its own expense separate from the counsel employed by the Indemnifying Party. The Indemnified Party shall participate in any such defense at its own expense unless (A) the Indemnifying Party and the Indemnified Party are both named parties to the proceedings and the Indemnified Party's counsel shall have reasonably concluded that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or the availability to the Indemnified Party of one or more defenses or counterclaims that are inconsistent with one or more of those that may be available to the Indemnifying Party in respect thereof, (B) the Indemnifying Party fails to actively and diligently, with legal counsel reasonably acceptable to the Indemnified Party, conduct the defense of the action, (C) such Third Party Claim seeks an injunction or other equitable remedies in respect of the Indemnified Party or its business, (D) such Third Party Claim seeks a finding or admission of a violation of Law by the Indemnified Party or any of its Affiliates, or (E) such Third Party Claim relates to any ongoing business of the Indemnified Party (which, in the case of Buyer, shall include the Company after the Closing), then in any such case, the Indemnified Party may elect to direct and defend the Third Party Claim and all such expenses incurred by the Indemnified Party in connection with such defense shall be borne by the Indemnifying Party. Each Party shall reasonably cooperate in the defense or prosecution of a Third Party Claim. Such cooperation shall include the retention and, upon the Indemnifying Party's request, the provision to the Indemnifying Party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(ii) In the event the Indemnifying Party (x) elects not to defend the Indemnified Party against a Third Party Claim, whether by not giving the Indemnified Party timely notice of its desire to so defend or otherwise; or (y) is not entitled to defend the Third Party Claim as a result of the Indemnified Party's election to defend the Third Party Claim as provided in Section 8.3(b)(i), the Indemnified Party shall have the right but not the obligation to assume its own defense; it being understood that the Indemnified Party's right to indemnification for such

Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim and the Indemnified Party shall be entitled to pursue its indemnification rights hereunder and whatever other legal remedies may be available to enforce its rights under this Article VIII.

(iii) Whether or not the Indemnifying Party shall have assumed the defense of a Third Party Claim, the Indemnifying Party shall have no liability with respect to any compromise or settlement of such claims effected without its written consent (such consent not to be unreasonably withheld, conditioned or delayed) and the Indemnifying Party shall not consent to the entry of judgment, admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnified Party's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed) unless the sole relief provided is monetary damages that are concurrently paid in full by the Indemnifying Party and a full and complete release is provided to the Indemnified Party and its Affiliates.

(iv) Notwithstanding anything to the contrary in this Agreement, the procedures for all Tax Contests shall be governed exclusively by Section 9.5 and not this Section 8.3.

Section 8.4 Survival; Expiration of Claims. The ability of any Party to seek indemnification under Section 8.1 shall terminate on the applicable survival period set forth in Article VII, unless such Party shall have incurred Losses prior to the termination of the applicable survival period and made a claim for indemnification pursuant to Section 8.2 or Section 8.3, as applicable, therefor prior to termination of such survival period. If a Party has made a claim for indemnification pursuant to Section 8.2 or Section 8.3, as applicable, prior to the termination of such survival period, then such indemnification claim for such Losses incurred (and only such indemnification claim for such Losses incurred), if then unresolved, shall not be extinguished by the passage of the applicable termination survival period.

Section 8.5 Indemnification Payments. All payments made by an Indemnifying Party to an Indemnified Party in respect of any claim pursuant to this Article VIII or Article IX shall be made by wire transfer of immediately available funds to an account designated in writing by the relevant Indemnified Party.

Section 8.6 Other Provisions.

(a) No Indemnifying Party shall have any liability for Losses hereunder for any indirect, incidental, consequential, special or punitive damages (unless actually awarded to a third party and for which an Indemnified Party would otherwise be entitled to indemnification under this Article VIII), including any damages based on loss of future revenue, income or profits, or any multiple thereof.

(b) The right of an Indemnified Party to indemnification or to recover Losses from an Indemnifying Party shall not be affected by any knowledge, investigation conducted with respect to, or any information received or acquired (or capable of being received or acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy of or compliance with any of the representations, warranties, set forth in this Agreement.

(c) The obligation of Seller to indemnify Buyer Indemnified Parties against any Losses under Section 8.1(a) shall be reduced by the amount of insurance proceeds or other cash receipts or sources of reimbursement received by Buyer Indemnified Parties from third parties, including third party insurers, with respect to such Losses or the underlying reasons therefor, net of any costs, expenses, deductibles, and increase in applicable premiums/retro-premiums related to the recovery of such proceeds, receipts or sources of reimbursement. In the event that insurance or other funds are subsequently recovered by any Indemnified Party with respect to any indemnification obligation for which any such Person has been previously indemnified under this Agreement with respect to Losses to which such recoveries relate, then a refund equal to the aggregate amount of the recovery (net of any costs, expenses, deductibles and increases in applicable premiums or retro-premiums related to the recovery thereof) will be made promptly to the Indemnifying Party.

(d) Each Indemnified Party agrees to take commercially reasonable efforts to mitigate any Loss for which such Indemnified Party seeks indemnification under this Agreement; provided, however, that this Section 8.6(d) shall neither expand nor limit the obligations of the parties to so mitigate under applicable Law.

Section 8.7 Exclusive Remedy. From and after the Closing, other than with respect to claims based on fraud or intentional misrepresentation, the indemnification provisions of Article IX and this Article VIII shall be the sole and exclusive remedy with respect to any and all claims arising out of, in connection with or relating to the Company, the Company Shares, this Agreement, the negotiation and execution of this Agreement or any agreement entered into pursuant to this Agreement (except to the extent otherwise expressly set forth therein) or the performance by the Parties of its or their terms, and no other remedy (except as provided in Section 11.7 below) shall be had pursuant to any Contract, misrepresentation, strict liability or tort theory or otherwise by any Party and its officers, directors, employees, agents, affiliates, attorneys, consultants, insurers, successors and assigns, all such remedies being hereby expressly waived to the fullest extent permitted under applicable Law.

ARTICLE IX
TAX MATTERS

Section 9.1 Tax Indemnity.

(a) Seller shall be liable for and pay, and shall indemnify and hold harmless Buyer Indemnified Parties from and against all Losses arising out of or resulting from any and all Taxes (other than Excluded Taxes, but including Taxes arising as a result of the Pre-Closing Reorganization Transactions) imposed on the Company, or for which the Company may otherwise be liable, for any Pre-Closing Tax Period.

(b) Whenever it is necessary to determine the liability for Taxes of the Company for the portion of a Straddle Period that ends on or before the Closing Date, and the portion of a Straddle Period that begins after the Closing Date, the determination shall be made by assuming that the Straddle Period consisted of two taxable years or periods, one which ended at the close of the Closing Date and the other which began at the beginning of the day following the Closing Date, and items of income, gain, deduction, loss or credit of the Company for the Straddle

Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the books of the Company were closed at the close of the Closing Date, provided, however, that (i) transactions occurring on the Closing Date that are properly allocable (based on, among other relevant factors, factors set forth in Treas. Reg. § 1.1502-76(b)(1)(ii)(B)) to the portion of the Closing Date after the Closing shall be allocated to the taxable year or period that is deemed to begin at the beginning of the day following the Closing Date, and (ii) exemptions, allowances or deductions that are calculated on an annual basis, such as property Taxes and depreciation deductions, shall be apportioned between such two taxable years or periods on a daily basis.

Section 9.2 Preparation and Filing of Tax Returns.

(a) Seller shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) (i) all Tax Returns that are required to be filed by or with respect to the Company on a combined, consolidated or unitary basis with Seller or any Affiliate thereof (other than the Company), (ii) all other Tax Returns that are required to be filed by or with respect to the Company for taxable years or periods ending on or before the Closing Date, and (iii) all other Tax Returns that are required to be filed by or with respect to the Company or any subsidiary (taking into account all extensions properly obtained) on or prior to the Closing Date. In each case, Seller shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Buyer shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all other Tax Returns not referred to in clauses (i), (ii) or (iii) of this Section 9.2(a) that are required to be filed by or with respect to the Company or any subsidiary after the Closing Date and Buyer shall remit or cause to be remitted any Taxes due in respect of such Tax Returns. Seller shall remit to Buyer any Taxes in respect of Tax Returns required to be filed by the Buyer under this Section 9.2(a) for which Seller is responsible under Section 9.1(a) no later than 3 days before the filing of such Tax Return.

(b) All Tax Returns that Buyer is required to file or cause to be filed in accordance with this Section 9.2 that relate to any Straddle Period shall be prepared and filed in a manner consistent with past practice and, on such Tax Returns, no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods used in preparing and filing similar Tax Returns in prior periods. With respect to any such Tax Return to be filed by Buyer, not less than 10 days prior to the due date for such Tax Return, taking into account extensions (or, if such due date is within ten (10) days following the Closing Date, as promptly as practicable following the Closing Date), Buyer shall provide Seller with a draft copy of such Tax Return for Seller's approval (which approval shall not be unreasonably withheld, conditioned or delayed). Seller shall remit to Buyer any Taxes in respect of Tax Returns required to be filed by the Buyer under this Section 9.2(b) for which Seller is responsible under Section 9.1(a) no later than 3 days before the filing of such Tax Return.

(c) None of Buyer or any Affiliate of Buyer shall (or shall cause or permit the Company or any subsidiary to) make or change any Tax election, amend, refile or otherwise modify (or grant an extension of any statute of limitation with respect to) any Tax Return relating in whole or in part to the Company or any subsidiary with respect to any taxable year or period ending on or before the Closing Date or with respect to any Straddle Period or take any other action that would increase any Tax liability or reduce any Tax benefit in respect of any taxable year or

period ending on or before the Closing Date or any Straddle Period without the prior written consent of Seller (which consent shall not be unreasonably withheld, conditioned or delayed).

Section 9.3 Tax Refunds. Any refunds or credits of Taxes (excluding any refunds accounted for as an asset in calculating the Final Closing Surplus Amount), plus any interest attributable thereto, that are received by Buyer (or its Affiliates) or the Company and any amounts credited against Taxes, plus any interest paid or otherwise credited by a Taxing Authority, to which Buyer (or its Affiliates) or the Company become entitled, that relate to Pre-Closing Tax Periods and Straddle Periods of the Company (such refund and credit for a Straddle Period to be allocated in accordance with the principles of Section 9.1(b)), shall be for the account of Seller, and Buyer shall pay (or cause to be paid) to Seller (in immediately available funds) any such refund or the amount of such credit within fifteen (15) days after receipt or entitlement thereto (or utilization thereof). For purposes of this Section 9.3, the Company shall be deemed to have received a refund or credit of Taxes to the extent that the Company elects to apply such refund or credit, which it would otherwise would have been entitled to receive, to offset or reduce Taxes relating to any period (or portion of any Straddle Period, determined in accordance with the principles of Section 9.1(b)) beginning after the Closing Date. Buyer shall, and shall cause the Company and its Subsidiaries, to cooperate with Seller in obtaining refunds and credits of the Company relating to Pre-Closing Tax Periods and Straddle Periods (including through amendment of Tax Returns).

Section 9.4 Tax Notice; Tax Controversies.

(a) If, after the Closing Date, Seller, Buyer, the Company or any of their Affiliates receives notice of a Tax audit, examination, review or other proceeding (a "**Tax Claim**") with respect to any Tax Returns of the Company that relate to any Pre-Closing Tax Period (a "**Pre-Closing Tax Claim**"), then within thirty (30) days after receipt of such notice, the Person receiving such notice shall notify the other parties to this Agreement of such notice.

(b) Seller shall at its own expense control any Pre-Closing Tax Claim (which does not relate to a Straddle Period). Seller shall, however, keep Buyer informed of all developments on a timely basis, shall provide to Buyer copies of any and all correspondence related to such Pre-Closing Tax Claim and shall provide Buyer with the opportunity to attend conferences with the relevant governmental authority and to review and provide comments with respect to written responses provided to the relevant governmental authority. Each party shall bear its own costs for participating in such Pre-Closing Tax Claim. Seller shall not settle, compromise or abandon any Pre-Closing Tax Claim without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the above, Seller shall have exclusive right to control and settle any dispute with Taxing Authorities to the extent that such dispute relates to consolidated, combined, unitary, or similar income Tax Returns and premium Tax returns without consent or participation of Buyer.

(c) Buyer shall control any Tax Claim relating to a Tax Return filed for a Straddle Period (a "**Straddle Period Tax Claim**"); Buyer shall, however, keep Seller informed of all developments on a timely basis, shall provide to Seller copies of any and all correspondence related to such Straddle Period Tax Claim and shall provide Seller with the opportunity to attend conferences with the relevant governmental authority and to review and provide comments with respect to written responses provided to the relevant governmental authority. Each party shall bear

its own cost for participating in such Straddle Period Tax Claim. Buyer shall not settle, compromise or abandon any Straddle Period Tax Claim without the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 9.5 Cooperation and Controversies. Seller and Buyer shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns, including executing or causing the execution of Tax Returns on behalf of the Company and maintaining and making available to each other all records necessary in connection with Taxes and in resolving in good faith all disputes and audits with respect to all taxable periods relating to Taxes. Such cooperation and information shall include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by Taxing Authorities. Each party and its Affiliates shall make its employees available on a basis mutually convenient to both parties to provide explanations of any documents or information provided hereunder. Each of Seller and Buyer shall retain all Tax Returns, schedules and work papers, records and other documents in its possession relating to Tax matters of the Company for each Pre-Closing Tax Period, Straddle Period and for all prior Tax periods until ninety (90) days after the expiration of the statute of limitations of the Tax period to which such Tax Returns and other documents relate, without regard to extensions except to the extent notified in writing of such extensions for the respective Tax periods. Any information obtained pursuant to this Section 9.5 shall be kept confidential except as otherwise may be necessary in connection with the filing of Tax Returns or claims for Tax Refunds or in conducting a contest or as otherwise may be required by applicable Law. Notwithstanding anything to the contrary in this Agreement, neither Buyer nor any member of Buyer's Group shall have access to any combined, unified, consolidated, affiliated or similar group Tax Returns (or any portion thereof) which respect to the Company, Seller or any member of Seller's Group, or any work papers, documents, books, records, data or other information pertaining thereto. Conversely, neither Seller nor any member of Seller's Group shall have access to any combined, unified, consolidated, affiliated or similar group Tax Returns (or any portion thereof) which respect to the Company, Buyer or any member of Buyer's Group, or any work papers, documents, books, records, data or other information pertaining thereto.

Section 9.6 Transfer Taxes. Any transfer, excise, sales, use, value added, stamp, documentary, filing, recordation taxes and other similar Taxes, fees and charges (including real property transfer taxes) incurred in connection with this Agreement, together with any interest, penalties or additions with respect thereto (collectively, "**Transfer Taxes**") shall be paid one-half by Seller and one-half by Buyer when due, and such payment by Buyer shall be in addition to the Purchase Price paid by Buyer. All Transfer Taxes arising out of the Pre-Closing Reorganization Transactions shall be paid by Seller. If any Transfer Taxes are required to be collected by Seller or any member of Seller's Group, Buyer shall pay such Transfer Taxes directly to Seller or member of Seller's Group. Buyer, or Seller (or member of Seller's Group, as applicable), shall file, or in the event that it cannot file, prepare and present on a timely basis to the relevant filing party, all necessary Tax Returns and other documentation with respect to any Transfer Taxes.

Section 9.7 Section 338(h)(10).

(a) Seller and Buyer shall join in making (or cause to be made), and will take any and all actions necessary to effect, a timely and irrevocable election under Section 338(h)(10) of the Code (and any comparable provision of state, local or foreign Law) on behalf of the Company (the "**Section 338(h)(10) Election**"). Seller, Buyer and the Company hereby agree to be bound by the Section 338(h)(10) Election and to act, and cause their respective Affiliates to act, in accordance with the Section 338(h)(10) Election for all Tax purposes (including, without limitation, in the filing of federal Tax Returns, including IRS Form 8883 ("**Form 8883**")) and not to take, or cause to be taken, any action or position that would be inconsistent with or prejudice the Section 338(h)(10) Election. Seller and Buyer shall jointly execute IRS Form 8023 ("**Form 8023**") with respect to the transaction. Buyer will cooperate with Seller with respect to the preparation and execution of any additional or supplemental forms in connection with the Section 338(h)(10) Election (including, without limitation, any amended or supplemental Forms 8023). Each of Seller and Buyer shall be responsible for filing a Form 8883 for the Company and shall provide copies of the completed Form 8883 to each other prior to filing the same.

(b) Notwithstanding anything to the contrary contained herein, Seller and/or the "selling consolidated group" (as defined in Treasury Regulation Section 1.338(h)(10)-1(b)(2)) will be solely responsible for the payment of any and all federal Taxes resulting from the making of the Section 338(h)(10) Election.

(c) Seller and Buyer agree that the Section 338(h)(10) Election and the Pre-Closing Reorganization Transactions described in Annex 1, insofar as they relate to the Company, shall be treated for U.S. federal income tax purposes as a "plan of liquidation" within the meaning of Section 332(b) of the Code.

Section 9.8 Allocation of Consideration. The "aggregate deemed sales price" for the Company as defined in and required to be allocated pursuant to Section 338(h)(10) of the Code, shall be allocated among the assets of the Company in a manner consistent with Section 338 of the Code and Seller and Buyer shall report such allocation on Form 8883 and any other forms or statements required by the Code, Treasury Regulations, the IRS or any applicable state or local Taxing Authority.

Section 9.9 Certain Limitations. Notwithstanding anything to the contrary contained in this Agreement, Seller shall not be required to indemnify or hold harmless Buyer and its Affiliates (including after the Closing, the Company) in respect of or against any and all Losses resulting from, relating or attributable to any and all Taxes attributable to a Post-Closing Tax Period other than any Taxes in connection with or arising out of the breach or inaccuracy of the representation and warranty of Seller contained in Section 3.10(c) or Section 3.10(h).

Section 9.10 Treatment of Post-Closing Payments. Buyer and Seller agree to treat any amounts payable after the Closing by Seller to Buyer (or by Buyer to Seller) pursuant to this Agreement as an adjustment to the Purchase Price, unless a Final Determination by the appropriate Taxing Authority or court causes any such payment not to be treated as an adjustment to the Purchase Price for Tax purposes.

Section 9.11 Coordination. Notwithstanding anything in this Agreement to the contrary, in the event there is a conflict between this Article IX and any provision contained in any other Article of this Agreement, this Article IX shall control.

ARTICLE X
TERMINATION PRIOR TO THE CLOSING

Section 10.1 Termination of Agreement. This Agreement may be terminated at any time prior to the Closing:

(a) by Seller or Buyer in writing, if any Order shall have been issued and shall have become final and nonappealable, or if any statute shall have been enacted, or if any rule or regulation shall have been promulgated by any Governmental Entity, that prohibits or restrains either Party from consummating the transactions contemplated by this Agreement, and the Party seeking to terminate this Agreement pursuant to this Section 10.1(a) shall have used its reasonable best efforts to cure such condition;

(b) by Seller or Buyer, if there shall have been a material breach by Buyer or Seller, respectively, of any of their respective representations, warranties, covenants or obligations contained herein, which breach would result in the failure to satisfy any condition set forth in Article VI, and in any such case such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured within thirty (30) calendar days after written notice thereof shall have been received by the Party alleged to be in breach; provided, however, that the right to terminate this Agreement under this Section 10.1(b) shall not be available to a Party whose breach of this Agreement would result in the failure to satisfy any condition set forth in Article VI;

(c) at any time prior to the Closing, by mutual written consent of Seller and Buyer;

(d) by Seller, unless due to Seller's material breach of any of its obligations hereunder prior to Closing, if Buyer fails to consummate the Closing within ten (10) days after approval of the IID of the change of control of the Company has been received; or

(e) by Seller or Buyer if the Closing fails to occur within 120 days of the Date of this Agreement (the "**Outside Date**"); provided, however, that if the Closing has not occurred on or prior to the Outside Date due solely to the conditions set forth in Section 6.1(c) or Section 6.2(c) having not been satisfied, the Parties agree that either Party may, in its sole discretion, choose to extend the Outside Date by an additional 60 days, provided that the right to extend the Outside Date shall not be available to any Party whose breach of any provision of this Agreement results in the failure of the Closing to be consummated by the Outside Date.

