

UICI
Form S-4
January 20, 2006

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As filed with the Securities and Exchange Commission on January 20, 2006

Registration No.

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

UICI

(Exact name of registrant as specified in its charter)

Delaware
*State or Other Jurisdiction of
Incorporation or Organization)*

6321
*(Primary Standard Industrial
Classification Code Number)*

75-2044750
*(I.R.S. Employer
Identification No.)*

**9151 Grapevine Highway
North Richland Hills, Texas 76180-5605
817-255-5200**

*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)*

**Mark D. Hauptman
Vice President and Chief Financial Officer**

UICI

**9151 Grapevine Highway
North Richland Hills, Texas 76180-5605
817-255-5200**

*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

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Approximate date of commencement of proposed sale to the public: At the effective time of the merger referred to herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered | Proposed Maximum Offering Price per Share | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|--|-------------------------|---|---|----------------------------|
| Class A-1 Common Stock, par value \$0.01 per share | 63,000(1) | N/A | \$ 2,256,030 | \$ 242(3) |
| Class A-2 Common Stock, par value \$0.01 per share | 4,000,000(2) | N/A | \$143,240,000 | \$15,327(4) |
| Total registration fee | | | | \$15,569 |

(1) Represents the maximum number of shares of class A-1 common stock estimated to be issuable to certain members of UICI's senior management upon the completion of the acquisition of UICI by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners.

(2) Represents the maximum number of shares of class A-2 common stock estimated to be issuable to UICI's independent insurance agents upon completion of the merger.

(3) Pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, the registration fee is based on the average of the high and low sales prices of UICI common stock, as traded on the NYSE on January 17, 2006 and computed based on the estimated maximum number of shares that may be exchanged for the class A-1 common stock being registered.

(4) Pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, the registration fee is based on the average of the high and low sales prices of UICI common stock, as traded on the NYSE on January 17, 2006 and computed based on the estimated maximum number of shares that may be exchanged for the class A-2 common stock being registered.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Information contained herein is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be distributed until the registration statement filed with the Securities and Exchange Commission becomes effective. This proxy statement/ prospectus shall not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

SUBJECT TO COMPLETION, DATED JANUARY 20, 2006

9151 Grapevine Hwy North Richland Hills, Texas 76180

Dear Stockholder:

The board of directors of UICI has unanimously approved a merger agreement providing for the acquisition of UICI by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners, each of which is a private equity firm. If the merger is completed:

UICI's public stockholders will receive \$37.00 in cash per share of UICI common stock and will cease to hold any equity interest in UICI, except for public stockholders who properly exercise and do not withdraw their statutory appraisal rights;

shares of UICI common stock currently held by certain senior managers of UICI, which comprised less than 1% of UICI's outstanding common stock as of the record date of the special meeting will remain outstanding and unchanged, other than to be renamed class A-1 common stock; and

shares of UICI common stock beneficially owned through UICI's agent stock accumulation plans by UICI's independent insurance agents associated with the UGA-Association Field Services or Cornerstone America marketing divisions (which shares comprised approximately [6.8%] of UICI's outstanding common stock as of the record date of the special meeting) will be exchanged on a one-for-one basis for shares of a new class of UICI common stock to be known as the class A-2 common stock. The terms of the class A-2 common stock are described in the attached proxy statement/ prospectus. Shares withdrawn from the agent stock accumulation plans prior to the closing of the merger will be treated the same as shares owned by UICI's public stockholders.

The \$37.00 per share price represents a premium of approximately 19% over the closing price per share of UICI's common stock on September 14, 2005, the last trading day before the public announcement of the merger.

The board of directors of UICI has unanimously approved and declared the merger and the merger agreement advisable, and has determined that it is in the best interests of our stockholders for UICI to enter into the merger agreement and consummate the merger on the terms and conditions set forth in the merger agreement. The board of directors recommends that UICI stockholders vote **FOR** the adoption of the merger agreement.

You should be aware that certain stockholders who are members of the family of the late Ronald L. Jensen (our founder and former Chairman) and permitted transferees of the Jensen family, and who collectively held or had voting control over an aggregate of approximately [28]% of the outstanding common stock as of the record date of the special meeting, have agreed to vote their UICI shares in favor of the adoption of the merger agreement.

The time, date and place of the special meeting to consider and vote upon a proposal to adopt the merger agreement are as follows:

, 2006
[] a.m. Central Time
[]

This proxy statement/ prospectus provides you with important information about the proposed merger and the special meeting of UICI's stockholders. **We encourage you to read this entire proxy statement/ prospectus carefully. You should read Risk Factors beginning on page 18 for a description of risks you should consider in evaluating the proposed transaction.** You may also obtain more information about UICI from documents we have filed with the Securities and Exchange Commission.

YOU ARE REQUESTED TO VOTE YOUR SHARES BY PROMPTLY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING. ALTERNATIVELY, YOU MAY GRANT A PROXY TO VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE, AS INDICATED ON THE PROXY CARD.

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Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting. After you have received the enclosed materials, please vote as soon as you can.

Sincerely,

William J. Gedwed

Chairman of the Board and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the class A-1 common stock or the class A-2 common stock to be issued in the merger or passed upon the accuracy or adequacy of this proxy statement/ prospectus. Any representation to the contrary is a criminal offense.

**THE DATE OF THIS PROXY STATEMENT/ PROSPECTUS IS _____, 2006
AND IT IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT THAT DATE.**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held , 2006**

The special meeting of the stockholders of UICI, a Delaware corporation (UICI or the Company), will be held at [] on , , 2006, at [] a.m., Central Time.

At the special meeting, you will be asked to:

Adopt the Agreement and Plan of Merger, dated as of September 15, 2005, by and among Premium Finance LLC, Mulberry Finance Co., Inc., DLJMB IV First Merger LLC, Premium Acquisition, Inc., Mulberry Acquisition, Inc., DLJMB IV First Merger Co Acquisition Inc. and UICI, a copy of which is attached as Annex A to this document;

Approve any motion to adjourn or postpone the special meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal; and

Consider such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The board of directors has fixed , 2006 as the record date for the meeting. Holders of the Company s common stock of record at the close of business on such date will be entitled to notice of and to vote at the special meeting or any adjournment thereof. A list of such stockholders will be available, as required by law, at our principal office at 9151 Grapevine Highway, North Richland Hills, Texas 76180-5605.

You have the right to dissent from the merger and seek appraisal of your shares. In order to assert appraisal rights, you must comply with the requirements of Delaware law described under The Merger Appraisal Rights beginning on page 63.

Your vote is important. The adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of UICI common stock entitled to vote thereon. Whether or not you plan to attend the special meeting, please complete and return your proxy card in the enclosed envelope or vote over the Internet or by telephone as described in the instructions included with your proxy card. Please review the instructions on the proxy card or the information forwarded by your bank, broker or other holder of record regarding these voting options.

By Order of the Board of Directors,
UICI

PEGGY G. SIMPSON
Corporate Secretary

Date: , 2006

9151 Grapevine Highway, North Richland Hills, Texas 76180-5605

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**THIS PROXY STATEMENT/ PROSPECTUS INCORPORATES
ADDITIONAL INFORMATION**

This proxy statement/ prospectus incorporates important business and financial information about UICI from other documents filed with the Securities and Exchange Commission (which we refer to as the SEC) that are not included in or delivered with this proxy statement/ prospectus. For a listing of the documents incorporated by reference into this proxy statement/ prospectus, see *Where You Can Find More Information* beginning on page 104.

You may obtain documents incorporated by reference into this proxy statement/ prospectus, without charge, by requesting them in writing or by telephone from UICI at the following address and telephone number:

UICI
9151 Grapevine Highway
North Richland Hills, Texas 76180-5605
Attn: Investor Relations
Telephone: (817) 255-5200

You also may obtain documents incorporated by reference into this proxy statement/ prospectus by requesting them in writing or by telephone from MacKenzie Partners, Inc., UICI's proxy solicitor, at the following address and telephone number:

MacKenzie Partners, Inc.
105 Madison Avenue
New York, New York 10016
Bankers and brokers call (212) 929-5500 (collect)
Others call (800) 322-2885 (toll-free)

To receive timely delivery of the documents before the special meeting, you must request them no later than [].

