In the Matter of:

UNITEDHEALTHCARE OF WISCONSIN, INC.
MIDWEST SECURITY LIFE INSURANCE COMPANY
UNIMERICA INSURANCE COMPANY

STIPULATION AND ORDER

CASE NO. 05-C29795

WHEREAS, the Office of the Commissioner of Insurance ("OCI") conducted a market conduct examination concerning UnitedHealthcare of Wisconsin, Inc. ("UnitedHealth Wisconsin"), a subsidiary of UnitedHealthcare, Inc. ("UnitedHealth"), and issued an Examination Report adopted April 15, 2004 and entered into a Stipulation and Order (Case No. 04-C28997) dated April 6, 2004, and conducted a market conduct examination concerning Midwest Security Life Insurance Company ("Midwest Security"), an indirect subsidiary of UnitedHealth, and issued an Examination Report adopted January 5, 2005 (collectively, referred to as the "Market Conduct Examinations"); and

WHEREAS, the ultimate parent entity of UnitedHealth Wisconsin and Midwest Security is UnitedHealth Group Incorporated; and

WHEREAS, in connection with the Market Conduct Examinations, the OCI met at length with UnitedHealth management ("Management") to discuss compliance functions and the specific concerns of the OCI, and Management represented that it is committed to fully rectifying any deficiency in its compliance functions; and

WHEREAS, over the past year and in cooperation with the Market Analysis Working Group of the National Association of Insurance Commissioners, United HealthCare Insurance Company and its affiliates designed a national Process Improvement Plan to monitor and enhance compliance functions within the organization; and

WHEREAS, in response to the Market Conduct Examinations, UnitedHealth Wisconsin and Midwest Security agreed to undertake particular functions, action items, target completion dates and measurable results to be implemented in Wisconsin designed, in part, to address issues raised by the OCI in the Market Conduct Examinations;

MKE/1085671.2
NOW THEREFORE, UnitedHealth Wisconsin, Midwest Security, and Unimerica Insurance Company ("UnitedHealth Wisconsin Companies") are, under ss. 601.41 and 601.42, Wis. Stats., ordered to:

1) COMPLIANCE EFFORT

Maintain a Wisconsin compliance program ("compliance program") on and after February 1, 2006 that is reasonably designed to ensure that each UnitedHealth Wisconsin Company operates in all material respects in compliance with ss. 601.42 and chs. 609, 628, 631, 632 and 635, Wis. Stat., rules promulgated under those statutes, the UnitedHealth Wisconsin and Midwest Security Market Conduct compliance orders dated April 6, 2004 and paragraph 5) of this Order, including, but not limited to, all of the following:

(1) A UnitedHealth senior executive with full authority and responsibility for supervision of the compliance program.

(2) A senior executive with sole authority and responsibility for administration of the compliance program.

(3) Management personnel with authority and responsibility to address each significant regulatory compliance function, including response to OCI complaints, processing of grievances, independent review requirements and statutory coverage of mandates.

(4) Measures reasonably designed to ensure that management personnel designated under paragraph 1) (3) above are trained and competent in their Wisconsin compliance program responsibilities, including familiarity with the applicable Wisconsin law and OCI and company processes and provision for succession and backup for the designated management personnel.

(5) Measures and controls reasonably designed to ensure that material violations are promptly identified. These measures and controls shall include, but are not limited to, appropriate management reports and provision for internal audits.

(6) Measures and controls reasonably designed to ensure that corrective and remedial measures for insureds and consumers are promptly implemented with respect to any identified material violation.

(7) Periodic evaluation by an outside auditor of the effectiveness of the compliance program, with the first such evaluation to be completed not later than December 31, 2006.
(8) Preparation and implementation of an operating budget and organizational and administrative plan ("compliance program plan") for operation of the compliance program that is filed annually with OCI under paragraph 2).

2) COMPLIANCE PLAN AND CERTIFICATION.

(1) Commencing for calendar year 2006, file after January 1 and prior to February 1 each year, an operating budget and organizational and administrative plan to fully implement the Wisconsin compliance program in the year.

(2) File after January 1 and prior to February 1 each year, certification by the UnitedHealth senior executive that:

(a) The compliance program plan is reasonably designed to fully implement the compliance program in the next year.

(b) For certifications filed in 2007 and thereafter, that the compliance program was implemented as required by this stipulation and Order in the preceding year except as specified in the certification.

3) FORFEITURE.

