Report on Examination

of

Universal Health Care Insurance Company, Inc.

St. Petersburg, Florida

As of

June 30, 2007

By The

State of Florida

Office of Insurance Regulation

Buttner
Hammock
& Company, P.A.

October 31, 2007

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-0326

Commissioner McCarty:

Pursuant to your instructions, in compliance with Florida Statute § 624.316, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners, we have conducted a limited-scope examination as of June 30, 2007 of:

Universal Health Care Insurance Company, Inc.
150 2nd Avenue North, Suite 400
St. Petersburg, Florida 33701

Such report of the limited-scope examination is herewith respectfully submitted.

LITIGATION SUPPORT SERVICES • INSURANCE INDUSTRY CONSULTING • FORENSIC ACCOUNTING
MEDICAL PRACTICE CONSULTING • FAMILY BUSINESS CONSULTING • ACCOUNTING SERVICES • TAX PLANNING & PREPARATION

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Scope of Examination

On June 29, 2007, Buttner Hammock & Company, P.A. ("BHC") was engaged by the Florida Office of Insurance Regulation ("OIR") to prepare and submit a limited-scope examination report in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual, and Annual Statement Instructions as adapted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code ("FAC") with due regard to the requirements of the insurance laws and rules of the State of Florida. This examination was called for by the OIR pursuant to Florida Statute § 624.316 and notification of BHC's examination, including a copy of BHC's Scope of Services, was sent to a representative of Universal Health Care Insurance Company, Inc. ("UHCIC") prior to the commencement of the examination.

Planning for the current examination began on or around June 29, 2007 and the field work commenced on July 16, 2007 and concluded on October 25, 2007. The examination included any material events occurring subsequent to June 30, 2007 and noted during the course of the examination.

In this limited-scope examination, emphasis was directed to the quality, value, and integrity of UHCIC's assets and the determination of UHCIC's liabilities, as those admitted assets and liabilities affect UHCIC's solvency.

BHC valued and/or verified the admitted assets, liabilities, and capital and surplus of UHCIC as reported in its Statutory-Basis Quarterly Statement at June 30, 2007. The limited-scope examination included a review of corporate and other selected records considered pertinent to UHCIC's financial condition, operations, and practices. Certain of UHCIC's accounting data subsequent to June 30, 2007 was reviewed where relevant and considered significant to UHCIC's financial condition at June 30, 2007. This limited-scope examination is confined to the statutory-basis statement of admitted assets, liabilities and capital and surplus of UHCIC at June 30, 2007 and contains comments on matters that involve departures from laws, regulations or rules, or which require special explanation or description.

History

UHCIC is a Florida domiciled insurance company and is a wholly owned subsidiary of Universal Health Care Group, Inc. ("Group"). UHCIC was incorporated on May 25, 2006 and was formed as a health insurance company to operate a Medicare Advantage Private Fee for Service plan. UHCIC commenced revenue-generating activities in January 2007 and is licensed in Florida and seven additional states.

UHCIC has a contract that began in January 2007 with the Department of Health and Human Services, Centers for Medicare & Medicaid Services ("CMS") to provide health care services to Medicare enrollees in the states of Arizona, Florida, Georgia, Louisiana, Nevada, South Carolina, Texas, and Utah. That contract accounted for approximately 99% of UHCIC's revenues in 2007. CMS awarded UHCIC the contract for the period beginning January 1, 2007 and ending December 31, 2007 and has renewed the contract through December 31, 2008. The contract provides for annual extensions subject to agreement and approval by both parties.

In connection with UHCIC's application for its certificate of authority, UHCIC submitted projections to OIR that estimated its 2007 written premiums at approximately $56 million. However, at the January 8, 2007 Group Board of Directors meeting, the then CFO notified the Board that UHCIC would need additional capital in excess of $100 million due to higher enrollments to meet the 4 to 1 premium writing ratio required by Florida Statute § 624.4095. UHCIC reported net premium income of $310 million and $436 million for the six and nine month periods ended June 30, 2007 and September 30, 2007, respectively.

As a result of this rapid growth, OIR began to communicate with UHCIC through its representatives. After receiving notification from UHCIC that the Wakely Consulting Group, Inc. ("Wakely") projected the January, 2007 statutory capital and surplus as a negative net worth of $11,746,346[1], OIR sent a letter, dated February 13, 2007, to UHCIC, advising, among other things, that UHCIC must come into financial compliance with Florida Statutes § 624.408, 624.4085, and 624.4095 by the close of business on February 16, 2007, or OIR would be required to take action. The February 13, 2007 letter to UHCIC included the following commentary:

- "In its application Universal projected that it would write $56,345,000 in premium nationwide in 2007. In response to inquiries from the Office of Insurance Regulation ("Office") it is revealed that the premiums written for January 2007 were $35,279,826. Premiums for February 2007 total $61,371,638. Nationwide premiums for the year are estimated to be $816,125,985 which exceeds the original projections on which the Permit and Certificate of Authority was based by $759,780,985.

  The capital and surplus of Universal that was required at the time of licensure was based on the projected premium writings in the Plan of Operations and supporting

[1] Wakely Actuarial Certification for Certificate Application, dated February 5, 2007, Exhibit 1, page 1.

documents. The surplus amount required based on those projections is substantially inadequate to support the actual premiums received and the obligations of the company. The documents recently submitted on Universal's behalf reflect that the company currently is insolvent. It is our understanding that Universal is attempting to raise the funds necessary to cure the problem."

UHCIC did not come into compliance with the afore-described Florida Statutes as of February 16, 2007 as specified in the February 13, 2007 letter and OIR referred UHCIC to the Department of Financial Services ("DFS"), Division of Rehabilitation and Liquidation. Representatives of UHCIC then contacted OIR requesting additional time to comply with the afore-identified statutes. OIR and UHCIC entered into a Consent Order[2] on February 21, 2007 to allow UHCIC an additional thirty (30) days to come into compliance with the afore-identified Florida Statutes. As specified in the Consent Order, UHCIC was to infuse eleven million dollars in capital into UHCIC on or before February 22, 2007 to remain in administrative supervision, and to fully comply with the Florida Insurance Code prior to March 23, 2007 or consent to an entry of an Order of Liquidation at that time.

On February 22, 2007, UHCIC infused $11 million in exchange for a Surplus Note, however; UHCIC failed to come into compliance with the Florida Insurance Code prior to March 23, 2007. On March 23, 2007, UHCIC filed a number of legal actions challenging the Consent Order.

On February 14, 2007, UHCIC voluntarily suspended the selling of new policies in Florida. In addition, six of the seven states in which UHCIC operates have issued Orders of Suspension of UHCIC's certificate of authority, thereby prohibiting UHCIC from selling new policies in those states.

On February 23, 2007, CMS notified UHCIC of the decision to immediately impose intermediate sanctions prohibiting UHCIC from marketing to, or enrolling, Medicare beneficiaries. In that letter, CMS stated "...we [CMS] believe that the organization's impaired financial position currently inhibits Universal [UHCIC] from providing services, as is required under Federal Regulations and your Medicare Part C/D contract."

Between February 2007 and the date of this report, there have been numerous communications between OIR, UHCIC, and representatives of UHCIC. In addition, UHCIC initiated several legal actions against the State of Florida, including a declaratory action in federal court challenging, among other things, the applicability of state financial requirements to federally contracted Medicare plans, a declaratory action in Florida state court challenging the formation of a "consent order document" between UHCIC and OIR, a petition for administrative hearing challenging the legality under the Florida Constitution of that document and the agency actions surrounding its creation, and a suit challenging the appointment of the DFS as receiver. The Division of Rehabilitation and Liquidation filed an action on March 28, 2007.

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[2] Consent Order 89325-07-CO - - "Consent Order for Public Administrative Supervision and Contingent Order of Liquidation".

During 2007, UHCIC experienced turnover of its officers and directors. Deloitte & Touche, LLP withdrew as UHCIC's designated accounting firm on or before March 8, 2007.

UHCIC disclosed the following matters in its December 31, 2006 audited statutory-basis financial statements filed with OIR:

- Excerpt from Note 1 – "Pursuant to Section 624 of the Florida Statutes, the Company is required to maintain a minimum surplus in an amount that is greater of $2,500,000 or four (4) percent of total liabilities plus six (6) percent of liabilities relative to health insurance. The Company is also required to maintain a ratio of actual or projected annual premiums, as defined, to current or projected surplus as to policy holders, as defined, of not less than ten-to-one (10:1) for gross written premiums or four-to-one (4:1) for net written premiums, in addition to a risk based capital requirement. As of December 31, 2006, the Company's capital and surplus of $13,368,453 met the level provided in the statutes. Subsequent to December 31, 2006 the Company was not in compliance with the required minimum surplus (See Note 8)."

- Excerpt from Note 2 – "In 2007, the Office of Insurance Regulation for the State of Florida determined that the Company did not meet the minimum statutory surplus requirements under applicable Florida laws. As such, the State of Florida placed the Company into administrative supervision and has issued an order to force the Company into liquidation (See Note 8). Additionally, certain other states in which the Company was licensed to operate have issued orders of suspension of authority, thereby disallowing the Company from selling new policies or renewing existing policies in those states."

- Excerpt from Note 8 – "The Company is subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees, particularly with respect to government-sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state law are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, and the financial condition, including cash reserve requirements. Changes in federal or state governmental regulation could affect the Company's operations, cash flows, and business prospects. There can be no assurances that the Company will maintain federal qualifications or state licensure."