Section 10.2 Effect of Termination; Survival. In the event of termination of this Agreement as provided in Article X:

(a) this Agreement shall forthwith become void and there shall be no liability on the part of any Party except (i) under the provisions of Section 5.6, Section 11.1, and any other Section of this Agreement which, by its express provisions, survives the termination of this Agreement, or the survival of which is necessary to fulfill the intended effect of any other Section

which, by its express provisions, survive the termination of this Agreement and (ii) that nothing herein shall relieve any Party from liability for any breach of this Agreement prior to its termination; and

(b) all filings, applications and other submissions made pursuant to the transactions contemplated by this Agreement shall, to the extent practicable, be withdrawn from the Governmental Entity or other Person to which made.

ARTICLE XI
GENERAL PROVISIONS

Section 11.1 Fees and Expenses. Whether or not the Closing shall occur, each Party shall pay such Party's own fees and expenses incident to preparing for, entering into and carrying out this Agreement and the transactions contemplated hereby.

Section 11.2 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of (a) in the case of personal delivery, when actually delivered; (b) in the case of delivery by prepaid overnight courier with guaranteed next day delivery, the day designated for delivery by such courier; (c) in the case of delivery by registered or certified mail, postage prepaid, return receipt requested, five (5) days after deposit in the mails or (d) in the case of transmittal by electronic mail, upon receipt by the sender of electronic confirmation of such transmittal, and in each case shall be addressed as follows (or at such other address or e-mail address for a Party as shall be specified by like notice):

(a) If to Buyer, to:

UnitedHealth Group Incorporated
9900 Bren Road East
Minnetonka, Minnesota 55343
Attention: Executive Vice President and Chief Legal Officer
Attention: Vice President, Corporate Development

with a copy, which shall not constitute notice to Buyer, to:

Faegre Baker Daniels LLP
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, Minnesota 55402
Attention: W. Morgan Burns; Noel W. Spencer
E-mail: Morgan.Burns@FaegreBD.com; noel.spencer@FaegreBD.com

(b) If to Seller, to:

c/o Wells Fargo
90 S 7th Street, 17th Floor
Minneapolis, MN 55402
MAC N9305-174
Attention: Justina Roberts

Telephone: 763-251-0521
E-mail: Justina.Roberts@wellsfargo.com

with a copy, which shall not constitute notice to Seller, to:

Wells Fargo
800 Walnut Street
Des Moines, IA 50309
MAC F0001-080
Attention: Scott Casady
Telephone: 515-557-6604
E-mail: Scott.E.Casady@wellsfargo.com

and

Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019
Attention: Dennis Manfredi
Telephone: 212-839-7365
E-mail: dmanfredi@sidley.com

Section 11.3 Entire Agreement; Joint Negotiation; Third-Party Beneficiaries.

(a) This Agreement (including all exhibits, annexes and schedules hereto, and the Seller Disclosure Schedule) constitutes the entire agreement of the Parties with respect to the subject matter contained herein and therein, and supersedes all prior agreements, understandings, representations and warranties, both written and oral, among the Parties with respect to such subject matter.

(b) The Parties hereto have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

(c) Except as otherwise provided in Article VIII or Article IX, the terms and provisions of this Agreement are intended solely for the benefit of the Parties, and their respective successors and assigns, and nothing in this Agreement is intended or shall be construed to give any other Person any legal or equitable right, remedy or claim under, or in respect of, this Agreement or any provision contained herein.

Section 11.4 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial. This Agreement shall be interpreted and construed in accordance with the Laws of the State of Delaware, without regard to its conflict of laws principles that would require application of the Laws of a jurisdiction other than the State of Delaware. Except as provided in Section 2.2(c)(ii), the Parties hereby irrevocably and unconditionally (a) submit to the exclusive jurisdiction of any State or Federal Court sitting in New Castle County, Delaware (any such court, a "**Delaware**

Court") over any Action arising out of or relating to this Agreement; (b) agree that service of any process, summons, notice or document by the means specified herein shall be effective service of process for any Action brought against such Party in a Delaware Court; (c) waive any objection to the laying of venue of any such Action brought in a Delaware Court has been brought in an inconvenient forum; and (d) agree that final judgment in any such Action in a Delaware Court shall be conclusive and binding upon the Parties and may be enforced in any other courts to whose jurisdiction the Party against whom enforcement is sought may be subject, by suit upon such judgment. IN ADDITION TO THE FOREGOING, EACH PARTY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AND EACH PARTY HEREBY ACKNOWLEDGES THAT SUCH WAIVER IS MADE WITH FULL UNDERSTATING AND KNOWLEDGE OF THE NATURE OF THE RIGHTS AND BENEFITS WAIVED HEREBY.

Section 11.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations of any Party shall be assigned, in whole or in part, by operation of Law or otherwise by such Party without the prior written consent of the other Parties, and any such assignment that is not consented to shall be null and void; provided, however, that either Party may (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (b) designate one or more of its Affiliates to perform its obligations hereunder; provided, however, that in each case Buyer or Seller, as the case may be, shall nonetheless shall remain responsible for the performance of all of its obligations hereunder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and permitted assigns.

Section 11.6 Payments. Except to the extent otherwise expressly provided in this Agreement, all payments to be made under this Agreement shall be made in full, without any set-off, counterclaim, restriction or condition and without any deduction or withholding (save as may be required by applicable Law or otherwise agreed). If any deduction or withholding is required by applicable Law to be made from any payment pursuant to this Agreement, and no exemption from or reduction in the rate of such deduction or withholding is applicable (either pursuant to a double taxation agreement otherwise), then the Party making the payment shall make the deduction or withholding in the minimum amount required by applicable Law and shall promptly provide the other Party with such proof as such Party may reasonably require of the payment to the relevant Taxing Authority of any amounts so deducted or withheld. The Parties shall reasonably cooperate in determining whether any reduction or exemptions from withholding are available. In the event Buyer determines that any portion of the Purchase Price would be subject to withholding under applicable Law, Buyer shall promptly notify Seller of such determination, but in no event less than twenty-five (25) days prior to the Closing Date. During the ten (10)-day period following the delivery of the notice provided by Buyer pursuant to the preceding sentence, Seller shall review such determination and shall notify Buyer of any disagreement with such determination. Seller and Buyer shall endeavor in good-faith to resolve any such disagreements. If Seller and Buyer cannot resolve any dispute regarding any proposed withholding by Buyer during such ten (10)-day period, Seller shall have the opportunity to deliver to Buyer an opinion of tax counsel reasonably satisfactory to Buyer to the effect that it is at least more likely than not that such withholding is not required under applicable Law, in which case Buyer shall not withhold any such portion of the Purchase Price.

Section 11.7 Specific Performance. The Parties agree that irreparable damage would occur in the event any of the provisions of this Agreement were not performed in accordance with the terms hereof and that, prior to the termination of this Agreement pursuant to Section 10.1, the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the other Parties or to specific performance of the terms hereof in addition to any other remedies at Law or in equity.

Section 11.8 Severability. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Requirements of Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Requirements of Law, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 11.9 Amendment; Modification and Waiver. This Agreement may be amended, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by each of the Parties or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 11.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each Party and delivered to the other Parties. Each counterpart may be delivered by e-mail (as a .pdf, .tif or similar uneditable attachment), which transmission shall be deemed delivery of an originally executed counterpart hereof.

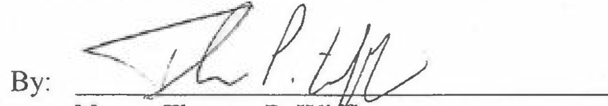
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,

SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the Date of this Agreement.

BUYER:

SPECIALTY BENEFITS, LLC

By: 

Name: Thomas P. Wiffler
Title: Chief Executive Officer

[Signature Page to Stock Purchase Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the Date of this Agreement.

SELLER:

WELLS FARGO FINANCIAL, LLC

By: Dean R Anderson

Name: Dean R. Anderson

Title: President

[Signature Page to Stock Purchase Agreement]

Schedule 1.1

Books and Records

I. **Corporate Records**

a. Articles of Incorporation and amendments thereto

b. Bylaws and Amended Bylaws

c. Investment Committee Minutes

d. Board of Directors Minutes

e. Minutes of the Annual Meeting of the Sole Shareholder

f. Corporate record books, stock transfer ledger, stock certificates and other stock and shareholder records

II. **Regulatory and Tax Filings (12/31/16-present)**

a. The following Holding Company Statement filings:

i. Insurance Company Holding System Annual Registration Statement (Form B)

ii. Summary of Registration Statement (Form C)

iii. Enterprise Risk Report (Form F)

b. Certificates of Authority in the jurisdictions set forth in Seller Disclosure Schedule Section 3.14

c. Requests for extraordinary dividends

d. Examination reports

III. **Accounting and Financial Records (12/31/16-present)**

a. Statutory financial statements

b. Premium tax returns

c. Alabama Franchise tax returns

d. Guaranty fund payments

e. Audit/actuarial reports

IV. **Reinsurance Agreements** – Any reinsurance agreement in effect from 12/31/16-present, including the following:

a. Reinsurance Agreement dated November 9, 2005 between American Bankers Insurance Company of Florida and the Company

b. Amended and Restated Reinsurance Agreement Contract No. 1420014 dated October 1, 2014 between American Bankers Insurance Company of Florida and the Company

c. Reinsurance Agreement dated December 1, 2008 between American Bankers Life Assurance Company of Florida and the Company

d. Reinsurance Agreement dated December 1, 2008 between American Security Insurance Company and the Company

e. Reinsurance Agreement dated February 1, 2008 between American Bankers Insurance Company of Florida and the Company

f. Reinsurance Agreement dated December 1, 2008 between Standard Guaranty Insurance Company and the Company

g. Canadian Property and Casualty Reinsurance Contract dated January 1, 2002 between American Bankers Insurance Company of Florida and the Company

h. Canadian Property and Casualty Reinsurance Contract dated January 1, 2002 between American Bankers Insurance Company of Florida and the Company

i. Canadian Property and Casualty Reinsurance Contract dated April 1, 1999 between American Bankers Insurance Company of Florida and Company

j. Canadian Property and Casualty Reinsurance Contract dated March 29, 2000 between American Bankers Insurance Company of Florida and Company

k. Novation Agreement dated October 1, 2009 among American Bankers Insurance Company of Florida (Canadian Branch), CGT Insurance Company, LTD and the Company, substituting the Company for CGT Insurance Company for agreements (h) through (k) of this section

V. **Contracts That Remain In Effect** – Any Contract of the Company, other than the Reinsurance Agreements, that remains in effect immediately following the Closing, including the following:

a. Master Custody Agreement dated June 20, 2016 between the Company and U.S. National Bank Association

b. Master Custody Agreement dated August 1, 2016 between the Company and U.S. National Bank Association

c. General Agency Agreement dated June 15, 2019 between the Company and ASC Wealth Management, LLC

d. General Agency Agreement dated April 1, 2009 between the Company and Edith E. DeLeon

e. Depository Agreement dated January 1, 1996 between the Company and the United States National Bank of Oregon

f. Depository Agreement in Lieu of Bond dated November 7, 2000 between the Insurance Commissioner of Guam and the Company

g. Time Deposit Account Application, dated November 1, 2000, between the Company and Bank of Hawaii

Schedule 2.2(b)

Pre-Closing Quarterly Statutory Balance Sheet

[See attached.]

ASSETS

	Current Statement Date			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	4,889,630		4,889,630	15,433,285
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less $ .... encumbrances)				
4.2 Properties held for the production of income (less $ .... encumbrances)				
4.3 Properties held for sale (less $ .... encumbrances)				
5. Cash ($ 660,104), cash equivalents ($ 554,841) and short-term investments ($ ....)	1,214,945		1,214,945	30,238,788
6. Contract loans (including $ .... premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	6,104,575		6,104,575	45,672,073
13. Title plants less $ .... charged off (for Title insurers only)				
14. Investment income due and accrued	29,792		29,792	148,893
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ .... earned but unbilled premiums)				
15.3 Accrued retrospective premiums ($ ....) and contracts subject to redetermination ($ ....)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	100,452		100,452	239,529
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ ....)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	501		501	
24. Health care ($ ....) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	1,758		1,758	1,393
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	6,237,078		6,237,078	46,061,888
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	6,237,078		6,237,078	46,061,888
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)				
2501. Arizona Insurance Examiners Deposit	100		100	100
2502. State/Premium Tax Receivable	1,658		1,658	1,293
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,758		1,758	1,393

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $)		6,000
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including $ on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money $ and interest thereon $		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ and including warranty reserves of $ and accrued accident and health experience rating refunds including $ for medical loss ratio rebate per the Public Health Service Act)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including $ certified)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		400
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes $ and interest thereon $		
25. Aggregate write-ins for liabilities		
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)		6,400
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)		6,400
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	2,600,000	2,600,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	1,000,000	1,000,000
35. Unassigned funds (surplus)	2,637,078	42,455,488
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 $)		
36.2 shares preferred (value included in Line 31 $)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	6,237,078	46,055,488
38. Totals (Page 2, Line 28, Col. 3)	6,237,078	46,061,888
DETAILS OF WRITE-INS		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)		
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998)(Line 29 above)		
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298)(Line 32 above)		

Schedule 6.1(c)

Consents, Waivers, Approvals, Orders, Notices or Authorizations of, or Registrations or Filings with, each Government Entity

1. Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer filing by Buyer with, and approval (or non-disapproval) from, the IID.

2. Form E exemption letter filing by Buyer with, and approval (or non-disapproval) to the extent applicable from, the Maryland Insurance Administration.

Annex 1

Pre-Closing Reorganization Transactions

1. Prior to the Closing Date, Seller shall cause the Company to use commercially reasonable efforts to distribute, contribute, sell, convey, transfer, assign and deliver to one or more members of Seller's Group (other than the Company) all Excluded Assets to the extent held or owned by the Company.

Exhibit 2: Abbreviated Organizational Chart of the Company and its Affiliates Prior to the Transaction

Centurion Casualty Company Organizational Chart (Abbreviated)

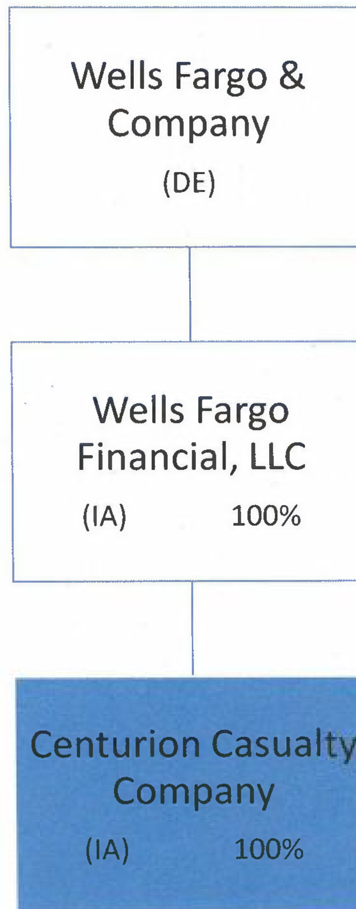


Exhibit 3: Abbreviated Organizational Chart of the Acquiring Parties Prior to the Transaction

UnitedHealth Group

Pre-Acquisition Organization Chart (Abbreviated)

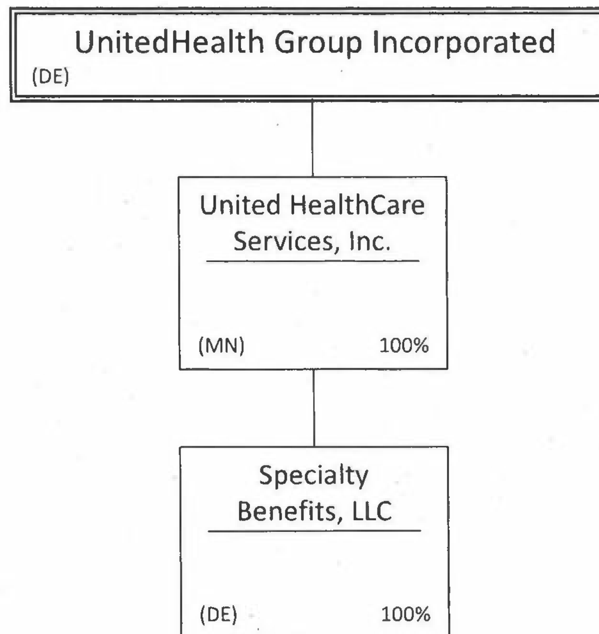


Exhibit 4: Abbreviated Organizational Chart Post-Transaction

UnitedHealth Group
Post-Acquisition Organization Chart (Abbreviated)

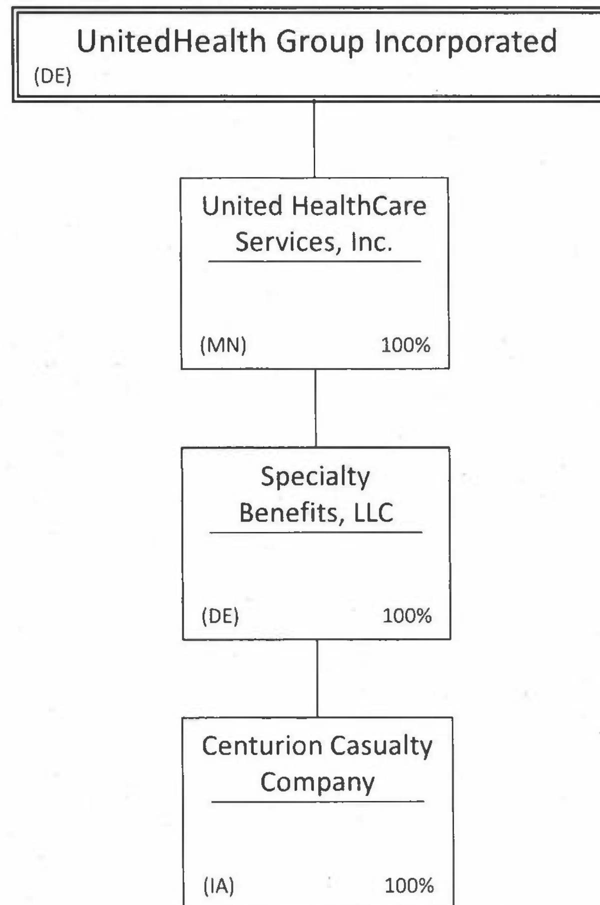


Exhibit 5: List of Directors and Executive Officers of UHG and Specialty Benefits

UnitedHealth Group Incorporated

Directors
William C. Ballard
Richard T. Burke
Timothy P. Flynn
Stephen J. Hemsley
Michele J. Hooper
F. William McNabb III
John H. Noseworthy
Valerie Montgomery Rice
Glenn M. Renwick
David S. Wichmann
Gail R. Wilensky

Executive Officers
David S. Wichmann, Chief Executive Officer
Stephen H. Hemsley, Executive Chairman of the Board
John F. Rex, Executive Vice President and Chief Financial Officer
Marianne D. Short, Executive Vice President and Chief Legal Officer
D. Ellen Wilson, Executive Vice President and Chief Human Resources Officer
Andrew P. Witty, Executive Vice President and Chief Executive Officer, Optum
Dirk C. McMahon, Executive Vice President and Chief Executive Officer, UnitedHealthcare
Thomas E. Roos, Senior Vice President and Chief Accounting Officer

Specialty Benefits, LLC

Managers
Thomas P. Wiffler
James F. Bedard

Executive Officers
Thomas P. Wiffler, Chief Executive Officer
James F. Bedard, Chief Financial Officer
Peter M. Gill, Treasurer
Gavin G. Galimi, Secretary
Michael C. Brody, Assistant Secretary
Heather A. Lang, Assistant Secretary

Exhibit 6: Biographical Affidavits for the Directors and Executive Officers of UHG and Specialty Benefits

Submitted confidentially in a sealed envelope.