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Consent of KPMG, LLP
Powers of Attorney for Mural R. Josephson and Richard T. Mockler
Power of Attorney for R.H. Mick Thompson
Powers of Attorney for William J. Gedwed, Mark D. Hauptman and Glenn W. Reed
Power of Attorney for Dennis C. McCuiston
Consent of Morgan Stanley & Co. Incorporated
Consent of New Vernon Capital LLC
Consent of Chinh E. Chu
Consent of Matthew Kabaker
Consent of Adrian M. Jones
Consent of Nathaniel Zilkha
Consent of Kamil M. Salame
Form of Proxy Card for Special Meeting of Stockholders

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed merger. These questions and answers may not address all questions that may be important to you as a UICI stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement/prospectus and the annexes and other documents referred to or incorporated by reference into this proxy statement/prospectus.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of UICI by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners through a cash merger, with UICI surviving the merger. Shares held by certain members of senior management and shares held by agents through UICI's agent stock accumulation plans at the time of the merger will not be cashed out in the merger.

Q: What will I receive in the merger?

A: UICI's public stockholders will receive \$37.00 in cash per share of UICI common stock and will cease to hold any equity interest in UICI, except for public stockholders who properly exercise and do not withdraw their statutory appraisal rights;

shares of UICI common stock currently held by certain senior managers of UICI, which comprised less than 1% of UICI's outstanding common stock as of the record date of the special meeting, will remain outstanding and unchanged, other than to be renamed class A-1 common stock; and

shares of UICI common stock beneficially owned through UICI's agent stock accumulation plans by UICI's independent insurance agents associated with the UGA-Association Field Services or Cornerstone America marketing divisions (which shares comprised approximately [6.8%] of UICI's outstanding common stock as of the record date of the special meeting) will be exchanged on a one-for-one basis for shares of a new class of UICI common stock to be known as the class A-2 common stock. Shares withdrawn from the agent stock accumulation plans prior to the closing of the merger will be treated the same as shares owned by UICI's public stockholders. The class A-1 and class A-2 common stock will be subject to certain provisions set forth in the certificate of incorporation attached as Annex B to this document, which will become the certificate of incorporation of the surviving corporation at the effective time of the merger pursuant to the terms of the merger agreement.

Q: When and where is the special meeting?

A: The special meeting will be held at [] on [], 2006, at [] a.m., Central Time.

Q: What vote of our stockholders is required to adopt the merger agreement?

A: For us to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote **FOR** the adoption of the merger agreement. Failure to vote or an abstention will have the same effect as a vote **AGAINST** adoption of the merger agreement.

Q: What if I abstain from voting or fail to instruct my broker on how to vote on the merger proposal?

A: Abstaining from voting or failing to instruct your bank, brokerage firm or nominee to vote your shares will have the same effect as a vote against the merger.

Q: How does UICI's board of directors recommend that I vote on the proposal to adopt the merger agreement?

A: Our board of directors unanimously recommends that you vote **FOR** the adoption of the merger agreement. You should read The Merger Recommendation of our Board of Directors; Reasons for the Merger beginning of page 39 for a discussion of the factors that our board considered in deciding to recommend the adoption of the merger agreement.

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Q: What do I need to do now?

A: We urge you to read this document carefully, including its annexes and the other documents incorporated into this document by reference, and to consider how the merger affects you and to vote your shares as soon as possible to ensure that your shares are represented at the special meeting. You can vote your shares before the special meeting as follows:

Telephone voting, by dialing the toll-free number and following the instructions on the proxy card;

Via the Internet, by going to the web address www.proxyvote.com and following the instructions on the proxy card; or

Mail, by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Q: If my shares are held in street name by my broker or other nominee, will my broker vote my shares for me?

A: Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the merger.

Q: What does it mean if I get more than one proxy or vote instruction card?

A: If your shares are registered differently and are in more than one account, you will receive more than one card. Please complete and return all of the proxy and vote instruction cards you receive (or submit your proxy by telephone or the Internet, if available to you) to ensure that all of your shares are voted.

Q: How will my proxy vote my shares?

A: The designated proxy holders will vote according to the instructions you submit on your proxy card. If you sign and return your card but do not indicate your voting instructions on one or more of the matters listed, the proxy holders will vote all uninstructed shares **FOR** these matters.

Q: May I change my vote after I have delivered my proxy or vote instruction card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You may change your vote in any of the following ways:

by sending a notice of revocation to the corporate secretary;

by sending a completed proxy card bearing a later date than your original proxy card;

by logging onto the internet address or by calling the telephone number, in each case, set forth on your proxy or vote instruction card, if you are eligible to do so and following the instructions on your proxy or vote instruction card; or

by attending the special meeting and voting in person.

Attending the special meeting without voting will not revoke a proxy. If you wish to revoke your proxy other than by attending the special meeting and voting in person, you must take action to revoke your proxy no later than the beginning of the special meeting.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Q: When do you expect the merger to be completed?

A: We are working to complete the merger as quickly as possible. We anticipate that it will be completed in the first half of 2006. In order to complete the merger, we must obtain stockholder approval and satisfy the other closing conditions in the merger agreement. See *The Merger Agreement – Conditions to Completion of the Merger* beginning on page 74.

Q: Do I have appraisal rights?

A: Yes. If you deliver a written demand for appraisal to UICI before the vote on the merger proposal and do not vote in favor of the merger proposal and you otherwise comply with the requirements and procedures

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of Section 262 of the Delaware General Corporation Law (which we refer to as the DGCL), you are entitled to exercise appraisal rights. Appraisal rights generally entitle stockholders to receive a cash payment equal to the fair value of your common stock in connection with the merger. A detailed description of the appraisal rights and procedures available to you is included in *The Merger Appraisal Rights* beginning on page 63. The full text of Section 262 of the DGCL is attached as Annex E to this document.

Q: Should I send in my stock certificates now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to the paying agent in order to receive the merger consideration. You should use the letter of transmittal to exchange stock certificates for the merger consideration to which you are entitled as a result of the merger. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

Q: Who can help answer my other questions?

A: If you have more questions about the merger, need assistance in submitting your proxy or voting your shares or need additional copies of this document or the enclosed proxy card, you should contact our proxy solicitation agent for the merger, MacKenzie Partners, Inc., toll-free at (800) 322-2885 or collect at (212) 929-5500. If your broker holds your shares, you should call your broker for additional information.

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SUMMARY

*This summary highlights selected information contained in this document and may not contain all the information that is important to you. We urge you to read carefully this document in its entirety, as well as the annexes and the other documents incorporated by reference into this document. See *Where You Can Find More Information* beginning on page 104.*

Parties to the Merger

UICI

9151 Grapevine Highway
North Richland Hills, Texas 76180
(817) 255-5200

We offer insurance (primarily health and life) to niche consumer and institutional markets. Through our subsidiaries, The MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company of Tennessee, and The Chesapeake Life Insurance Company, we issue primarily health and life insurance policies, covering individuals and families, the self-employed, association group, voluntary employer group and student markets.

PREMIUM ACQUISITION, INC.

PREMIUM FINANCE LLC

c/o The Blackstone Group
345 Park Avenue
New York, New York 10154
(212) 583-5000

Premium Acquisition, Inc. is a Delaware corporation formed in anticipation of the merger by affiliates of The Blackstone Group. Premium Finance LLC is a Delaware limited liability company formed in anticipation of the merger by affiliates of The Blackstone Group. The Blackstone Group, a private investment and advisory firm with offices in New York, Atlanta, Boston, Los Angeles, London, Hamburg, Paris and Mumbai, was founded in 1985. The firm has raised a total of approximately \$50 billion for alternative asset investing since its formation. Over \$26 billion of that has been for private investing, including Blackstone Capital Partners V, the largest institutional private equity fund ever raised at \$13 billion. In addition to private equity investing, The Blackstone Group's core businesses are private real estate investing, corporate debt investing, marketable alternative asset management, corporate advisory, and restructuring and reorganization advisory.

MULBERRY ACQUISITION, INC.

MULBERRY FINANCE CO., INC.

c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
(212) 902-1000

Each of Mulberry Acquisition, Inc. and Mulberry Finance Co., Inc. is a Delaware corporation formed in anticipation of the merger by affiliates of Goldman Sachs. Founded in 1869, Goldman Sachs is one of the oldest and largest investment banking firms. Goldman Sachs also ranks as one of the largest private equity investors in the world. Established in 1991, the GS Capital Partners Funds are part of the firm's principal investment area in the merchant banking division. Goldman Sachs' principal investment area has formed 11 investment vehicles aggregating approximately \$24 billion of equity capital to date. With \$8.5 billion in committed capital, GS Capital Partners V is the current primary investment vehicle for Goldman Sachs to make privately negotiated equity investments.