As described more fully in the foregoing Scope of Examination, during June 2007, OIR engaged BHC to perform a limited-scope examination of UHCIC's June 30, 2007 Balance Sheet. On July 12, 2007, OIR informed UHCIC's legal counsel, Mr. Daniel Nicholas of the law firm of Broad and Cassel ("Cassel") that "...financial examinations shall commence on Monday, July 16, 2007, and will be conducted on site by the firm of Buttner Hammock & Company ..."

On July 16, 2007, BHC arrived at UHCIC's offices to begin the examination and were met by UHCIC's legal counsel, Mr. Nicholas, his associate, Ms. Jennifer Simpson-Oliver, Mr. Stephen Bolling, in-house counsel for UHCIC, and Mr. Jim O'Drobinak, Interim Chief Financial Officer of UHCIC. During this initial meeting, Mr. Nicholas informed BHC that its presence was unexpected and requested BHC personnel leave the UHCIC offices. BHC left the premises as requested.

On July 17, 2007, after communications between OIR and Cassel, BHC was allowed to return to UHCIC's offices to begin the examination. Upon that return, BHC was informed that BHC would need to comply with the following rules:

- BHC was to be stationed in the 9th floor conference room (UHCIC's accounting department was located on the fourth floor).
- BHC was not allowed direct access to Universal personnel without the presence of UHCIC's legal counsel.
- BHC had to submit all document requests and questions to UHCIC in writing and submit them to UHCIC's in-house legal counsel, Mr. Bolling.
- Documents and responses presented to BHC were to be reviewed by Mr. Bolling and submitted to BHC in writing.
- All UHCIC documents were to be bates stamped prior to presentation to BHC.
- All e-mail and other correspondence with UHCIC were to be submitted to Mr. Bolling, Mr. O'Drobinak, Ms. Simpson-Oliver, Perry DeFreitas, Debra Wingo, and Lynn Phelps. After Mr. Bolling's resignation, these items were communicated to Mr. O'Drobinak and Ms. Simpson-Oliver. Telephone contact was with Mr. Bolling.
- BHC's work hours were restricted to 8:30 a.m. to 5:00 p.m., Monday through Friday.
- All meetings between any UHCIC and BHC personnel were attended by a representative from Cassel and Mr. Bolling, until his departure.

During the course of BHC's field work, all of BHC's contact with UHCIC was in the presence of one or more attorneys and meeting notes were always recorded by the attorneys. In total, BHC submitted 32 written document or accounting information requests to UHCIC that included 236 questions or document requests. In total, BHC received over 17,800 Bates stamped documents in response to questions related to UHCIC and other entities and numerous email responses not Bates stamped.

Management

Group and UHCIC's management consist as follows:

Universal Health Care Group, Inc. (UHCIC's parent)

Directors:

Akshay M. Desai, MD, MPH	
Zachariah P. Zachariah, MD	
Douglas Carlisle	Resigned, May 2007
Deepak Desai	
Joel Ackerman	Resigned, April 2007
Allen Wise	Resigned, April 2007
Tenno Tsai	Appointed, June 2007
Seema Desai	Appointed, August 2007

Officers:

A.M. Desai, MD, MPH – President, Secretary, and Treasurer

J. Philip Sheesley – COO	Resigned, March 2007
David Weidner – CFO	Hired October 2006, Resigned February, 2007
Jim O'Drobinak – Interim CFO	Contracted in February 2007

Stockholders:

Desai Limited Partnership
Zachariah P. Zachariah, MD
Warburg Pincas Private Equity IX, LP
Reserve for Employee Stock Options

Universal Health Care Insurance Company, Inc.

Directors:

A.M. Desai, MD, MPH	
Zachariah P. Zachariah, MD	
J. Philip Sheesley	Resigned, February 2007
Seema Desai	Resigned, March 2007, Appointed August 2007 [1]
Jayendra Choksie, MD	Resigned, March 2007
Deepak Desai	Appointed, August 2007 [1]

[1] Appears as a Director on UHCIC's August 2007 Monthly Statement, September 2007 Quarterly Statement, and October 2007 Monthly Statement.

Stockholder:

Universal Health Care Group, Inc. – 100%

Officers:

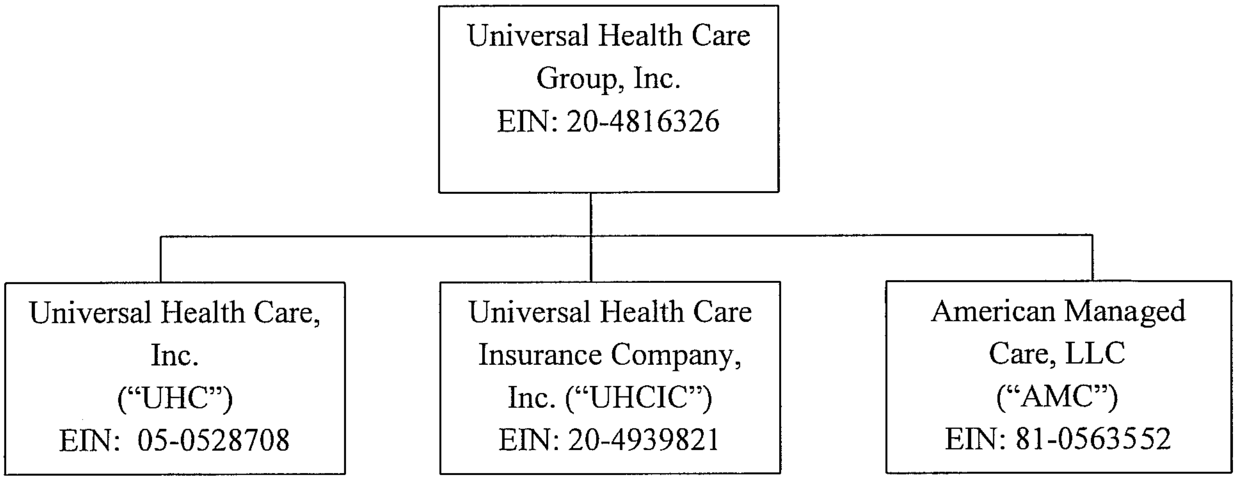
A.M. Desai, MD, MPH – President, CEO	
J. Philip Sheesley – COO	Resigned, March 2007
David Weidner – CFO	Hired October 2006, Resigned February 2007
Jim O'Drobinak – Interim CFO	Contracted in February 2007
Steve Schaefer – Treasurer	Hired in August 2007

Others:

Stephen Bolling – In house legal counsel – hired in June 2007, resigned in September 2007
Lynn Phelps – Controller – hired in August 2007
Perry DeFreitas – Former Controller – Consultant during BHC's examination
J. Philip Sheesley – Former COO – Consultant during BHC's examination

UHCIC experienced director, officer, and employee turnover in 2007.

Simplified
Corporate Organizational Chart



Accounts and Records

UHCIC's accounting records are maintained on a computerized system and UHCIC's administrative offices are located in St. Petersburg, Florida, where this limited-scope examination was conducted.

As part of BHC's examination, BHC requested copies of the minutes of the meetings of the Board of Directors. On September 7, 2007, BHC received copies of redacted minutes for Group and was informed that the Group minutes included each of the companies – Group, UHCIC, UHC, and AMC. On October 24, 2007, BHC was allowed to read the following unredacted minutes:

November 10, 2006
January 8, 2007
February 14, 2007
February 15, 2007
February 21, 2007
March 22, 2007
June 11, 2007
June 27, 2007
August 3, 2007

During the review of the afore-identified minutes, BHC noted the following:

- None of the minutes were signed.
- Representatives from Cassel and/or Foley & Lardner were at each of the meetings.

Ms. Simpson-Oliver represented that the afore-identified minutes were complete and unaltered to the best of her knowledge. Ms. Simpson-Oliver also requested that BHC execute a Promise of Confidentiality regarding the contents of the unredacted minutes (See Exhibit C), however; BHC refused to execute that document.

Financial Statements Per Examination

During the course of this limited-scope examination BHC, and/or UHCIC identified several adjustments to the amounts contained in UHCIC's June 30, 2007 Quarterly Statement originally filed with OIR ("Original June 30, 2007 Balance Sheet"). UHCIC elected to prepare an amended June 30, 2007 Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus ("Amended June 30, 2007 Balance Sheet") and submitted the Amended June 30, 2007 Balance Sheet to BHC via e-mail on December 3, 2007. That UHCIC Amended June 30, 2007 Balance Sheet is included herein as Exhibit A. The Amended June 30, 2007 Balance Sheet includes all the adjustments identified by BHC and/or UHCIC during this limited-scope examination. Therefore, those adjustments made by UHCIC to the Original June 30, 2007 Balance Sheet are identified herein as "UHCIC Adjustments" on the following Schedules and Exhibits. UHCIC also informed BHC that UHCIC intended to submit amended quarterly and monthly statements for June 30, 2007, July 31, 2007, and August 31, 2007 to the OIR based on the information identified during this limited-scope examination.

Exhibit B to this Report on Examination contains a schedule prepared by BHC that identifies reclassifications made by UHCIC to certain account line items in the Original June 30, 2007 Balance Sheet and certain account line items in the Amended June 30, 2007 Balance Sheet. The reclassifications were necessary for comparison purposes between the Original and Amended June 30, 2007 Balance Sheets.

As part of this examination, BHC reviewed UHCIC's March 31, 2007 and June 30, 2007 Quarterly Statements filed with OIR and identified violations of Florida Statutes that are identified in the Conclusion section of this report.