Exhibit 7: List of Directors and Executive Officers of the Company Post-Transaction

Centurion Casualty Company

Proposed Directors

James F. Bedard
Thomas P. Wiffler
Patrick F. Carr
James M. Gabriel
Troy A. McQuagge

Proposed Executive Officers

Troy A. McQuaage, President and Chief Executive Officer
James F. Bedard, Vice President and Chief Financial Officer
Peter M. Gill, Treasurer
Gavin G. Galimi, Secretary
Michael C. Brody, Assistant Secretary
Heather A. Lang, Assistant Secretary

Exhibit 8: Biographical Affidavits for the Directors and Executive Officers of the Company Post-Transaction

Submitted confidentially in a sealed envelope.

Exhibits 9-A to 9-D: Annual Reports on Form 10-K of UHG

Exhibit 9-A: Annual Report on Form 10-K of UHG for the year ended December 31, 2018, filed with the Securities and Exchange Commission (includes audited financial statements for 2018 and 2017)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number: 1-10864

UNITEDHEALTH GROUP®

UnitedHealth Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**41-1321939** **(I.R.S. Employer Identification No.)**
UnitedHealth Group Center **9900 Bren Road East** **Minnetonka, Minnesota** **(Address of principal executive offices)**	**55343** **(Zip Code)**

(952) 936-1300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, $.01 PAR VALUE **(Title of each class)**	**NEW YORK STOCK EXCHANGE, INC.** **(Name of each exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2018 was $234,490,429,732 (based on the last reported sale price of $245.34 per share on June 30, 2018, on the New York Stock Exchange), excluding only shares of voting stock held beneficially by directors, executive officers and subsidiaries of the registrant.

As of January 31, 2019, there were 959,538,515 shares of the registrant's Common Stock, $.01 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the registrant's definitive proxy statement relating to its 2019 Annual Meeting of Shareholders. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

UNITEDHEALTH GROUP

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PART I

ITEM 1. BUSINESS

INTRODUCTION

Overview

UnitedHealth Group is a diversified health care company dedicated to helping people live healthier lives and helping make the health system work better for everyone. The terms "we," "our," "us," "its," "UnitedHealth Group," or the "Company" used in this report refer to UnitedHealth Group Incorporated and its subsidiaries.

Through our diversified family of businesses, we leverage core competencies in data and health information; advanced technology; and clinical expertise. These core competencies are deployed within our two distinct, but strategically aligned, business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum.

UnitedHealthcare provides health care benefits to an array of customers and markets. UnitedHealthcare Employer & Individual serves employers ranging from sole proprietorships to large, multi-site and national employers, public sector employers and individual consumers. UnitedHealthcare Medicare & Retirement delivers health and well-being benefits for Medicare beneficiaries and retirees. UnitedHealthcare Community & State manages health care benefit programs on behalf of state Medicaid and community programs and their participants. UnitedHealthcare Global includes the provision of health and dental benefits and hospital and clinical services to employer groups and individuals in South America, and other diversified global health businesses.

Optum is a health services business serving the broad health care marketplace, including payers, care providers, employers, governments, life sciences companies and consumers, through its OptumHealth, OptumInsight and OptumRx businesses. These businesses have dedicated units that help improve overall health system performance through optimizing care quality, reducing costs and improving consumer experience and care provider performance, leveraging distinctive capabilities in data and analytics, pharmacy care services, population health, health care delivery and health care operations.

Through UnitedHealthcare and Optum, in 2018, we processed more than three-quarters of a trillion dollars in gross billed charges and we managed more than $250 billion in aggregate health care spending on behalf of the customers and consumers we serve. Our revenues are derived from premiums on risk-based products; fees from management, administrative, technology and consulting services; sales of a wide variety of products and services related to the broad health care industry; and investment and other income. Our two business platforms have four reportable segments:

- UnitedHealthcare, which includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare Global;
- OptumHealth;
- OptumInsight; and
- OptumRx.

UnitedHealthcare

Through its health benefits offerings, UnitedHealthcare is enabling better health, helping to control rising health care costs and creating a better health care experience for its customers. UnitedHealthcare's market position is built on:

- strong local-market relationships;

- the breadth of product offerings, which are responsive to many distinct market segments in health care;
- service and advanced technology, including digital consumer engagement;
- competitive medical and operating cost positions;
- effective clinical engagement;
- extensive expertise in distinct market segments; and
- innovation for customers and consumers.

UnitedHealthcare utilizes Optum's capabilities to help coordinate patient care, improve affordability of medical care, analyze cost trends, manage pharmacy benefits, work with care providers more effectively and create a simpler consumer experience.

In the United States, UnitedHealthcare arranges for discounted access to care through networks that include 1.3 million physicians and other health care professionals and more than 6,000 hospitals and other facilities.

UnitedHealthcare is subject to extensive government regulation. See further discussion of our regulatory environment below under "Government Regulation" and in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UnitedHealthcare Employer & Individual

UnitedHealthcare Employer & Individual offers an array of consumer-oriented health benefit plans and services nationwide for large national employers, public sector employers, mid-sized employers, small businesses, and individual consumers. UnitedHealthcare Employer & Individual provides access to medical services for 27 million people on behalf of our customers and alliance partners, including employer customers serving people across all 50 states, the District of Columbia and most U.S. territories. Products are offered through affiliates that are licensed as insurance companies, health maintenance organizations (HMOs), or third-party administrators (TPAs). Large employer groups typically use self-funded arrangements where UnitedHealthcare Employer & Individual earns a service fee. Smaller employer groups and individuals are more likely to purchase risk-based products because they are less willing or unable to bear a greater potential liability for health care expenditures.

Through its risk-based product offerings, UnitedHealthcare Employer & Individual assumes the risk of both medical and administrative costs for its customers in return for a monthly premium, which is typically a fixed rate per individual served for a one-year period. When providing administrative and other management services to customers that elect to self-fund the health care costs of their employees and employees' dependents, UnitedHealthcare Employer & Individual receives a fixed monthly service fee per individual served. These customers retain the risk of financing medical benefits for their employees and employees' dependents, while UnitedHealthcare Employer & Individual provides services such as coordination and facilitation of medical and related services to customers, consumers and health care professionals, administration of transaction processing and access to a contracted network of physicians, hospitals and other health care professionals, including dental and vision.

The consolidated purchasing capacity represented by the individuals served by UnitedHealth Group makes it possible for UnitedHealthcare Employer & Individual to contract for cost-effective access to a large number of conveniently located care professionals and facilities. UnitedHealthcare Employer & Individual has relationships with network care providers that integrate data and analytics, implement value-based payments and care management programs, and enable us to jointly better manage health care and improve quality across populations.

UnitedHealthcare Employer & Individual typically distributes its products through consultants or direct sales in the larger employer and public sector segments. In the smaller group segment of the commercial marketplace,

UnitedHealthcare Employer & Individual's distribution system consists primarily of direct sales and sales through collaboration with brokers and agents. UnitedHealthcare Employer & Individual also distributes products through wholesale agents or agencies that contract with health insurance carriers to distribute individual or group benefits and provide other related services to their customers. In addition, UnitedHealthcare Employer & Individual distributes its products through professional employer organizations, associations and through both multi-carrier and its own proprietary private exchange marketplaces.

UnitedHealthcare Employer & Individual's diverse product portfolio offers employers a continuum of benefit designs, price points and approaches to consumer engagement, which provides the flexibility to meet a full spectrum of their coverage needs.

UnitedHealthcare Employer & Individual's major product families include:

Traditional Products. Traditional products include a full range of medical benefits and network options, and offer a spectrum of covered services, including preventive care, direct access to specialists and catastrophic protection.

Consumer Engagement Products. Consumer engagement products couple plan design with financial accounts to increase individuals' responsibility for their health and well-being. This suite of products includes high-deductible consumer-driven benefit plans, which include health reimbursement accounts (HRAs), health savings accounts (HSAs) and consumer engagement services such as personalized behavioral incentive programs, consumer education and other digital offerings.

Clinical and Pharmacy Products. UnitedHealthcare Employer & Individual offers a comprehensive suite of clinical and pharmacy care services products, which complement its service offerings by improving quality of care, engaging consumers and providing cost-saving options. Consumers served by UnitedHealthcare Employer & Individual can access clinical products that help them make better health care decisions and better use of their medical benefits, which contribute to improved health and lowered medical expenses.

Each medical plan has a core set of clinical programs embedded in the offering, with additional services available depending on offering type (risk-based or self-funded), line of business (e.g., small business, key accounts, public sector, national accounts or individual consumers) and clinical need. UnitedHealthcare Employer & Individual's clinical programs include:

- wellness programs;
- decision support;
- utilization management;
- case and disease management;
- complex condition management;
- on-site programs, including biometrics and flu shots;
- incentives to reinforce positive behavior change;
- mental health/substance use disorder management; and
- employee assistance programs.

UnitedHealthcare Employer & Individual's comprehensive and integrated pharmacy care services promote lower costs by using formulary programs to produce better unit costs, encouraging consumers to use drugs that offer improved value and outcomes, helping consumers take actions to improve their health and supporting the appropriate use of drugs based on clinical evidence through physician and consumer education programs.

Specialty Offerings. Through its broad network, UnitedHealthcare Employer & Individual delivers dental, vision, hearing, life, transportation, critical illness and disability product offerings using an integrated approach in private and retail settings.

UnitedHealthcare Medicare & Retirement

UnitedHealthcare Medicare & Retirement provides health and well-being services to individuals age 50 and older, addressing their unique needs for preventive and acute health care services, as well as services dealing with chronic disease and other specialized issues common among older people. UnitedHealthcare Medicare & Retirement is fully dedicated to serving this growing senior market segment, providing products and services in all 50 states, the District of Columbia and most U.S. territories. UnitedHealthcare Medicare & Retirement has distinct pricing, underwriting, clinical program management and marketing capabilities dedicated to health products and services in this market.

UnitedHealthcare Medicare & Retirement offers a selection of products that allow people to obtain the health coverage and services they need as their circumstances change. UnitedHealthcare Medicare & Retirement is positioned to serve seniors who find that affordable, network-based care provided through Medicare Advantage plans meets their unique health care needs. For those who prefer traditional fee-for-service Medicare, UnitedHealthcare Medicare & Retirement offers both Medicare Supplement and Medicare Prescription Drug Benefit (Medicare Part D) prescription drug programs that supplement their government-sponsored Medicare by providing additional benefits and coverage options. UnitedHealthcare Medicare & Retirement services include care management and clinical management programs, a nurse health line service, 24-hour access to health care information, access to discounted health services from a network of care providers and administrative services.

UnitedHealthcare Medicare & Retirement has extensive distribution capabilities and experience, including direct marketing to consumers on behalf of its key clients, including AARP, the nation's largest membership organization dedicated to the needs of people age 50 and over, and state and U.S. government agencies. Products are also offered through employer groups and agent channels.

UnitedHealthcare Medicare & Retirement's major product categories include:

Medicare Advantage. UnitedHealthcare Medicare & Retirement provides health care coverage for seniors and other eligible Medicare beneficiaries primarily through the Medicare Advantage program administered by the Centers for Medicare & Medicaid Services (CMS), including Medicare Advantage HMO plans, preferred provider organization (PPO) plans, Point-of-Service plans, Private-Fee-for-Service plans and Special Needs Plans (SNPs). Under the Medicare Advantage program, UnitedHealthcare Medicare & Retirement provides health insurance coverage in exchange for a fixed monthly premium per member from CMS plus, in some cases, monthly consumer premiums. Premium amounts received from CMS vary based on the geographic areas in which individuals reside; demographic factors such as age, gender and institutionalized status; and the health status of the individual. Medicare Advantage plans are designed to compete at the local level, taking into account consumer and care provider preferences, competitor offerings, our quality and cost initiatives, our historical financial results and the long-term payment rate outlook for each geographic area. UnitedHealthcare Medicare & Retirement served 4.9 million people through its Medicare Advantage products as of December 31, 2018.

Built on more than 20 years of experience, UnitedHealthcare Medicare & Retirement's senior-focused care management model operates at a medical cost level below that of traditional Medicare, while helping seniors live healthier lives. Through our HouseCalls program, nurse practitioners performed 1.5 million in-home preventive care visits in 2018 to address unmet care opportunities and close gaps in care. Our Navigate4Me program provides a single point of contact and a direct line of support for individuals as they go through their health care experiences. For high-risk patients in certain care settings and programs, UnitedHealthcare Medicare & Retirement uses proprietary, automated medical record software that enables clinical care teams to capture and track patient data and clinical encounters, creating a comprehensive set of care information that bridges across

home, hospital and nursing home care settings. Proprietary predictive modeling tools help identify people at high risk and enable care managers to create individualized care plans that help them obtain the right care, in the right place, at the right time.

Medicare Part D. UnitedHealthcare Medicare & Retirement provides Medicare Part D benefits to beneficiaries throughout the United States and its territories through its Medicare Advantage and stand-alone Medicare Part D plans. The stand-alone Medicare Part D plans address a large spectrum of people's needs and preferences for their prescription drug coverage, including low-cost prescription options. Each of the plans includes the majority of the drugs covered by Medicare and provides varying levels of coverage to meet the diverse needs of Medicare beneficiaries. As of December 31, 2018, UnitedHealthcare enrolled 9.0 million people in the Medicare Part D programs, including 4.7 million individuals in the stand-alone Medicare Part D plans, with the remainder in Medicare Advantage plans incorporating Medicare Part D coverage.

Medicare Supplement. UnitedHealthcare Medicare & Retirement is currently serving 4.9 million seniors nationwide through various Medicare Supplement products in association with AARP. UnitedHealthcare Medicare & Retirement offers a full range of supplemental products at a diversity of price points. These products cover various levels of coinsurance and deductible gaps that seniors are exposed to in the traditional Medicare program.

Premium revenues from CMS represented 30% of UnitedHealth Group's total consolidated revenues for the year ended December 31, 2018, most of which were generated by UnitedHealthcare Medicare & Retirement.

UnitedHealthcare Community & State

UnitedHealthcare Community & State is dedicated to serving state programs that care for the economically disadvantaged, the medically underserved and people without the benefit of employer-funded health care coverage, in exchange for a monthly premium per member from the state program. In some cases, these premiums are subject to experience or risk adjustments. UnitedHealthcare Community & State's primary customers oversee Medicaid plans, including Temporary Assistance to Needy Families (TANF), Children's Health Insurance Programs (CHIP), Dual SNPs (DSNPs), Aged, Blind and Disabled and other federal, state and community health care programs. As of December 31, 2018, UnitedHealthcare Community & State participated in programs in 30 states and the District of Columbia, and served 6.5 million people; including 1 million people through Medicaid expansion programs in 15 states under the Patient Protection and Affordable Care Act (ACA).

States using managed care services for Medicaid beneficiaries select health plans by using a formal bid process or by awarding individual contracts. A number of factors are considered by UnitedHealthcare Community & State when choosing programs for participation, including the state's commitment and consistency of support for its Medicaid managed care program in terms of service, innovation and funding; the eligible population base, both immediate and long term; and the structure of the projected program. UnitedHealthcare Community & State works with its state customers to advocate for actuarially sound rates, commensurate with medical cost trends.

These health plans and care programs are designed to address the complex needs of the populations they serve, including the chronically ill, people with disabilities and people with a higher risk of medical, behavioral and social conditions. UnitedHealthcare Community & State administers benefits for the unique needs of children, pregnant women, adults, seniors and those who are institutionalized or are nursing home eligible. These individuals often live in areas that are medically underserved and are less likely to have a consistent relationship with the medical community or a care provider. They also often face significant social and economic challenges.

UnitedHealthcare Community & State leverages the national capabilities of UnitedHealth Group locally, supporting effective care management, strong regulatory partnerships, greater administrative efficiency, improved clinical outcomes and the ability to adapt to a changing national and local market environment. UnitedHealthcare Community & State coordinates resources among family, physicians, other health care

providers, and government and community-based agencies and organizations to facilitate continuous and effective care and often addresses other social determinants that can affect people's health status and health system usage.

Approximately 75% of the people in state Medicaid programs are served by managed care, but this population represents only 50% of total Medicaid spending. UnitedHealthcare Community & State's business development opportunities include entering fee-for-service markets converting to managed care, which represents a population of nearly 8 million people; and growing in existing managed care markets, including state expansions to populations with more complex needs requiring more sophisticated models of care. This expansion includes integrated care management of physical, behavioral, long-term care services and supports, and social services by applying strong data analytics and community-based collaboration.

UnitedHealthcare Community & State continues to evolve its clinical model to enhance quality and the clinical experience for the people it serves. The model enables UnitedHealthcare Community & State to quickly identify the people who could benefit most from more highly coordinated care; typically, the 5% who are most at risk drive over 50% of states' medical costs.

UnitedHealthcare Global

UnitedHealthcare Global serves 6.2 million people with medical benefits, residing principally in Brazil, Chile, Colombia and Peru but also in more than 130 other countries. UnitedHealthcare Global owns and operates more than 300 hospitals, specialty centers, primary care and emergency services clinics in South America and Portugal. UnitedHealthcare Global provides a comprehensive range of health and mobilization capabilities and supports the health systems of individual nations with support for improving health care financing and delivery. Clients include multi-national and local businesses, governments and individual consumers around the world.

Global Markets. UnitedHealthcare Global serves local populations in select markets around the world, primarily in Brazil; Chile; Colombia; Peru; and Portugal, by touching nearly every aspect of health care and leveraging expertise in clinical care management and health care data to improve outcomes, raise quality and constrain costs.

In Brazil, Amil provides health benefits to 4.1 million people through a broad network of owned and affiliated clinics, hospitals and care providers. Dental benefits are also provided to 2.2 million people. Amil's members have access to a provider network of physicians and other health care professionals, hospitals, laboratories and diagnostic imaging centers. Americas Serviços Médicos offers health care delivery in Brazil through hospitals, ambulatory clinics and surgery centers to Amil members and consumers served by the external payer market.

Empresas Banmédica provides health benefits and health care services to 2.1 million people in Chile, Colombia and Peru through a network of owned and affiliated clinics, hospitals and care providers. Empresas Banmédica owns and operates hospitals, clinics and outpatient centers.

Lusíadas Saúde provides clinical services to people in Portugal through an owned network of hospitals and outpatient clinics.

Global Solutions. UnitedHealthcare Global includes other diversified global health services with a variety of offerings for international customers.

Optum

Optum is a technology-enabled health services business serving the broad health care marketplace, including:

- Those who need care: the consumers who need the right support, information, resources and products to achieve their health goals.

- Those who provide care: pharmacies, hospitals, physicians, practices and other health care facilities seeking to modernize the health system and support the best possible patient care and experiences.
- Those who pay for care: employers, health plans, and state, federal and municipal agencies devoted to ensuring the populations they sponsor receive high-quality care, administered and delivered efficiently and effectively.
- Those who innovate for care: global life sciences organizations dedicated to developing more effective approaches to care, enabling technologies and medicines that improve care delivery and health outcomes.

Optum operates three business segments leveraging distinctive capabilities in data and analytics, pharmacy care services, population health, health care delivery and health care operations:

- OptumHealth focuses on care delivery, care management, wellness and consumer engagement, and health financial services;
- OptumInsight specializes in data and analytics and other health care information technology services, and delivers operational services and support; and
- OptumRx provides pharmacy care services.

OptumHealth

OptumHealth is a diversified health and wellness business serving the physical, emotional and health-related financial needs of 93 million unique individuals. OptumHealth enables population health through programs offered by employers, payers, government entities and directly with the care delivery system. OptumHealth products and services deliver value by improving quality and patient satisfaction while lowering cost. OptumHealth builds high-performing networks and centers of excellence across the care continuum, by working directly with physicians to advance population health and by coordinating care for the most medically complex patients.