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**DLJMB IV FIRST MERGER CO ACQUISITION INC.
DLJMB IV FIRST MERGER LLC**

c/o DLJ Merchant Banking Partners
Eleven Madison Avenue
New York, New York 10010
(212)325-4507

DLJMB IV First Merger Co Acquisition Inc. is a Delaware corporation formed in anticipation of the merger by affiliates of DLJ Merchant Banking Partners. DLJMB IV First Merger LLC is a Delaware limited liability company formed in anticipation of the merger by affiliates of DLJ Merchant Banking Partners. DLJ Merchant Banking Partners, which we refer to as DLJMB, is a leading private equity investor that has a 20 year record of investing in leveraged buyouts and related transactions across a broad range of industries. DLJMB, with offices in New York, London, Los Angeles and Buenos Aires, is part of Credit Suisse's asset management business.

For a more complete description of the parties to the merger, see "Parties to the Merger" beginning on page 29.

The Special Meeting

Matters to be Considered at the Special Meeting

You will be asked to vote on the following proposals:

to adopt the merger agreement;

to approve a motion to adjourn or postpone the meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal; and

to conduct other business that properly comes before the special meeting and any adjournment or postponement of the special meeting.

Record Date; Voting

You are entitled to vote at the special meeting if you owned UICI common stock at the close of business on _____, 2006, the record date for the special meeting. You will have one vote for each share of common stock you owned on the record date. On the record date there were _____ shares of UICI common stock outstanding and entitled to be voted.

Recommendation of Our Board of Directors

Our board of directors unanimously recommends you vote **FOR** the adoption of the merger agreement and **FOR** the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies, as more fully described under "The UICI Special Meeting" beginning on page 26.

Share Ownership of UICI Directors and Officers

On the record date, our directors and officers owned and were entitled to vote _____ shares of common stock, or less than 1% of the shares of our outstanding common stock.

Voting Agreement

In connection with the execution of the merger agreement, certain stockholders who are members of the family of the late Ronald L. Jensen (our founder and former Chairman) entered into a voting agreement, dated as of September 15, 2005, with affiliates of the private equity firms. Among other things, the voting agreement provides that the shares of common stock owned or controlled by these stockholders will be voted in favor of adoption of the merger agreement, against any competing transaction and against any action or agreement intended to result in a failure of any condition to the completion of the merger being satisfied.

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These stockholders and their permitted transferees who agreed to be bound by the terms of the voting agreement beneficially own approximately [28]% of our outstanding common stock as of the record date of the special meeting.

For a more complete description of the voting agreement see The Merger Voting and Non-Compete Agreements beginning on page 61.

The Merger

A copy of the Agreement and Plan of Merger, dated as of September 15, 2005, is attached as Annex A to this document. We encourage you to read the entire merger agreement carefully because it is the principal document governing the merger.

Consideration to be Received in the Merger

If the merger is completed,

UICI's public stockholders will receive \$37.00 in cash per share of UICI common stock and will cease to hold any equity interest in UICI, except for public stockholders who properly exercise and do not withdraw their statutory appraisal rights;

shares of UICI common stock (which we sometimes refer to as management shares) currently held by certain senior managers of UICI, which comprised less than 1% of UICI's outstanding common stock as of the record date of the special meeting, will remain outstanding and unchanged, other than to be renamed class A-1 common stock; and

shares of UICI common stock beneficially owned through UICI's agent stock accumulation plans by UICI's independent insurance agents associated with the UGA-Association Field Services or Cornerstone America marketing divisions (which shares, together with management shares, we sometimes refer to as retained shares and which comprised approximately [6.8%] of UICI's outstanding common stock as of the record date of the special meeting) will be exchanged on a one-for-one basis for shares of a new class of UICI common stock to be known as the class A-2 common stock. The terms of the class A-2 common stock are further described in this proxy statement/ prospectus. Shares withdrawn from the agent stock accumulation plans prior to the closing of the merger will be treated the same as shares owned by UICI's public stockholders.

For a more complete description of the merger consideration, see The Merger Agreement Consideration to be Received in the Merger beginning on page 67.

Treatment of Stock Options, Restricted Shares and Share Credits

In connection with the merger, all options to purchase common stock under our employee benefit plans outstanding immediately prior to completion of the merger will become fully vested and exercisable and will, in settlement of each such option, be cancelled at the time the merger is completed. The holder of each option will receive an amount in cash (subject to any applicable withholding tax) equal to the difference between \$37.00 and the exercise price per share, to the extent such difference is a positive number, except that options held by certain members of senior management who have executed employment commitment agreements and agreed to retain these options after the merger will remain vested and outstanding after the merger and be exercisable into shares of class A-1 common stock of the surviving corporation.

Immediately before the effective time of the merger, all applicable forfeiture provisions of restricted shares will lapse, to the extent not already lapsed, and each holder of restricted shares will be entitled to receive the \$37.00 per share cash merger consideration for each restricted share as if the share was not restricted.

Each holder of each awarded and allocated share equivalent credit outstanding as of the effective time of the merger pursuant to the terms of UICI's phantom share plans will receive at the time the share equivalent credit would have otherwise become fully vested and nonforfeitable in accordance with the terms of the

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applicable phantom share credit plans in effect as of the date of the merger agreement, an amount (subject to any applicable withholding tax) in cash equal to the number of shares subject to such awards held by such holder multiplied by \$37.00 per share. Immediately before the effective time of the merger, we will reallocate all forfeiture credits in accordance with the terms of the phantom share credit plans to the extent we have not already done so.

For a more complete discussion of the treatment of UICI stock options and other stock-based awards, see *The Merger Agreement – Treatment of Stock Options, Restricted Shares and Share Credits* beginning on page 68.

Opinion of Morgan Stanley

Morgan Stanley & Co. Incorporated has delivered its opinion to our board of directors that, as of September 15, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the \$37.00 per share cash consideration to be received by the holders of shares of UICI common stock pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares). Morgan Stanley's opinion was directed to the board of directors of UICI, addresses only the fairness from a financial point of view of the consideration to be received by holders of UICI common stock pursuant to the merger agreement (other than holders of retained shares as to such retained shares) as of the date of the opinion, and does not address any other aspect of the merger. Morgan Stanley's opinion does not constitute a recommendation to any holder of UICI common stock as to how such stockholder should vote at the special meeting. In addition, Morgan Stanley's opinion does not constitute any opinion or recommendation as to whether any participant in any agent stock accumulation plan should refrain from withdrawing shares of UICI common stock from such plan or as to whether any member of UICI senior management who holds management shares should take action to cause such shares not to be converted into the merger consideration and, in any such case, should not be relied upon by any such participant or holder, respectively, as such. For a more complete description of the opinion of Morgan Stanley, see

The Merger – Opinion of Morgan Stanley beginning on page 41.

The full text of Morgan Stanley's written opinion, dated September 15, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion is attached as Annex C to this document. We urge you to read the entire opinion carefully.

Morgan Stanley Senior Funding Inc., an affiliate of Morgan Stanley, is a party to the commitment letter with respect to the senior debt financing for the merger and has agreed to act as a joint lead arranger, joint bookrunner and syndication agent for the senior unsecured debt facilities contemplated thereby. If such financing is consummated, Morgan Stanley Senior Funding Inc. will receive fees for its services. For a more complete description of the merger financing, see *The Merger Agreement – Financing* beginning on page 72.

Opinion of New Vernon Capital

New Vernon Capital LLC has delivered its opinion to our board of directors that, as of September 15, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the \$37.00 per share cash consideration to be received by the holders of shares of UICI common stock pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares). New Vernon Capital's opinion was directed to the board of directors of UICI, addresses only the fairness from a financial point of view of the consideration to be received by holders of UICI common stock pursuant to the merger agreement (other than holders of retained shares as to such retained shares) as of the date of the opinion, and does not address any other aspect of the merger. New Vernon Capital's opinion does not constitute a recommendation to any holder of UICI common stock as to how such stockholder should vote at the special meeting. In addition, New Vernon Capital's opinion does not constitute any opinion or recommendation as to whether any participant in any agent stock accumulation plan should refrain from withdrawing shares of UICI common stock from such plan or as to whether any

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member of UICI senior management who holds management shares should take action to cause such shares not to be converted into the merger consideration and, in any such case, should not be relied upon by any such participant or holder, respectively, as such. For a more complete description of the opinion of New Vernon Capital, see *The Merger Opinion of New Vernon Capital* beginning on page 52.