The following pages contain UHCIC's financial position at June 30, 2007, as determined by this examination.

UNIVERSAL HEALTH CARE INSURANCE COMPANY

ADMITTED ASSETS

JUNE 30, 2007

	As Reported Initially by UHCIC [1]	UHCIC Adjustments	Amended UHCIC Balances [2]	Additional Examiner Adjustments	Per Exam [4]
Cash and short-term investments	$ 156,838,721	$ (29,657,787)	$ 127,180,934	$ -	$ 127,180,934
Common stocks	-	4,995,194	4,995,194	-	4,995,194
Centers for Medicare & Medicaid Services Receivable	3,852,640	2,594,306	6,446,946	-	6,446,946
Deposits - Departments of Insurance	2,446,869	-	2,446,869	-	2,446,869
Interest Receivable	479,535	50,028	529,563	-	529,563
Accounts Receivable (3)	1,612,485	(1,612,485)	-	-	-
Other Receivable (3)	244,394	-	244,394	-	244,394
Total admitted assets	$ 165,474,644	$ (23,630,744)	$ 141,843,900	$ -	$ 141,843,900

[1] See Exhibit B for reconciliation between UHCIC's June 30, 2007 Quarterly Statement and UHCIC's amended June 30, 2007 Statutory Statement of Admitted Assets, Liabilities, and Capital and Surplus (Exhibit A).

[2] As presented to BHC by UHCIC in the amended financial statement of admitted assets, liabilities, and capital and surplus. (Exhibit A)

[3] Consists of Commissions Receivable.

[4] See subsequent events section of this report.

UNIVERSAL HEALTH CARE INSURANCE COMPANY

LIABILITIES AND CAPITAL AND SURPLUS

JUNE 30, 2007

	As Reported Initially by UHCIC [1]	UHCIC Adjustments	Amended UHCIC Balances [2]	Additional Examiner Adjustments	Per Exam [3]
LIABILITIES					
Medical claims payable	$ 79,090,289	$ (11,330,289)	$ 67,760,000	$ -	$ 67,760,000
Unearned premiums	49,201,823	-	49,201,823	-	49,201,823
Centers for Medicare & Medicaid Services payable	-	3,594,306	3,594,306	-	3,594,306
Centers for Medicare & Medicaid Services pharmacy reimbursement	3,902,797	(462,797)	3,440,000	-	3,440,000
Accounts payable and accrued expenses	4,889,971	(1,256,167)	3,633,804	-	3,633,804
Accrued loss adjustment expenses	1,185,619	(515,619)	670,000	-	670,000
Income tax payable	-	2,397,793	2,397,793	-	2,397,793
Total liabilities	$ 138,270,499	$ (7,572,773)	$ 130,697,726	$ -	$ 130,697,726
CAPITAL AND SURPLUS					
Common stock	$ 100	$ -	$ 100	$ -	$ 100
Gross paid-in and contributed surplus	14,999,900	-	14,999,900	-	14,999,900
Accumulated deficit	(8,795,855)	(16,057,971)	(24,853,826)	-	(24,853,826)
Surplus note payable, related party	21,000,000	-	21,000,000	-	21,000,000
Total Capital and Surplus (Deficit)	27,204,145	(16,057,971)	11,146,174	-	11,146,174
Total Liabilities and Capital and Surplus (Deficit)	$ 165,474,644	$ (23,630,744)	$ 141,843,900	$ -	$ 141,843,900

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[1] See Exhibit B for reconciliation between UHCIC's June 30, 2007 Quarterly Statement and UHCIC's amended June 30, 2007 Statutory Statement of Admitted Assets, Liabilities, and Capital and Surplus (Exhibit A).

[2] As presented to BHC by UHCIC in the amended financial statement of admitted assets, liabilities, and capital and surplus. (Exhibit A)

[3] See subsequent events section of this report.

Comments on Financial Statements

Cash and Short-Term Investments

BHC's examination procedures included testing the reconciliations of UHCIC's cash accounts as originally reported in UHCIC's June 30, 2007 Quarterly Statement. The June 30, 2007 cash account balances were confirmed with financial institutions.

BHC's procedures identified an investment in a money market account that was not registered with the NAIC Security Valuation Office ("SVO"). That finding resulted in the reclassification of the money market funds in the amount of $29.6 million to common stock in accordance with the NAIC SVO manual.

Common Stock

UHCIC's common stock ownership consists entirely of the amount of money market funds reclassified to common stock as described in the preceding Cash and Short-Term Investments section of this report. This balance was confirmed with financial institutions.

Florida Statute § 625.305(2)(a) limits the investment in common stock in any one corporation to 3% of the insurer's admitted assets. BHC calculated the non-admitted portion of the common stock investment to be $24.6 million and proposed an adjustment to UHCIC. UHCIC has treated this balance as a non-admitted asset Amended June 30, 2007 Balance Sheet (Exhibit A). UHCIC recorded a similar amount in UHCIC's monthly financial statement submitted to the OIR for the month of August 2007.

See Subsequent Events section of this report.

CMS Receivable and Payable

These accounts represent the estimated amounts receivable from or payable to CMS due to timing differences on enrollments and disenrollments.

BHC reviewed the methodology used by UHCIC to estimate the CMS receivable and payable amounts and reviewed the calculations for reasonableness. BHC compared the results of UHCIC's estimate to subsequent collections from or payments to CMS for reasonableness of the original estimates. Based on BHC's analysis and comments, UHCIC prepared a revised estimate. BHC reviewed the revised amounts, accepted the revised calculations, and UHCIC recorded the adjustments in the Amended June 30, 2007 Balance Sheet (Exhibit A).

One of the adjustments made by the Company was to record a $2.5 million increase to both the CMS receivable and payable amounts, with no impact on surplus. In addition, UHCIC reclassified $1 million to the CMS payable from accrued expenses.

Commissions Receivable

UHCIC recorded a commissions receivable from agents at June 30, 2007 of approximately $1.8 million which primarily originated from commissions paid for enrollments that subsequently disenrolled. BHC reviewed a listing of the amounts due to UHCIC by agent, and requested an aging of the receivable. The aging of the commissions receivable was not produced to BHC by UHCIC, however; UHCIC did produce work papers stating that UHCIC would non-admit approximately $1.6 million of this receivable balance. BHC performed an analytical analysis and determined that the amount proposed by UHCIC to be non-admitted appeared reasonable and in accordance with the NAIC SSAP #6, *Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers,* which states that uncollected agents' receivables which are over 90 days due shall not be admitted.

See subsequent events section of this report.

Deposits – Departments of Insurance

UHCIC recorded statutory deposits of $2,446,869. That amount represents deposits with various state departments of insurance. Those amounts were confirmed with financial institutions or departments of insurance, as appropriate. No adjustments were considered necessary.

Interest Receivable

At June 30, 2007, UHCIC reported interest and other receivables in the amount of approximately $0.5 million. BHC's examination noted approximately $50,000 of unrecorded interest receivable at June 30, 2007. UHCIC recorded this adjustment in the Amended June 30, 2007 Balance Sheet (Exhibit A).

Medical Claims Payable, Accrued Loss Adjustment Expenses and CMS Pharmacy Reimbursement

An outside actuarial firm appointed by UHCIC rendered an actuarial opinion on UHCIC's reserve for medical claims payable, loss adjustment expense, and CMS Pharmacy reimbursement obligations at June 30, 2007. BHC also engaged an actuary to review the calculation of the UHCIC actuary and to perform an independent calculation of the reserve for medical claims payable and loss adjustment expense at June 30, 2007.

Based on the results of the actuarial calculation and analysis performed by the BHC engaged actuary, UHCIC agreed to increase the reserve for medical claims payable by $1.2 million. At June 30, 2007, UHCIC recorded the reserves for medical claims payable, accrued loss adjustment expense, and CMS Pharmacy reimbursement in the amount of $67.8 million, $670,000, and $3.4 million, respectively, based on that actuarial estimate.

BHC concluded that UHCIC's aggregate claims reserve were fairly stated in all material amounts in the Amended June 30, 2007 Balance Sheet (Exhibit A).

Unearned Premium

At June 30, 2007, UHCIC recorded unearned premiums of approximately $49.2 million that consisted primarily of an advance payment from CMS for July 2007 capitation payments. BHC reviewed the advance payment from CMS and tested other adjustments to the unearned premiums and noted that the reported balance appeared reasonable.

Accounts Payable and Accrued Expenses

At June 30, 2007, UHCIC originally recorded accounts payable and accrued expenses of approximately $4.9 million. UHCIC accepted and recorded adjustments to reclassify $1 million to the CMS payable account and $0.3 million was adjusted to the actuarial estimate. The amount on the Amended June 30, 2007 Balance Sheet of approximately $3.6 million was considered by BHC to be materially correct.

Surplus Notes

In 2006 and 2007, UHCIC issued surplus notes of $8.0 million and $13.0 million, respectively. Florida Statute § 628.401 notes that any such loan shall be subject to the approval of OIR and that the insurer shall, in advance of the loan, file with the OIR a statement of the purpose of the loan, and a copy of the loan agreement.

UHCIC failed to submit the $21.0 million in surplus notes to the OIR prior to their issuance in violation of Florida Statute § 628.401 and Rule 69O-143.047 regarding limitations for related party transactions. The surplus notes were submitted to OIR in March 2007.