At the time that UnitedHealth Wisconsin Companies file the compliance program plan in 2006, and not later than January 31, 2006, UnitedHealth Wisconsin shall pay a forfeiture (the "Initial Forfeiture") to the State of Wisconsin in the amount of Six Hundred Thousand Dollars ($600,000). The compliance program plan is deemed to comply with paragraph 1) thirty days after the date of filing unless, within that period, OCI mails written notice to UnitedHealth Wisconsin of objections to the plan. Filing of a compliance program plan that complies with paragraph 1) is not a defense to a violation of paragraph 1) for failing to implement and maintain the required compliance program.

4) CONTINUING COMPLIANCE.

(1) Subject to paragraph 6), should any UnitedHealth Wisconsin Company commit a material violation of this Order UnitedHealth Wisconsin shall promptly pay a forfeiture of up to $2.5 million ($2,500,000) on behalf of the violating company, determined by the Commissioner in his or her discretion, in the aggregate with respect to any and all violations of this Order occurring after March 1, 2006 and before December 31, 2008 [or December 31, 2010, if extended under paragraph 4) (2)] unless either:
(i) the compliance program is designed, implemented and maintained in a manner that reasonably promptly identifies the material violation, causes the company to initiate development of corrective action, promptly corrects the violation and provides appropriate remedial measures for insureds and consumers; or

(ii) the compliance program is designed, implemented and maintained in a manner consistent with paragraph 1) such that it is reasonable to expect that such program would identify violations of the type at issue, but failed to in the instant case, so long as the company takes corrective action and implements remedial measures for insureds and consumers within the later of:

1. Sixty days after the date OCI mails notice of the material violation of this Order to UnitedHealth.

2. A reasonable period to implement corrective action and remedial measures, but not more than 4 months from the date OCI mails notice of the material violation to UnitedHealth.

(2) If UnitedHealth Wisconsin is required to pay the full amount stated under paragraph 4) (1) for one or more material violations occurring prior to January 1, 2009 this Order is extended to, and continues until, December 31, 2010. During the extended period UnitedHealth Wisconsin shall promptly pay an additional forfeiture up to $2.5 million ($2,500,000) when otherwise required under paragraph 4) (1) for violations of this Order occurring after December 31, 2008 and before January 1, 2011.

(3) UnitedHealth Wisconsin shall deposit prior to March 1, 2006 $2.5 million ($2,500,000) with an independent escrow agent reasonably acceptable to OCI for the purpose of securing the payment of any forfeiture required under this Order. If the Order is extended under paragraph 4) (2) UnitedHealth Wisconsin shall deposit an additional $2.5 million ($2,500,000). This deposit shall be available solely for the purpose of payment of such a forfeiture and shall be paid to the state of Wisconsin as a forfeiture on certification by OCI that a final order adjudicating the forfeiture has been entered and that the time for appeal has expired or that an appeal is pending and 90 days has expired since the appeal has been filed and the order is not stayed.

(4) Notice pursuant to this paragraph shall be mailed to UnitedHealth at the following addresses:
UnitedHealthcare of Wisconsin, Inc.
Attn: President
5 Innovation Court
Appleton, WI 54912

With copies to:

UnitedHealthcare, Inc.
Attn: General Counsel
5901 Lincoln Drive
Edina, MN 55343

Bruce G. Arnold, Esq.
Whyte Hirschboeck Dudek S.C.
555 East Wells Street, Suite 1900
Milwaukee, WI 53202-3819

5) SPECIFIC CONSUMER AND INSURED SERVICE MATTERS

On and after March 1, 2006 to do all of the following:

(1) Handling of OCI Complaints

Comply with s. 601.42, Wis. Stat., when handling OCI consumer complaints, including, but not limited to, all of the following:

(a) Contacting the consumer within 10 days of receipt of a OCI complaint to attempt to resolve the problem.

(b) Respond to any OCI complaint as follows:

1. Delivered a response that complies with this paragraph 5)(1)(b) to OCI within 20 days of the date of receipt of the OCI complaint.

2. Provide a complete response to the OCI complaint, respond to all OCI requests for information, provide requested documentation to the extent it is reasonably available or should be reasonably available, include documentation that the complainant was contacted within 10 days of receipt and that an effort was made to resolve the problem, and provide a legible response.

3. Provide in each response to an OCI complaint all of the following:

   a. A description of the problem including any background information related to the complaint.
b. Legible copies of relevant documents and correspondence (policy language, medical reports, EOBs, spreadsheets, telephone notes etc).

c. A description of anything done to resolve the problem.

d. A disclosure if the complaint involves a self-funded plan, if applicable, in which case this Order requires only a response limited to a statement to that effect.

e. Response to items on the special request list, if any.

f. Corrections to the company name and type of coverage, if any.