OptumHealth serves patients and care providers through its local ambulatory care services business and delivers care through a physician-led, patient-centric and data-driven organization comprised of more than 35,000 employed, managed or contracted physicians. OptumHealth also enables care providers' transition from traditional, fee-for-service care delivery to performance- based delivery and payment models that improve the focus on patient health and outcomes, such as those emerging through accountable care organizations (ACOs) and local care provider partnerships. Through strategic partnerships, alliances and ownership arrangements, OptumHealth helps care providers adopt new approaches and technologies that improve the coordination of care across all providers involved in patient care. MedExpress' neighborhood care centers provide urgent and walk-in care services with a consumer-friendly approach and Surgical Care Affiliates' independent ambulatory surgical centers and surgical hospitals provide high-value surgical services at a substantially lower cost than a traditional in-patient hospital setting.

OptumServe provides a wide range of health services specifically tailored to active military and veterans and the agencies that support them.

OptumHealth serves people through population health services that meet both the preventive care and health intervention needs of consumers across the care continuum—physical health and wellness, mental health, complex medical conditions, disease management, hospitalization and post-acute care. This includes offering access to proprietary networks of provider specialists in many clinical specialties, including behavioral health, organ transplant, chiropractic and physical therapy. OptumHealth engages consumers in managing their health, including guidance, tools and programs that help them achieve their health goals and maintain healthy lifestyles.

Optum Financial Services, through Optum Bank, a wholly-owned subsidiary, serves consumers through 5.2 million health savings and other accounts approaching $10 billion in assets under management as of

December 31, 2018. During 2018, Optum Bank processed nearly $160 billion in digital medical payments to physicians and other health care providers. Organizations across the health system rely on Optum to manage and improve payment flows through its highly automated, scalable, digital payment systems.

OptumHealth offers its products on a risk basis, where it assumes responsibility for health care costs in exchange for a monthly premium per individual served, on an administrative fee basis, under which it manages or administers delivery of the products or services in exchange for a fixed monthly fee per individual served, or on a fee-for-service basis, where it delivers medical services to patients in exchange for a contracted fee. For its financial services offerings, OptumHealth charges fees and earns investment income on managed funds.

OptumHealth sells its products primarily through its direct sales force, strategic collaborations and external producers in three markets: employers (which includes the sub-markets of large, mid-sized and small employers), payers (which includes the sub-markets of health plans, TPAs, underwriter/stop-loss carriers and individual market intermediaries) and government entities (which includes states, CMS, the Department of Defense, the Veterans Administration and other federal procurement agencies).

OptumInsight

OptumInsight provides services, technology and health care expertise to major participants in the health care industry. OptumInsight's capabilities are focused on technology, research and consulting and managed services that help improve the quality of care and drive greater efficiency in the health care system. Technology includes population health and risk analytics, administrative and clinical technology for claims editing, risk adjustment and payment integrity, health information and electronic data exchange and technology strategy and management. Research and consulting helps organizations reduce administrative costs and implement best practices to improve clinical performance. Managed services provides solutions such as revenue cycle management, risk analytics, payment integrity outsourcing and state Medicaid data and technology management. Hospital systems, physicians, health plans, governments, life sciences companies and other organizations that comprise the health care industry depend on OptumInsight to help them improve performance, achieve efficiency, reduce costs, advance quality, meet compliance mandates and modernize their core operating systems to meet the changing needs of the health system.

Many of OptumInsight's software and information products and professional services are delivered over extended periods, often several years. OptumInsight maintains an order backlog to track unearned revenues under these long-term arrangements. The backlog consists of estimated revenue from signed contracts, other legally binding agreements and anticipated contract renewals based on historical experience with OptumInsight's customers. OptumInsight's aggregate backlog at December 31, 2018 was $17.0 billion, of which $8.6 billion is expected to be realized within the next 12 months. The aggregate backlog includes $6.2 billion related to intersegment agreements. OptumInsight's aggregate backlog at December 31, 2017, was $15.0 billion. OptumInsight cannot provide any assurance that it will be able to realize all of the revenues included in the backlog due to uncertainties with regard to the timing and scope of services and the potential for cancellation, non-renewal or early termination of service arrangements.

OptumInsight's products and services are sold primarily through a direct sales force. OptumInsight's products are also supported and distributed through an array of alliances and business partnerships with other technology vendors, who integrate and interface OptumInsight's products with their applications.

OptumInsight believes it is well positioned to address the needs of four primary market segments: care providers (e.g., physicians and hospital systems), health plans, governments and life sciences companies.

Care Providers. Serving more than four out of five U.S. hospitals and more than 100,000 physicians, OptumInsight assists care providers in meeting their challenge to improve patient outcomes and care amid changing payment models and pressures. OptumInsight brings a broad array of solutions to help care providers

meet these challenges, with particular focus on clinical performance and quality improvement, population health, data management and analytics, revenue management, cost containment, compliance, cloud-enabled collaboration and consumer engagement.

Health Plans. OptumInsight serves three out of four U.S. health plans through cost-effective, technology-enabled solutions that help them improve efficiency, understand and optimize growth while managing risk, deliver on clinical performance and compliance goals, and build and manage strong networks of care.

Governments. OptumInsight provides services tailored to government payers, including data and analytics technology, claims management and payment accuracy services, and strategic consulting.

Life Sciences. OptumInsight provides services to global life sciences companies. These companies look to OptumInsight for data, analytics and expertise in core areas of health economics and outcomes research, market access consulting, integrated clinical and health care claims data and informatics services, epidemiology and drug safety, and patient reported outcomes.

OptumRx

OptumRx provides a full spectrum of pharmacy care services to 65 million people in the United States through its network of more than 67,000 retail pharmacies, multiple home delivery, specialty and compounding pharmacies and through the provision of home infusion services. In 2018, OptumRx added capabilities in managing limited and ultra-limited distribution drugs in oncology, HIV, pain management and ophthalmology as well as capabilities to serve the growing pharmacy needs of people with behavioral health and substance use disorders, particularly Medicare and Medicaid beneficiaries.

OptumRx's comprehensive whole-person approach to pharmacy care services integrates demographic, medical, laboratory, pharmaceutical and other clinical data and applies analytics to drive clinical care insight to support care treatments and compliance, benefiting clients and individual consumers through enhanced services, elevated clinical quality and cost trend management.

In 2018, OptumRx managed $91 billion in pharmaceutical spending, including $40 billion in specialty pharmaceutical spending.

OptumRx provides pharmacy care services to a number of health plans, including a substantial majority of UnitedHealthcare members, large national employer plans, unions and trusts and government entities. OptumRx's distribution system consists primarily of health insurance brokers and other health care consultants and direct sales.

OptumRx offers multiple clinical programs and services to help clients manage overall pharmacy and health care costs in a clinically appropriate manner, which are designed to promote good health outcomes, and to help target inappropriate utilization and non-adherence to medication, each of which may result in adverse medical events that affect member health and client pharmacy and medical spend. OptumRx provides various utilization management, medication management, quality assurance, adherence and counseling programs to complement the client's plan design and clinical strategies. OptumRx offers a distinctive approach to integrating the management of medical and pharmaceutical care, using data and advanced analytics to help improve comprehensive decision-making, elevate quality, close gaps in care and reduce costs for customers and members.

As of December 31, 2018, OptumRx operated four home delivery pharmacies in the United States, which provide patients with access to maintenance medications and enables OptumRx to manage clients' drug costs through operating efficiencies and economies of scale. As of December 31, 2018, OptumRx's specialty pharmacy operations included more than 70 specialty and infusion pharmacies located throughout the United States that are used for delivery of advanced medications to people with chronic or genetic diseases and disorders. OptumRx also operates community mental health facility pharmacies, which help align benefits, care management and pharmacy services for those living with complex, chronic medical and behavioral health issues.

GOVERNMENT REGULATION

Our businesses are subject to comprehensive federal, state and international laws and regulations. We are regulated by federal, state and international regulatory agencies that generally have discretion to issue regulations and interpret and enforce laws and rules. The regulations can vary significantly from jurisdiction to jurisdiction and the interpretation of existing laws and rules also may change periodically. Domestic and international governments continue to enact and consider various legislative and regulatory proposals that could materially impact certain aspects of the health care system. New laws, regulations and rules, or changes in the interpretation of existing laws, regulations and rules, including as a result of changes in the political climate, could adversely affect our business.

If we fail to comply with, or fail to respond quickly and appropriately to changes in, applicable laws, regulations and rules, our business, results of operations, financial position and cash flows could be materially and adversely affected. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to our compliance with federal, state and international laws and regulations.

Federal Laws and Regulation

We are subject to various levels of U.S. federal regulation. For example, when we contract with the federal government, we are subject to federal laws and regulations relating to the award, administration and performance of U.S. government contracts. CMS regulates our UnitedHealthcare businesses and certain aspects of our Optum businesses. Payments by CMS to our businesses are subject to regulations, including those governing fee-for-service and the submission of information relating to the health status of enrollees for purposes of determining the amounts of certain payments to us. CMS also has the right to audit our performance to determine our compliance with CMS contracts and regulations and the quality of care we provide to Medicare beneficiaries. Our commercial business is further subject to CMS audits related to medical loss ratios (MLRs) and risk adjustment data.

UnitedHealthcare Community & State has Medicaid and CHIP contracts that are subject to federal regulations regarding services to be provided to Medicaid enrollees, payment for those services and other aspects of these programs. There are many regulations affecting Medicare and Medicaid compliance and the regulatory environment with respect to these programs is complex. We are also subject to federal law and regulations relating to the administration of contracts with federal agencies. In addition, our business is subject to laws and regulations relating to consumer protection, anti-fraud and abuse, anti-kickbacks, false claims, prohibited referrals, inappropriately reducing or limiting health care services, anti-money laundering, securities and antitrust compliance.

The Tax Cuts and Jobs Act. In December 2017, the U.S. federal government enacted a tax bill (Tax Cuts and Jobs Act or Tax Reform). The Tax Cuts and Jobs Act changed existing United States tax law and included numerous provisions that affected our results of operations, financial position and cash flows. For instance, Tax Reform reduced the U.S. corporate income tax rate and changed business-related exclusions and deductions and credits.

Privacy, Security and Data Standards Regulation. The administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA), apply to both the group and individual health insurance markets, including self-funded employee benefit plans. Federal regulations related to HIPAA contain minimum standards for electronic transactions and code sets and for the privacy and security of protected health information.

The Health Information Technology for Economic and Clinical Health Act (HITECH) imposed requirements on uses and disclosures of health information; included contracting requirements for HIPAA business associate agreements; extended parts of HIPAA privacy and security provisions to business associates; added federal data

breach notification requirements for covered entities and business associates and reporting requirements to the U.S. Department of Health and Human Services (HHS) and the Federal Trade Commission (FTC) and, in some cases, to the local media; strengthened enforcement and imposed higher financial penalties for HIPAA violations and, in certain cases, imposed criminal penalties for individuals, including employees. In the conduct of our business, depending on the circumstances, we may act as either a covered entity or a business associate. Federal consumer protection laws may also apply in some instances to privacy and security practices related to personally identifiable information.

The use and disclosure of individually identifiable health data by our businesses is also regulated in some instances by other federal laws, including the Gramm-Leach-Bliley Act (GLBA) or state statutes implementing GLBA. These federal laws and state statutes generally require insurers to provide customers with notice regarding how their non-public personal health and financial information is used and the opportunity to "opt out" of certain disclosures before the insurer shares such information with a third party, and generally prescribe safeguards for the protection of personal information. Neither the GLBA nor HIPAA privacy regulations preempt more stringent state laws and regulations that may apply to us, as discussed below.

ERISA. The Employee Retirement Income Security Act of 1974, as amended (ERISA), regulates how our services are provided to or through certain types of employer-sponsored health benefit plans. ERISA is a set of laws and regulations that is subject to periodic interpretation by the U.S. Department of Labor (DOL) as well as the federal courts. ERISA sets forth standards on how our business units may do business with employers who sponsor employee health benefit plans, particularly those that maintain self-funded plans. Regulations established by the DOL subject us to additional requirements for administration of benefits, claims payment and member appeals under health care plans governed by ERISA.

State Laws and Regulation

Health Care Regulation. Our insurance and HMO subsidiaries must be licensed by the jurisdictions in which they conduct business. All of the states in which our subsidiaries offer insurance and HMO products regulate those products and operations. The states require periodic financial reports and establish minimum capital or restricted cash reserve requirements. The National Association of Insurance Commissioners (NAIC) has adopted model regulations that, where adopted by states, require expanded governance practices and risk and solvency assessment reporting. Most states have adopted these or similar measures to expand the scope of regulations relating to corporate governance and internal control activities of HMOs and insurance companies. We are required to maintain a risk management framework and file a confidential self-assessment report with state insurance regulators. We file reports annually with Connecticut, our lead regulator, and with New York, as required by that state's regulation. Certain states have also adopted their own regulations for minimum MLRs with which health plans must comply. In addition, a number of state legislatures have enacted or are contemplating significant reforms of their health insurance markets, either independent of or to comply with or be eligible for grants or other incentives in connection with the ACA, which may affect our operations and our financial results.

Health plans and insurance companies are regulated under state insurance holding company regulations. Such regulations generally require registration with applicable state departments of insurance and the filing of reports that describe capital structure, ownership, financial condition, certain intercompany transactions and general business operations. Most state insurance holding company laws and regulations require prior regulatory approval of acquisitions and material intercompany transfers of assets, as well as transactions between the regulated companies and their parent holding companies or affiliates. These laws may restrict the ability of our regulated subsidiaries to pay dividends to our holding companies.

Some of our business activity is subject to other health care-related regulations and requirements, including PPO, Managed Care Organization (MCO), utilization review (UR), TPA, pharmacy care services, durable medical equipment or care provider-related regulations and licensure requirements. These regulations differ from state to

state and may contain network, contracting, product and rate, licensing and financial and reporting requirements. There are laws and regulations that set specific standards for delivery of services, appeals, grievances and payment of claims, adequacy of health care professional networks, fraud prevention, protection of consumer health information, pricing and underwriting practices and covered benefits and services. State health care anti-fraud and abuse prohibitions encompass a wide range of activities, including kickbacks for referral of members, billing for unnecessary medical services and improper marketing. Certain of our businesses are subject to state general agent, broker and sales distribution laws and regulations. UnitedHealthcare Community & State and certain of our Optum businesses are subject to regulation by state Medicaid agencies that oversee the provision of benefits to our Medicaid and CHIP beneficiaries and to our dually eligible (for Medicare and Medicaid) beneficiaries. We also contract with state governmental entities and are subject to state laws and regulations relating to the award, administration and performance of state government contracts.

State Privacy and Security Regulations. A number of states have adopted laws and regulations that may affect our privacy and security practices, such as state laws that govern the use, disclosure and protection of social security numbers and protected health information or that are designed to implement GLBA or protect credit card account data. State and local authorities increasingly focus on the importance of protecting individuals from identity theft, with a significant number of states enacting laws requiring businesses to meet minimum cyber-security standards and notify individuals of security breaches involving personal information. State consumer protection laws may also apply to privacy and security practices related to personally identifiable information, including information related to consumers and care providers. Different approaches to state privacy and insurance regulation and varying enforcement philosophies in the different states may materially and adversely affect our ability to standardize our products and services across state lines. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to compliance with state privacy and security regulations.

Corporate Practice of Medicine and Fee-Splitting Laws. Certain of our businesses function as direct medical service providers and, as such, are subject to additional laws and regulations. Some states have corporate practice of medicine laws that prohibit specific types of entities from practicing medicine or employing physicians to practice medicine. Moreover, some states prohibit certain entities from engaging in fee-splitting practices that involve sharing in the fees or revenues of a professional practice. These prohibitions may be statutory or regulatory, or may be imposed through judicial or regulatory interpretation. The laws, regulations and interpretations in certain states have been subject to limited judicial and regulatory interpretation and are subject to change.

Pharmacy and Pharmacy Benefits Management (PBM) Regulations

OptumRx's businesses include home delivery, specialty and compounding pharmacies, as well as clinic-based pharmacies that must be licensed as pharmacies in the states in which they are located. Certain of our home delivery, specialty and compounding pharmacies must also register with the U.S. Drug Enforcement Administration (DEA) and individual state controlled substance authorities to dispense controlled substances. In addition to adhering to the laws and regulations in the states where our home delivery, specialty and compounding pharmacies are located, we also are required to comply with laws and regulations in some non-resident states where we deliver pharmaceuticals, including those requiring us to register with the board of pharmacy in the non-resident state. These non-resident states generally expect our home delivery, specialty and compounding pharmacies to follow the laws of the state in which the pharmacies are located, but some states also require us to comply with the laws of that non-resident state when pharmaceuticals are delivered there. Additionally, certain of our pharmacies that participate in programs for Medicare and state Medicaid providers are required to comply with the applicable Medicare and Medicaid provider rules and regulations. Other laws and regulations affecting our home delivery and specialty pharmacies include federal and state statutes and regulations governing the labeling, packaging, advertising and adulteration of prescription drugs and dispensing of controlled substances. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to our pharmacy care services businesses.

Federal and state legislation of PBM activities affect both our ability to limit access to a pharmacy provider network or remove network providers. Additionally, many states limit our ability to manage and establish maximum allowable costs for generic prescription drugs. With respect to formulary services, a number of government entities, including CMS, HHS and state departments of insurance, regulate the administration of prescription drug benefits offered through federal or state exchanges. Many states also regulate the scope of prescription drug coverage, as well as the delivery channels to receive such prescriptions, for insurers, MCOs and Medicaid managed care plans. These regulations could limit or preclude (i) certain plan designs, (ii) limited networks, (iii) requirements to use particular care providers or distribution channel, (iv) copayment differentials among providers and (v) formulary tiering practices.

Legislation seeking to regulate PBM activities introduced or enacted at the federal or state level could impact our business practices with others in the pharmacy supply chain, including pharmaceutical manufacturers and network providers. Additionally, organizations like the NAIC periodically issue model regulations and credentialing organizations, like the National Committee for Quality Assurance (NCQA) and the Utilization Review Accreditation Commission (URAC), may establish standards that impact PBM pharmacy activities. While these model regulations and standards do not have the force of law, they may influence states to adopt their recommendations and impact the services we deliver to our clients.

Consumer Protection Laws

Certain of our businesses participate in direct-to-consumer activities and are subject to regulations applicable to on-line communications and other general consumer protection laws and regulations such as the Federal Tort Claims Act, the Federal Postal Service Act and the FTC's Telemarketing Sales Rule. Most states also have similar consumer protection laws.

Certain laws, such as the Telephone Consumer Protection Act, give the FTC, Federal Communications Commission ("FCC") and state attorneys general the ability to regulate, and bring enforcement actions relating to, telemarketing practices and certain automated outbound contacts such as phone calls, texts or emails. Under certain circumstances, these laws may provide consumers with a private right of action. Violations of these laws could result in substantial statutory penalties and other sanctions.

Banking Regulation

Optum Bank is subject to regulation by federal banking regulators, including the Federal Deposit Insurance Corporation, which performs annual examinations to ensure that the bank is operating in accordance with federal safety and soundness requirements, and the Consumer Financial Protection Bureau, which may perform periodic examinations to ensure that the bank is in compliance with applicable consumer protection statutes, regulations and agency guidelines. Optum Bank is also subject to supervision and regulation by the Utah State Department of Financial Institutions, which carries out annual examinations to ensure that the bank is operating in accordance with state safety and soundness requirements and performs periodic examinations of the bank's compliance with applicable state banking statutes, regulations and agency guidelines. In the event of unfavorable examination results from any of these agencies, the bank could become subject to increased operational expenses and capital requirements, enhanced governmental oversight and monetary penalties.

International Regulation

Certain of our businesses operate internationally and are subject to regulation in the jurisdictions in which they are organized or conduct business. These regulatory regimes vary from jurisdiction to jurisdiction. In addition, our non-U.S. businesses and operations are subject to U.S. laws that regulate the conduct and activities of U.S.-based businesses operating abroad, such as the Foreign Corrupt Practices Act (FCPA), which prohibits offering, promising, providing or authorizing others to give anything of value to a foreign government official to obtain or retain business or otherwise secure a business advantage.