The full text of New Vernon Capital's written opinion, dated September 15, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by New Vernon Capital in rendering its opinion is attached as Annex D to this document. We urge you to read the entire opinion carefully.

Directors and Executive Management Following the Merger

After the merger certain affiliates of Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc. (each of which is referred to as a Merger Co and all of which are collectively referred to as the Merger Cos) and William J. Gedwed (our chief executive officer) are expected to serve on the board of directors of the surviving corporation. In addition, we expect that up to three independent directors may also be on the board of directors to the extent they are deemed necessary or advisable.

The merger agreement provides that the officers of UICI immediately before the effective time will be the officers of the surviving corporation immediately after the effective time. We expect that our current executive officers generally will continue to hold such offices of the surviving corporation following completion of the merger.

For a more complete discussion of management of the surviving corporation, see *The Merger Composition of the Board of Directors and Executive Management of the Surviving Corporation Executive Officers* beginning on page 60.

Interests of UICI's Directors and Officers in the Merger

Some of our directors and executive officers have interests in the merger that are different from, or are in addition to, the interests of our stockholders. These interests include:

execution of employment commitment agreements relating to their employment with the surviving corporation, including their salary, bonus potential, severance eligibility and their commitment to retain existing equity if the merger is completed;

entitlement to receive a success bonus award payment in connection with the merger;

the acceleration of all or a portion of their unvested stock options and cancellation of their stock options in exchange for a cash payment representing the difference between the exercise price and \$37.00 per share, to the extent the difference is a positive number;

the lapse of restrictions on their outstanding restricted shares resulting in receipt of the \$37.00 per share merger consideration for each outstanding restricted share; and

a continuation of indemnification and insurance for our directors and officers for customary events occurring at or before the merger, including those that are related to the merger agreement.

For a further discussion, see *The Merger Interests of Directors and Executive Officers in the Merger* beginning on page 57.

Financing

In connection with the merger, a maximum of approximately \$1.76 billion in cash will be paid to our stockholders and holders of stock options and share credits. These payments are expected to be funded by a combination of debt financing and equity contributions to the surviving corporation by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners.

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In connection with the execution and delivery of the merger agreement, affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners obtained a commitment letter from JPMorgan Chase Bank, N.A., Goldman Sachs Credit Partners L.P. and Morgan Stanley Senior Funding Inc. providing for up to \$600 million in debt financing, subject to the satisfaction of the conditions contained in the commitment letter. The surviving corporation may also issue up to \$100 million of fixed rate preferred stock.

The merger is conditioned on the availability of financing on the terms described in the commitment letter. See *The Merger Agreement – Conditions to Completion of the Merger* beginning on page 74 and *The Merger Agreement – Financing* beginning on page 72.

Conditions to Completion of the Merger

Before we can complete the merger, a number of conditions must be satisfied or, if permitted, waived. These conditions include:

- receipt of stockholder approval;

- receipt of required state insurance regulatory and other regulatory approvals;

- the absence of a legal prohibition on the merger;

- the absence of a material adverse effect on us;

- the proceeds of the debt financing being available on the terms and conditions set forth in the commitment letter; and

- since September 12, 2005, less than 25% of certain active independent insurance agents shall have withdrawn from the agent stock accumulation plans and less than 12.5% of certain senior independent insurance agents shall have withdrawn from the agent stock accumulation plans.

The merger agreement provides that any or all of these conditions may be waived, in whole or in part, to the extent legally permitted. For a more complete discussion of the conditions to the merger, see *The Merger Agreement – Conditions to Completion of the Merger* beginning on page 74.

Termination of the Merger

The merger agreement may be terminated at any time before the effective time of the merger, as follows:

- by mutual written consent of UICI and Premium Finance, LLC (which we refer to as SibCo 1 and which, together with Mulberry Finance Co., Inc. and DLJMB IV First Merger LLC, we collectively refer to as the SibCos);

- by SibCo 1 or UICI at any time before the effective time of the merger if:

 - the merger has not been consummated by June 15, 2006, in certain cases;

 - the merger agreement has been submitted to our stockholders for adoption at a stockholders meeting and the requisite stockholder vote is not obtained upon a vote taken thereon; or

 - any law prohibits completion of the merger or any order restrains, enjoins or otherwise prohibits completion of the merger, and such order has become final and nonappealable;

- by SibCo 1 at any time before the effective time of the merger if:

 - (i) our board of directors withdraws, modifies or amends its recommendation in favor of the merger in any manner adverse to SibCo 1 or the Merger Cos, (ii) our board of directors approves, endorses or recommends an alternative takeover proposal, or (iii) we or our board of directors resolves or announces an intention to do any of the foregoing;

 - we (i) materially breach our no-solicitation obligations or our obligations to hold a stockholders meeting or our board of directors or any committee thereof resolves to do any of the foregoing or

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(ii) materially breach our obligations to prepare this document and the breach is not cured within five business days after our receipt of written notice asserting such breach from SibCo 1;
we breach any of our representations, warranties or covenants contained in the merger agreement, which breach (i) would give rise to the failure of the related conditions set forth in the merger agreement and (ii) has not been cured by us within 20 business days after our receipt of written notice of the breach from SibCo 1; or

a material adverse effect occurs and continues to occur and has not been cured by us within 20 business days after such SibCo s or such Merger Co s receipt of written notice of such breach from us.

by UICI if any SibCo or any Merger Co breaches any of its representations, warranties or covenants contained in the merger agreement, which breach (i) would give rise to the failure of a related condition in the merger agreement and (ii) has not been cured by such SibCo or such Merger Co within 20 business days after such SibCo s or such Merger Co s receipt of written notice of such breach from us.

See The Merger Agreement Termination of the Merger Agreement beginning on page 78.

Termination Fees

The merger agreement provides that, upon termination of the merger agreement under specified circumstances involving an alternative transaction, we may be required to pay SibCo 1 a termination fee of \$65 million in the following circumstances:

if the merger agreement is terminated by SibCo 1 pursuant to the first two scenarios described under the third bullet point in Termination of the Merger Agreement above; or

if (A) certain alternative takeover proposals have been made or proposed to us or otherwise publicly announced (and not withdrawn at certain times), (B) the merger agreement is terminated by SibCo 1 or us pursuant to the first two scenarios described under the second bullet point in The Merger Agreement Termination of the Merger Agreement above or by SibCo 1 pursuant to the third scenario under the third bullet point in Termination of the Merger Agreement above, and (C) within 12 months following the date of such termination, we enter into a contract providing for the implementation of certain alternative takeover proposals or consummate certain alternative takeover proposals.

See The Merger Agreement Termination Fees beginning on page 78.

Appraisal Rights

Delaware law provides you with appraisal rights in connection with the merger. This means that, if you comply with the procedures for perfecting appraisal rights provided for under Delaware law, you are entitled to have the fair value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation in lieu of the merger consideration. The ultimate amount you receive in an appraisal proceeding may be more or less than, or the same as, the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must deliver a written demand for appraisal to UICI before the vote on the merger agreement at the special meeting and you must not vote in favor of the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. For a further description of the procedures required to exercise statutory appraisal rights, see The Merger Appraisal Rights beginning on page 63. A copy of Section 262 of the DGCL is attached to this document as Annex E.

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Governmental and Regulatory Approvals

We and the other parties to the merger agreement have agreed to use our reasonable best efforts to complete the transactions contemplated by the merger agreement as promptly as practicable, including obtaining all necessary actions or non-actions, waivers, consents, clearances and approvals from governmental entities and making all necessary registrations and filings and taking all steps necessary to obtain these approvals. The completion of the transactions contemplated by the merger agreement depends upon receipt of insurance regulatory approvals in Texas, Oklahoma and Turks and Caicos and the expiration or early termination of all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. On November 14, 2005, the Federal Trade Commission granted early termination of the waiting periods applicable to the merger. The other regulatory approvals are pending and we cannot be certain when or if these required approvals will be obtained or what conditions these approvals might include. For a more complete description of the governmental and regulatory approvals required to complete the merger, see *The Merger Governmental and Regulatory Approvals* beginning on page 61.

