

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of HEALTH NET OF CONNECTICUT, INC. (the "Company") as of December 31, 2008, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

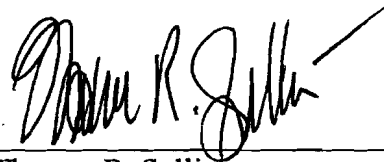
TO WIT:

1. I, Thomas R. Sullivan, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes;
2. HEALTH NET OF CONNECTICUT, INC. is a domestic insurer authorized to transact the business of insurance in the State of Connecticut;
3. On February 11, 2010, the verified Examination Report of HEALTH NET OF CONNECTICUT, INC. was filed with the Connecticut Insurance Department.
4. In accordance with Conn. Gen. Statutes §38a-14(e) (3), HEALTH NET OF CONNECTICUT, INC. was afforded a period of thirty (30) days within which to submit to the Connecticut Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On March 12, 2010, the Company notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Examination Report of HEALTH NET OF CONNECTICUT, INC. hereby is adopted as filed with the Insurance Department.
2. That HEALTH NET OF CONNECTICUT, INC. shall comply with all of the recommendations set forth in the Report, and that failure by HEALTH NET OF CONNECTICUT, INC. to so comply shall result in sanctions or administrative action as provided by Title 38a of the Connecticut General Statutes.

Dated at Hartford, Connecticut this 31st day of March 2010.

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", written over a horizontal line. The signature is stylized and includes a long horizontal stroke extending to the right.

Thomas R. Sullivan,
Insurance Commissioner

EXHIBIT A

EXAMINATION REPORT

OF

HEALTH NET OF CONNECTICUT, INC.

AS OF

DECEMBER 31, 2008

BY THE

CONNECTICUT INSURANCE DEPARTMENT

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February 11, 2010

The Honorable Thomas R. Sullivan
Insurance Commissioner
State of Connecticut
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made an association examination of the condition and affairs of

HEALTH NET OF CONNECTICUT, INC.

(hereinafter referred to as the Company or HNCT); a health maintenance organization (HMO) incorporated under the laws of the State of Connecticut and having its home and administrative office located at One Far Mill Crossing, Shelton, Connecticut. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2004. The current examination, which covers the subsequent four year period, was conducted at the administrative office of the Company.

As part of the examination planning procedures, the Financial Regulation Division of the Connecticut Insurance Department (the Division) reviewed the following materials submitted by the Company:

- Board of Director (Board) minutes from 2005 through the latest 2009 meeting.
- Audit reports from 2005 through 2008, completed by the Company's independent certified public accountants, Deloitte and Touche, LLP (D&T).
- Management Discussion and Analysis from 2005 through 2008.
- Statements of Actuarial Opinion from 2005 through 2008.
- Annual Statements filed with the Division.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Division, as well as reports obtained from the National Association of Insurance Commissioners (NAIC) database which indicated no material concerns with respect to financial condition or regulatory compliance issues.

National Actuarial Network, Inc. (NAN) was engaged by the Division to assist in the actuarial review of the Company.

Workpapers prepared by D&T in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

HEALTH NET OF CONNECTICUT, INC.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Examiners Handbook (the Handbook).

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Company is a wholly owned subsidiary of Health Net of the Northeast, Inc. (HNNE), a Delaware Corporation with its principal executive offices in Shelton, Connecticut. The Company was incorporated under the laws of Connecticut on December 16, 1975. The name of the Company at the date of organization was Greater Bridgeport Medical Foundation, Inc. (GBMFI), a non-stock, not for profit company.

On August 14, 1986, GBMFI restated its articles of incorporation and was renamed Physicians Health Services of Connecticut, Inc. Physicians Health Services, Inc. (PHS), a Delaware stock corporation, was established as a holding company. The conversion to a for profit company was approved by the State of Connecticut Insurance Commissioner on August 21, 1986, subject to the provisions as outlined in CGS Section 38a-186(a).

On December 31, 1997, Foundation Health Systems, Inc. (FHS) completed an acquisition of PHS and subsequently changed its name to Health Net, Inc. (HNI).