COMPETITION

As a diversified health care company, we operate in highly competitive markets across the full expanse of health care benefits and services, including organizations ranging from startups to highly sophisticated Fortune 50 global enterprises, for-profit and non-profit companies, and private and government-sponsored entities. New entrants and business combinations also contribute to a dynamic and competitive environment. We compete fundamentally on the quality and value we provide to those we serve, which can include elements such as product and service innovation; use of technology; consumer and provider engagement and satisfaction; sales, marketing and pricing. See Part I, Item 1A, "Risk Factors" for additional discussion of our risks related to competition.

INTELLECTUAL PROPERTY RIGHTS

We have obtained trademark registration for the UnitedHealth Group, UnitedHealthcare and Optum names and logos. We own registrations for certain of our other trademarks in the United States and abroad. We hold a portfolio of patents and have patent applications pending from time to time. We are not substantially dependent on any single patent or group of related patents.

Unless otherwise noted, trademarks appearing in this report are trademarks owned by us. We disclaim any proprietary interest in the marks and names of others.

EMPLOYEES

As of December 31, 2018, we employed 300,000 individuals.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information regarding our executive officers as of February 12, 2019, including the business experience of each executive officer during the past five years:

Name	Age	Position
Stephen J. Hemsley	66	Executive Chair of the Board
David S. Wichmann	56	Chief Executive Officer
Steven H. Nelson	59	Executive Vice President; Chief Executive Officer of UnitedHealthcare
Andrew P. Witty	54	Executive Vice President; Chief Executive Officer of Optum
John F. Rex	56	Executive Vice President; Chief Financial Officer
Thomas E. Roos	46	Senior Vice President; Chief Accounting Officer
Marianne D. Short	67	Executive Vice President; Chief Legal Officer
D. Ellen Wilson	61	Executive Vice President; Chief Human Resources Officer

Our Board of Directors elects executive officers annually. Our executive officers serve until their successors are duly elected and qualified, or until their earlier death, resignation, removal or disqualification.

Mr. Hemsley is Executive Chair of the Board of UnitedHealth Group and has served in that capacity since September 2017. Mr. Hemsley previously served as Chief Executive Officer from 2006 to August 2017. He has been a member of the Board of Directors since 2000.

Mr. Wichmann is Chief Executive Officer of UnitedHealth Group and a member of the Board of Directors and has served in that capacity since September 2017. Mr. Wichmann previously served as President of UnitedHealth

Group from November 2014 to August 2017. Mr. Wichmann also served as Chief Financial Officer of UnitedHealth Group from January 2011 to June 2016. From April 2008 to November 2014, Mr. Wichmann served as Executive Vice President of UnitedHealth Group and President of UnitedHealth Group Operations.

Mr. Nelson is Executive Vice President of UnitedHealth Group and Chief Executive Officer of UnitedHealthcare and has served in that capacity since August 2017. Mr. Nelson served as Chief Executive Officer of UnitedHealthcare's Medicare & Retirement, from March 2014 to August 2017. He served as Chief Executive Officer of UnitedHealthcare Community & State from August 2012 to March 2014. From January 2008 to July 2012 he served as President of UnitedHealthcare Community & State and then as Chief Executive Officer of UnitedHealthcare Employer & Individual's West Region business.

Mr. Witty is Executive Vice President of UnitedHealth Group and Chief Executive Officer of Optum and has served in that capacity since July 2018. He previously served as a UnitedHealth Group director from August 2017 to March 2018. Prior to joining UnitedHealth Group, Mr. Witty was CEO and a board member of GlaxoSmithKline, a global pharmaceutical company, from 2008 to April 2017.

Mr. Rex is Executive Vice President and Chief Financial Officer of UnitedHealth Group and has served in that capacity since June 2016. From March 2012 to June 2016, Mr. Rex served as Executive Vice President and Chief Financial Officer of Optum. Prior to joining Optum in 2012, Mr. Rex spent over a decade at JP Morgan, a global financial services firm, and its predecessors, concluding his tenure as a Managing Director.

Mr. Roos is Senior Vice President and Chief Accounting Officer of UnitedHealth Group and has served in that capacity since August 2015. Prior to joining UnitedHealth Group, Mr. Roos was a Partner at Deloitte & Touche LLP, an independent registered public accounting firm, from September 2007 to August 2015.

Ms. Short is Executive Vice President and Chief Legal Officer of UnitedHealth Group and has served in that capacity since January 2013. Prior to joining UnitedHealth Group, Ms. Short served as the Managing Partner at Dorsey & Whitney LLP, an international law firm, from January 2007 to December 2012.

Ms. Wilson is Executive Vice President and Chief Human Resources Officer of UnitedHealth Group and has served in that capacity since June 2013. From January 2012 to May 2013, Ms. Wilson served as Chief Administrative Officer of Optum. Prior to joining Optum, Ms. Wilson served for 17 years at Fidelity Investments, concluding her tenure there as head of Human Resources.

Additional Information

UnitedHealth Group Incorporated was incorporated in January 1977 in Minnesota. On July 1, 2015, UnitedHealth Group Incorporated changed its state of incorporation from Minnesota to Delaware pursuant to a plan of conversion. Our executive offices are located at UnitedHealth Group Center, 9900 Bren Road East, Minnetonka, Minnesota 55343; our telephone number is (952) 936-1300.

You can access our website at *www.unitedhealthgroup.com* to learn more about our company. From that site, you can download and print copies of our annual reports to shareholders, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with amendments to those reports. You can also download from our website our certificate of incorporation, bylaws and corporate governance policies, including our Principles of Governance, Board of Directors Committee Charters and Code of Conduct. We make periodic reports and amendments available, free of charge, on our website, as soon as reasonably practicable after we file or furnish these reports to the Securities and Exchange Commission (SEC). We will also provide a copy of any of our corporate governance policies published on our website free of charge, upon request. To request a copy of any of these documents, please submit your request to: UnitedHealth Group Incorporated, 9900 Bren Road East, Minnetonka, MN 55343, Attn: Corporate Secretary. Information on or linked to our website is neither part of nor incorporated by reference into this Annual Report on Form 10-K or any other SEC filings.

Our transfer agent, Equiniti (EQ), can help you with a variety of shareholder-related services, including change of address, lost stock certificates, transfer of stock to another person and other administrative services. You can write to our transfer agent at: EQ Shareowner Services, P.O. Box 64854, St. Paul, Minnesota 55164-0854, or telephone (800) 401-1957 or (651) 450-4064.

ITEM 1A. RISK FACTORS

CAUTIONARY STATEMENTS

The statements, estimates, projections or outlook contained in this Annual Report on Form 10-K include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA). When used in this Annual Report on Form 10-K and in future filings by us with the SEC, in our news releases, presentations to securities analysts or investors, and in oral statements made by or with the approval of one of our executive officers, the words "believe," "expect," "intend," "estimate," "anticipate," "forecast," "outlook," "plan," "project," "should" or similar words or phrases are intended to identify such forward-looking statements. These statements are intended to take advantage of the "safe harbor" provisions of the PSLRA. These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations expressed or implied in the forward-looking statements. Any forward-looking statement in this report speaks only as of the date of this report and, except as required by law; we undertake no obligation to update any forward-looking statement to reflect events or circumstances, including unanticipated events, after the date of this report.

The following discussion contains cautionary statements regarding our business that investors and others should consider. We do not undertake to address in future filings or communications regarding our business or results of operations how any of these factors may have caused our results to differ from discussions or information contained in previous filings or communications. In addition, any of the matters discussed below may have affected past, as well as current, forward-looking statements about future results. Any or all forward-looking statements in this Annual Report on Form 10-K and in any other public filings or statements we make may turn out to be wrong. Our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors discussed below will be important in determining our future results. By their nature, forward-looking statements are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify.

If we fail to estimate, price for and manage our medical costs in an effective manner, the profitability of our risk-based products and services could decline and could materially and adversely affect our results of operations, financial position and cash flows.

Through our risk-based benefit products, we assume the risk of both medical and administrative costs for our customers in return for monthly premiums. Premium revenues from risk-based benefits products comprise nearly 80% of our total consolidated revenues. We generally use approximately 80% to 85% of our premium revenues to pay the costs of health care services delivered to these customers. The profitability of our products depends in large part on our ability to predict, price for and effectively manage medical costs. In addition, our OptumHealth business negotiates capitation arrangements with commercial third-party payers. Under the typical capitation arrangement, the health care provider receives a fixed percentage of a third-party payer's premiums to cover all or a defined portion of the medical costs provided to the capitated member. If we fail to predict accurately, or effectively price for or manage the costs of providing care to our capitated members, our results of operations could be materially and adversely affected.

We manage medical costs through underwriting criteria, product design, negotiation of favorable provider contracts and care management programs. Total medical costs are affected by the number of individual services rendered, the cost of each service and the type of service rendered. Our premium revenue on commercial policies and Medicaid contracts are typically based on a fixed monthly rate per individual served for a 12-month period

and is generally priced one to six months before the contract commences. Our revenue on Medicare policies is based on bids submitted to CMS in June the year before the contract year. Although we base the commercial and Medicaid premiums we charge and our Medicare bids on our estimates of future medical costs over the fixed contract period, many factors may cause actual costs to exceed those estimated and reflected in premiums or bids. These factors may include medical cost inflation, increased use of services, increased cost of individual services, large-scale medical emergencies, the introduction of new or costly drugs, treatments and technology, new treatment guidelines, new mandated benefits (such as the expansion of essential benefits coverage) or other regulatory changes and insured population characteristics. Relatively small differences between predicted and actual medical costs or utilization rates as a percentage of revenues can result in significant changes in our financial results. For example, if our 2018 medical costs for commercial insured products had been 1% higher than our actual medical costs, without proportionally higher revenues from such products, our annual net earnings for 2018 would have been reduced by approximately $305 million, excluding any offsetting impact from risk adjustment or from reduced premium rebates due to minimum MLRs.

In addition, the financial results we report for any particular period include estimates of costs that have been incurred for which claims are still outstanding. These estimates involve an extensive degree of judgment. If these estimates prove inaccurate, our results of operations could be materially and adversely affected.

Our business activities are highly regulated and new laws or regulations or changes in existing laws or regulations or their enforcement or application could materially and adversely affect our business.

We are regulated by federal, state and local governments in the United States and other countries where we do business. Our insurance and HMO subsidiaries must be licensed by and are subject to regulation in the jurisdictions in which they conduct business. For example, states require periodic financial reports and enforce minimum capital or restricted cash reserve requirements. Health plans and insurance companies are also regulated under state insurance holding company regulations and some of our activities may be subject to other health care-related regulations and requirements, including those relating to PPOs, MCOs, UR and TPA-related regulations and licensure requirements. 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. Any such assessment could expose our insurance entities and other insurers to the risk that they would be required to pay a portion of an impaired or insolvent insurance company's claims through state guaranty associations.

Certain of our businesses provide products or services to various government agencies. For example, some of our UnitedHealthcare and Optum businesses hold government contracts or provide services related to government contracts and are subject to U.S. federal and state and non U.S. self-referral, anti-kickback, medical necessity, risk adjustment, false claims and other laws and regulations governing government contractors and the use of government funds. Our relationships with these government agencies are subject to the terms of contracts that we hold with the agencies and to laws and regulations regarding government contracts. Among others, certain laws and regulations restrict or prohibit companies from performing work for government agencies that might be viewed as an actual or potential conflict of interest. These laws may limit our ability to pursue and perform certain types of work, thereby materially and adversely affecting our results of operations, financial position and cash flows.

Certain of our Optum businesses are also subject to regulations that are distinct from those faced by our insurance and HMO subsidiaries, including, for example, state telemedicine regulations; debt collection laws; banking regulations; distributor and producer licensing requirements; state corporate practice of medicine doctrines; fee-splitting rules; and health care facility licensure and certificate of need requirements, some of which could impact our relationships with physicians, hospitals and customers. These risks and uncertainties may materially and adversely affect our ability to market or provide our products and services, or to do so at targeted operating margins, or may increase the regulatory burdens under which we operate.

The laws and rules governing our businesses and interpretations of those laws and rules are subject to frequent change. For example, legislative, administrative and public policy changes to the ACA are being considered, and we cannot predict if the ACA will be further modified or repealed or replaced. Litigation challenges have been brought seeking to invalidate the ACA in whole or in part; and a federal district court struck down the ACA in its entirety as unconstitutional in 2018. That opinion has been stayed and appealed. Further, the integration into our businesses of entities that we acquire may affect the way in which existing laws and rules apply to us, including by subjecting us to laws and rules that did not previously apply to us. The broad latitude given to the agencies administering, interpreting and enforcing current and future regulations governing our businesses could force us to change how we do business, restrict revenue and enrollment growth, increase our health care and administrative costs and capital requirements, or expose us to increased liability in courts for coverage determinations, contract interpretation and other actions.

We also must obtain and maintain regulatory approvals to market many of our products and services, increase prices for certain regulated products and services and complete certain acquisitions and dispositions or integrate certain acquisitions. For example, premium rates for our health insurance and managed care products are subject to regulatory review or approval in many states and by the federal government. Additionally, we must submit data on all proposed rate increases on many of our products to HHS for monitoring purposes. Geographic and product expansions may be subject to state and federal regulatory approvals. Delays in obtaining necessary approvals or our failure to obtain or maintain adequate approvals could materially and adversely affect our results of operations, financial position and cash flows.

Certain of our businesses operate internationally and are subject to regulation in the jurisdictions in which they are organized or conduct business. These regulatory regimes encompass, among other matters, local and cross-border taxation, licensing, tariffs, intellectual property, investment, capital (including minimum solvency margin and reserve requirements), management control, labor, anti-fraud, anti-corruption and privacy and data protection regulations (including requirements for cross-border data transfers) that vary by jurisdiction. We currently operate outside of the United States and in the future may acquire or commence additional businesses based outside of the United States, increasing our exposure to non-U.S. regulatory regimes. For example, our UnitedHealthcare Global business subjects us to Brazilian laws and regulations affecting hospitals, managed care and insurance industries and to regulation by Brazilian regulators, including the national regulatory agency for private health insurance and plans, the Agência Nacional de Saúde Suplementar, while the Banmédica business is subject to Chilean, Colombian and Peruvian laws, regulations and regulators applicable to hospitals and private insurance. Any international regulator may take an approach to the interpretation, implementation and enforcement of industry regulations that could differ from the approach taken by U.S. regulators. In addition, our non-U.S. businesses and operations are subject to U.S. laws that regulate the conduct and activities of U.S.-based businesses operating abroad, such as the FCPA, which prohibits offering, promising, providing or authorizing others to give anything of value to a foreign government official to obtain or retain business or otherwise secure a business advantage. Our failure to comply with U.S. or non-U.S. laws and regulations governing our conduct outside the United States or to establish constructive relations with non-U.S. regulators could adversely affect our ability to market our products and services, or to do so at targeted operating margins, which may have a material adverse effect on our business, financial condition and results of operations.

The health care industry is regularly subject to negative publicity, including as a result of governmental investigations, adverse media coverage and political debate surrounding industry regulation. Negative publicity may adversely affect our stock price and damage our reputation in various markets.

As a result of our participation in various government health care programs, both as a payer and as a service provider to payers, we are exposed to additional risks associated with program funding, enrollments, payment adjustments, audits and government investigations that could materially and adversely affect our business, results of operations, financial position and cash flows.

We participate in various federal, state and local government health care benefit programs, including as a payer in Medicare Advantage, Medicare Part D, various Medicaid programs and CHIP, and receive substantial

revenues from these programs. Certain of our Optum businesses also provide services to payers participating in government health care programs. A reduction or less than expected increase, or a protracted delay, in government funding for these programs or change in allocation methodologies, or termination of the contract at the option of the government, may materially and adversely affect our results of operations, financial position and cash flows.

The government health care programs in which we participate generally are subject to frequent changes, including changes that may reduce the number of persons enrolled or eligible for coverage, reduce the amount of reimbursement or payment levels, reduce our participation in certain service areas or markets, or increase our administrative or medical costs under such programs. Revenues for these programs depend on periodic funding from the federal government or applicable state governments and allocation of the funding through various payment mechanisms. Funding for these government programs depends on many factors outside of our control, including general economic conditions and budgetary constraints at the federal or applicable state level. For example, CMS has in the past reduced or frozen Medicare Advantage benchmarks, and additional cuts to Medicare Advantage benchmarks are possible. In addition, from time to time, CMS makes changes to the way it calculates Medicare Advantage risk adjustment payments. Although we have adjusted members' benefits and premiums on a selective basis, ceased to offer benefit plans in certain counties, and intensified both our medical and operating cost management in response to the benchmark reductions and other funding pressures, these or other strategies may not fully address the funding pressures in the Medicare Advantage program. In addition, payers in the Medicare Advantage program may be subject to reductions in payments from CMS as a result of decreased funding or recoupment pursuant to government audit.

Under the Medicaid managed care program, state Medicaid agencies seek bids from eligible health plans to continue their participation in the acute care Medicaid health programs. If we are not successful in obtaining renewals of state Medicaid managed care contracts, we risk losing the members that were enrolled in those Medicaid plans. Under the Medicare Part D program, to qualify for automatic enrollment of low income members, our bids must result in an enrollee premium below a regional benchmark, which is calculated by the government after all regional bids are submitted. If the enrollee premium is not below the government benchmark, we risk losing the members who were auto-assigned to us and will not have additional members auto-assigned to us. In general, our bids are based upon certain assumptions regarding enrollment, utilization, medical costs and other factors. If any of these assumptions is materially incorrect, either as a result of unforeseen changes to the programs on which we bid, or submission by our competitors at lower rates than our bids, our results of operations, financial position and cash flows could be materially and adversely affected.

Many of the government health care coverage programs in which we participate are subject to the prior satisfaction of certain conditions or performance standards or benchmarks. For example, as part of the ACA, CMS has a system that provides various quality bonus payments to Medicare Advantage plans that meet certain quality star ratings at the individual plan or local contract level. The star rating system considers various measures adopted by CMS, including, among others, quality of care, preventive services, chronic illness management and customer satisfaction. Plans must have a rating of four stars or higher to qualify for bonus payments. If we do not maintain or continue to improve our star ratings, our plans may not be eligible for quality bonuses and we may experience a negative impact on our revenues and the benefits that our plans can offer, which could materially and adversely affect the marketability of our plans, our membership levels, results of operations, financial position and cash flows. Any changes in standards or care delivery models that apply to government health care programs, including Medicare and Medicaid, or our inability to improve our quality scores and star ratings to meet government performance requirements or to match the performance of our competitors could result in limitations to our participation in or exclusion from these or other government programs, which in turn could materially and adversely affect our results of operations, financial position and cash flows.

CMS uses various payment mechanisms to allocate funding for Medicare programs, including adjustment of monthly capitation payments to Medicare Advantage plans and Medicare Part D plans according to the predicted health status of each beneficiary as supported by data from health care providers for Medicare Advantage plans,

as well as, for Medicare Part D plans, risk-sharing provisions based on a comparison of costs predicted in our annual bids to actual prescription drug costs. Some state Medicaid programs utilize a similar process. For example, our UnitedHealthcare Medicare & Retirement and UnitedHealthcare Community & State businesses submit information relating to the health status of enrollees to CMS or state agencies for purposes of determining the amount of certain payments to us. CMS and the Office of Inspector General for HHS periodically perform risk adjustment data validation (RADV) audits of selected Medicare health plans to validate the coding practices of and supporting documentation maintained by health care providers. Certain of our local plans have been selected for such audits, which have in the past resulted and could in the future result in retrospective adjustments to payments made to our health plans, fines, corrective action plans or other adverse action by CMS.

We have been and may in the future become involved in routine, regular and special governmental investigations, audits, reviews and assessments. For example, various governmental agencies have conducted investigations into certain PBM practices, which have resulted in other PBMs agreeing to civil penalties, including the payment of money and corporate integrity agreements. Additionally, such investigations, audits or reviews sometimes arise out of, or prompt claims by private litigants or whistleblowers that, among other allegations, we failed to disclose certain business practices or, as a government contractor, submitted false or erroneous claims to the government. Governmental investigations, audits, reviews and assessments could lead to government actions, which could result in adverse publicity, the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way we conduct business, loss of licensure or exclusion from participation in government programs, any of which could have a material adverse effect on our business, results of operations, financial position and cash flows.