Material United States Federal Income Tax Consequences

The merger will generally be taxable to you if you receive cash in the merger. For U.S. federal income tax purposes, your receipt of cash in exchange for your shares of our common stock will generally cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares. The receipt of (or reclassification of shares of UICI common stock as) shares of class A-1 or class A-2 common stock of the surviving corporation should not be taxable. You should consult your own tax advisor for a full understanding of how the merger will affect your taxes.

For a more complete description of the material U.S. federal income tax consequences of the merger, see *Material U.S. Federal Income Tax Consequences* beginning on page 65.

Accounting Treatment

For financial reporting purposes, the merger will be accounted for by applying the purchase method of accounting. Under the purchase method of accounting, the total estimated purchase price will be allocated to the net tangible and intangible assets of UICI, based on their estimated fair values as of the completion of the transaction.

For a more complete description of the accounting treatment of the merger, see *The Merger Accounting Treatment* beginning on page 64.

Comparative Stock Prices and Dividend Information

Our common stock is listed on the New York Stock Exchange (which we refer to as the NYSE) under the trading symbol UCI. The following table shows the closing sale price of our common stock on September 14, 2005, the last trading day before the merger was announced, and on _____, 2006, the last practicable date before the date of this document.

| | Common Stock |
|-----------------------|-------------------------|
| At September 14, 2005 | \$ 31.08 |
| At _____, 2006 | \$ |

Because the market price of UICI common stock may fluctuate, stockholders are urged to obtain a current market quotation for UICI common stock. The class A-1 and class A-2 common stock of the surviving corporation will not be liquid securities. No assurance can be given as to the future prices of the securities. See *Risk Factors Risk Factors Relating to Ownership of Class A-1 Common Stock and Class A-2 Common Stock* The class A-1 and class A-2 common stock of the surviving corporation will not be liquid securities.

Affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners own all outstanding shares of Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc., respectively, and, therefore, there is no public market for these shares. No comparative market price data for these shares is presented because this information would not be meaningful.

Table of Contents**Selected Historical Financial Data of UICI**

The following table sets forth selected historical financial data for UICI. The following data at and for each of the five years ended December 31, 2004 have been derived from UICI's audited consolidated financial statements. The statement of operations data for the nine months ended September 30, 2005 and 2004, and the balance sheet data as of September 30, 2005, have been derived from UICI's unaudited consolidated financial statements. In the opinion of UICI's management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The following information should be read together with UICI's consolidated financial statements and the notes related to those financial statements, which are incorporated by reference into this proxy statement/prospectus. The information set forth below is not necessarily indicative of the results of future operations.

| | For the Nine Months Ended September 30, | | For the Year Ended December 31, | | | | |
|--|--|--------------|--|--------------|--------------|-------------|-------------|
| | 2005 | 2004 | 2004 | 2003 | 2002 | 2001 | 2000 |
| (In thousands, except per share amounts and operating ratios) | | | | | | | |
| Income Statement Data: | | | | | | | |
| Revenues from continuing operations | \$ 1,599,529 | \$ 1,522,511 | \$ 2,061,266 | \$ 1,819,115 | \$ 1,375,704 | \$ 967,924 | \$ 867,190 |
| Income from continuing operations before income taxes | 253,348 | 154,259 | 221,149 | 131,916 | 76,759 | 73,163 | 98,059 |
| Income from continuing operations | 165,472 | 101,914 | 145,881 | 87,324 | 51,054 | 49,484 | 64,128 |
| Income (loss) from discontinued operations | (440) | 13,773 | 15,677 | (72,990) | 953 | (6,592) | (58,395) |
| Net income | \$ 165,032 | \$ 115,687 | \$ 161,558 | \$ 14,334 | \$ 46,863(1) | \$ 42,892 | \$ 5,733 |
| Per Share Data: | | | | | | | |
| Earnings per share from continuing operations: | | | | | | | |
| Basic earnings per common share | \$ 3.59 | \$ 2.20 | \$ 3.16 | \$ 1.88 | \$ 1.08 | \$ 1.06 | \$ 1.37 |
| Diluted earnings per common | \$ 3.51 | \$ 2.15 | \$ 3.07 | \$ 1.82 | \$ 1.05 | \$ 1.03 | \$ 1.34 |

| | | | | | | | | | | | | | | |
|---|----|--------|----|------|----|------|----|--------|----|---------|----|--------|----|--------|
| share | | | | | | | | | | | | | | |
| Earnings (loss) per share from discontinued operations: | | | | | | | | | | | | | | |
| Basic earnings (loss) per common share | \$ | (0.01) | \$ | 0.30 | \$ | 0.34 | \$ | (1.57) | \$ | 0.02 | \$ | (0.14) | \$ | (1.25) |
| Diluted earnings (loss) per common share | \$ | (0.01) | \$ | 0.28 | \$ | 0.33 | \$ | (1.52) | \$ | 0.02 | \$ | (0.13) | \$ | (1.22) |
| Earnings per share: | | | | | | | | | | | | | | |
| Basic earnings per common share | \$ | 3.58 | \$ | 2.50 | \$ | 3.50 | \$ | 0.31 | \$ | 0.99(1) | \$ | 0.92 | \$ | 0.12 |
| Diluted earnings per common share | \$ | 3.50 | \$ | 2.43 | \$ | 3.40 | \$ | 0.30 | \$ | 0.96(1) | \$ | 0.90 | \$ | 0.12 |
| Operating Ratios(2): | | | | | | | | | | | | | | |
| Health Ratios: | | | | | | | | | | | | | | |
| Loss ratio | | 56% | | 62% | | 61% | | 65% | | 63% | | 64% | | 64% |
| Expense ratio | | 32% | | 33% | | 33% | | 34% | | 34% | | 34% | | 31% |
| Combined health ratio | | 88% | | 95% | | 94% | | 99% | | 97% | | 98% | | 95% |

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| | At September 30, | | At December 31, | | | | |
|--|------------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| | 2005 | 2004 | 2004 | 2003 | 2002 | 2001 | 2000 |
| (In thousands, except per share amounts and operating ratios) | | | | | | | |
| Balance Sheet Data: | | | | | | | |
| Total investments and cash(3) | \$ 1,717,384 | \$ 1,684,730 | \$ 1,710,589 | \$ 1,579,131 | \$ 1,355,918 | \$ 1,231,860 | \$ 1,073,885 |
| Total assets | 2,403,701 | 2,219,872 | 2,345,658 | 2,126,959 | 1,915,188 | 1,676,711 | 1,460,777 |
| Total policy liabilities | 1,198,567 | 1,201,900 | 1,258,671 | 1,184,984 | 1,028,969 | 891,361 | 824,632 |
| Total debt | 15,470 | 15,470 | 15,470 | 18,951 | 7,922 | 23,511 | 66,782 |
| Student loan credit facilities | 145,750 | 150,000 | 150,000 | 150,000 | 150,000 | 100,000 | |
| Stockholders equity | 834,730 | 676,128 | 714,145 | 587,568 | 585,050 | 534,572 | 447,105 |
| Stockholders equity per share(4) | \$ 18.15 | \$ 14.26 | \$ 15.18 | \$ 12.15 | \$ 11.76 | \$ 10.81 | \$ 9.74 |

- (1) Reflects the cumulative effect of a change in accounting, which decreased 2002 net income by \$5,144 and basic and diluted earnings per common share by \$0.11.
- (2) The health loss ratio represents benefits, claims and settlement expenses related to health insurance policies stated as a percentage of earned health premiums. The health expense ratio represents underwriting costs, policy acquisition costs and insurance expenses related to health insurance policies stated as a percentage of earned health premiums.
- (3) Does not include restricted cash.
- (4) Excludes the unrealized gains on securities available for sale, which gains are reported in accumulated other comprehensive income (loss) as a separate component of stockholders equity.

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Selected Historical Financial Data of Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc.

Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc. were formed in anticipation of the merger by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners, respectively. Since these entities have de minimis assets and no operations, we have not included historical financial data for these entities since this information would not be meaningful.

Table of Contents**Selected Unaudited Pro Forma Consolidated Financial Data**

The following selected unaudited pro forma consolidated financial data is designed to show how the merger might have affected UICI's historical financial statements if the merger had been completed at an earlier date. The following selected unaudited pro forma consolidated financial information was prepared based on the historical financial results reported by UICI in its filings with the SEC. The following should be read in connection with Unaudited Pro Forma Consolidated Financial Information beginning on page 82 and the UICI consolidated financial statements, which are incorporated by reference into this proxy statement/prospectus.