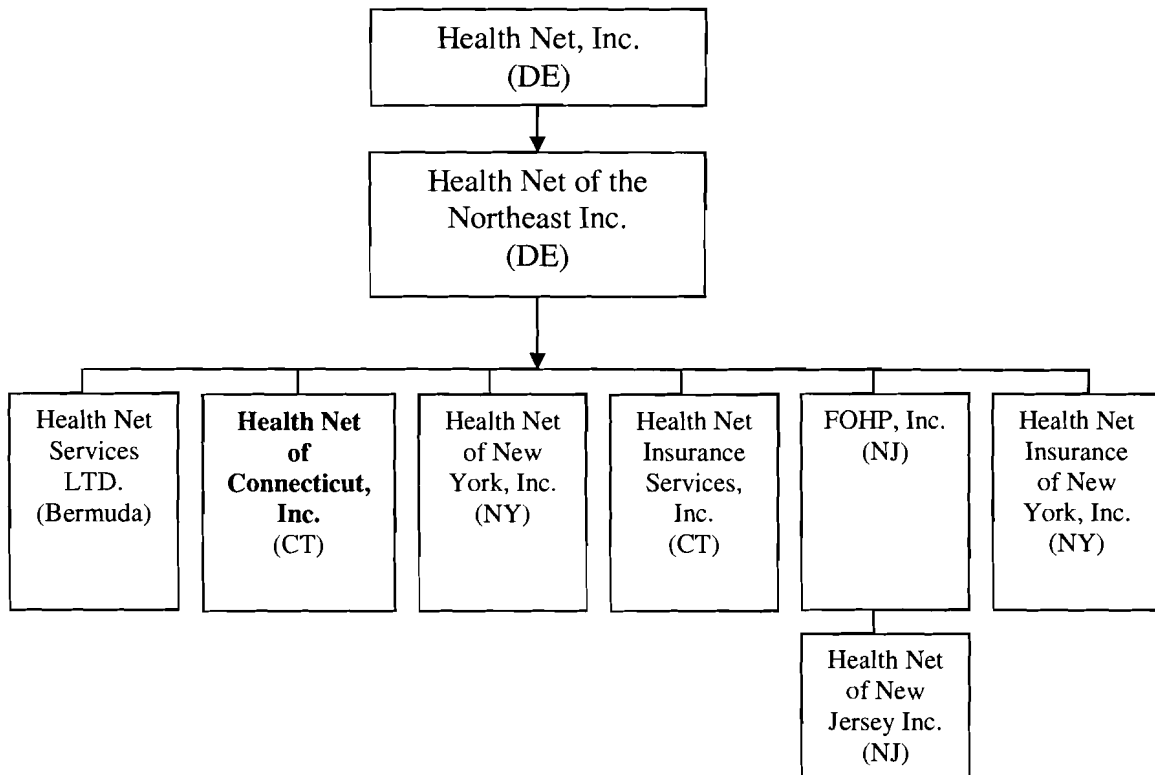
Effective January 1, 1999, the Company merged with an affiliate, MD Health Plan, Inc. (MDHP). MDHP was a wholly owned subsidiary of FHS and a licensed health care center domiciled and operating in Connecticut.

On July 23, 2001, the Company filed a Certificate of Amendment to its Articles of Incorporation to change the name of the Company to Health Net of Connecticut, Inc.

HEALTH NET OF CONNECTICUT, INC.

ORGANIZATIONAL CHART

The following organizational chart presents the identities of, and interrelationship between the Company and its affiliates as of December 31, 2008:



MANAGEMENT AND CONTROL

As stated in the bylaws, the property and business of the Company shall be managed by or under the direction of its Board. The number of directors that shall constitute the whole Board shall be determined by resolution of the Board. The directors shall be elected at the annual meeting of the shareholder; each director elected shall hold office until the next succeeding meeting and until his successor is elected and qualified or until such director's earlier resignation or removal.