If we sustain cyber-attacks or other privacy or data security incidents that result in security breaches that disrupt our operations or result in the unintended dissemination of protected personal information or proprietary or confidential information, we could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm and other serious negative consequences.

We routinely process, store and transmit large amounts of data in our operations, including protected personal information as well as proprietary or confidential information relating to our business or third parties. Some of the data we process, store and transmit may be outside of the United States due to our information technology systems and international business operations. We are regularly the target of attempted cyber-attacks and other security threats and may be subject to breaches of the information technology systems we use. We have programs in place that are intended to detect, contain and respond to data security incidents and that provide employee awareness training regarding phishing, malware and other cyber risks to protect against cyber risks and security breaches. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. Experienced computer programmers and hackers may be able to penetrate our security controls and access, misappropriate or otherwise compromise protected personal information or proprietary or confidential information or that of third-parties, create system disruptions or cause system shutdowns that could negatively affect our operations. They also may be able to develop and deploy viruses, worms and other malicious software programs that attack our systems or otherwise exploit any security vulnerabilities. Hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Our facilities and services may also be vulnerable to security incidents or security attacks; acts of vandalism or theft; coordinated attacks by activist entities; misplaced or lost data; human error; malicious social engineering; or other events that could negatively affect our systems, our customers' data, proprietary or confidential information relating to our business or third parties, or our operations. In certain circumstances we may rely on third party vendors to process, store and transmit large amounts of data for our business whose operations are subject to similar risks.

The costs to eliminate or address the foregoing security threats and vulnerabilities before or after a cyber-incident could be material. Our remediation efforts may not be successful and could result in interruptions, delays, or

cessation of service and loss of existing or potential customers. In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal information, proprietary information or confidential information about us or our customers or other third-parties, could expose our customers' private information and our customers to the risk of financial or medical identity theft, or expose us or other third-parties to a risk of loss or misuse of this information, result in litigation and potential liability, including regulatory penalties, for us, damage our brand and reputation, or otherwise harm our business.

If we fail to comply with applicable privacy, security and data laws, regulations and standards, including with respect to third-party service providers that utilize protected personal information on our behalf, our business, reputation, results of operations, financial position and cash flows could be materially and adversely affected.

The collection, maintenance, protection, use, transmission, disclosure and disposal of protected personal information is regulated at the federal, state, international and industry levels and requirements are imposed on us by contracts with customers. These laws, rules and requirements are subject to change. Compliance with new privacy and security laws, regulations and requirements may result in increased operating costs, and may constrain or require us to alter our business model or operations. For example, the HITECH amendments to HIPAA imposed further restrictions on our ability to collect, disclose and use protected personal information and imposed additional compliance requirements on our business.

Internationally, many of the jurisdictions in which we operate have established their own data security and privacy legal framework with which we or our customers must comply. We expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the European Union, Brazil, Chile, India and other jurisdictions, and we cannot yet determine the impacts such future laws, regulations and standards may have on our businesses or the businesses of our customers. For example, effective May 2018, the European Union's General Data Protection Regulation (GDPR) overhauled data protection laws in the European Union. The new regulation superseded prior European Union privacy and data protection legislation, imposed more stringent European Union data protection requirements on us or our customers, and prescribed greater penalties for noncompliance. Brazilian privacy legislation, similar in certain respects to GDPR, goes into effect in 2020.

Many of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a multifaceted security standard that is designed to protect credit card account data.

HIPAA requires business associates as well as covered entities to comply with certain privacy and security requirements. While we provide for appropriate protections through our contracts with our third-party service providers and in certain cases assess their security controls, we have limited oversight or control over their actions and practices. Several of our businesses act as business associates to their covered entity customers and, as a result, collect, use, disclose and maintain protected personal information in order to provide services to these customers. HHS has announced that it will continue its audit program to assess HIPAA compliance efforts by covered entities and expand it to include business associates. An audit resulting in findings or allegations of noncompliance could have a material adverse effect on our results of operations, financial position and cash flows.

Through our Optum businesses, including our Optum Labs business, we maintain a database of administrative and clinical data that is statistically de-identified in accordance with HIPAA standards. Noncompliance or findings of noncompliance with applicable laws, regulations or requirements, or the occurrence of any privacy or security breach involving the misappropriation, loss or other unauthorized disclosure of protected personal information, whether by us or by one of our third-party service providers, could have a material adverse effect on our reputation and business and, among other consequences, could subject us to mandatory disclosure to the media, loss of existing or new customers, significant increases in the cost of managing and remediating privacy or security incidents and material fines, penalties and litigation awards. Any of these consequences could have a material and adverse effect on our results of operations, financial position and cash flows.

Our businesses providing pharmacy care services face regulatory and operational risks and uncertainties that may differ from the risks of our other businesses.

We provide pharmacy care services through our OptumRx and UnitedHealthcare businesses. Each business is subject to federal and state anti-kickback, beneficiary inducement and other laws that govern the relationships of the business with pharmaceutical manufacturers, physicians, pharmacies, customers and consumers. As a provider of pharmacy benefit management services, OptumRx is also subject to an increasing number of licensure, registration and other laws and accreditation standards that impact the business practices of a pharmacy benefit manager. OptumRx also conducts business through home delivery, specialty and compounding pharmacies, pharmacies located in community mental health centers and home infusion, which subjects it to extensive federal, state and local laws and regulations, including those of the DEA and individual state controlled substance authorities, the FDA and Boards of Pharmacy. In addition, federal and state legislatures regularly consider new regulations for the industry that could materially affect current industry practices, including potential new legislation and regulations regarding the receipt or disclosure of rebates and other fees from pharmaceutical companies, the development and use of formularies and other utilization management tools, the use of average wholesale prices or other pricing benchmarks, pricing for specialty pharmaceuticals, limited access to networks and pharmacy network reimbursement methodologies.

We could face potential claims in connection with purported errors by our home delivery, specialty or compounding or clinic-based pharmacies or the provision of home infusion services, including as a result of the risks inherent in the packaging and distribution of pharmaceuticals and other health care products. Disruptions from any of our home delivery, specialty pharmacy or home infusion services could materially and adversely affect our results of operations, financial position and cash flows.

In addition, our pharmacy care services businesses provide services to sponsors of health benefit plans that are subject to ERISA. A private party or the DOL, which is the agency that enforces ERISA, could assert that the fiduciary obligations imposed by the statute apply to some or all of the services provided by our pharmacy care services businesses even where those businesses are not contractually obligated to assume fiduciary obligations. If a court were to determine that fiduciary obligations apply, we could be subject to claims for breaches of fiduciary obligations or claims that we entered into certain prohibited transactions.

If we fail to compete effectively to maintain or increase our market share, including maintaining or increasing enrollments in businesses providing health benefits, our results of operations, financial position and cash flows could be materially and adversely affected.

Our businesses compete throughout the United States, South America and other foreign markets and face significant competition in all of the geographic markets in which we operate. In particular markets, our competitors, compared to us, may have greater capabilities, resources or market share; a more established reputation; superior supplier or health care professional arrangements; better existing business relationships; lower profit margin or financial return expectations; or other factors that give such competitors a competitive advantage. Our competitive position may also be adversely affected by significant merger and acquisition activity that has occurred in the industries in which we operate, both among our competitors and suppliers (including hospitals, physician groups and other health care professionals). Consolidation may make it more difficult for us to retain or increase our customer base, improve the terms on which we do business with our suppliers, or maintain or increase profitability.

In addition, our success in the health care marketplace will depend on our ability to develop and deliver innovative and potentially disruptive products and services to satisfy evolving market demands. If we do not continue to innovate and provide products and services that are useful and relevant to consumers, we may not remain competitive, and we risk losing market share to existing competitors and disruptive new market entrants. For example, new direct-to-consumer business models from competing businesses may make it more difficult for us to directly engage consumers in the selection and management of their health care benefits and health care

usage, and we may face challenges from new technologies and market entrants that could affect our existing relationship with health plan enrollees in these areas. Our business, results of operations, financial position and cash flows could be materially and adversely affected if we do not compete effectively in our markets, if we set rates too high or too low in highly competitive markets, if we do not design and price our products properly and competitively, if we are unable to innovate and deliver products and services that demonstrate value to our customers, if we do not provide a satisfactory level of services, if membership or demand for other services does not increase as we expect or declines, or if we lose accounts with more profitable products while retaining or increasing membership in accounts with less profitable products.

If we fail to develop and maintain satisfactory relationships with physicians, hospitals and other service providers, our business could be materially and adversely affected.

Our results of operations and prospects are substantially dependent on our continued ability to contract with physicians, hospitals, pharmaceutical benefit service providers, pharmaceutical manufacturers and other service providers at competitive prices. Any failure by us to develop and maintain satisfactory relationships with health care providers, whether in-network or out-of-network, could materially and adversely affect our business, results of operations, financial position and cash flows. In addition, certain activities related to network design, provider participation in networks and provider payments could result in disputes that may be costly, divert management's attention from our operations and result in negative publicity.

In any particular market, physicians and health care providers could refuse to contract, demand higher payments, or take other actions that could result in higher medical costs, less desirable products for customers or difficulty meeting regulatory or accreditation requirements. In some markets, certain health care providers, particularly hospitals, physician and hospital organizations or multi-specialty physician groups, may have significant market positions or near monopolies that could result in diminished bargaining power on our part. In addition, ACOs; practice management companies (which aggregate physician practices for administrative efficiency); and other organizational structures adopted by physicians, hospitals and other care providers may change the way in which these providers do business with us and may change the competitive landscape. Such organizations or groups of physicians may compete directly with us, which could adversely affect our business, and our results of operations, financial position and cash flows by impacting our relationships with these providers or affecting the way that we price our products and estimate our costs, which might require us to incur costs to change our operations. In addition, if these providers refuse to contract with us, use their market position to negotiate favorable contracts or place us at a competitive disadvantage, our ability to market products or to be profitable in those areas could be materially and adversely affected.

Our health care benefits businesses have capitation arrangements with some physicians, hospitals and other health care providers. Capitation arrangements limit our exposure to the risk of increasing medical costs, but expose us to risk related to the adequacy of the financial and medical care resources of the health care provider. To the extent that a capitated health care provider organization faces financial difficulties or otherwise is unable to perform its obligations under the capitation arrangement, we may be held responsible for unpaid health care claims that should have been the responsibility of the capitated health care provider and for which we have already paid the provider, under the capitation arrangement. Further, payment or other disputes between a primary care provider and specialists with whom the primary care provider contracts could result in a disruption in the provision of services to our members or a reduction in the services available to our members. Health care providers with which we contract may not properly manage the costs of services, maintain financial solvency or avoid disputes with other providers. Any of these events could have a material adverse effect on the provision of services to our members and our operations.

Some providers that render services to our members do not have contracts with us. In those cases, we do not have a pre-established understanding about the amount of compensation that is due to the provider for services rendered to our members. In some states, the amount of compensation due to these out-of-network providers is defined by law or regulation, but in most instances the amount is either not defined or is established by a standard

that does not clearly specify dollar terms. In some instances, providers may believe that they are underpaid for their services and may either litigate or arbitrate their dispute with us or try to recover from our members the difference between what we have paid them and the amount they charged us.

The success of some of our businesses, including OptumHealth and UnitedHealthcare Global, depend on maintaining satisfactory relationships with physicians as our employees, independent contractors or joint venture partners. The physicians that practice medicine or contract with our affiliated physician organizations could terminate their provider contracts or otherwise become unable or unwilling to continue practicing medicine or contracting with us. There is and will likely be heightened competition in the markets where we operate to acquire or manage physician practices or to employ or contract with individual physicians. If we are unable to maintain or grow satisfactory relationships with physicians, or to acquire, recruit or, in some instances, employ physicians, or to retain enrollees following the departure of a physician, our revenues could be materially and adversely affected. In addition, our affiliated physician organizations contract with competitors of UnitedHealthcare. Our businesses could suffer if our affiliated physician organizations fail to maintain relationships with these companies, or fail to adequately price their contracts with these third-party payers.

In addition, physicians, hospitals, pharmaceutical benefit service providers, pharmaceutical manufacturers and certain health care providers are customers of our Optum businesses. Physicians also provide medical services at facilities owned by our Optum businesses. Given the importance of health care providers and other constituents to our businesses, failure to maintain satisfactory relationships with them could materially and adversely affect our results of operations, financial position and cash flows.

We are routinely subject to various legal actions due to the nature of our business, which could damage our reputation and, if resolved unfavorably, could result in substantial penalties or monetary damages and materially and adversely affect our results of operations, financial position and cash flows.

We are routinely made party to a variety of legal actions related to, among other matters, the design, management and delivery of our product and service offerings. These matters have included or could in the future include matters related to health care benefits coverage and payment claims (including disputes with enrollees, customers and contracted and non-contracted physicians, hospitals and other health care professionals), tort claims (including claims related to the delivery of health care services, such as medical malpractice by staff at our affiliates' facilities, or by health care practitioners who are employed by us, have contractual relationships with us, or serve as providers to our managed care networks), whistleblower claims (including claims under the False Claims Act or similar statutes), contract and labor disputes, tax claims and claims related to disclosure of certain business practices. We are also party to certain class action lawsuits brought by health care professional groups and consumers. In addition, we operate in jurisdictions outside of the United States where contractual rights, tax positions and applicable regulations may be subject to interpretation or uncertainty to a greater degree than in the United States, and therefore subject to dispute by customers, government authorities or others. We are largely self-insured with regard to litigation risks. While we maintain excess liability insurance with outside insurance carriers for claims in excess of our self-insurance, certain types of damages, such as punitive damages in some circumstances, are not covered by insurance. Although we record liabilities for our estimates of the probable costs resulting from self-insured matters, it is possible that the level of actual losses will significantly exceed the liabilities recorded.

We cannot predict the outcome of significant legal actions in which we are involved and are incurring expenses in resolving these matters. The legal actions we face or may face in the future could further increase our cost of doing business and materially and adversely affect our results of operations, financial position and cash flows. In addition, certain legal actions could result in adverse publicity, which could damage our reputation and materially and adversely affect our ability to retain our current business or grow our market share in some markets and businesses.

Any failure by us to manage successfully our strategic alliances or complete, manage or integrate acquisitions and other significant strategic transactions or relationships domestically or outside the United States could materially and adversely affect our business, prospects, results of operations, financial position and cash flows.

As part of our business strategy, we frequently engage in discussions with third parties regarding possible investments, acquisitions, divestitures, strategic alliances, joint ventures and outsourcing transactions and often enter into agreements relating to such transactions. For example, we have a strategic alliance with AARP under which we provide AARP-branded Medicare Supplement insurance to AARP members and other AARP-branded products and services to Medicare beneficiaries. If we fail to meet the needs of our alliance or joint venture partners, including by developing additional products and services, providing high levels of service, pricing our products and services competitively or responding effectively to applicable federal and state regulatory changes, our alliances and joint ventures could be damaged or terminated, which in turn could adversely impact our reputation, business and results of operations. Further, if we fail to identify and successfully complete transactions that further our strategic objectives, we may be required to expend resources to develop products and technology internally, we may be placed at a competitive disadvantage or we may be adversely affected by negative market perceptions, any of which may have a material adverse effect on our results of operations, financial position or cash flows.

Success in completing acquisitions is also dependent on efficiently integrating the acquired business into our existing operations, including our internal control environment, or otherwise leveraging its operations, which may present challenges that are different from those presented by organic growth and that may be difficult for us to manage. If we cannot successfully integrate these acquisitions and realize contemplated revenue growth opportunities and cost savings, our business, prospects, results of operations, financial position and cash flows could be materially and adversely affected.

As we expand and operate our business outside of the United States, we are presented with challenges that differ from those presented by acquisitions of domestic businesses, including challenges in adapting to new markets, languages, business, labor and cultural practices and regulatory environments. Adapting to these challenges could require us to devote significant senior management and other resources to the acquired businesses before we realize anticipated synergies or other benefits from the acquired businesses. These challenges vary widely by country and may include political instability, government intervention, discriminatory regulation and currency exchange controls or other restrictions that could prevent us from transferring funds from these operations out of the countries in which our acquired businesses operate, or converting local currencies that we hold into U.S. dollars or other currencies. If we are unable to manage successfully our non-U.S. acquisitions, our business, prospects, results of operations and financial position could be materially and adversely affected.

Foreign currency exchange rates and fluctuations may have an impact on our shareholders' equity from period to period, which could adversely affect our debt to debt-plus-equity ratio, and our future revenues, costs and cash flows from international operations. Any measures we may implement to reduce the effect of volatile currencies may be costly or ineffective.

Our sales performance will suffer if we do not adequately attract, retain and provide support to a network of independent producers and consultants.

Our products and services are sold in part through nonexclusive producers and consultants for whose services and allegiance we must compete. Our sales would be materially and adversely affected if we are unable to attract, retain and support such independent producers and consultants or if our sales strategy is not appropriately aligned across distribution channels. Our relationships with producers could be materially and adversely impacted by changes in our business practices and the nature of our relationships to address these pressures, including potential reductions in commission levels.

A number of investigations have been conducted regarding the marketing practices of producers selling health care products and the payments they receive and have resulted in enforcement actions against companies in our industry and producers marketing and selling those companies' products. If we were subjected to similar investigations and enforcement actions, such actions could result in penalties and the imposition of corrective action plans, which could materially and adversely impact our ability to market our products.

Unfavorable economic conditions could materially and adversely affect our revenues and our results of operations.

Unfavorable economic conditions may impact demand for certain of our products and services. For example, high unemployment can cause lower enrollment or lower rates of renewal in our employer group plans. Unfavorable economic conditions also have caused and could continue to cause employers to stop offering certain health care coverage as an employee benefit or elect to offer this coverage on a voluntary, employee-funded basis as a means to reduce their operating costs. In addition, unfavorable economic conditions could adversely impact our ability to increase premiums or result in the cancellation by certain customers of our products and services. These conditions could lead to a decrease in our membership levels and premium and fee revenues and could materially and adversely affect our results of operations, financial position and cash flows.

During a prolonged unfavorable economic environment, state and federal budgets could be materially and adversely affected, resulting in reduced reimbursements or payments in our federal and state government health care coverage programs, including Medicare, Medicaid and CHIP. A reduction in state Medicaid reimbursement rates could be implemented retrospectively to apply to payments already negotiated or received from the government and could materially and adversely affect our results of operations, financial position and cash flows. In addition, state and federal budgetary pressures could cause the affected governments to impose new or a higher level of taxes or assessments for our commercial programs, such as premium taxes on health insurance and surcharges or fees on select fee-for-service and capitated medical claims. Any of these developments or actions could materially and adversely affect our results of operations, financial position and cash flows.

A prolonged unfavorable economic environment also could adversely impact the financial position of hospitals and other care providers, which could materially and adversely affect our contracted rates with these parties and increase our medical costs or materially and adversely affect their ability to purchase our service offerings. Further, unfavorable economic conditions could adversely impact the customers of our Optum businesses, including health plans, hospitals, care providers, employers and others, which could, in turn, materially and adversely affect Optum's financial results.

Our investment portfolio may suffer losses, which could adversely affect our results of operations, financial position and cash flows.

Market fluctuations could impair our profitability and capital position. Volatility in interest rates affects our interest income and the market value of our investments in debt securities of varying maturities, which constitute the vast majority of the fair value of our investments as of December 31, 2018. Relatively low interest rates on investments, such as those experienced during recent years, have adversely impacted our investment income. In addition, a delay in payment of principal or interest by issuers, or defaults by issuers (primarily issuers of our investments in corporate and municipal bonds), could reduce our investment income and require us to write down the value of our investments, which could adversely affect our profitability and equity.

There can be no assurance that our investments will produce total positive returns or that we will not sell investments at prices that are less than their carrying values. Changes in the value of our investment assets, as a result of interest rate fluctuations, changes in issuer financial conditions, illiquidity or otherwise, could have an adverse effect on our equity. In addition, if it became necessary for us to liquidate our investment portfolio on an accelerated basis, such an action could have an adverse effect on our results of operations and the capital position of our regulated subsidiaries.