The unaudited pro forma consolidated balance sheet at September 30, 2005 assumes the merger was completed on September 30, 2005. The unaudited pro forma consolidated statement of income for the nine-month period ended September 30, 2005 and for the year ended December 31, 2004 assumes the merger was completed on January 1, 2004.

The unaudited pro forma consolidated financial information is for informational purposes and is not intended to represent or be indicative of the consolidated results of operations or financial position that we would have reported had the merger been completed as of the dates presented, and should not be taken as representative of our future consolidated results of operations or financial position.

UICI Pro Forma

| | As of (or for the Nine Months Ended) September 30, 2005 | As of (or for the Year Ended) December 31, 2004 |
|--|--|--|
|--|--|--|

(In thousands, except per share amounts)

Income Statement Data:

| | | |
|-----------------------------------|--------------|--------------|
| Total revenues | \$ 1,599,417 | \$ 2,034,265 |
| Income from continuing operations | 97,977 | 56,210 |

Earnings Per Share Data:

| | | |
|---|---------|---------|
| Diluted earnings per share from continuing operations | \$ 2.93 | \$ 1.46 |
| Basic earnings per share from continuing operations | \$ 3.02 | \$ 1.53 |
| Diluted average shares outstanding | 30,736 | 31,142 |
| Basic average shares outstanding | 29,763 | 29,763 |

Balance Sheet Data (at period end):

| | | |
|----------------------------|--------------|-----|
| Total investments | \$ 1,605,151 | N/A |
| Total assets | 3,451,097 | N/A |
| Total policy liabilities | 1,174,094 | N/A |
| Total debt | 515,470 | N/A |
| Total stockholders' equity | 1,197,960 | N/A |

Table of Contents**Comparative Unaudited Per Share Data of UICI**

The following table shows comparative unaudited per share data regarding book value, cash dividends and earnings from continuing operations per share of UICI on a historical and pro forma basis. The pro forma book value and cash dividends per share information was computed as if the merger had been completed on September 30, 2005. The pro forma earnings from continuing operations information was computed as if the merger had been completed on January 1, 2004. These amounts do not necessarily reflect future per share amounts of book value, cash dividends or earnings from continuing operations per share of UICI.

The following comparative unaudited per share data is derived from the historical consolidated financial statements of UICI. The information below should be read in conjunction with the financial statements and accompanying notes of UICI, which are incorporated by reference into this proxy statement/ prospectus. We urge you also to read Unaudited Pro Forma Consolidated Financial Information beginning on page 82.

Comparative Share Data

| | As of (or for the Nine Months Ended) September 30, 2005 | As of (or for the Year Ended) December 31, 2004 |
|---|--|--|
| UICI Historical: | | |
| Book value per share(1) | \$ 18.15 | \$ 15.18 |
| Cash dividends per share | \$ 0.75 | \$ 0.25 |
| Diluted earnings per share from continuing operations | \$ 3.51 | \$ 3.07 |
| Basic earnings per share from continuing operations | \$ 3.59 | \$ 3.16 |
| UICI Pro Forma: | | |
| Book value per share(1) | \$ 37.15 | \$ N/A |
| Cash dividends per share | \$ 0.75 | \$ 0.25 |
| Diluted earnings per share from continuing operations | \$ 2.93 | \$ 1.46 |
| Basic earnings per share from continuing operations | \$ 3.02 | \$ 1.53 |

(1) Excludes unrealized gains on securities available for sale, which gains are reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity.

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Comparative Unaudited Per Share Data of Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc.

Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc. were formed in anticipation of the merger by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners, respectively. Since these entities have de minimis assets and no operations, we have not included any comparative unaudited per share data for these entities since this information would not be meaningful.

Table of Contents**RISK FACTORS**

*In addition to the other information contained in, or incorporated by reference into, this proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote in favor of the proposal to adopt the merger agreement. For a description of other risks considered by UICI's board of directors in determining to approve the merger, please refer to *The Merger Recommendation of our Board of Directors; Reasons for the Merger* on page 39.*

Risk Factors Relating to the Merger

The surviving corporation will be controlled by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners and their interests may conflict with the interests of other stockholders.

Entities affiliated with The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners may own in excess of 90% of the common stock of the surviving corporation following the merger, will control the surviving corporation's affairs and policies (with the ability to appoint a majority of the board of directors), and will have an interest in pursuing transactions or taking actions that, in their judgment, could enhance their investment in the surviving corporation or another entity in which they invest. These significant stockholders will also enter into a stockholders' agreement before the completion of the merger, which is expected to include certain provisions that may have the effect of directly or indirectly restricting the surviving corporation from (i) acquiring control of certain types of businesses (for purposes of the Bank Holding Company Act of 1956) and (ii) engaging in new and materially different businesses that could cause any regulatory problems for these significant stockholders. In addition, these significant stockholders will have no obligation to present corporate opportunities to the surviving corporation or to refrain from competition with the surviving corporation. It is also anticipated that the surviving corporation will pay to entities affiliated with the significant stockholders one-time transaction fees not to exceed \$27 million and annual monitoring/consulting fees not to exceed the greater of \$15 million or 3% of the surviving corporation's earnings before interest, taxes, depreciation and amortization.

These transactions and restrictions may involve risks to the other holders of our common stock, including members of senior management and independent agents who continue to participate in agent stock accumulation plans or otherwise acquire common stock in the surviving corporation following completion of the merger.

The merger is subject to the receipt of consents and approvals from various governmental entities, which may impose conditions on or reduce the anticipated benefits of the merger.

We must obtain approvals, clearances and consents in a timely manner from several federal and state agencies before the completion of the merger. If we do not receive these approvals, or do not receive them on terms that satisfy the conditions set forth in the merger agreement, then neither the Merger Cos nor UICI will be obligated to complete the merger. Some of the governmental agencies from which we will seek these approvals have broad discretion in administering the governing regulations. As a condition to the approval of the merger, agencies may impose requirements, limitations or costs that could negatively affect the way we conduct business following the merger. These requirements, limitations or costs could jeopardize or delay the completion of the merger.

The Company may not be able to retain its key employees and independent agents.

Our success after the merger will depend in part upon our ability to retain key employees and independent agents. We may be unable to retain key employees and independent agents resulting in loss of important information, expertise and know-how. In addition, key employees and independent agents may depart because of a desire not to remain with us after completion of the merger, notwithstanding any agreements to remain with the company as described elsewhere in this document. We cannot assure you that we will be able to retain key employees and independent agents to the same extent we have been able to do so in the past.

Table of Contents**Risk Factors Relating to Ownership of Class A-1 Common Stock and Class A-2 Common Stock.*****The class A-1 and class A-2 common stock of the surviving corporation will not be liquid securities.***

The class A-1 and class A-2 common stock of the surviving corporation will be subject to restrictions on transfer set forth, in the case of the class A-1 common stock, in a stockholders agreement, and, in the case of the class A-2 common stock, in the certificate of incorporation of UICI attached to this proxy statement/ prospectus as Annex B. These equity interests will be subject to restrictions on transfer and will not be liquid. There will be no established trading market for the common stock. The surviving corporation is permitted, but not obligated, to repurchase shares of class A-1 and class A-2 common stock in certain circumstances and may be unable or unwilling to do so at the time a holder requests any repurchase of his or her shares. As a result, a holder of our class A-1 or class A-2 common stock may be unable to sell his or her common stock at a time and price that he or she deems appropriate. Future prices of the common stock will depend on many factors, including the market for similar securities, general economic conditions and our financial condition and the performance and prospects of the surviving corporation. As a result, we cannot assure you that you will be able to resell any common stock or, if you are able to resell, the price at which you will be able to do so.

The Fixed Rate Preferred Stock, if issued, will have dividend/liquidation preferences over class A-1 common stock and class A-2 common stock.

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the surviving corporation, holders of the Fixed Rate Preferred Stock, if issued, will be entitled to receive in preference to any holder of surviving corporation common stock an amount equal to the liquidation preference per share plus all accumulated and unpaid dividends. Only after payment of creditors and any liquidation preference of Fixed Rate Preferred Stock that may be issued will the remaining net assets of the surviving corporation be distributed pro rata to the holders of the common stock.

Each share of Fixed Rate Preferred Stock, if issued, is entitled to dividends on the liquidation preference. So long as any Fixed Rate Preferred Stock remains outstanding, unless the full dividends for the latest completed dividend period on all outstanding Fixed Rate Preferred Stock have been declared and paid (or set aside), no dividend shall be paid or declared on the surviving corporation's common stock. The class A-1 and class A-2 common stock will be deemed junior to the Fixed Rate Preferred Stock, if issued.

