

other companies have entered and left the market, some by bankruptcy. Companies have attempted to enter this market by initially underpricing their policies, but we price to meet our underwriting profit goals and do not succumb to marketing pressures to cut prices in order to gain market share. According to regulatory statistics for premiums collected in 2000, of the companies that collected premiums on policies issued prior to 1998, over one-third were not collecting premiums on any policies issued after 1997, indicating that many companies have left the market over time (National Association of Insurance Commissioners, Medicare Supplement Loss Ratios in 2000).

As is well known, the number of Medicare beneficiaries will grow substantially in the near future when the "Baby Boomers," first born in 1946, begin to turn 65. The future market for traditional Medicare supplements is strong and growing given the recent failure of the federal

## United American also writes various types of limited benefit supplemental health insurance

government to devise a successful new health care model for senior age citizens that could, in part, replace the traditional "fee-for-service" original Medicare program, as well as the demise of Health

Maintenance Organizations as a solution. Most recently, new talks on the subject have been introduced by the Bush administration, but they have acknowledged that implementation, if a solution is devised, could be years away.

United American also writes various types of limited benefit supplemental health insurance. These include dread disease coverage, long term care and hospital-surgical indemnity policies, the

latter which pays a daily amount up to \$500 per day for a hospital confinement, a limited percentage of hospital miscellaneous charges, and has a prescribed schedule of payments for surgical procedures. These policies do not pay for routine doctors' office visits or maternity care. Hospital indemnity policies were once sold primarily to customers who wanted to supplement an employer's plan, or were in sole proprietor businesses with no group plan options. Today, growth in sales from these products comes in part from customers whose employers have either terminated their group health coverage, or from customers who previously would have purchased an individual full-coverage (major medical) policy.

United American markets nationally through two distribution channels: 35 thousand independent agencies and brokers known as the UA General Agency, and 1,300 exclusive agents operating out of 77 branch offices, known as the UA Branch Office. We have learned over the years that supporting both types of agencies gives us the best access to distribute our niche market products. While many of the independent agents write only a few of our Medicare supplement or limited benefit policies each year, they will choose to write these policies with UA over other companies because of our superior customer service and our long history of financial strength. The Branch Office Agency gives us the ability to direct its agents' full-time efforts to market specific products, plus their full-time involvement in their communities under the UA logo further enhances our "brand" recognition.

**"A+ Superior"**

**A.M. Best** Rating

**"AA Excellent"**

**Standard & Poor's** Rating  
for Financial Strength