It is an indication that there may be a material violation of this Order if any one of the following occurs.

(a) In any quarter less than 90% of OCI complaints are handled in compliance with this paragraph 5) (1).

(b) A UnitedHealth Wisconsin Company fails to monitor OCI complaint patterns and trends to identify areas requiring management attention.

(c) UnitedHealth Wisconsin Companies representatives fail to meet with OCI at least quarterly, or more frequently as reasonably requested by OCI, to discuss complaint handling best practices, concerns and complaint patterns and trends identified by the companies or OCI.

(2) Handling of COB

Comply with s. Ins 3.40, Wis. Adm. Code. When an OCI complaint relates to COB, including a Medicare COB matter, provide a full response including all of the following:

(a) Review the complaint for compliance with the order of benefit determination, the determination of allowable expenses, the claim determination period and payment as a secondary plan as required by s. Ins 3.40, Wis. Adm. Code, and include a description of the results of the review in the response to OCI.

(b) Provide a legible worksheet showing how the benefits are determined and addressing any errors in calculation, including
whether these errors are system-generated and, if so, how the system errors will be corrected.

(c) Where the problem identified in an OCI complaint is a lack of response or follow-up by the Customer Care centers, investigate the matter and determine if the care center staff has adequate information to respond to claimants or requires additional training to do so and provide documentation to OCI that the deficiencies have been addressed.

(d) For an OCI complaint involving errors in premium rates due to Medicare eligibility and/or Medicare as secondary payor, conduct a thorough investigation when the complaint is first received and provide a complete response to OCI, including a proposal to resolve the complaint.

It is an indication that there may be a material violation of this Order if in any quarter less than 93% of OCI complaints are handled in compliance with this paragraph 5) (2).

(3) **Insured and consumer grievances.**

Correctly and timely process all grievances in accordance with s. 632.83, Wis. Stat., and s. Ins 18.03, Wis. Adm. Code, including, but not limited to, all of the following:

(a) Provide complete and accurate information regarding the internal grievance procedure for Wisconsin insureds, including definitions of “complaint” and “grievance” that comply with s. Ins 18.01 (2) and 18.01 (4), Wis. Adm. Code.

(b) Identify any written expressions of dissatisfaction that meet the definition of grievance, including those involving quality of care, and within 5 business days mail a written acknowledgement to the insured or the insured’s authorized representative confirming receipt of the grievance.

(c) Schedule grievance meetings to hear grievances so that resolution of individual grievances can be accomplished within 30 days of receiving the grievance, and that written notice is sent to the insured regarding the time and place of the grievance meeting at least 7 calendar days before the grievance meeting.

(d) Retain records of complaint and grievance activity for a period of at least 3 years.
(e) Require participating physicians and other providers to respond to complaints and grievances and to promptly provide information necessary to permit the company to respond.

(f) Conduct periodic scheduled audits of the grievance process, following industry standards for acceptable sampling, accuracy, and reporting, make available the audit reports upon request by the OCI, and take prompt action to correct any deficiencies identified by the audits.

(g) Establish and maintain a process for the periodic scheduled review by management staff of trends relating to grievances filed by Wisconsin insureds and take action to correct any deficiency identified by a review.

It is an indication that there may be a material violation of this Order if any one of the following occurs:

(a) In any quarter less than 90% of an UnitedHealth Wisconsin Company's grievances are handled in compliance with this paragraph 5) (3).

(b) An UnitedHealth Wisconsin Company fails to monitor grievance patterns and trends to identify areas requiring management attention or fails to take action to correct any identified deficiency.

(c) An UnitedHealth Wisconsin Company fails to conduct periodic scheduled audits of the grievance process, following industry standards for acceptable sampling, accuracy, and reporting, make available the audit reports upon request by the OCI, and take prompt action to correct any deficiencies identified by the audits.

(4) Independent review process.

Process all requests for independent review in accordance with, and comply with all the requirements of, s. 632.835, Wis. Stat., and s. Ins 18.11, Wis. Adm. Code, including but not limited to:

(a) Provide complete and accurate information regarding the independent review process available to Wisconsin insureds, including information on obtaining a current listing of independent review organizations.

(b) Maintain and implement procedures whereby Wisconsin insureds may request and obtain an independent review or
expedited independent review of an adverse or experimental treatment determination, including cosmetic treatment procedures not specifically excluded in insurance policies.

(c) Submit initial request for independent review to the independent review organization within 2 business days, and provide additional information or explanation requested by an IRO within 5 business days after receiving the request.