If the value of our intangible assets is materially impaired, our results of operations, equity and credit ratings could be materially and adversely affected.

As of December 31, 2018, our goodwill and other intangible assets had a carrying value of $68 billion, representing 45% of our total consolidated assets. We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. The value of our goodwill may be materially and adversely impacted if businesses that we acquire perform in a manner that is inconsistent with our assumptions. In addition, from time to time we divest businesses, and any such divestiture could result in significant asset impairment and disposition charges, including those related to goodwill and other intangible assets. Any future evaluations requiring an impairment of our goodwill and other intangible assets could materially and adversely affect our results of operations and equity in the period in which the impairment occurs. A material decrease in equity could, in turn, adversely impact our credit ratings and potentially impact our compliance with the financial covenants in our bank credit facilities.

If we fail to maintain properly the integrity or availability of our data or successfully consolidate, integrate, upgrade or expand our existing information systems, or if our technology products do not operate as intended, our business could be materially and adversely affected.

Our ability to price adequately our products and services, to provide effective service to our customers in an efficient and uninterrupted fashion, and to report accurately our results of operations depends on the integrity of the data in our information systems. We periodically consolidate, integrate, upgrade and expand our information systems' capabilities as a result of technology initiatives and recently enacted regulations, changes in our system platforms and integration of new business acquisitions. In addition, recent trends toward greater consumer engagement in health care require new and enhanced technologies, including more sophisticated applications for mobile devices. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards and changing customer preferences. If the information we rely upon to run our businesses is found to be inaccurate or unreliable or if we fail to maintain or protect our information systems and data integrity effectively, we could lose existing customers, have difficulty attracting new customers, experience problems in determining medical cost estimates and establishing appropriate pricing, have difficulty preventing, detecting and controlling fraud, have disputes with customers, physicians and other health care professionals, become subject to regulatory sanctions or penalties, incur increases in operating expenses or suffer other adverse consequences. Our process of consolidating the number of systems we operate, upgrading and expanding our information systems' capabilities, enhancing our systems and developing new systems to keep pace with continuing changes in information processing technology may not be successful. Failure to protect, consolidate and integrate our systems successfully could result in higher than expected costs and diversion of management's time and energy, which could materially and adversely affect our results of operations, financial position and cash flows.

Certain of our businesses sell and install software products that may contain unexpected design defects or may encounter unexpected complications during installation or when used with other technologies utilized by the customer. Connectivity among competing technologies is becoming increasingly important in the health care industry. A failure of our technology products to operate as intended and in a seamless fashion with other products could materially and adversely affect our results of operations, financial position and cash flows.

Uncertain and rapidly evolving U.S. federal and state, non-U.S. and international laws and regulations related to the health information technology market may present compliance challenges and could materially and adversely affect the configuration of our information systems and platforms, and our ability to compete in this market.

If we are not able to protect our proprietary rights to our databases, software and related products, our ability to market our knowledge and information-related businesses could be hindered and our results of operations, financial position and cash flows could be materially and adversely affected.

We rely on our agreements with customers, confidentiality agreements with employees and third parties, and our trademarks, trade secrets, copyrights and patents to protect our proprietary rights. These legal protections and precautions may not prevent misappropriation of our proprietary information. In addition, substantial litigation regarding intellectual property rights exists in the software industry, and we expect software products to be increasingly subject to third-party infringement claims as the number of products and competitors in this industry segment grows. Such litigation and misappropriation of our proprietary information could hinder our ability to market and sell products and services and our results of operations, financial position and cash flows could be materially and adversely affected.

Restrictions on our ability to obtain funds from our regulated subsidiaries could materially and adversely affect our results of operations, financial position and cash flows.

Because we operate as a holding company, we are dependent on dividends and administrative expense reimbursements from our subsidiaries to fund our obligations. Many of these subsidiaries are regulated by departments of insurance or similar regulatory authorities. We are also required by law or regulation to maintain specific prescribed minimum amounts of capital in these subsidiaries. The levels of capitalization required depend primarily on the volume of premium revenues generated by the applicable subsidiary. In most states, we are required to seek approval by state regulatory authorities before we transfer money or pay dividends from our regulated subsidiaries that exceed specified amounts. An inability of our regulated subsidiaries to pay dividends to their parent companies in the desired amounts or at the time of our choosing could adversely affect our ability to reinvest in our business through capital expenditures or business acquisitions, as well as our ability to maintain our corporate quarterly dividend payment, repurchase shares of our common stock and repay our debt. If we are unable to obtain sufficient funds from our subsidiaries to fund our obligations, our results of operations, financial position and cash flows could be materially and adversely affected.

Any downgrades in our credit ratings could adversely affect our business, financial condition and results of operations.

Claims paying ability, financial strength and debt ratings by Nationally Recognized Statistical Rating Organizations are important factors in establishing the competitive position of insurance companies. Ratings information is broadly disseminated and generally used by customers and creditors. We believe our claims paying ability and financial strength ratings are important factors in marketing our products to certain of our customers. Our credit ratings impact both the cost and availability of future borrowings. Each of the credit rating agencies reviews its ratings periodically. Our ratings reflect each credit rating agency's opinion of our financial strength, operating performance and ability to meet our debt obligations or obligations to policyholders. There can be no assurance that our current credit ratings will be maintained in the future. Any downgrades in our credit ratings could materially increase our costs of or ability to access funds in the debt capital markets and otherwise materially increase our operating costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

To support our business operations in the United States and other countries we own and lease real properties. Our various reportable segments use these facilities for their respective business purposes, and we believe these current facilities are suitable for their respective uses and are adequate for our anticipated future needs.

ITEM 3. LEGAL PROCEEDINGS

The information required by this Item 3 is incorporated herein by reference to the information set forth under the captions "Legal Matters" and "Governmental Investigations, Audits and Reviews" in Note 12 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET AND HOLDERS

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol UNH. On January 31, 2019, there were 11,948 registered holders of record of our common stock.

DIVIDEND POLICY

In June 2018, our Board of Directors increased the Company's annual cash dividend rate to shareholders to $3.60 per share compared to $3.00 per share, which the Company had paid since June 2017. Declaration and payment of future quarterly dividends is at the discretion of the Board and may be adjusted as business needs or market conditions change.

ISSUER PURCHASES OF EQUITY SECURITIES

In November 1997, our Board of Directors adopted a share repurchase program, which the Board evaluates periodically. There is no established expiration date for the program. During the fourth quarter of 2018, we repurchased 3.3 million shares at an average price of $256.15 per share. As of December 31, 2018, we had Board authorization to purchase up to 94 million shares of our common stock.

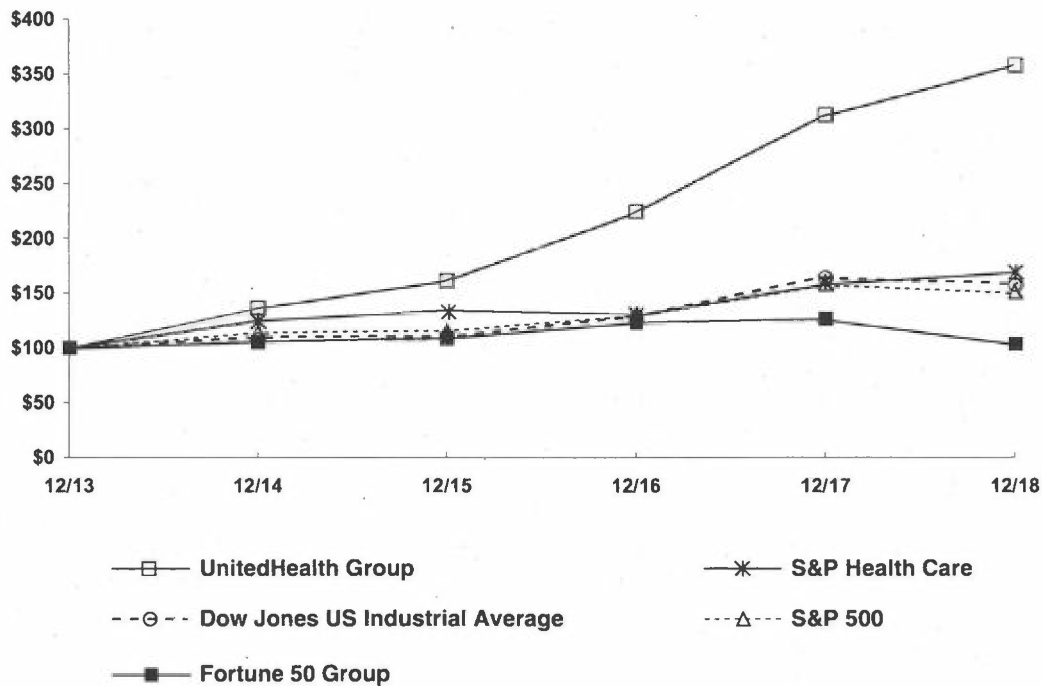
PERFORMANCE GRAPH

The following performance graph compares the cumulative five-year total return to shareholders on our common stock relative to the cumulative total returns of the S&P 500 index, the S&P Health Care Index and the Dow Jones US Industrial Average Index for the five-year period ended December 31, 2018. We have also included the customized peer group of certain *Fortune 50* companies that we have compared ourselves to in prior years. We believe that these indices provide a more meaningful comparison than the previous subset of the Fortune 50 given our diverse businesses. The comparisons assume the investment of $100 on December 31, 2013 in our common stock and in each index, and that dividends were reinvested when paid.

The *Fortune 50* Group consists of the following companies: American International Group, Inc., Berkshire Hathaway Inc., Cardinal Health, Inc., Citigroup Inc., General Electric Company, International Business Machines Corporation and Johnson & Johnson. We are not included in this *Fortune 50* Group index. In calculating the cumulative total shareholder return of the indexes, the shareholder returns of the *Fortune 50* Group companies are weighted according to the stock market capitalizations of the companies at January 1 of each year.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among UnitedHealth Group, the S&P Health Care Index, the Dow Jones US Industrial Average Index, the S&P 500 Index, and Fortune 50 Group



	12/13	12/14	12/15	12/16	12/17	12/18
UnitedHealth Group	**$100.00**	**$136.46**	**$161.37**	**$223.35**	**$312.29**	**$357.64**
S&P Health Care Index	**100.00**	**125.34**	**133.97**	**130.37**	**159.15**	**169.44**
Dow Jones US Industrial Average	**100.00**	**110.04**	**110.28**	**128.47**	**164.58**	**158.85**
S&P 500 Index	**100.00**	**113.69**	**115.26**	**129.05**	**157.22**	**150.33**
Fortune 50 Group	**100.00**	**105.33**	**108.75**	**123.33**	**126.45**	**103.96**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

(in millions, except percentages and per share data)	For the Years Ended December 31, 2018	2017 (a)	2016	2015 (b)	2014
Consolidated operating results					
Revenues	$226,247	$201,159	$184,840	$157,107	$130,474
Earnings from operations	17,344	15,209	12,930	11,021	10,274
Net earnings attributable to UnitedHealth Group common shareholders	11,986	10,558	7,017	5,813	5,619
Return on equity (c)	24.4%	24.4%	19.4%	17.7%	17.3%
Basic earnings per share attributable to UnitedHealth Group common shareholders	$ 12.45	$ 10.95	$ 7.37	$ 6.10	$ 5.78
Diluted earnings per share attributable to UnitedHealth Group common shareholders	12.19	10.72	7.25	6.01	5.70
Cash dividends declared per common share	3.45	2.875	2.375	1.875	1.405
Consolidated cash flows from (used for)					
Operating activities	$ 15,713	$ 13,596	$ 9,795	$ 9,740	$ 8,051
Investing activities	(12,385)	(8,599)	(9,355)	(18,395)	(2,534)
Financing activities	(4,365)	(3,441)	(1,011)	12,239	(5,293)
Consolidated financial condition (as of December 31)					
Cash and investments	$ 46,834	$ 43,831	$ 37,143	$ 31,703	$ 28,063
Total assets	152,221	139,058	122,810	111,254	86,300
Total commercial paper and long-term debt	36,554	31,692	32,970	31,965	17,324
Redeemable noncontrolling interests	1,908	2,189	2,012	1,736	1,388
Total equity	54,319	49,833	38,177	33,725	32,454

(a) Includes the impact of the revaluation of our net deferred tax liabilities due to Tax Reform enacted in December 2017.

(b) Includes the effects of the July 2015 acquisition of Catamaran Corporation (Catamaran) and related debt issuances.

(c) Return on equity is calculated as net earnings attributable to UnitedHealth Group common shareholders divided by average shareholders' equity. Average shareholders' equity is calculated using the shareholders' equity balance at the end of the preceding year and the shareholders' equity balances at the end of each of the four quarters of the year presented.

This selected financial data should be read with the accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements thereto included in Item 8, "Financial Statements and Supplementary Data." Readers are cautioned that the statements, estimates, projections or outlook contained in this report, including discussions regarding financial prospects, economic conditions, trends and uncertainties contained in this Item 7, may constitute forward-looking statements within the meaning of the PSLRA. These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations expressed or implied in the forward-looking statements. A description of some of the risks and uncertainties can be found further below in this Item 7 and in Part I, Item 1A, "Risk Factors."

EXECUTIVE OVERVIEW

General

UnitedHealth Group is a diversified health care company dedicated to helping people live healthier lives and helping make the health system work better for everyone. Through our diversified family of businesses, we leverage core competencies in data analytics and health information; advanced technology; and clinical expertise. These core competencies are deployed within our two distinct, but strategically aligned, business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum.

We have four reportable segments across our two business platforms, UnitedHealthcare and Optum:

- UnitedHealthcare, which includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare Global;
- OptumHealth;
- OptumInsight; and
- OptumRx.

Further information on our business and reportable segments is presented in Part I, Item 1, "Business" and in Note 13 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

Business Trends

Our businesses participate in the United States, South America and certain other international health markets. In the United States, health care spending has grown consistently for many years and comprises 18% of gross domestic product (GDP). We expect overall spending on health care to continue to grow in the future, due to inflation, medical technology and pharmaceutical advancement, regulatory requirements, demographic trends in the population and national interest in health and well-being. The rate of market growth may be affected by a variety of factors, including macro-economic conditions and regulatory changes, which have impacted and could further impact our results of operations.

Pricing Trends. To price our health care benefit products, we start with our view of expected future costs. We frequently evaluate and adjust our approach in each of the local markets we serve, considering relevant factors, such as product positioning, price competitiveness and environmental, competitive, legislative and regulatory considerations, including minimum MLR thresholds. We will continue seeking to balance growth and profitability across all of these dimensions.

The commercial risk market remains highly competitive in both the small group and large group segments. We expect broad-based competition to continue as the industry adapts to individual and employer needs amid reform changes. The ACA included an annual, nondeductible insurance industry tax (Health Insurance Industry Tax) to be levied proportionally across the insurance industry for risk-based health insurance products. A provision in the 2018 federal budget imposed a one year moratorium for 2019 on the collection of the Health Insurance Industry Tax. Pricing for contracts that cover a portion of calendar year 2019 reflected the impact of the moratorium. The industry has continued to experience favorable medical cost trends due to moderated utilization, which has impacted the competitive pricing environment.

Medicare Advantage funding continues to be pressured, as discussed below in "Regulatory Trends and Uncertainties."

We expect continued Medicaid revenue growth due to anticipated changes in mix and increases in the number of people we serve; we also believe that the payment rate environment creates the risk of downward pressure on Medicaid margin percentages. We continue to take a prudent, market-sustainable posture for both new business and maintenance of existing relationships. We continue to advocate for actuarially sound rates that are commensurate with our medical cost trends and we remain dedicated to partnering with those states that are committed to the long-term viability of their programs.

Medical Cost Trends. Our medical cost trends primarily relate to changes in unit costs, health system utilization and prescription drug costs. We endeavor to mitigate those increases by engaging physicians and consumers with information and helping them make clinically sound choices, with the objective of helping them achieve high-quality, affordable care.

Delivery System and Payment Modernization. The health care market continues to change based on demographic shifts, new regulations, political forces and both payer and patient expectations. Health plans and care providers are being called upon to work together to close gaps in care and improve overall care quality, improve the health of populations and reduce costs. We continue to see a greater number of people enrolled in plans with underlying incentive-based care provider payment models that reward high-quality, affordable care and foster collaboration. We work together with clinicians to leverage our data and analytics to provide the necessary information to close gaps in care and improve overall health outcomes for patients.

We are increasingly rewarding care providers for delivering improvements in quality and cost-efficiency. As of December 31, 2018, we served nearly 17 million people through some form of aligned contractual arrangement, including full-risk, shared-risk and bundled episode-of-care and performance incentive payment approaches. As of December 31, 2018, our contracts with value-based elements totaled $74 billion in annual spending, including $18 billion through risk-transfer agreements.

This trend is creating needs for health management services that can coordinate care around the primary care physician, including new primary care channels, and for investments in new clinical and administrative information and management systems, which we believe provide growth opportunities for our Optum business platform.

Regulatory Trends and Uncertainties

Following is a summary of management's view of the trends and uncertainties related to some of the key provisions of the ACA and other regulatory matters. For additional information regarding the ACA and regulatory trends and uncertainties, see Part I, Item 1 "Business—Government Regulation" and Item 1A, "Risk Factors."

Medicare Advantage Rates. Final 2019 Medicare Advantage rates resulted in an increase in industry base rates of 3.4%, short of the industry forward medical cost trend, which creates continued pressure in the Medicare Advantage program.

The ongoing pressure on Medicare Advantage funding places continued importance on effective medical management and ongoing improvements in administrative efficiency. There are a number of adjustments we have made to partially offset these rate pressures and reductions. In some years, these adjustments will impact the majority of the seniors we serve through Medicare Advantage. For example, we seek to intensify our medical and operating cost management, make changes to the size and composition of our care provider networks, adjust members' benefits and implement or increase the member premiums that supplement the monthly payments we receive from the government. Additionally, we decide annually on a county-by-county basis where we will offer Medicare Advantage plans.

As Medicare Advantage payments change, other products may become relatively more attractive to Medicare beneficiaries and increase the demand for other senior health benefits products, such as our market-leading Medicare Supplement and stand-alone Medicare Part D insurance offerings.

Our Medicare Advantage rates are currently enhanced by CMS quality bonuses in certain counties based on our local plans' Star ratings. The level of Star ratings from CMS, based upon specified clinical and operational performance standards, will impact future quality bonuses.

Tax Reform. Tax Reform was enacted by the U.S federal government in December 2017, changing existing United States tax law, including reducing the U.S. corporate income tax rate. In 2018, the impact of Tax Reform was partially offset by the return of the nondeductible Health Insurance Industry Tax.

Health Insurance Industry Tax. After a moratorium in 2017, the industry-wide amount of the Health Insurance Industry Tax in 2018 was $14.3 billion, with our portion being $2.6 billion. The return of the tax impacted year-over-year comparability of our financial results, including revenues, the medical care ratio (MCR), operating cost ratio and effective tax rate. A one year moratorium is imposed on the collection of the Health Insurance Industry Tax in 2019.

SELECTED OPERATING PERFORMANCE ITEMS

The following represents a summary of select 2018 year-over-year operating comparisons to 2017.

- Consolidated revenues increased by 12%, UnitedHealthcare revenues increased 12% and Optum revenues grew 11%.
- UnitedHealthcare's addition of 2.2 million people through acquisition and 250,000 through organic growth was offset by 2.9 million fewer people served as a result of completion of its commitment under the TRICARE military health care program.
- Earnings from operations increased by 14%, including increases of 7% at UnitedHealthcare and 23% at Optum.
- Diluted earnings per common share increased 14% to $12.19.
- Cash flows from operations were $15.7 billion, an increase of 16%.