Minimum Capital and Surplus

Florida Statute § 624.4095 establishes premium writing restrictions based on the ratio of gross written premiums compared to surplus and the ratio of net written premiums compared to surplus. At June 30, 2007, UHCIC failed both the gross written premium ratio of 10 to 1 and the net written premium ratio of 4 to 1 regardless of whether the non-admitted common stock is or is not included as an admitted asset.

Florida Statute § 624.408 establishes minimum capital and surplus requirements for insurers. At June 30, 2007, UHCIC's capital and surplus was $11.1 million compared to minimum capital and surplus requirements of $12.7 million. In the event that the non-admitted common stock and subsequent commissions received are included as admitted assets, UHCIC's capital and surplus would increase to $36.3 million, (see subsequent events section of this report) which amount exceeds the minimum capital and surplus requirement of $12.7 million.

Going Concern

In Exhibit A, UHCIC included the following commentary:

> Excerpt from Note 2: "In 2007, the Office of Insurance Regulation for the State of Florida determined that UHCIC did not meet the minimum statutory capital and surplus requirements under applicable Florida laws. As such, the State of Florida placed UHCIC into administrative supervision and has issued an order to force UHCIC into liquidation, which UHCIC has challenged. Due to FL OIR's actions, six of the seven other states in which UHCIC operates have issued orders of suspension of authority, thereby disallowing UHCIC from selling new policies in those states. The Company has currently suspended its new or renewal member sales activity."
>
> "As a result of the statutory capital and surplus short-fall, UHCIC is currently involved in capital raising activities. UHCIC's plan is to raise sufficient funds to meet both its statutory capital and surplus and operating resource requirements through a combination of new equity investments, debt instruments or implementing a business downsizing or reinsurance strategy during 2007."
>
> "There can be no assurances that the Company's legal challenges will be successful and that the Company will continue as a going concern. The financial statements do not include any adjustments to the carrying amount of assets and the amounts and classifications of liabilities that might result from the outcome of this uncertainty."

Risk Based Capital

On November 19, 2007, UHCIC submitted a Risk Based Capital ("RBC") calculation to BHC. UHCIC's RBC calculation indicated that UHCIC is in the "Authorized Control Level" at June 30, 2007. BHC performed a calculation of RBC and also concluded that UHCIC is in the Authorized Control Level. No additional procedure was considered necessary.

Subsequent Events

Deposits of $29.7 million in money market accounts were reported as cash on Schedule E, Part 1 of UHCIC's June 30, 2007 Quarterly Statement filed with the OIR. After the June 30, 2007 Quarterly Statement was filed, UHCIC agreed that these investments should have been reported as common stock investments in accordance with NAIC instructions.

Investments in common stocks are subject to limitation pursuant to Florida Statute § 625.305(2)(a). Applying these limitations resulted in UHCIC non-admitting approximately $24.7 million in common stock investments in the Amended June 30, 2007 Balance Sheet (Exhibit A).

Subsequent to June 30, 2007, UHCIC has reinvested its money market investments, at face value (i.e., without any principal loss), in an account that qualifies as cash pursuant to NAIC requirements.

In addition, through December 3, 2007, the Company collected $755,000 in commissions receivable for which only $244,394 was reported as an admitted asset in the Amended June 30, 2007 Balance Sheet (Exhibit A). BHC has not verified the collection of the commission receivable.

The following schedule presents the proforma effect on admitted assets and capital and surplus for the reinvestment of $24.7 million of money market funds and the collection of the additional $510,606 in commissions receivable previously non-admitted at June 30, 2007.

	As Reported June 30, 2007	Adjustments	Proforma
Admitted Assets	$ 141,843,900	$25,173,198	$167,017,098
Liabilities	130,697,726	-	130,697,726
Capital and Surplus	$ 11,146,174	$25,173,198	$ 36,319,372

After giving proforma effect to the foregoing adjustment, UHCIC's capital and surplus meets the required statutory minimum requirements of the Florida Statutes, however; UHCIC still fails the premium writing ratio tests.

On September 27, 2007, UHCIC elected to memorialize its tax sharing arrangement by participating in an Intercompany Tax Sharing Agreement (the "Agreement") with Group, UHC and AMC in filing a consolidated Federal tax return starting in tax year 2007.

According to the Agreement, each participating company is responsible for and is to reimburse Group for its separately calculated share of the consolidated tax liability. Further, per the Agreement, each company is to pay promptly to Group, on a quarterly basis not later than the due date for the estimated quarterly payment of taxes, its share of such payment, estimated in a consistent manner. Any final adjustments to payments shall be made following the preparation of the consolidated Federal income tax return.

As of June 30, 2007, UHCIC recorded $2,397,793 as Income Taxes Payable in the Amended June 30, 2007 Balance Sheet (Exhibit A). Based on the Agreement, such amount should be classified as "Amounts due to parent". On November 15, 2007, UHCIC wired $9,179,329 to Group to fulfill the then current amount of the liability, in accordance with the Agreement.

BHC reviewed the $2,397,793 of taxes payable and determined this amount to be 39% of UHCIC's income at June 30, 2007. However, BHC has not examined the accuracy of the $9,179,329 of taxes payable wired to Group on November 15, 2007.

Independent Auditors' Workpapers

UHCIC's December 31, 2006 statutory-basis financial statements were audited by an independent certified public accounting firm ("CPA"). BHC reviewed the CPA's workpapers.

Letter of Representations

On November 20, 2007, BHC submitted to UHCIC a draft letter of representation in accordance with the NAIC Financial Condition Examiners Handbook. On December 11, 2007, UHCIC submitted a signed letter of representation, which letter is included herein as Exhibit D.

Universal Health Care Insurance Company, Inc.
Comparative Analysis of Changes in Capital and Surplus
June 30, 2007

The following is a reconciliation of capital and surplus between that reported by UHCIC and as determined by the limited-scope examination.

Capital and Surplus at June 30, 2007 per UHCIC's Quarterly Statement				$27,204,145
	As Reported Initially by UHCIC	Amended UHCIC Balances	Increase (Decrease) In Surplus	
Total assets	$165,474,644	$141,843,900	$(23,630,744)	
Total liabilities	$138,270,499	$130,697,726	7,572,773	
Net decrease in capital and surplus			$(16,057,971)	(16,057,971)
Capital and surplus at June 30, 2007, per limited-scope examination				$11,146,174

Note: See subsequent events section of this report.

Conclusions

The customary insurance examination practices and procedures as promulgated by the NAIC have been applied to the specific areas described in this report of limited-scope examination of Universal Health Care Insurance Company, Inc. as of June 30, 2007, consistent with the insurance laws of the State of Florida.

Capital and Surplus

At June 30, 2007, UHCIC's amended capital and surplus of $11,146,174 was not in compliance with Florida Statute § 624.408. UHCIC's required minimum capital and surplus at June 30, 2007 was $12,707,877. At June 30, 2007, UHCIC's capital and surplus is below the risk based capital requirements of Florida Statute § 624.4085. See Subsequent Events section.

Based on this limited-scope examination, UHCIC's June 30, 2007 capital and surplus was $11,146,174. Florida Statute § 624.4095 establishes premium writing limitations based on the ratio of gross written premiums compared to surplus and the ratio of net written premiums compared to surplus. At June 30, 2007, UHCIC failed both the gross written premium ratio of 10 to 1 and the net written premium ratio of 4 to 1 regardless of whether the non-admitted common stock is or is not included as an admitted asset.

BHC concurs with UHCIC's statements that "There are no assurances that the Company's legal challenges will be successful and that the Company will continue as a going concern" (Exhibit A Note 2) and that "UHCIC is currently involved in capital raising activities" (Exhibit A Note 2). The outcome of those capital raising activities is unknown to BHC.

Failure to Comply with Florida Statutes

Prescribed statutory accounting practices include certain publications of the NAIC as well as state laws, regulations, and general administrative rules applicable in those states under whose jurisdiction UHCIC is subject, as well as the rules and regulations of CMS.

The following items are violations of laws or regulations:

- At June 30, 2007, UHCIC did not file full and true quarterly financial statements with OIR in accordance with Florida Statute § 624.424. The March 31, 2007 quarterly financial statements filed with the OIR appears to include money market funds that should be non-admitted as common stock. If this is correct, UHCIC did not file full and true quarterly financial statements with the OIR at March 31, 2007.

- At March 31, 2007 and June 30, 2007, UHCIC failed to have the quarterly financial statements signed by two executive officers as required by Florida Statute § 624.424.

- At March 31, 2007 and June 30, 2007, UHCIC failed to have the proper number of directors as required by Florida Statute § 628.231.

- At June 30, 2007, UHCIC maintained a deposit of $29.6 million in a money market account that was in technical violation of Florida Statute § 625.305(2)(a) and was incorrectly reported as cash and admitted assets in UHCIC's June 30, 2007 Quarterly Statements filed with the OIR.

- At June 30, 2007, UHCIC reported approximately $1.6 million of commissions receivable from agents as an admitted asset in its Quarterly Statement filed with the OIR. Those amounts were over 90 days due and were required to be non-admitted per NAIC SSAP #6,*Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers.*

- $2.1 million was advanced to American Managed Care, LLC without the approval of the OIR in accordance with FAC Rule 69O-143.047.

- $.2 million was advanced to Universal Health Care, Inc. without the approval of the OIR in accordance with FAC Rule 69O-143.047.

- $21 million of surplus notes were not submitted in advance for approval by the OIR in accordance with Florida Statute § 628.401 and FAC Rule 69O-143.047.

- UHCIC's ratio of gross written premiums compared to surplus and UHCIC's ratio of net written premiums compared to surplus for the six months ended June 30, 2007 exceed the limitations of the Florida Statute § 624.4095.

