

HEALTHMARKETS, INC. RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

Introduction

On May 5, 1999, the Board of Directors of HealthMarkets, Inc. (the “Company”) adopted procedures designed to monitor and ensure the prior approval of material transactions involving the Company and its affiliates, on the one hand, and business entities deemed to be related parties, on the other (the “Related Party Transaction Procedures”). The Related Party Transaction Procedures were amended and restated on June 8, 2000 and are hereby further amended and restated as set forth below. In addition to the policies and procedures set forth herein, such transactions must comply with any applicable requirements of the Company’s Certificate of Incorporation, Bylaws and Stockholders Agreement.

Related Party Transaction Procedures

The principal elements of the Related Party Transaction Procedures are set forth below:

- Any Material Transaction (as defined) entered into between the Company and any Related Party (as defined) shall be valid for all purposes if such Material Transaction is assessed to be fair to the Company and approved in advance by a majority of the Disinterested Outside Directors (as defined).
- Material amendments and/or modifications to any Material Transaction are also subject to the prior approval of a majority of the Disinterested Directors.
- For purposes of the Related Party Transaction Procedures,

A “*Related Party*” is a person or entity that is an “affiliate” of the Company or any entity in which any affiliate of the Company has a 5% or greater equity interest. An “affiliate” of the Company is any person or entity controlled by, controlling, or under common control with, the Company, including without limitation any director or officer of the Company, and any member of the immediate family of any such persons.

A “*Material Transaction*” shall be any arrangement, contract or transaction involving payments by or from the Company equal to or greater than \$250,000 in any twelve-month period and equal to or greater than \$1.0 million over the term of such arrangement, contract or transaction.

A “*Disinterested Outside Director*” is any director of the Company who (a) is an employee of neither the Company nor any affiliate of the Company and (b) otherwise holds no interest in any person or entity with which the Company proposes to enter into a Material Transaction.

- Notwithstanding the foregoing, management of the Company is required to report to the Board no less frequently than annually with respect to *all* transactions subject to disclosure in accordance with the rules and regulations of the federal securities laws.¹
- The General Counsel of the Company, in coordination with attorney(s) on his or her staff, has been designated as the officer of the Company charged with maintaining familiarity with the rules and regulations of the Securities and Exchange Commission governing the proper disclosure of related party transactions involving the Company, and has been designated, in coordination with attorney(s) on his or her staff, as the person responsible for reviewing the text of all disclosure documents and financial statement footnote disclosure to ensure that disclosure is complete, accurate and consistent.
- The Controller of the Company has been designated as the person responsible for soliciting, no less frequently than quarterly, information concerning potential or pending Material Transactions and any other transactions that would require disclosure in any of the Company's regular or periodic filings with the Securities and Exchange Commission or any other regulatory body.
- The General Counsel of the Company will have overall responsibility for the Company's implementation of and compliance with the Related Party Transactions Procedures and compliance with the disclosure requirements of the federal and state securities laws with respect to related party transactions.

The HealthMarkets, Inc. Related Party Transaction Procedures are not designed to be or intended as a restatement of the directors' general duty of loyalty to the Company under Delaware law. **Directors have an obligation to disclose to the Board *any* interest they may have in *any* matter or transaction coming before the Board or in *any* matter or transaction in which the Company and/or its affiliates may have an interest, and Directors must refrain from voting on any such matter.**

¹ Generally, Item 404 of Regulation S-K requires disclosure of transactions involving the Company (a) in which the amount involved is in excess of \$120,000 and (b) in which the following persons have a direct, or indirect interest: directors, executive officers, nominees for directorships, 5% beneficial holders of HealthMarkets, Inc. common stock, and any member of the immediate family of any of the foregoing.