RESULTS SUMMARY

The following table summarizes our consolidated results of operations and other financial information:

(in millions, except percentages and per share data)	For the Years Ended December 31,			Change		Change	
	2018	2017	2016	2018 vs. 2017		2017 vs. 2016	
Revenues:							
Premiums	$178,087	$158,453	$144,118	$19,634	12%	$14,335	10%
Products	29,601	26,366	26,658	3,235	12	(292)	(1)
Services	17,183	15,317	13,236	1,866	12	2,081	16
Investment and other income	1,376	1,023	828	353	35	195	24
Total revenues	226,247	201,159	184,840	25,088	12	16,319	9
Operating costs:							
Medical costs	145,403	130,036	117,038	15,367	12	12,998	11
Operating costs	34,074	29,557	28,401	4,517	15	1,156	4
Cost of products sold	26,998	24,112	24,416	2,886	12	(304)	(1)
Depreciation and amortization	2,428	2,245	2,055	183	8	190	9
Total operating costs	208,903	185,950	171,910	22,953	12	14,040	8
Earnings from operations	17,344	15,209	12,930	2,135	14	2,279	18
Interest expense	(1,400)	(1,186)	(1,067)	(214)	18	(119)	11
Earnings before income taxes	15,944	14,023	11,863	1,921	14	2,160	18
Provision for income taxes	(3,562)	(3,200)	(4,790)	(362)	11	1,590	(33)
Net earnings	12,382	10,823	7,073	1,559	14	3,750	53
Earnings attributable to noncontrolling interests	(396)	(265)	(56)	(131)	49	(209)	373
Net earnings attributable to UnitedHealth Group common shareholders	$ 11,986	$ 10,558	$ 7,017	$ 1,428	14%	$ 3,541	50%
Diluted earnings per share attributable to UnitedHealth Group common shareholders	$ 12.19	$ 10.72	$ 7.25	$ 1.47	14%	$ 3.47	48%
Medical care ratio (a)	81.6%	82.1%	81.2%	(0.5)%		0.9%	
Operating cost ratio	15.1	14.7	15.4	0.4		(0.7)	
Operating margin	7.7	7.6	7.0	0.1		0.6	
Tax rate	22.3	22.8	40.4	(0.5)		(17.6)	
Net earnings margin (b)	5.3	5.2	3.8	0.1		1.4	
Return on equity (c)	24.4%	24.4%	19.4%	—%		5.0%	

(a) Medical care ratio is calculated as medical costs divided by premium revenue.

(b) Net earnings margin attributable to UnitedHealth Group shareholders.

(c) Return on equity is calculated as net earnings attributable to UnitedHealth Group common shareholders divided by average shareholders' equity. Average shareholders' equity is calculated using the shareholders' equity balance at the end of the preceding year and the shareholders' equity balances at the end of each of the four quarters of the year presented.

2018 RESULTS OF OPERATIONS COMPARED TO 2017 RESULTS

Consolidated Financial Results

Revenue

The increase in revenue was primarily driven by the increase in the number of individuals served through risk-based products across our UnitedHealthcare benefits businesses; pricing trends, including the Health Insurance

Industry Tax in 2018; and growth across the Optum business, primarily due to expansion and growth in care delivery, pharmacy care services, managed services and advisory services.

Medical Costs and MCR

Medical costs increased due to growth in people served through risk-based products and medical cost trends. The MCR decreased due to the revenue effects of the Health Insurance Industry Tax, which more than offset business mix changes and a lower level of favorable reserve development.

Reportable Segments

See Note 13 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for more information on our segments. The following table presents a summary of the reportable segment financial information:

	For the Years Ended December 31,			Change		Change	
(in millions, except percentages)	2018	2017	2016	2018 vs. 2017		2016 vs. 2015	
Revenues							
UnitedHealthcare	$183,476	$163,257	$148,581	$20,219	12%	$14,676	10%
OptumHealth	24,145	20,570	16,908	3,575	17	3,662	22
OptumInsight	9,008	8,087	7,333	921	11	754	10
OptumRx	69,536	63,755	60,440	5,781	9	3,315	5
Optum eliminations	(1,409)	(1,227)	(1,088)	(182)	15	(139)	13
Optum	101,280	91,185	83,593	10,095	11	7,592	9
Eliminations	(58,509)	(53,283)	(47,334)	(5,226)	10	(5,949)	13
Consolidated revenues	$226,247	$201,159	$184,840	$25,088	12%	$16,319	9%
Earnings from operations							
UnitedHealthcare	$ 9,113	$ 8,498	$ 7,307	$ 615	7%	$ 1,191	16%
OptumHealth	2,430	1,823	1,428	607	33	395	28
OptumInsight	2,243	1,770	1,513	473	27	257	17
OptumRx	3,558	3,118	2,682	440	14	436	16
Optum	8,231	6,711	5,623	1,520	23	1,088	19
Consolidated earnings from operations	$ 17,344	$ 15,209	$ 12,930	$ 2,135	14%	$ 2,279	18%
Operating margin							
UnitedHealthcare	5.0%	5.2%	4.9%	(0.2)%		0.3%	
OptumHealth	10.1	8.9	8.4	1.2		0.5	
OptumInsight	24.9	21.9	20.6	3.0		1.3	
OptumRx	5.1	4.9	4.4	0.2		0.5	
Optum	8.1	7.4	6.7	0.7		0.7	
Consolidated operating margin	7.7%	7.6%	7.0%	0.1%		0.6%	

UnitedHealthcare

The following table summarizes UnitedHealthcare revenues by business:

(in millions, except percentages)	For the Years Ended December 31, 2018	2017	2016	Change 2018 vs. 2017		Change 2017 vs. 2016	
UnitedHealthcare Employer & Individual	$ 54,761	$ 52,066	$ 53,084	$ 2,695	5%	$ (1,018)	(2)%
UnitedHealthcare Medicare & Retirement	75,473	65,995	56,329	9,478	14	9,666	17
UnitedHealthcare Community & State	43,426	37,443	32,945	5,983	16	4,498	14
UnitedHealthcare Global	9,816	7,753	6,223	2,063	27	1,530	25
Total UnitedHealthcare revenues	$183,476	$163,257	$148,581	$20,219	12%	$14,676	10%

The following table summarizes the number of individuals served by our UnitedHealthcare businesses, by major market segment and funding arrangement:

(in thousands, except percentages)	December 31, 2018	2017	2016	Change 2018 vs. 2017		Change 2017 vs. 2016	
Commercial:							
Risk-based	8,495	8,420	8,820	75	1%	(400)	(5)%
Fee-based	18,420	18,595	18,900	(175)	(1)	(305)	(2)
Fee-based TRICARE	—	2,850	2,860	(2,850)	(100)	(10)	—
Total commercial	26,915	29,865	30,580	(2,950)	(10)	(715)	(2)
Medicare Advantage	4,945	4,430	3,630	515	12	800	22
Medicaid	6,450	6,705	5,890	(255)	(4)	815	14
Medicare Supplement (Standardized)	4,545	4,445	4,265	100	2	180	4
Total public and senior	15,940	15,580	13,785	360	2	1,795	13
Total UnitedHealthcare — domestic medical	42,855	45,445	44,365	(2,590)	(6)	1,080	2
International	6,220	4,080	4,220	2,140	52	(140)	(3)
Total UnitedHealthcare — medical	49,075	49,525	48,585	(450)	(1)%	940	2%
Supplemental Data:							
Medicare Part D stand-alone	4,710	4,940	4,930	(230)	(5)%	10	—%

The overall increase in people served through risk-based benefit plans in the commercial group market was due to growth in services to small groups. Fee-based commercial group business declined primarily due to customers converting their retirees to Medicare Advantage plans, as well as certain customers expanding the number of carriers and reconfiguring geographies served. Medicare Advantage increased year-over-year due to growth in people served through individual and employer-sponsored group Medicare Advantage plans. The decrease in people served through Medicaid was primarily driven by states adding new carriers to existing programs, reduced enrollment from state efforts to manage eligibility status and the sale of our New Mexico Medicaid plan. Medicare Supplement growth reflected strong customer retention and new sales. International growth was primarily driven by an acquisition in the first quarter.

UnitedHealthcare's revenue and earnings from operations increased due to growth in the number of individuals served across its risk-based businesses, a higher revenue membership mix, rate increases for underlying medical cost trends and the impact of the return of the Health Insurance Industry Tax. UnitedHealthcare's operating margin decreased slightly due to the performance of our traditional community-based TANF Medicaid business.

Optum

Total revenues and earnings from operations increased as each segment reported increased revenues and earnings from operations as a result of the factors discussed below, as well as productivity and overall cost management initiatives.

The results by segment were as follows:

OptumHealth

Revenue and earnings from operations increased at OptumHealth primarily due to organic and acquisition-related growth in care delivery and behavioral health, digital consumer engagement and health financial services.

OptumInsight

Revenue and earnings from operations at OptumInsight increased primarily due to growth in data analytics product and service offerings and managed services as well as organic and acquisition-related growth in advisory services.

OptumRx

Revenue and earnings from operations at OptumRx increased primarily due to growth in specialty pharmacy, home delivery services, and overall prescription growth. OptumRx fulfilled 1,343 million and 1,298 million adjusted scripts in 2018 and 2017, respectively.

2017 RESULTS OF OPERATIONS COMPARED TO 2016 RESULTS

Consolidated Financial Results

Revenue

The increase in revenue was primarily driven by organic growth in the number of individuals served across our UnitedHealthcare benefits businesses and growth across the Optum business. The increase was partially offset by revenue decreases due to the withdrawals of the ACA-compliant products in the individual market and the effects of the Health Insurance Industry Tax moratorium.

Medical Costs and MCR

Medical costs increased due to risk-based membership growth and medical cost trends. The MCR increased due to the effects of the Health Insurance Industry Tax moratorium, offset primarily by the reduction in individual ACA business, medical management initiatives and an increase in favorable medical cost reserve development.

Income Tax Rate

Our effective tax rate decreased primarily due to the impact of Tax Reform and the Health Insurance Tax moratorium. The provision for income taxes included a $1.2 billion benefit from the revaluation of net deferred tax liabilities.

Reportable Segments

UnitedHealthcare

UnitedHealthcare's revenue increase was due to growth in the number of individuals served across its businesses and price increases for underlying medical cost trends, which were partially offset by the reduction of people served in ACA-compliant individual products and the impact of the Health Insurance Industry Tax moratorium.

The increase in UnitedHealthcare's earnings from operations was led by diversified growth and increased operating margin. The 2016 results included losses in ACA-compliant individual products and guaranty fund assessments.

Optum

Total revenues and earnings from operations increased as each segment reported increased revenues and earnings from operations as a result of the factors discussed below.

The results by segment were as follows:

OptumHealth

Revenue and earnings from operations increased at OptumHealth primarily due to organic and acquisition-related growth in care delivery.

OptumInsight

Revenue and earnings from operations at OptumInsight increased primarily due to growth in revenue management services and business process services.

OptumRx

Revenue and earnings from operations at OptumRx increased primarily due to client and consumer growth. In 2017, OptumRx fulfilled 1.3 billion adjusted scripts compared to 1.2 billion in 2016.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES

Liquidity

Introduction

We manage our liquidity and financial position in the context of our overall business strategy. We continually forecast and manage our cash, investments, working capital balances and capital structure to meet the short-term and long-term obligations of our businesses while seeking to maintain liquidity and financial flexibility. Cash flows generated from operating activities are principally from earnings before noncash expenses.

Our regulated subsidiaries generate significant cash flows from operations and are subject to financial regulations and standards in their respective jurisdictions. These standards, among other things, require these subsidiaries to maintain specified levels of statutory capital, as defined by each jurisdiction, and restrict the timing and amount of dividends and other distributions that may be paid to their parent companies.

In both 2018 and 2017, our U.S. regulated subsidiaries paid their parent companies dividends of $3.7 billion. See Note 10 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail concerning our regulated subsidiary dividends.

Our nonregulated businesses also generate significant cash flows from operations that are available for general corporate use. Cash flows generated by these entities, combined with dividends from our regulated entities and financing through the issuance of long-term debt as well as issuance of commercial paper or the ability to draw under our committed credit facilities, further strengthen our operating and financial flexibility. We use these cash flows to expand our businesses through acquisitions, reinvest in our businesses through capital expenditures, repay debt and return capital to our shareholders through shareholder dividends and/or repurchases of our common stock, depending on market conditions.

Summary of our Major Sources and Uses of Cash and Cash Equivalents

(in millions)	For the Years Ended December 31, 2018	2017	2016	Change 2018 vs. 2017	Change 2017 vs. 2016
Sources of cash:					
Cash provided by operating activities	$ 15,713	$ 13,596	$ 9,795	$ 2,117	$ 3,801
Issuances of long-term debt and commercial paper, net of repayments	4,134	—	990	4,134	(990)
Proceeds from common share issuances	838	688	429	150	259
Customer funds administered	—	3,172	1,692	(3,172)	1,480
Other	—	—	37	—	(37)
Total sources of cash	20,685	17,456	12,943		
Uses of cash:					
Cash paid for acquisitions, net of cash assumed	(5,997)	(2,131)	(1,760)	(3,866)	(371)
Cash dividends paid	(3,320)	(2,773)	(2,261)	(547)	(512)
Common share repurchases	(4,500)	(1,500)	(1,280)	(3,000)	(220)
Repayments of long-term debt and commercial paper, net of issuances	—	(2,615)	—	2,615	(2,615)
Purchases of property, equipment and capitalized software	(2,063)	(2,023)	(1,705)	(40)	(318)
Purchases of investments, net of sales and maturities	(4,099)	(4,319)	(5,927)	220	1,608
Other	(1,743)	(539)	(581)	(1,204)	42
Total uses of cash	(21,722)	(15,900)	(13,514)		
Effect of exchange rate changes on cash and cash equivalents	(78)	(5)	78	(73)	(83)
Net (decrease) increase in cash and cash equivalents	$ (1,115)	$ 1,551	$ (493)	$ (2,666)	$ 2,044

2018 Cash Flows Compared to 2017 Cash Flows

Increased cash flows provided by operating activities were primarily driven by higher net earnings in 2018 and the impact to 2017 cash flows from operating activities due to a change in net deferred tax liabilities from Tax Reform, partially offset by changes in working capital accounts.

Other significant changes in sources or uses of cash year-over-year included net issuances of debt in 2018 compared to net repayments in 2017, an increase in cash paid for acquisitions, increased share repurchases and a decrease in customer funds administered due to the timing of government payments.

2017 Cash Flows Compared to 2016 Cash Flows

Increased cash flows provided by operating activities were primarily driven by higher net earnings and changes in working capital accounts, partially offset by the change in net deferred tax liabilities driven by tax reform.

Other significant changes in sources or uses of cash year-over-year included net repayments of debt compared to 2016 net proceeds from debt issuances, which were partially offset by lower net purchases of investments.

Financial Condition

As of December 31, 2018, our cash, cash equivalent, available-for-sale debt securities and equity securities balances of $44.7 billion included $10.9 billion of cash and cash equivalents (of which $925 million was

available for general corporate use), $31.9 billion of debt securities and $2.0 billion of investments in equity securities. Given the significant portion of our portfolio held in cash equivalents, we do not anticipate fluctuations in the aggregate fair value of our financial assets to have a material impact on our liquidity or capital position. Other sources of liquidity, primarily from operating cash flows and our commercial paper program, which is supported by our bank credit facilities, reduce the need to sell investments during adverse market conditions. See Note 4 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for further detail concerning our fair value measurements.

Our available-for-sale debt portfolio had a weighted-average duration of 3.3 years and a weighted-average credit rating of "Double A" as of December 31, 2018. When multiple credit ratings are available for an individual security, the average of the available ratings is used to determine the weighted-average credit rating.

Capital Resources and Uses of Liquidity

In addition to cash flows from operations and cash and cash equivalent balances available for general corporate use, our capital resources and uses of liquidity are as follows:

Commercial Paper and Bank Credit Facilities. Our revolving bank credit facilities provide liquidity support for our commercial paper borrowing program, which facilitates the private placement of senior unsecured debt through third-party broker-dealers, and are available for general corporate purposes. For more information on our commercial paper and bank credit facilities, see Note 8 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

Our revolving bank credit facilities contain various covenants, including covenants requiring us to maintain a defined debt to debt-plus-shareholders' equity ratio of not more than 60%. As of December 31, 2018, our debt to debt-plus-shareholders' equity ratio, as defined and calculated under the credit facilities, was 38%.

Long-Term Debt. Periodically, we access capital markets to issue long-term debt for general corporate purposes, such as, to meet our working capital requirements, to refinance debt, to finance acquisitions or for share repurchases. For more information on our debt, see Note 8 of Notes to the Consolidated Financial Statements included in Part II, Item 8 "Financial Statements and Supplementary Data."

Credit Ratings. Our credit ratings as of December 31, 2018 were as follows:

	Moody's		S&P Global		Fitch		A.M. Best	
	Ratings	Outlook	Ratings	Outlook	Ratings	Outlook	Ratings	Outlook
Senior unsecured debt	A3	Stable	A+	Stable	A-	Stable	A-	Stable
Commercial paper	P-2	n/a	A-1	n/a	F1	n/a	AMB-1	n/a

The availability of financing in the form of debt or equity is influenced by many factors, including our profitability, operating cash flows, debt levels, credit ratings, debt covenants and other contractual restrictions, regulatory requirements and economic and market conditions. For example, a significant downgrade in our credit ratings or adverse conditions in the capital markets may increase the cost of borrowing for us or limit our access to capital.

Share Repurchase Program. As of December 31, 2018, we had Board authorization to purchase up to 94 million shares of our common stock. For more information on our share repurchase program, see Note 10 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

Dividends. In June 2018, our Board increased our annual cash dividend rate to shareholders to $3.60 per share from $3.00 per share. For more information on our dividend, see Note 10 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes future obligations due by period as of December 31, 2018, under our various contractual obligations and commitments:

(in millions)	2019	2020 to 2021	2022 to 2023	Thereafter	Total
Debt (a)	$ 3,463	$ 8,970	$ 7,396	$ 37,988	$ 57,817
Operating leases	669	1,103	761	1,343	3,876
Purchase and other obligations (b)	1,216	2,205	808	175	4,404
Other liabilities (c)	1,206	260	257	5,213	6,936
Redeemable noncontrolling interests (d)	1,276	380	25	227	1,908
Total contractual obligations	$ 7,830	$ 12,918	$ 9,247	$ 44,946	$ 74,941

(a) Includes interest coupon payments and maturities at par or put values. The table also assumes amounts are outstanding through their contractual term. See Note 8 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for more detail.

(b) Includes fixed or minimum commitments under existing purchase obligations for goods and services, including agreements that are cancelable with the payment of an early termination penalty and remaining capital commitments for venture capital funds and other funding commitments. Excludes agreements that are cancelable without penalty and excludes liabilities to the extent recorded in our Consolidated Balance Sheets as of December 31, 2018.

(c) Includes obligations associated with contingent consideration and payments related to business acquisitions, certain employee benefit programs, amounts accrued for guaranty fund assessments, unrecognized tax benefits, and various long-term liabilities. Due to uncertainty regarding payment timing, obligations for employee benefit programs, charitable contributions, future settlements, unrecognized tax benefits and other liabilities have been classified as "Thereafter."

(d) Includes commitments for redeemable shares of our subsidiaries. When the timing of the redemption is indeterminable, the commitment has been classified as "Thereafter."

Pending Acquisitions. In December 2017, we entered into an agreement to acquire a company in the health care sector for a total of approximately $4.3 billion, which is not reflected in the table above.

We do not have other significant contractual obligations or commitments that require cash resources. However, we continually evaluate opportunities to expand our operations, which include internal development of new products, programs and technology applications and may include acquisitions.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2018, we were not involved in any off-balance sheet arrangements, which have or are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2 of Notes to the Consolidated Financial Statements in Part II, Item 8 "Financial Statements and Supplementary Data" for a discussion of new accounting pronouncements that affect us.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those estimates that require management to make challenging, subjective or complex judgments, often because they must estimate the effects of matters that are inherently uncertain and may change in subsequent periods. Critical accounting estimates involve judgments and uncertainties that are sufficiently sensitive and may result in materially different results under different assumptions and conditions.