The annual meeting of the shareholders shall be held each year on a date and time designated by the Board.

The officers of the Company shall be elected by the Board and shall include a chairman of the Board or a president, or both, and a secretary. The Company may also have at the discretion of the Board such other officers as are desired. The Board at its first meeting after each annual meeting of the shareholders shall choose the officers of the Company.

The Board may designate one or more committees; each such committee is to consist of one or more directors of the Company.

HEALTH NET OF CONNECTICUT, INC.

Board of Directors

The Board members serving the Company at December 31, 2008, and their principal business affiliations were:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Paul S. Lambdin	President, Health Net of Connecticut, Inc.
Joseph J. Kempf, Jr.	Secretary, Health Net of Connecticut, Inc.
Scott A. Weiner	Treasurer, Health Net of Connecticut, Inc.

Officers

The officers serving the Company at December 31, 2008, were:

<u>Officer</u>	<u>Title</u>
Paul S. Lambdin	President
Joseph J. Kempf, Jr.	Secretary
Scott A. Weiner	Treasurer
Bret A. Morris	Vice President
Dennis M. Bell	Vice President, Real Estate Management

RELATED PARTIES

The Company has the following intercompany agreements in place:

Parental Guarantee

An Insolvency Guarantee and Capital Funding Guarantee Agreement exists between HNCT and HNI for the duration of the contract period to satisfy the State of Connecticut Continuation of Care requirements in the event of insolvency (CGS §38a-193), Medicaid insolvency requirements and the Centers for Federal Medicare and Medicaid Services (“CMS”) requirements for a Medicare Risk contract. These Agreements provide for contributions of capital as necessary to meet any of the above requirements as long as HNCT remains obligated under state or federal requirements. The Agreements became effective May 18, 2007.

Management/Service Contracts

- The Company has an administrative services agreement with HNNE, effective January 1, 2003. Under the agreement, HNNE provides to HNCT materials and supplies and certain administrative support services including consulting, executive, managerial, and other support services intended to enhance organizational and administrative capacity and to augment the operations of HNCT.
- The Company entered into an Administrative Services Agreement with each of the following affiliates: Health Net Life Insurance Company; Health Net of Arizona; Health Net Insurance

HEALTH NET OF CONNECTICUT, INC.

of New York, Inc.; Health Net of New York, Inc.; and Health Net of New Jersey, Inc. The agreements were approved by the Division on December 20, 2007.

- There is an administrative services agreement between the Company and Health Net Pharmaceutical Services (HNPS) under which HNPS provides HNCT with administrative services and support in connection with the processing of prescription drug claims. Services provided include pharmacy claims adjudication, formulary management services, prior authorization services, and pharmacy network management. The agreement was originally approved by the Division in December 2003. Since then, two amendments have been added to this agreement. The last amendment was filed with the Division on March 26, 2008, and was formally approved on April 17, 2008.
- The Company has an administrative services agreement with MHN Services that was executed by the parties in 2005 in connection with the Medicare Advantage program. This agreement was revised and submitted to the Division for approval, which was granted on May 8, 2006. An amendment to this agreement was filed with the Division on March 26, 2008, and was subsequently approved on April 4, 2008.
- There is a Litigation Expense Indemnification Agreement between the Company, HNNE, and HNI. This agreement has an effective date of November 1, 2007, and serves to indemnify the Company for litigation expenses related to certain large and unusual cases. The agreement was filed and approved by the Division in October 2007.

Tax allocation agreements

- The Company files a consolidated federal and state tax return with HNNE under an agreement dated April 1, 1997. Effective December 31, 1997, the HNNE tax return was incorporated into the HNI Consolidated Tax Allocation agreement. A revised agreement was submitted to the Division on December 19, 2007, for retroactive approval to January 1, 2007. Contingent approval was received on March 17, 2008. The agreement was subsequently refiled with the Division in October 2008. The agreement reflected changes suggested by other state regulators and was approved by the Division on November 3, 2008.