(d) Provide written notice of any request for independent review to the OCI and to the independent review organization selected by the insured or insured’s authorized representative within 2 business days of receipt.

(e) Maintain and implement a process, including written procedures for collecting, sending to the independent review organization and refunding the $25 fee payable to the independent review organization.

(f) Conduct periodic scheduled audits of the independent review process, following industry standards for acceptable sampling, accuracy, and reporting, make available the audit reports upon request by the OCI, and take prompt action to correct any deficiencies identified by the audits.

(g) Establish and maintain a process for the periodic scheduled review by management staff of trends relating to requests for independent review by Wisconsin insureds and take action to correct any deficiency identified by a review.

It is an indication that there may be a material violation of this Order if any one of the following occurs:

(a) In any quarter an UnitedHealth Wisconsin Company handles less than 90% of the incidents, requests or other events requiring compliance with 632.835, Wis. Stat., or s. Ins 18.11, Wis. Adm. Code, in accordance with this Order.

(b) An UnitedHealth Wisconsin Company fails to monitor independent review and grievance patterns and trends to identify areas requiring management attention or fails to take action to correct any identified deficiency.

(c) An UnitedHealth Wisconsin Company fails to conduct periodic scheduled audits of the independent review process, following industry standards for acceptable sampling, accuracy, and reporting, make available the audit reports upon request by the
OCI, and take prompt action to correct any deficiencies identified by the audits.

(5) Mental health mandate

Correctly and timely provide statutory mandated benefits, including mental health benefits in accordance with s. 632.89, Wis. Stat., including, but not limited to, all of the following:

(a) Provide complete and accurate information regarding the benefit provisions in group policies and certificates relating to benefits for the treatment of nervous and mental disorders, alcoholism and other drug abuse to Wisconsin insureds.

(b) Maintain and implement procedures whereby Wisconsin insureds may obtain mandated mental health benefits with exclusions and limitations, including deductibles, co-payments, and pre-authorization requirements, that are no more restrictive that those generally applicable to other conditions covered under the policy.

(c) Incorporate into the company claim system procedures for paying such mandated benefits to Wisconsin insureds that result in accurate payment made within 30 days of receipt of sufficient information to establish liability.

(d) Automatically issue payment of interest on delayed claims not paid within 30 days after written notice of the claim is furnished.

(e) Institute reasonable standards for investigation of appeals of denied claims for Wisconsin mandated benefits.

(f) Conduct periodic scheduled audits of the claims administration process specific to mandated benefits, following industry standards for acceptable sampling, accuracy, and reporting, make available the audit reports upon request by the OCI, and take action to correct any deficiency identified by a review.

It is an indication that there may be a material violation of this Order if any one of the following occurs:

(a) In any quarter an UnitedHealth Wisconsin Company complies with this Order with respect to less than 93% of claims for a specific statutory mandated benefit that is not timely corrected via an escalation or appeals process.
(b) An UnitedHealth Wisconsin Company fails to conduct periodic scheduled audits of the claims administration process specific to mandated benefits, following industry standards for acceptable sampling, accuracy, and reporting, make available the audit reports upon request by the OCI, and take prompt action to correct any deficiencies identified by the audits.

(6) **Small employer rate band**

Comply with ch. 635, Wis. Stat., and rules under that chapter including, but not limited to, all of the following:

(a) Complete an audit of small employer files to identify groups that fall outside the rate midpoint range and provide sufficient explanation and detail such that OCI can determine if rating practices must be revised to conform to the law.

(b) Calculate billed premiums based on the actual group census and rating factors in force on the group effective or renewal date.

It is an indication that there may be a material violation of this Order if any one of the following occurs:

(a) An UnitedHealth Wisconsin Company fails to complete an audit as specified under paragraph 5) (6) (a).

(b) An UnitedHealth Wisconsin Company fails to provide credit or refunds to small employers of amounts charged contrary to the small employer rate band.

6) **Due Process**

Notwithstanding anything to the contrary herein, UnitedHealth and the UnitedHealth Wisconsin Companies shall be entitled to the rights under chapter 227, Wis. Stats., with respect to any alleged material violation of the terms of this Order, including, without limitation, rights to a hearing, confrontation and cross examination of witnesses, production of evidence, motions for costs, and judicial review.

This Order is effective as of November 10, 2005. This Order terminates on December 31, 2008, unless it is extended and continues under the circumstances described under paragraph 4) (2).

Dated: November 9, 2005

Jorge Gomez
Commissioner of Insurance
STIPULATION

(1) UnitedHealth and all UnitedHealth Wisconsin Companies agree to and consent to this Order.