See Description of Capital Stock of the Surviving Corporation on page 92.

Risk Factors Relating to the Business***UICI may lose business to competitors offering competitive products at lower prices.***

We compete, and will continue to compete, for customers and distributors with many insurance companies and other financial services companies. We compete not only for business and individual customers, employer and other group customers, but also for agents and distribution relationships. Our competitors may offer a broader array of products than we do, have a greater diversity of distribution resources, have better brand recognition, have more competitive pricing or, have higher financial strength or claims paying ratings. Competitors with sizable market share or provider-owned plans may be able to obtain favorable financial arrangements from health care providers that are not available to us.

Failure to accurately estimate medical claims and health care costs may have a significant impact on the Company's business and results of operation.

If we are unable to accurately estimate medical claims and control health care costs, our results of operations may be materially and adversely affected. We estimate the cost of future medical claims and other expenses using actuarial methods based upon historical data, medical inflation, product mix, seasonality, utilization of health care services and other relevant factors. We establish premiums based on these methods. The premiums we charge our customers generally are fixed for one-year periods, and costs we incur in excess of our medical claim projections generally are not recovered in the contract year through higher premiums.

Table of Contents***Failure of our insurance subsidiaries to maintain their current insurance ratings could materially adversely affect UICI's business and results of operations.***

Our principal insurance subsidiaries are currently rated by A.M. Best Company, Fitch and Standard & Poor's. If our insurance subsidiaries are not able to maintain their current rating by A.M. Best Company, Fitch and/or Standard & Poor's, our results of operations could be materially adversely affected. Decreases in operating performance and other financial measures may result in a downward adjustment of the rating of our insurance subsidiaries assigned by A.M. Best Company, Fitch or Standard & Poor's. Also, other factors beyond our control such as general downward economic cycles and changes implemented by the rating agencies, including changes in the criteria for the underwriting or the capital adequacy model, may result in a decrease in the rating. A downward adjustment in rating by A.M. Best Company, Fitch and/or Standard & Poor's of our insurance subsidiaries could have a material adverse effect on our business and results of operations.

Changes in our relationship with membership associations that make available to their members our health insurance products and/or changes in the laws and regulations governing so-called association group insurance could materially adversely affect UICI's business and results of operations.

As is the case with many of our competitors in the self-employed market, a substantial portion of our health insurance products is issued to members of various independent membership associations that act as the master policyholder for such products. The two principal membership associations in the self-employed market that make available to their members our health insurance products are the National Association for the Self-Employed and the Alliance for Affordable Services. The associations provide their members access to a number of benefits and products, including health insurance underwritten by us. Subject to applicable state law, individuals generally may not obtain insurance under an association's master policy unless they are also members of the association. The agreements with these associations requiring the associations to continue as the master policyholder for our policies and to make our products available to their respective members are terminable by us or the association upon not less than one year's advance notice to the other party.

Our UGA agents and Cornerstone America agents also act as field service representatives (FSRs) for the associations, in which capacity the FSRs enroll new association members and provide membership retention services. For such services, we and the FSRs receive compensation. Specialized Association Services, Inc. (a company controlled by the adult children of the late Ronald L. Jensen (UICI's former Chairman)) provides administrative and benefit procurement services to the associations. One of our subsidiaries (UICI Marketing, Inc., a wholly-owned subsidiary and our direct marketing group) generates new membership sales prospect leads for both UGA and Cornerstone for use by the FSRs (agents). UICI Marketing also provides video and print services to the associations and to Specialized Association Services, Inc. In addition to health insurance premiums derived from the sale of health insurance, we receive fee income from the associations, including fees associated with enrollment and member retention services, fees for association membership marketing and administrative services and fees for certain association member benefits.

While we believe that we are providing association group coverage in full compliance with applicable law, changes in our relationship with the membership associations and/or changes in the laws and regulations governing so-called association group insurance, particularly changes that would subject the issuance of policies to prior premium rate approval and/or require the issuance of policies on a guaranteed issue basis, could have a material adverse impact on our financial condition, results of operations and/or business.

Our domestic insurance subsidiaries are currently the subject of a multi-state market conduct examination, and an adverse finding or outcome from that examination could adversely affect our results of operations and financial condition.

In March 2005, UICI received notification that the Market Analysis Working Group of the National Association of Insurance Commissioners had chosen the states of Washington and Alaska to lead a multi-state market conduct examination of UICI's principal insurance subsidiaries, The MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company of Tennessee and The Chesapeake Life

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Insurance Company. That examination commenced in May 2005 and is ongoing. While we do not currently believe that the multi-state market conduct examination will have a material adverse effect upon our consolidated financial position or results of operations, state insurance regulatory agencies have authority to levy monetary fines and penalties resulting from findings made during the course of such examinations.

Negative publicity regarding our business practices and about the health insurance industry in general may harm our business and adversely affect our results of operations and financial condition.

The health and life insurance industry and related products and services we provide have attracted and may continue to attract negative publicity from consumer advocate groups and the media. Negative publicity may result in increased regulation and legislative scrutiny of industry practices as well as increased litigation, which may further increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, requiring us to change our products or services or increasing the regulatory burdens under which we operate.

UICI's failure to secure and enhance cost-effective health care provider network contracts may result in a loss of insureds and/or higher medical costs and adversely affect UICI's results of operations.

Our results of operations and competitive position could be adversely affected by our inability to enter into or maintain satisfactory relationships with networks of hospitals, physicians, dentists, pharmacies and other health care providers. The failure to secure cost-effective health care provider network contracts may result in a loss of insureds or higher medical costs. In addition, the inability to contract with provider networks, the inability to terminate contracts with existing provider networks and enter into arrangements with new provider networks to serve the same market, and/or the inability of providers to provide adequate care, could adversely affect our results of operations.

UICI's inability to obtain funds from its insurance subsidiaries may cause it to experience reduced cash flow, which could affect the Company's ability to pay its obligations to creditors as they become due.

We are a holding company, the principal assets of which are our investments in our separate operating subsidiaries, including our regulated insurance subsidiaries. Our ability to fund our cash requirements is largely dependent upon our ability to access cash from our subsidiaries. Our insurance subsidiaries are subject to regulations that limit their ability to transfer funds to us. If we are unable to obtain funds from our insurance subsidiaries, we will experience reduced cash flow, which could affect our ability to pay our obligations to creditors as they become due.

A failure of our information systems to provide timely and accurate information could adversely affect our business and results of operations.

Information processing is critical to our business, and a failure of our information systems to provide timely and accurate information could adversely affect our business and results of operations. The failure to maintain an effective and efficient information system or disruptions in our information system could cause disruptions in our business operations, including (a) failure to comply with prompt pay laws; (b) loss of existing insureds; (c) difficulty in attracting new insureds; (d) disputes with insureds, providers and agents; (e) regulatory problems; (f) increases in administrative expenses; and (g) other adverse consequences.

Changes in government regulation could increase the costs of compliance or cause us to discontinue marketing our products in certain states.

We conduct business in a heavily regulated industry, and changes in government regulation could increase the costs of compliance or cause us to discontinue marketing our products in certain states. Some of the new federal and state regulations promulgated under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, relating to health care reform require us to implement changes in our programs and systems in order to maintain compliance. We have incurred significant expenditures as a result of HIPAA regulations and expect to continue to incur expenditures as various regulations become effective.

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The surviving corporation's indebtedness following the completion of the merger will be higher than UICI's existing indebtedness.

In order to complete the merger, UICI anticipates arranging for and funding approximately \$500 million of new debt financing. Proceeds from the financing will be used to fund a portion of the cash consideration to be paid to UICI stockholders. As a result of this increase in debt, demands on UICI's cash resources will increase after the completion of the merger. The increased levels of debt could, among other things:

require UICI to dedicate a substantial portion of its cash flow from operations to payments on its debt, thereby reducing funds available for working capital, capital expenditures, dividends, acquisitions and other purposes;

increase UICI's vulnerability to, and limit flexibility in planning for, adverse economic and industry conditions;

adversely affect UICI's credit rating;

limit UICI's ability to obtain additional financing to fund future working capital, capital expenditures, additional acquisitions and other general corporate requirements;

create competitive disadvantages compared to other companies with less indebtedness; and

limit UICI's ability to apply proceeds from an offering or asset sale to purposes other than the repayment of debt.