INSURANCE COVERAGE

HNCT is protected under a crime guard policy issued to HNI and its subsidiaries by National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The limit of coverage on the policy is \$5,000,000. This amount exceeds the suggested minimum limits of insurance pursuant to the Handbook.

In addition to the crime guard policy, the Company is protected by the following insurance coverages:

Insurance Company

Arch Insurance Company
Hartford Fire Insurance Company
Illinois Union Insurance Company

Insurance Coverage

Workers compensation
Commercial auto
Error and omissions liability
and professional liability

HEALTH NET OF CONNECTICUT, INC.

Insurance Company

Lexington Insurance Company

Max Bermuda Ltd.

National Union Fire Insurance Company of
Pittsburgh, Pennsylvania

Insurance Coverage

Commercial property policy,
general liability and medical malpractice

Employment practices liability

Directors and Officers

TERRITORY AND PLAN OF OPERATION

HNCT is licensed as a health care center in the State of Connecticut and provides services throughout the State of Connecticut as stated in its articles of incorporation.

The Company participated in Connecticut's Medicaid Managed Care Program pursuant to a contract with the Connecticut Department of Social Services (DSS), which became effective in August 1995. The Company received fixed monthly premiums per member under this contract and bears the risk that actual costs of providing care may exceed the capitated amount. Utilization and financial data were reported quarterly to the DSS. The Medicaid contract was terminated effective March 31, 2008.

The Company's managed care products include traditional HMO products, in open access models, point of service (POS) products, administrative services only (ASO) plans and Medicare Advantage. The State of Connecticut constitutes the largest employer group of the Company, representing approximately 6.9% in 2005, 7.4% in 2006, 6.6% in 2007 and 6.5% in 2008.

The Company offers its Medicare Advantage product directly to individuals and through employer groups. To enroll in this plan, covered persons must be eligible for Medicare. HNCT arranges health care services normally covered by Medicare and a broad range of health care services not covered by traditional Medicare programs. CMS pays HNCT a monthly amount for each enrolled member based, in part, upon the "adjusted average per capita cost," as determined by CMS's analysis of fee-for-service costs related to beneficiary demographics and other factors. The Company bears the risk that the actual costs may exceed the per member, per month amount.

HNCT also administers self-funded health plans for employers.

HNCT markets its insurance products through a broker network of approximately 2,625 brokers.

REINSURANCE

Reinsurance Assumed

The Company does not have any assumed reinsurance business.

Reinsurance Ceded

Prior to June 1, 2007, the Company participated in marketing and reinsurance agreements with Guardian Life Insurance Company (Guardian) covering primarily small group membership. Under these arrangements, certain HMO and POS products were marketed to the existing insured's of Guardian. In addition, these products were distributed through the brokerage

HEALTH NET OF CONNECTICUT, INC.

community in an integrated marketing effort under the trade name Healthcare Solutions. The Company wrote one hundred percent of the business and ceded fifty percent to Guardian.

Effective June 1, 2007, the Company, in substance, purchased Guardian's fifty percent interest in Healthcare Solutions by terminating the marketing and reinsurance agreements and acquiring certain intangible rights from Guardian. In connection with the transaction, the Company paid Guardian \$10,989,111 in cash, which represented the expected future profits of owning the fifty percent of the employer group contract relationships associated with the Healthcare Solutions business previously owned by Guardian.

INFORMATION TECHNOLOGY AND CONTROLS

An evaluation of the information technology (IT) and controls was performed in accordance with NAIC requirements. The review focused on the MC400 System, the Company's primary policy accounting and administration system. The Division reviewed the supporting documentation in conjunction with the evaluation of the IT Controls Questionnaire, as contained in the Handbook.

The evaluation of IT controls focused on the following areas: management control; organizational control; changes to applications; operations; documentation; logical and physical security; contingency planning; and wide area network and internet.

There were no material findings which affected the Division's overall reliance on the Company's IT controls.