- At June 30, 2007, UHCIC did not meet the minimum capital and surplus and the risk based capital requirements, as set forth in the Florida Statutes § 624.408 and § 624.4085.

Internal Control Deficiency

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. BHC believes that the following deficiency constitutes a material weakness.

The failures to comply with laws and regulations described above indicate that UHCIC's regulatory compliance system does not reduce to a relative low level the risk of error in processing transactions accurately. UHCIC's failure to comply with the regulatory requirements contained in the Florida Statutes has resulted in an inability to prepare full and true financial reports as required by Florida Statutes. UHCIC should apply greater resources toward ensuring full compliance with Florida Statutes.

* * *

Respectfully submitted,

Buttner Hammock & Company, P.A.

Buttner Hammock & Company, P.A.

Exhibit A

UNIVERSAL HEALTH CARE INSURANCE COMPANY, INC.

STATUTORY-BASIS FINANCIAL STATEMENT

JUNE 30, 2007

UNIVERSAL HEALTH CARE INSURANCE COMPANY, INC.

Table of Contents

UNIVERSAL HEALTH CARE INSURANCE COMPANY, INC.
STATUTORY-BASIS STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS
June 30, 2007

Admitted Assets:	
Cash and short-term investments	$ 127,180,934
Common stocks	4,995,194
Centers for Medicare and Medicaid Services receivable	6,446,946
Deposits - Departments of Insurance	2,446,869
Interest receivable	529,563
Other receivable	244,394
Total Admitted Assets	$ 141,843,900

LIABILITIES AND CAPITAL AND SURPLUS

Liabilities:	
Medical claims payable	$ 67,760,000
Unearned premiums	49,201,823
Accounts payable and accrued expenses	3,633,804
Centers for Medicare and Medicaid Services payable	3,594,306
Centers for Medicare and Medicaid Services pharmacy reimbursement	3,440,000
Income taxes payable	2,397,793
Accrued loss adjustment expense	670,000
Total Liabilities	130,697,726
Commitments and contingencies (Note 9)	-
Capital and Surplus:	
Common stock, $1.00 par value; 10,000,000 shares authorized, 100 shares issued and outstanding	100
Gross paid-in and contributed surplus	14,999,900
Accumulated deficit	(24,853,826)
Surplus notes payable, related party	21,000,000
Total Capital and Surplus	11,146,174
Total Liabilities and Capital and Surplus	$ 141,843,900

See notes to statutory-basis financial statement.

UNIVERSAL HEALTH CARE INSURANCE COMPANY, INC.
STATUTORY-BASIS STATEMENT OF CHANGES IN CAPITAL AND SURPLUS
SIX MONTHS ENDED JUNE 30, 2007

	Common Stock		Gross Paid-In and Contributed Surplus	Accumulated Deficit	Surplus Note Payable, Related Party	Total
	Shares	Amount				
Capital and surplus December 31, 2006	100	$ 100	$ 14,999,900	$ (9,631,547)	$ 8,000,000	$ 13,368,453
Contribution of surplus note payable, related party	-	-	-	-	13,000,000	13,000,000
Net income for the period	-	-	-	13,331,461	-	13,331,461
Change in non-admitted assets	-	-	-	(28,553,740)	-	(28,553,740)
Capital and surplus June 30, 2007	100	$ 100	$ 14,999,900	$ (24,853,826)	$ 21,000,000	$ 11,146,174

See notes to statutory-basis financial statement.

1. Organization and summary of significant accounting policies:

Organization:

Universal Health Care Insurance Company, Inc. ("UHCIC" or "the Company") is a Florida domiciled insurance company and a wholly owned subsidiary of Universal Health Care Group, Inc. ("Group"). The Company was incorporated on May 25, 2006 and formed as a health insurance company that operates a Medicare Advantage Private Fee for Service plan. The Company commenced revenue generating activities in January 2007.

The Company has a contract which began in January 2007 with the Department of Health and Human Services, Centers for Medicare & Medicaid Services ("the Department") to provide health care services to Medicare enrollees in the states of Arizona, Florida, Georgia, Louisiana, Nevada, South Carolina, Texas and Utah. This contract accounted for 99% of the Company's revenues in 2007. The Department awarded the Company the contract for the period beginning January 1, 2007 and ending December 31, 2007 and has renewed the contract through December 31, 2008. The contract provides for annual extensions subject to agreement and approval by both parties.

Basis of presentation:

The accompanying statutory-basis financial statement has been prepared in accordance with the statutory accounting practices prescribed or permitted by the Florida Department of Financial Services, Office of Insurance Regulation ("FL OIR").

Prescribed statutory accounting practices as stipulated in a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company has no permitted statutory accounting practices.

The accounting practices applied in the preparation of the statutory-basis financial statement vary in some respects from accounting principles generally accepted in the United States of America ("GAAP"). Departures from GAAP affecting the Company principally relate to the method of accounting for certain assets and liabilities which are reflected as assets or liabilities under GAAP but are excluded from assets and capital and surplus or included as a component of capital and surplus for statutory reporting purposes, as follows:

Non-admitted assets: Investments in individual money market funds not registered with the NAIC's Securities Valuation Office ("SVO") are classified as common stock and are limited to three percent of net admitted assets as determined in the most recent Statutory Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus filed by the Company with the FL OIR. Furniture and equipment and prepaid items are excluded from the Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus. Under GAAP such assets would be included in the total assets net of any related valuation allowance including accumulated depreciation.

Surplus notes payable: Notes payable issued by the Company to related parties are classified as capital and surplus on a statutory-basis, if approved by the FL OIR. Under GAAP, such notes payable are recorded as liabilities, see Note 6.

Minimum capital and surplus requirements:

Pursuant to Section 624 of the Florida Statutes, UHCIC is required to maintain a minimum surplus in an amount that is the greater of $2,500,000 or 4% of total liabilities plus 6% of liabilities relative to health insurance. UHCIC is also required to maintain a ratio of actual or projected annual premiums, as defined, to current or projected surplus as to policy holders, as defined, of not less than 10:1 for gross written premiums or 4:1 for net written premiums, in addition to a risk based capital requirement. As of June 30, 2007 the Company's minimum capital and surplus of $11,146,174 did not meet the respective minimum levels prescribed by the statutes, see Notes 9 and 10.

Revenue recognition:

Premiums for the Company's insurance policies are received in advance of coverage periods and recognized as revenue ratably over the period of service or coverage. Other revenue is recognized as income when earned.

Cash and short-term investments:

Cash and short term investments include cash balances and investments which are liquid and mature in three months or less when purchased, including funds maintained under statutory requirements (deposits), and consist of investments in short-term obligations, including money market funds registered with the NAIC, certificates of deposit, U.S. Government obligations, and demand obligations.

Common stocks:

Common stocks include investments in money market mutual funds that are not classified as exempt or Class 1 funds by the NAIC's SVO.

Unearned premiums:

Unearned premiums include funds received from governmental agencies in advance of the month in which they are earned.

Income taxes:

Deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for carryovers. A valuation allowance is recognized if it is more likely than not that some portion of the deferred tax asset will not be realized. When evaluating whether a valuation allowance is appropriate, the Company considers such factors as previous operating results, future earnings potential, tax planning strategies and future reversals of existing temporary differences. The valuation allowance is increased or decreased based on changes in these criteria.

Subsequent to June 30, 2007, the Company elected to participate in an Intercompany Tax Sharing Agreement, see Note 10.

Accrued loss adjustment expense:

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

Use of estimates:

The presentation of the financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant accounts which are largely determined based on management's estimates and assumptions include incurred but not reported claims and accrued pharmacy reimbursement due the Department, which are both included in Medical Claims Payable; premiums receivable due from the Department related to retro-premium adjustments and risk sharing adjustments; and unallocated premium received from the Department included in Unearned Premium. Actual results could differ from those estimates.

2. Going concern:

In 2007, the FL OIR determined that UHCIC did not meet the minimum statutory capital and surplus requirements under applicable Florida laws. As such, the State of Florida placed UHCIC into administrative supervision and has issued an order to force UHCIC into liquidation, which UHCIC has challenged. Due to FL OIR's actions, six of the seven other states in which UHCIC operates have issued orders of suspension of authority, thereby disallowing UHCIC from selling new policies in those states. The Company has currently suspended its new member sales activity.

As a result of the statutory capital and surplus short-fall, UHCIC is currently involved in capital raising activities. UHCIC's plan is to raise sufficient funds to meet both its statutory capital and surplus and operating resource requirements through a combination of new equity investments, debt instruments or implementing a business downsizing or reinsurance strategy during 2007.

There can be no assurances that the Company's legal challenges will be successful and that the Company will continue as a going concern. The financial statements do not include any adjustments to the carrying amount of assets and the amounts and classifications of liabilities that might result from the outcome of this uncertainty.

3. Reconciliation:

At June 30, 2007 differences between the Quarterly Statement filed with the FL OIR and the accompanying statutory-basis financial statement are described in the attached Appendix A.

4. Medical claims payable and accrued loss adjustment expense:

The liability for medical claims payable as of June 30, 2007 was $67,760,000. The liability includes management's estimate of the cost of claims incurred but not reported.

The provision for claims incurred but not yet reported is actuarially determined based on historical claims payment experience and other statistics. This liability is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Management believes that the recorded liability is adequate, but the variance between the estimate and the ultimate net cost of settling this liability could be material.