(2) UnitedHealth and all UnitedHealth Wisconsin Companies agree this Stipulation is made without reservation and waive their right to contest the Order, including, but not limited to, rights to a hearing, confrontation and cross examination of witnesses, production of evidence, motions for costs, and judicial review.

(3) The Stipulation and Order does not constitute an adjudication or a finding of a violation of law. UnitedHealth and all UnitedHealth Wisconsin Companies deny that there is any such violation of law and do not waive the right to contest any allegation of a violation of law.

(4) Except with respect to those matters in the Market Conduct Examinations and those matters discussed with Management and set forth on Exhibit A attached hereto (collectively, the “Released Matters”), (a) the Stipulation and Order does not bar nor waive any action related to a violation of law, known or unknown; and (b) the State and OCI do not waive any action or penalty that may be imposed for a violation of law; provided, however, that the State and OCI waive any action or penalty in connection with the Released Matters, other than as set forth in this Order.

(5) UnitedHealth and all UnitedHealth Wisconsin Companies agree that the State and OCI may enforce this Order, or may cause the Order to be enforced.

(6) UnitedHealth agrees that, upon the closing (the “Closing”) of the proposed acquisition of American Medical Security Life Insurance Company (“AMSLIC”) contemplated by the Form A in Case No. 05-C29696, AMSLIC shall be treated as a “UnitedHealth Wisconsin Company” for purposes of this Order effective as of nine (9) months after the Closing; provided however, that UnitedHealth shall file an amendment to the compliance program plan for any identified compliance issues for AMSLIC within ninety (90) days of the Closing, which amendment shall take effect nine (9) months after the Closing.
UnitedHealthcare, Inc.

Date: November 9, 2005
By: 
Name: Michael J. McDonnell
Title: Secretary

UnitedHealthcare of Wisconsin, Inc.

Date: November 9, 2005
By: Jay R. Fulkerson
Name: Jay R. Fulkerson
Title: CEO

Midwest Security Life Insurance Company

Date: November 9, 2005
By: 
Name: 
Title: 

Unimerica Insurance Company

Date: November 9, 2005
By: 
Name: 
Title: 

Office of the Commissioner of Insurance, State of Wisconsin

Date: November 9, 2005
By: 
Name: Fred Nepple
Title: General Counsel
UnitedHealthcare, Inc.

Date: ___________ 2005

By: ___________

Name: Michael J. McDonnell
Title: Secretary

UnitedHealthcare of Wisconsin, Inc.

Date: ___________ 2005

By: ___________

Name: Jay K. Finkeisen
Title: CEO

Midwest Security Life Insurance Company

Date: ___________ 2005

By: ___________

Name: Jay K. Finkeisen
Title: CEO

Unimerica Insurance Company

Date: ___________ 2005

By: ___________

Name: Timothy F. Nagle
Title: Secretary

Office of the Commissioner of Insurance, State of Wisconsin

Date: ___________ 2005

By: ___________

Name: __________________________
Title: __________________________
Exhibit A

Matters occurring prior to November 10, 2005 as follows:

1) Alleged violation of a 1998 compliance order to provide a separate notice to small employer policyholders that ch. 635, Stats., protections will cease to apply if the small employer moves out of state or ceases to be a small employer.

2) Alleged violation of a 1999 compliance order to modify its agreements with providers to include a provision addressing reimbursement for services to terminated providers for services provided during continuity of care situations.

3) Alleged application of a separate deductible to mental health benefits contrary to s. 632.89, Wis. Stat.

4) Complaint concerning failure to provide notice of a reduction of benefits for mental health care in violation of s. 631.36 (5), Wis. Stat.

5) Alleged imposing of a reduction in coverage for non-network services without prior authorization, while imposing zero coverage for non-network mental health benefits without prior authorization, in violation of s. 632.89, Wis. Stat.

6) Complaints of repeated refusal or failure to comply with the grievance and independent review requirements outlined at ss. 632.83, 632.835, Wis. Stat., and ss. Ins 18.03 and 18.11, Wis. Adm. Code. These include failure to inform the insured of the right to file a grievance, failure to process grievances in accordance with the required procedures, and failure to process requests for independent review as required by law.

7) Alleged violation of grievance regulations by failing to timely reply and process grievances including referral to a grievance panel within 30 days of receipt of the grievance.

8) Alleged failure to have adequate systems and procedures to address provider problems resulting in an unusual number of complaints to OCI.

9) Alleged failure to provide complete responses to requests for information from OCI on complaints in continued violation of s. 601.42, Wis. Stats.