ACCOUNTS AND RECORDS

The Systems Applications and Products (SAP) general ledger software package automatically interfaces with the following areas systems: accounts payable, material management, sales and distribution, purchasing, and fixed assets. It also interfaces with the JD Edwards general ledger software package (JDE), Valutech (VT), and Caremark through Our Data Warehouse (ODW) for pharmacy claims. Journal entries from the MC400 system are batched daily to JDE and interfaced to SAP for premium revenue daily. The premium cash receipts are interfaced monthly. The medical claims are interfaced from MC400 to VT daily and then interfaced to SAP. The pharmacy claims are interfaced daily to SAP from the ODW.

The Company uses the Enterprise Portfolio System (EPS) to record investment transactions. Monthly investment transactions are recorded by posting manual entries to the general ledger during the month-end close. Each month several manual journal entries are made to record transactions, claim reserves, payroll, general and administrative expenses, accruals and intercompany transactions.

General ledger balances for the year ended December 31, 2008, were reconciled to the annual statements without exception. Reconciliations of general ledger accounts are performed by accounting staff and reviewed by managers on a monthly basis. Completed financial statements are further reviewed for reasonableness and consistency by the Company's executives.

HEALTH NET OF CONNECTICUT, INC.

FINANCIAL STATEMENTS

The following statements reflect the assets, liabilities, capital and surplus, and statement of revenue and expenses as of December 31, 2008, as reported by the Company and as determined by the examination:

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$210,415,989		\$210,415,989
Cash, cash equivalents and short-term investments	39,948,681		39,948,681
Subtotals, cash and invested assets	250,364,670		250,364,670
Investment income due and accrued	1,908,289		1,908,289
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	28,528,014	\$337,635	28,190,379
Reinsurance:			
Other amounts receivable under reinsurance contracts	1,307,854		1,307,854
Amounts receivable relating to uninsured plans	2,262,582	766,198	1,496,384
Net deferred tax asset	4,963,241	1,552,975	3,410,266
Electronic data processing equipment and software	94,421		94,421
Furniture and equipment, including health care delivery assets	1,062,830	1,062,830	
Receivables from parent, subsidiaries and affiliates	25,264		25,264
Health care and other amounts receivable	14,233,938	5,265,219	8,968,719
Aggregate write-ins for other than invested assets	12,423,762	11,081,621	1,342,141
Totals	<u>\$317,174,865</u>	<u>\$20,066,478</u>	<u>\$297,108,387</u>

HEALTH NET OF CONNECTICUT, INC.

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	\$101,729,455	\$1,072,812	\$102,802,267
Unpaid claims adjustment expenses	2,191,727	23,113	2,214,840
Aggregate health policy reserves	1,366,743		1,366,743
Premiums received in advance	7,693,994		7,693,994
General expenses due or accrued	9,247,636		9,247,636
Current federal and foreign income tax payable and interest thereon	6,758,670		6,758,670
Amounts withheld or retained for account of others	24,074		24,074
Remittances and items not allocated	2,944,905		2,944,905
Amounts due to parent, subsidiaries and affiliates	15,580,223		15,580,223
Liability for amounts held under uninsured plans	1,811,782		1,811,782
Aggregate write-ins for other liabilities	791,477		791,477
Total liabilities	\$150,140,686	\$1,095,925	\$151,236,611
Common capital stock			10
Gross paid in and contributed surplus			68,312,579
Unassigned funds			77,559,187
Total capital and surplus			\$145,871,776
Total liabilities, surplus and other funds			<u>\$297,108,387</u>

HEALTH NET OF CONNECTICUT, INC.