The liability for accrued loss adjustment expense as of June 30, 2007 was $670,000. The liability is management's estimate of the administrative cost expected to be incurred in connection with the adjustment and recording of unpaid claims, including claims incurred but not yet reported, included in the medical claims payable liability.

5. Income taxes:

Deferred income tax benefits are provided for certain income and expenses that are recognized in different periods for tax and financial reporting purposes. As of June 30, 2007, components of the provision for income taxes are as follows:

June 30, 2007 Taxable income:	$ 15,729,254
Net operating loss carry forwards	(9,581,067)
Adjusted June 30, 2007 Taxable income	$ 6,148,187
Income taxes payable (39%)	$ 2,397,793

The Company's net operating loss carry forward for the year ended December 31, 2006 is available to offset future taxable income of approximately $9,580,000 and will begin to expire in 2026, if not utilized prior thereto.

Subsequent to June 30, 2007, the Company elected to participate in an Intercompany Tax Sharing Agreement, see Note 10.

6. Related party and affiliated transactions:

A summary of ownership and relationships of the Company and affiliated companies is as follows:

Surplus notes payable, related party:

On January 31, 2007 and February 22, 2007, UHCIC received proceeds from its issuance of surplus notes payable to Group of $2,000,000 and $11,000,000, respectively. The terms of the notes payable specify that principal and interest is payable only upon the prior approval of FL OIR. The note payable will bear interest at 5% per annum upon FL OIR approval. During the period from May 25, 2006 (date of inception) through June 30, 2007, UHCIC did not obtain approval from FL OIR; therefore UHCIC has not recorded accrued interest and interest expense aggregating approximately $439,306.

Other relationships:

The Company has a management agreement with American Managed Care, LLC ("AMC"), effective through May 31, 2012, whereby AMC provides supervisory and management services, performs specific functions and contract services to and performs certain payroll functions for the Company. AMC is owned 100% by Group. Fees pursuant to this agreement are set at 3% of the total collected premiums on a monthly basis. Expenses incurred under this agreement totaled $9,121,375 for the period from January 1, 2007 through June 30, 2007. At June 30, 2007, UHCIC was owed from AMC $2,139,867, which is not included as an admitted asset in the Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus.

In addition to the above-referenced management agreement, certain expenditures for the Company are paid by and reimbursed to Universal Health Care, Inc. ("UHC"), AMC and Group, companies related by common control. The Company also pays for and is reimbursed by UHC and AMC for certain expenditures. At June 30, 2007, the Company was owed from UHC and AMC $189,275 and $2,139,867, respectively, which is also included in due from affiliates as non-admitted assets in the accompanying Statutory-Basis Statements of Admitted Assets, Liabilities, and Capital and Surplus.

7. Concentrations of credit risk:

Cash and short-term investments:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and money market accounts. The Company maintains its cash balances in two different financial institutions, each of which is insured by the Federal Deposit Insurance Corporation up to $100,000.

Revenues:

The Company received 99% of its revenue from Medicare for the six months ended June 30, 2007 under a contract with the Department that have been renewed through December 31, 2008. The loss of this contract or significant changes in the program as a result of legislative action, including reduction of premium payments to the Company, or increases in member benefits without corresponding increases in premiums to the Company, may have a material adverse effect on the Company's financial position, results of operations and cash flows.

8. Employee benefit plan:

The Company's employees are eligible to participate in a 401(k) Plan (the "Plan") sponsored by American Family & Geriatric Care ("AFGC"), a company related by common control. The Plan was established for the benefit of substantially all of the Company's employees who have completed one year of service. Under the terms of the Plan, employees may contribute up to 15% of the employees gross earnings subject to IRS limitations. The Company matches up to 4% of employees' contributions as follows: 100% of the first 3% of gross earnings and 50% of the next 2% of the employee's gross earnings. The Company did not make a matching contribution for the period from January 1, 2007 through June 30, 2007.

9. Commitments and contingencies:

Regulatory:

The Company is subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees, particularly with respect to government-sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among the other areas regulated by federal and state laws are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, and the financial condition, including cash reserve requirements. Changes in federal or state governmental regulation could affect the Company's operations, cash flows, and business prospects. There can be no assurances that the Company will maintain federal qualifications or state licensure.

Reinsurance:

The Company has entered into a reinsurance agreement with HCC Life Insurance Company ("HCC Life") to reduce the risk of loss that may arise from excessive medical claims. These agreements do not relieve the Company from its obligations to its members. Failure on the part of HCC Life to honor its obligations could result in losses to the Company.

Under terms of the agreement to reinsure Medicare PFFS members, HCC Life reinsures a percentage of eligible expenses, as defined, that exceed the applicable attachment point, as defined. Additionally, the agreement includes a minimum aggregate specific deductible that is calculated using a formula based on the number of members enrolled and a per member per month factor of $.60. At no time will the minimum aggregate specific deductible be less than $180,000. The lifetime maximum reimbursement per individual stated in the agreement is $2,000,000.

During the six months ended June 30, 2007, premiums paid for reinsurance amounted to $788,330.

Litigation:

The Company is currently involved in several legal actions with the State of Florida as of June 30, 2007, including a declaratory action in Federal court challenging the applicability of state financial requirements to Federally contracted Medicare plans, a declaratory action in Florida state court challenging the formation of a "consent order document" between the Company and the FL OIR, a petition for administrative hearing challenging the legality under the Florida Constitution of that document and the agency actions surrounding its creation, and a suit for appointment of the Florida Department of Financial Services as Receiver, which the Company has removed to Federal court and raised as a defense preemption by Federal law among others. The declaratory actions in both Federal and state court were at the early stages of discovery as of June 30, 2007, as is the action for the appointment of a receiver. The FL OIR denied with prejudice the Company's petition for administrative hearing, which the Company timely appealed to the Florida First District Court of Appeals. While it is impossible to know the likely outcomes of these actions at these early stages, it should be noted that neither the Company nor the State seek money damages aside from each side claiming its attorney's fees. As such, the accompanying financial statements do not reflect any adjustments, including those adjustments to the carrying amount of assets and the amounts and classifications of liabilities that might result from the outcome of these lawsuits.

10. Subsequent events:

Deposits of $29,657,787 in money market accounts were previously reported as cash on Schedule E, Part 1 of the Company's June 30, 2007 Quarterly Statement filed with the FL OIR. The Company has determined that these investments should have been reported as common stock investments in accordance with NAIC instructions.

Investments in common stock are subject to limitation pursuant to Florida Statute 625.305 (2). Applying these limitations resulted in the Company non-admitting $24,662,593 in common stock investment in the accompanying June 30, 2007 Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus. Subsequent to June 30, 2007, the Company has reinvested its money market investments, at face value (i.e. without any principal loss), in an account that qualifies as Cash pursuant to NAIC requirements.

In addition, through December 3, 2007, the Company has received $755,000 on Commissions Receivable, for which only $244,394 was shown as admitted in the accompanying June 30, 2007 Statutory-Basis Statement of Admitted Assets, Liabilities, and Capital and Surplus.

The following schedule shows the pro forma effect on admitted assets and capital and surplus of the reinvestment of investments and collections of non-admitted Collections Receivable at June 30, 2007:

	June 30, 2007	Adjustments	Proforma
Admitted Assets	$ 141,843,900	$ 25,173,199	$167,017,099
Liabilities	130,697,726		130,697,726
Capital and Surplus	$ 11,146,174	$ 25,173,199	$ 36,319,373

On September 27, 2007, the Company elected to memorialize its tax sharing arrangement by participating in an Intercompany Tax Sharing Agreement (the "Agreement") with Group, UHC and AMC in filing a consolidated federal tax return starting in tax year 2007 and thereafter.

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

As of June 30, 2007, UHCIC had $2,397,793 shown as Income taxes payable in its accompanying statutory-basis financial statement. Based on the Agreement, such amount should be classified as "Amounts due to parent". On November 15, 2007, the Company wired $9,179,320 to Group to fulfill the then current amount of the liability, in accordance with the Agreement.

UNIVERSAL HEALTH CARE INSURANCE COMPANY, INC.

APPENDIX A

RECONCILIATION BETWEEN THE QUARTERLY STATEMENT FILED WITH THE INSURANCE DEPARTMENT OF THE STATE OF FLORIDA AND THE ACCOMPANYING STATUTORY-BASIS FINANCIAL STATEMENT - JUNE 30, 2007

					Capital and Surplus			
	Total Assets	Non-admitted Assets	Total Admitted Assets	Total Liabilities	As Reported	Statutory Requirement	Excess / (Shortfall)	Net Income
June 30, 2007, as filed with the Florida OIR	$ 167,177,287	$ 1,702,643	$ 165,474,644	$ 138,270,499	$ 27,204,145	$ 124,134,155	$ (96,930,010)	$ 2,487,855
To decrease medical claims payable	-	-	-	(12,564,873)	12,564,873	-	12,564,873	12,564,873
To record additional interest income	50,028	-	50,028	-	50,028	-	50,028	50,028
To decrease postage and printing expense	626,498	626,498	-	-	-	-	-	626,498
To record income tax expense	-	-	-	2,397,793	(2,397,793)	-	(2,397,793)	(2,397,793)
To record non-admitted asset - common stock	-	24,662,593	(24,662,593)	-	(24,662,593)	-	(24,662,593)	-
To record non-admitted asset - commissions receivable	-	1,612,485	(1,612,485)	-	(1,612,485)	-	(1,612,485)	-
To increase CMS receivable and CMS payable and other	2,594,306		2,594,306	2,594,307	(1)	-	(1)	-
Subtotal adjustments	3,270,832	26,901,576	(23,630,744)	(7,572,773)	(16,057,971)	-	$ (16,057,971)	10,843,606
June 30, 2007, as adjusted and included in financial statements	$ 170,448,119	$ 28,604,219	$ 141,843,900	$ 130,697,726	$ 11,146,174	$ 124,134,155	$ (112,987,981)	$ 13,331,461