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
REVENUES		
Member months	XXX	2,127,498
Net premium income		\$1,127,376,940
Change in unearned premium reserves and reserve for rate credits		1,313,983
Total revenues		1,128,690,923
DEDUCTIONS		
Hospital and Medical:		
Hospital/medical benefits	\$8,633,859	847,620,874
Other professional services	182,448	17,400,535
Prescription drugs	1,063,026	101,864,468
Subtotal	9,879,333	966,885,877
Net reinsurance recoveries		294,400
Total hospital and medical	9,879,333	966,591,477
Claims adjustment expenses, including cost containment expenses	543,284	52,060,188
General administrative expenses		111,046,914
Total underwriting deductions	10,422,617	1,129,698,579
Net underwriting gain or (loss)	XXX	(1,007,656)
Net investment income earned		10,918,688
Net realized capital gains or (losses) less capital gains tax		(1,621,809)
Net investment gains or (losses)		9,296,879
Aggregate write-ins for other income or expenses		(1,360,500)
Net income or (loss) after capital gains tax and before all other federal income taxes		6,928,723
Federal and foreign income taxes incurred		1,071,810
Net income		\$5,856,913
Capital and surplus prior reporting period		\$151,903,931
Net income or (loss)		5,856,913
Change in net deferred income tax		(276,194)
Change in nonadmitted assets		13,387,126
Dividends to stockholders		(25,000,000)
Net change in capital and surplus		(6,032,155)
Capital and surplus end of reporting period		<u>\$145,871,776</u>

HEALTH NET OF CONNECTICUT, INC.

CASH AND INVESTED ASSETS \$250,364,670

The Company does not have a mechanism in place to approve investment transactions as required by CGS §38a-102e. It should be noted that this was an examination issue during the previous exam. It is recommended that the Company institute proper controls to ensure compliance with CGS §38a-102e.

CLAIMS UNPAID \$102,802,267

The Division engaged NAN to conduct the actuarial review of the Company. The following is a summary of the review:

Formula Reserves Scope

The review consisted of the calculation of independent estimates of future claim payments based upon the Company's historical experience. This was done to determine whether the Company's reserves were adequate to support the Company's obligations. In conducting the reserve review and analysis, NAN conducted interviews with both the Company's business actuary and the consulting actuary responsible for producing the Company's actuarial opinion.

In addition, although not audited, the following items were reviewed for consistency and reasonableness:

- Statutory annual statements for years 2006, 2007, and 2008.
- Workpapers prepared by the Company to estimate the claims unpaid and other actuarial liabilities as of December 31, 2008.
- Claim lag information by line of business.
- The Company's Annual Statement reserve adequacy analysis contained in Part 2 of the Underwriting and Investment Exhibit.

Formula Reserve Analysis

Based on the review of the Company's formula reserves as outlined above, it was determined that the reserve liabilities were not materially misstated as of December 31, 2008.

Although the Division concluded that the reserves were reasonably stated, the following items were noted:

- The Company does not make an explicit provision for its extension of benefits (EOB) liability on either line 3 or line 10 of Part 2D of the Underwriting and Investment Exhibit (U&I Part 2D). The absence of amounts on lines 3 and 10 of U&I Part 2D was noted and discussed with the Company's appointed actuary. The Company stated that the provision for ongoing multiple-day hospital stays is included in the incurred but unreported claim reserve (IBNR).

The Company does not perform a rigorous ongoing study of its EOB claims and cannot demonstrate that the level of its implicit provision is adequate. It is recommended that the Company establish a distinct reserve for its EOB liability on line 3 of its U&I Part 2D of the annual statement.

HEALTH NET OF CONNECTICUT, INC.

- The Underwriting and Investment Exhibit (U&I – Part 2B) in the 2008 annual statement was not prepared in accordance with the NAIC Annual Statement Instructions (Instructions). The prescribed format of the actuarial opinion requires a representation as to the accuracy of U&I-Part 2B of the annual statement. The actuarial opinion represents that the U&I-Part 2B is accurate. The Division has concluded that U&I-Part 2B was not prepared correctly in the 2008 annual statement as a \$3.8 million deficiency in the December 31, 2007, aggregate claim liabilities was portrayed as a \$0.5 million deficiency. It is recommended that the Company prepare the U&I-Part 2B exhibit in accordance with the Instructions and re-file it with the Division for year-end 2008.