Exhibit B

EXHIBIT B

UNIVERSAL HEALTH CARE INSURANCE COMPANY
RECLASSIFICATION OF BALANCE SHEET ACCOUNT LINE ITEMS
JUNE 30, 2007

	Quarterly As Originally Filed	Reclass Adjustments	As Reported Initially by Company [1]
ASSETS			
Cash and short-term investments	$ 159,285,590	$ (2,446,869)	$ 156,838,721
Common stocks	-		-
Centers for Medicare and Medicaid Services receivable [2]	3,852,640		3,852,640
Deposits - Departments of Insurance	-	2,446,869	2,446,869
Interest Receivable	479,535		479,535
Accounts Receivable	1,856,879	(244,394)	1,612,485
Other Receivable	-	244,394	244,394
Total admitted assets	$ 165,474,644	$ -	$ 165,474,644
LIABILITIES			
Medical claims payable	$ 79,090,289	$ -	$ 79,090,289
General expenses due or accrued	8,792,768	(8,792,768)	-
Unearned premiums	49,201,823		49,201,823
Centers for Medicare and Medicaid Services payable	-	-	-
Centers for Medicare and Medicaid Services pharmacy reimbu	-	3,902,797	3,902,797
Accounts payable and accrued expenses	-	4,889,971	4,889,971
Accrued loss adjustment expense	1,185,619	-	1,185,619
Income tax payable	-		-
Due to affiliates		-	
Total liabilities	$ 138,270,499	$ -	$ 138,270,499
CAPITAL AND SURPLUS			
Common stock	$ 100	$ -	$ 100
Gross paid-in and contributed surplus	14,999,900		14,999,900
Accumulated deficit	(8,795,855)		(8,795,855)
Surplus note payable, related party	21,000,000		21,000,000
Total Capital and Surplus (Deficit)	27,204,145	-	27,204,145
Total Liabilities and Capital and Surplus (Deficit)	$ 165,474,644	$ -	$ 165,474,644

[1] BHC reclassified certain balance sheet account line items between UHCIC's June 30, 2007 Quarterly Statement submitted to OIR and UHCIC's June 30, 2007 Statutory Statement of Admitted Assets, Liabilities, and Capital and Surplus (Exhibit A). The reclassifications were necessary for comparison purposes between the two reports.

[2] This line item was identified as "Accrued retrospective premiums" on UHCIC's June 30, 2007 Quarterly Statement.

Exhibit C

BROAD AND CASSEL
ATTORNEYS AT LAW

100 NORTH TAMPA STREET
SUITE 3500
TAMPA, FLORIDA 33602
P.O. BOX 3310 (33601-3310)
TELEPHONE: 813.225.3020
FACSIMILE: 813.225.3039
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DANIEL NICHOLAS
DIRECT LINE: 813-225-3070
DIRECT FACSIMILE: 813-204-2131
EMAIL: dnicholas@broadandcassel.com

October 24, 2007

VIA HAND DELIVERY

Michael Hammock
Buttner Hammock & Company, P.A.
4237 Salisbury Road
Suite 100 Building 1
Jacksonville, FL 32216

Dear Mr. Hammock,

As counsel for the entities of the Universal Health Care Group, we understand you have requested as part of your Audit for the State a review of the Company's internal minutes for those meetings of the Board of Directors. The Company has previously provided these materials to you for review, as redacted to protect privileged information that neither you nor the state is entitled to review. We are sure you can appreciate the nature of attorney-client and work-product privileged materials in your experience auditing businesses. You should likewise appreciate our Client's decision to provide you with all non-privileged information in the minutes, including all resolutions reached by the Board in its meetings.

It is not clear why you believe any further information, gathered only by invading the Company's privileges, is necessary for your review, and we believe that you are not entitled to it. However, in good faith and in the interest of finally bringing your Audit to a conclusion, and to avoid any reason for a "scope limitation" in your report, the Company will provide you access to the unredacted minutes via on-site review, as you suggested. To this end, and without providing you copies of the unredacted minutes, the Company does not intend to waive its privileges associated with these materials. In furtherance of the same, please understand the Company's reasonable concern in protecting its privileges, for which it asks that any person with your team whom you designate to review the unredacted minutes maintain the confidentiality and permit our attorneys to be in attendance while you review the minutes. We remind you also that the State of Florida remains under orders from a Court of competent jurisdiction that neither the Office nor its agents are to use supervisory or examinatory activities as a "subterfuge" to obtain discovery to be used in litigation.

Sincerely,

For

Daniel A. Nicholas, Esq.

PROMISE OF CONFIDENTIALITY

Except as expressly authorized by prior written consent of Universal Health Care Insurance Company, Inc., Universal Health Care, Inc., and/or American Managed Care, LLC (collectively the "Company"), I, ______________________________,
acknowledge the Company granting me, per the request of Buttner Hammock, limited access, on October 24, 2007, to unredacted minutes of the meetings of the Board of Directors of the Company. I further acknowledge that the Company claims a privilege justifying the confidential nature of the unredacted minutes and that by providing me limited access to the same, the Company is not waiving its right to claim such privilege. By executing this Promise of Confidentiality, I agree to protect the information contained in the unredacted minutes and will not disclose such unredacted information to any third party.

NOT SIGNED MH

Dated this _____ day of ____________________, 2007.

____

Print Name:
Address:
City/State:
Telephone number:

Exhibit D

UNIVERSAL
HEALTHCARE
INSURANCE COMPANY

December 11, 2007

Corporate Office:
150 2nd Avenue N., Suite 400
St. Petersburg, FL 33701
Ph: 866-690-4842
Fax: 727.822.3556

Life & Health Oversight
Florida Office of Insurance Regulation
Edwin Larson Bldg. Suite 319B
200 E. Gaines Street
Tallahassee, Florida 32395

We are providing this letter in connection with your examination of the statutory-basis financial statements of Universal Health Care Insurance Company, Inc. ("UHCIC" or the "Company") as of June 30, 2007 as amended on December, 2007. This letter supersedes and replaces the previous management representation letter provided to you on December 5, 2007. We are responsible for the preparation of the statutory financial statements of financial position, results of operations, and changes in statutory financial position in conformity with the accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (the "OFFICE").

Certain representations in this letter are described as being limited to those matters that are material. Solely for the purpose of preparing this letter, the term "material," when used in this letter, means any item or group of similar items involving potential amounts of more than $100,000. These amounts are not intended to represent the materiality threshold for financial reporting and disclosure purposes. Notwithstanding this, an item is considered material, regardless of size, if it involves an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the examination.

1. We have made available to you all:

   - Statutory-basis financial records and related data; and

   - Minutes of meetings of stockholders/policyholders, directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

2. There have been no:

   - Fraud or other irregularities involving management or employees who have significant roles in the internal control structure;

   - Fraud or other irregularities involving other employees that have or may have a material effect on the statutory-basis financial statements;

   - Fraud or other irregularities involving agents, MGA's, third party administrators, independent contractors, holding companies or other individuals or parties that have or may have a material impact on the statutory-basis financial statements.

3. We have provided all correspondence from regulatory agencies concerning potential material noncompliance with, or deficiencies in, statutory-basis financial reporting practices. This includes those related to Medicare and Medicaid antifraud and abuse statutes.

4. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, with the exception of items noted in Footnotes 2 and 10 of the Company's Statement of Admitted Assets, Liabilities, and Capital and Surplus.

5. The financial statements are free of material and intentional immaterial misstatements.

6. The following have been properly recorded or disclosed in the statutory financial statements:

   - Any transactions with related parties, as defined in SSAP No. 25, *Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* and the related receivable or payable amounts, including tax-sharing agreements, sales, purchases, loans, transfers and guarantees, and related receivable or payable amounts.

   - All liabilities, both actual and contingent.

   - Guarantees whether written or oral, under which UHCIC is contingently liable.

   - Capital stock repurchase options or agreements on capital stock reserved for options, warrants, conversions, or other requirements.

   - Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

   - Significant estimates and material concentrations known to management that are required to be disclosed in accordance with SSAP No. 1, Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures.

   - Amount of credit risk and extent, nature, and terms of financial instruments with off-balance-sheet risk in accordance with SSAP No. 27.

   - Agreements to repurchase assets previously sold.

7. We confirm the completeness of the information provided regarding the identification of related parties.

8. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the statutory financial statements or as a basis for recording a loss contingency, except as follows:

   - At June 30, 2007, UHCIC did not file full and true quarterly financial statements with the OFFICE in accordance with the requirements of Section 641.26, Florida Statutes. Additionally, the March 31, 2007 quarterly financial statement UHCIC filed with the OFFICE includes money market funds that should be non-admitted as common stock. Therefore, UHCIC did not file full and true quarterly financial statements with the OFFICE at March 31, 2007.

   - UHCIC maintained a deposit of $29.6 million in a money market account that was in technical violation of Section 625.305(2)(a), Florida Statutes, and was incorrectly reported as cash and admitted assets in UHCIC's June 30, 2006 Quarterly Statements filed with the OFFICE. This technical violation has been corrected by a subsequent event;

   - UHCIC maintained receivables for advances made to American Managed Care, LLC in the amount of $2.1 million, and to Universal Health Care, Inc. in the amount of $.2 million, both without the prior approval of the OFFICE, in violation of Rule 69O-143.047, Florida Administrative Code;

   - UHCIC violated the writing ratio requirements outlined in Section 624.4095, Florida Statutes;

- UHCIC violated the minimum capital and surplus and risk-based capital requirements of Sections 624.408 and 624.4085, Florida Statutes;

- UHCIC was not in compliance with Section 628.231(1), Florida Statutes, with regard to having the required minimum number of directors;

- UHCIC was not in compliance with Section 624.424(1)(a), Florida Statutes, with regard to the requirement that two officers sign the financial statements filed with the OFFICE;

- UHCIC was not in compliance with Section 628.401, Florida Statutes and Rule 69O-143.047, Florida Administrative Code with respect to $21 million in surplus notes that were not submitted to the OFFICE for approval in advance;

- UHCIC violated Section 624.318(2), Florida Statutes, by failing to make its accounts, records, documents, files, information, assets, and matters in its possession or control freely available to the OFFICE and/or the OFFICE's examiners or investigators; however, the necessary materials to complete the examination have been supplied to the examiners.

This representation includes those related to Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid anti-Kickback Statutes, Limitations on Certain Physical Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the statutory financial statements.

9. Contingent Liabilities:

   a. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SSAP No. 5.

   b. With the exception of items noted in Footnote 9 of the Company's Statement of Admitted Assets, Liabilities, and Capital and Surplus, there is no litigation that is considered material in relation to the statutory financial position of UHCIC. For purposes of this section, UHCIC has excluded litigation for which the only amounts sought relate to benefits within the normal terms of coverage under contracts of insurance issued by UHCIC, and which are otherwise considered in the actuarial determination of UHCIC's unpaid claim reserves.

10. Adequate provision has been made for adjustments and losses in collection of receivables.

11. UHCIC is in compliance with bond indentures or other debt instruments.

12. Pending changes in the organizational structure, financing arrangements, or other matters that could have a material effect on the financial statements of UHCIC are properly disclosed.

13. UHCIC has properly classified all assets as admitted or nonadmitted in accordance with SSAP No. 4.

14. UHCIC has free and clear title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as disclosed in the quarterly statement.

15. We have reviewed long-lived assets and certain identifiable intangibles whenever changes in circumstances have indicated that the carrying amount of these assets might not be recoverable and have recorded the adjustment in accordance with SSAP No. 5.

16. Deferred tax assets and liabilities as reported in the financial statements comply and have been valued in accordance with SSAP No. 10, Income Taxes.

17. Investments are appropriately recorded and valued as follows:

- Bonds - are recorded and disclosed in accordance with SSAP No. 26 and interpretations thereof.
- Preferred stocks - are recorded and disclosed in accordance with SSAP No. 32 and interpretations thereof.
- Common stocks - are recorded and disclosed in accordance with SSAP No. 30 and interpretations thereof. Common stock of subsidiaries and affiliated or controlled companies are recorded and disclosed in accordance with SSAP No. 46 and interpretations thereof.
- Short-term investments - are recorded and disclosed in accordance with SSAP No. 2 and interpretations thereof.

18. Accident and Health Premiums Due and Unpaid – Premiums are recognized and reported in accordance with SSAP No. 54. Uncollected premiums are reported in accordance with SSAP No. 6.

19. Adequate consideration has been given to, and appropriate provision made for, estimated adjustments to revenue, such as for denied claims and changes to diagnosis-related group ("DRG") assignments.

20. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available.

21. UHCIC's actuary has certified to the propriety of the basis and amounts at which the claim reserves and all actuarial liabilities are stated at June 30, 2007.

22. UHCIC has recorded individual and group accident and health reserves in accordance with SSAP No. 54.

23. UHCIC's liabilities for unpaid claims and claim adjustment expenses are based on and recorded at managements' best estimate in accordance with SSAP No. 55.

24. Utilization data has been properly determined and included in the statutory financial statements.

25. UHCIC is in compliance with contractual agreements, grants, and donor restrictions.

26. There were no material commitments for construction or acquisition of property, plant and equipment, or to acquire other noncurrent assets, such as investments or intangibles.

27. We have complied with all aspects of contractual agreements that would have a material effect on the Company's statutory-basis financial statements in the event of noncompliance.

28. There are no material transactions that have not been properly recorded in the accounting records underlying the statutory-basis financial statement.

29. All required returns and statutory reporting requirements have been filed on a timely basis with the appropriate regulatory bodies with the exception of items noted in 8 above.

30. All material reinsurance transactions have been recorded and disclosed in accordance with SSAP No. 61.

31. UHCIC has properly disclosed and recorded all changes in accounting principles in accordance with SSAP No. 3.

32. UHCIC has recorded and disclosed subsequent events in accordance with SSAP No. 9, specifically items noted in Footnote 10 of the Company's Statement of Admitted Assets, Liabilities, and Capital and Surplus.

33. UHCIC is not aware of the employment of or a business relationship with a "prohibited person" as defined in The Violent Crime Control and Law Enforcement Act of 1994: Title 18, United States Code, Section 1033 (e)(1)(A). UHCIC's affiliated third-party administrator recently terminated one of its employees who had a prior conviction relating to counterfeit toys, which was undisclosed at the time of his hiring. UHCIC has reviewed this particular employee's work and, to the best of UHCIC's knowledge, it is without irregularity, and this particular employee has not committed, or caused to be committed, any unlawful act against UHCIC or its members.

34. We have disclosed all of the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, and management's plans in Note 2 of the statutory-basis financial statements.

35. We agree with the findings of the Company's actuarial specialists in evaluating UHCIC's June 30, 2007 claim obligations, in the amounts of $70.7 million, and we have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the Company's statutory-basis financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias that work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

As regards UHCIC, the liabilities for unpaid claims and claim adjustment expenses, including amounts for incurred but not reported claims and estimated recoveries for salvage and subrogation, have been determined using appropriate assumptions, including estimated ultimate costs of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends and any other factors that would modify past experience. Given the inherent degree of variability in any such estimates, the liabilities reported in the Company's Statement of Admitted Assets, Liabilities, and Capital and Surplus at June 30, 2007 are a reasonable estimate of UHCIC's ultimate claim and claim adjustment expense liability to discharge UHCIC's obligations. Those liabilities are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

36. UHCIC has recorded and disclosed defined benefit plans and defined contribution plans in accordance with SSAP No. 89.

37. UHCIC has recorded and disclosed postretirement benefits other than pensions in accordance with SSAP No. 14.

38. None of the Company's third party service providers, upon which the Company relies, has known problems which would be likely to threaten the reliability of the Company's information systems and/or the systems' internal controls, or which could have a material impact on the Company's financial statements.

39. UHC has determined that the standard NAIC representations contained in Exhibit A are not applicable to its financial statements and operations.

We understand that your examination was made in accordance with standards established by the Florida Office of Insurance Regulation, and procedures established by the National Association of Insurance Commissioners, and accordingly included such tests of the accounting records and such other procedures as considered necessary under the circumstances.

Universal Health Care Insurance Company, Inc.

Chief Executive Officer — Date 12/11/07.

Acting Chief Financial Officer — Date 12/11/07

Universal Health Care Insurance Company, Inc.
Standard NAIC Representations Not Considered Applicable
Exhibit A

8. Billings to third party payors comply in all material respects with diagnostic and procedure coding guidelines (for example ICD-9-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulator bodies (i.e., Food and Drug Administration), if required and properly rendered.

11. Provision has been made for estimated retroactive adjustments by third-party payors under reimbursement agreements.

18. Investments are appropriately recorded and valued as follows:

- Mortgage loans and collateral loans – are recorded in accordance with SSAP's No. 37 and 21 and interpretations thereof.
- Real estate is recorded and disclosed in accordance with SSAP No. 40 and interpretations thereof.
- Health Care Delivery Assets – are recorded and disclosed in accordance with SSAP No. 73.

22. Cost Reports filed with third parties including; but not limited to, the Department of Health and Human Resources, Center for Medicare and Medicaid Services ("CMS"):

- All required Medicare, Medicaid, and similar reports have been properly filed.
- Management is responsible for accuracy and propriety of all cost records filed.
- All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.
- The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
- All items required to be disclosed, including disputed costs that are being claimed to establish a basis for subsequent appeal, have been fully disclosed in the cost report.
- Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

27. Covered liabilities are properly stated in the statutory financial statement and are determined as health care services through "hold harmless" clauses in the provider contracts which state that providers will not bill enrollees even though the provided has not been paid by the HMO.

41. The valuation of securities X is unavailable from the NAIC Securities Valuation Office; therefore, the Company has determined a value for this financial instrument. The methods and significant assumptions used to determine this value are in accordance with SSAP No. 27.

44. Regarding the corporate Information Systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquires fully and accurately.

45. Except as already disclosed to you, the corporate IS function has established and maintains adequate policies, procedures and guidelines concerning systems security, systems back up, systems design, change controls, testing of systems changes, configuration of transaction controls, documentation and error or exception reporting.

46. All corporate IS policies and guidelines that could have a material impact on the financial statements are monitored and have been complied with; and, no breaches that could have a material impact on the financial statements, whether perpetrated by external or internal parties, are known to have occurred. (If incorrect, describe fully.)

47. There were no significant deficiencies or material weaknesses with new systems, system modifications or new site locations implemented during the period that could have a material impact on the financial statements.