UNPAID CLAIMS ADJUSTMENT EXPENSES \$2,214,840

The Company establishes its loss adjustment expense (LAE) reserve based on a factor that does not make a provision for the current level of claim expenses. Statements of Statutory Accounting Principles (SSAP) 55 of the NAIC Accounting Practices and Procedures Manual (Manual) stipulates that the LAE reserve shall provide for the “costs expected to be incurred in connection with the adjustment and recording of” claims in-course-of-settlement and incurred-but-not-reported (IBNR) claims. It is recommended that the Company base its LAE reserves on recent total claim adjustment expenses inclusive of cost-containment expenses.

COMMON CAPITAL STOCK \$10

During the period under examination there were no changes to the balance of this account.

GROSS PAID IN AND CONTRIBUTED SURPLUS \$68,312,579

The following exhibit reflects the balance of this account during the four-year period under review:

2008	\$68,312,579
2007	\$68,312,579
2006	\$31,288,263
2005	\$31,071,328

The increase in gross paid in and contributed surplus during the examination period was attributable to \$36.0 million of capital contributions the Company received from HNNE in 2007.

UNASSIGNED FUNDS (SURPLUS) \$77,559,187

The following exhibit reflects the balance of this account during the four-year period under review:

2008	\$77,559,187
2007	\$83,591,342
2006	\$87,471,076
2005	\$111,160,486

HEALTH NET OF CONNECTICUT, INC.

The decrease in 2008 was due primarily to a dividend of \$25.0 million to HNNE which was offset by a reduction of \$13.4 million of non-admitted assets and net income of \$5.9 million.

The decrease in unassigned surplus during 2006 was primarily attributable to an increase of \$18.9 million in deferred taxes, an increase to non-admitted assets of \$6.2 million and a dividend to HNNE of \$36.7 million.

RECOMMENDATIONS

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CASH AND INVESTED ASSETS

- It is recommended that the Company institute proper controls to ensure compliance with CGS §38a-102e.

11

CLAIMS UNPAID

- It is recommended that the Company establish a distinct reserve for its EOB liability on line 3 of its U&I Part 2D of the annual statement.
- It is recommended that the Company prepare the U&I-Part 2B exhibit in accordance with the Instructions and re-file it with the Department for year-end 2008.

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UNPAID CLAIMS ADJUSTMENT EXPENSES

- It is recommended that the Company base its LAE reserves on recent total claim adjustment expenses inclusive of cost-containment expenses.

SUBSEQUENT EVENT

On July 20, 2009, United Healthcare, a United Health Group Company, and Health Net, Inc. announced that United Healthcare has agreed to acquire Health Net of the Northeast's licensed subsidiaries including HNCT, subject to regulatory approvals and other closing conditions. This transaction was approved by the Connecticut Insurance Department on December 2, 2009.

CONCLUSION

The results of this examination disclosed that as of December 31, 2008, the Company had admitted assets of \$297,108,387, liabilities of \$151,236,611, and capital and surplus of \$145,871,776. During the period of the examination, admitted assets increased \$5,646,709, liabilities decreased \$24,290,171, and capital and surplus increased \$29,936,880.

It was determined that the Company's assets were fairly stated in accordance with guidance outlined in the Manual. Assets were acceptable under Section 38a-102 of the CGS. The liabilities established were adequate to cover the Company's obligations to policyholders.

HEALTH NET OF CONNECTICUT, INC.

SIGNATURE

In addition to the undersigned, Sharon Altieri, CPA, William Arfanis, CFE, Cecil Chadaws, CFE, Edna Bosley, Gerald Burke, CFE, Kent Krajick, CFE, Joseph Marcantonio, AFE, CISA, Mark Murphy, CFE, and James Jakielo, FSA, MAAA of the Connecticut Insurance Department and the consulting firm of NAN participated in this examination.

I, Michael Daniels, CFE do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2008, to the best of my information, knowledge and belief.

Respectfully submitted,



Michael Daniels, CFE
Insurance Certified Financial Examiner
State of Connecticut
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, Patricia A. Butler
Notary Public on this 1st day of February, 2010.

Patricia A. Butler
Notary Public

My Commission Expires September 30, 2013