We may not have enough statutory capital and surplus to continue to write business.

Our continued ability to write business is dependent on maintaining adequate levels of statutory capital and surplus to support the policies we write. Our new business writing typically results in net losses on a statutory basis during the early years of a policy. The resulting reduction in statutory surplus, or surplus strain, limits our ability to seek new business due to statutory restrictions on premium to surplus ratios and statutory surplus requirements. If we cannot generate sufficient statutory surplus to maintain minimum statutory requirements through increased statutory profitability, reinsurance or other capital generating alternatives, we will be limited in our ability to realize additional premium revenue from new business writing, which could have a material adverse effect on our financial condition and results of operations or, in the event that our statutory surplus is not sufficient to meet minimum premium to surplus and risk-based capital ratios in any state, we could be prohibited from writing new policies in such state.

Our reserves for current and future claims may be inadequate and any increase to such reserves could have a material adverse effect on our financial condition and results of operations.

We calculate and maintain reserves for current and future claims using assumptions about numerous variables, including our estimate of the probability of a policyholder making a claim, the severity and duration of such claim, the mortality rate of our policyholders, the persistency or renewal of our policies in force and the amount of interest we expect to earn from the investment of premiums. The adequacy of our reserves depends on the accuracy of our assumptions. We cannot assure you that our actual experience will not differ from the assumptions used in the establishment of reserves. Any variance from these assumptions could have a material adverse effect on our financial condition and results of operations.

Litigation may result in financial losses or harm our reputation and may divert management resources.

Current and future litigation may result in financial losses, harm our reputation and require the dedication of significant management resources. We are regularly involved in litigation. The litigation naming us as a defendant ordinarily involves our activities as an insurer. In recent years, many insurance companies, including us, have been named as defendants in class actions relating to market conduct or sales practices. See "The Merger - Litigation Concerning the Merger" beginning on page 64 for a description of current legal proceedings.

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For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. Management expects that the ultimate liability, if any, with respect to general claim litigation, after consideration of the reserves maintained, will not be material to the consolidated financial condition of the Company. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a period, depending on the results of our operations for the particular period.

If we fail to comply with extensive state and federal regulations, we will be subject to penalties, which may include fines and suspension and which may adversely affect our results of operations and financial condition.

We are subject to extensive governmental regulation and supervision. Most insurance regulations are designed to protect the interests of policyholders rather than stockholders and other investors. This regulation, generally administered by a department of insurance in each state in which we do business, relates to, among other things:

approval of policy forms and premium rates;

standards of solvency, including risk-based capital measurements, which are a measure developed by the National Association of Insurance Commissioners and used by state insurance regulators to identify insurance companies that potentially are inadequately capitalized;

licensing of insurers and their agents;

restrictions on the nature, quality and concentration of investments;

restrictions on transactions between insurance companies and their affiliates;

restrictions on the size of risks insurable under a single policy;

requiring deposits for the benefit of policyholders;

requiring certain methods of accounting;

prescribing the form and content of records of financial condition required to be filed; and

requiring reserves for losses and other purposes.

State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies, holding company issues and other matters. Our business depends on compliance with applicable laws and regulations and our ability to maintain valid licenses and approvals for our operations. Regulatory authorities have broad discretion to grant, renew, or revoke licenses and approvals. Regulatory authorities may deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations, or those that we believe to be generally followed by the industry, which may be different from the requirements or interpretations of regulatory authorities. If we do not have the requisite licenses and approvals and do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. That type of action could have a material adverse effect on our business. Our failure to comply with new or existing government regulation could subject us to significant fines and penalties. Our efforts to measure, monitor and adjust our business practices to comply with current laws are ongoing. Failure to comply with enacted regulations could result in significant fines, penalties, or the loss of one or more of our licenses. As governmental regulation changes, the costs of compliance may cause us to change our operations significantly, or adversely impact the health care provider networks with which we do business, which may adversely affect our business and results of operations. Also, changes in the level of regulation of the

insurance industry (whether federal, state or foreign), or changes in laws or regulations themselves or interpretations by regulatory authorities, could have a material adverse effect on our business.

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Applicable insurance laws may make it difficult to effect a change of control of UICI.

Under the insurance laws of most states, before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of the domestic insurer. Before granting approval of an application to acquire control of a domestic insurer, a state insurance commissioner will typically consider such factors as the financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the applicant's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the completion of the acquisition of control. This requirement may make it difficult to effect a change of control of the surviving corporation in the future.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this proxy statement/ prospectus and in the documents that are incorporated by reference into this proxy statement/ prospectus. These forward looking statements relate to management's expectations at the time such statements are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated in the statements. When used in written documents or oral presentations, the terms anticipate, believe, estimate, expect, may, plan, potential, project, will and similar expressions are intended to identify forward-looking statements. In addition to the assumptions and other factors referred to specifically in connection with such statements, factors that could impact our business and financial prospects include, but are not limited to, those discussed below and those discussed from time to time in our filings with the SEC incorporated in this document by reference or in other publicly disseminated written documents:

Medical Claims and Health Care Costs

Government Regulation

Regulatory Compliance

Association Group Health Insurance and Certain Relationships

Litigation

Competition

Information Systems

Pending Multi-State Market Conduct Examination

Negative Publicity

Provider Network Relationships

Insurance Company Ratings

Holding Company Structure

Capital and Surplus Requirements

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this proxy statement/ prospectus, or in the case of a document incorporated by reference into this proxy statement/ prospectus, as of the date of that document. Except as required by law, we do not undertake any obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed by us with the SEC. See "Where You Can Find More Information" beginning on page 104 for a list of documents incorporated by reference into this proxy statement/ prospectus.

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THE UICI SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This document is being delivered to our stockholders in connection with the solicitation of proxies by our board of directors to be voted at our special meeting, which is to be held at [] on [, , 2006] at [], Central Time or at any postponement or adjournment thereof. The purpose of the special meeting is for our stockholders to consider and vote upon the adoption of the merger agreement and to approve any motion to adjourn the special meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement. Our stockholders must adopt the merger agreement for the merger to occur. If our stockholders fail to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement/ prospectus as Annex A. On or about [], 2006, we will commence mailing this document and the enclosed form of proxy to our stockholders entitled to vote at the special meeting.

Matters to be Considered

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement. If the merger is completed:

UICI's public stockholders will receive \$37.00 in cash per share of UICI common stock and will cease to hold any equity interest in UICI, except for public stockholders who properly exercise and do not withdraw their statutory appraisal rights;

shares of UICI common stock currently held by certain senior managers of UICI (which comprised less than 1% of UICI's outstanding common stock as of the record date of the special meeting) will remain outstanding and unchanged, other than to be renamed class A-1 common stock; and

shares of UICI common stock beneficially owned through UICI's agent stock accumulation plans by UICI's independent insurance agents associated with the UGA-Association Field Services or Cornerstone America marketing divisions (which shares comprised approximately [6.8%] of UICI's outstanding common stock as of the record date of the special meeting) will be exchanged on a one-for-one basis for shares of a new class of UICI common stock to be known as the class A-2 common stock. The terms of the class A-2 common stock are more fully described elsewhere in this proxy statement/ prospectus. Shares withdrawn from the agent stock accumulation plans prior to the closing of the merger will be treated the same as shares owned by UICI's public stockholders.

If the merger agreement is adopted by the stockholders and the merger is consummated, the certificate of incorporation attached as Annex B to this document will become the certificate of incorporation of the surviving corporation.

You may also be asked to consider and vote on a proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal. The persons named in the accompanying proxy will also have discretionary authority to vote on other business, if any, that properly comes before the special meeting and any adjournments or postponements of the special meeting, including any adjournments or postponements for the purpose of soliciting additional proxies to adopt the merger agreement. Neither the board nor management intends to bring before the special meeting any matters other than those referred to in the notice of special meeting and this document.

Record Date; Quorum

The holders of record of UICI's common stock as of the close of business on [], 2006, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. As of the record date, there were [] shares of common stock outstanding.

A complete list of stockholders entitled to vote at the special meeting will be available for examination by any of our stockholders at our headquarters, 9151 Grapevine Highway, North Richland Hills, Texas 76180, for

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purposes pertaining to the special meeting, during normal business hours for a period of ten days before the special meeting, and at the time and place of the special meeting.

In order to carry on the business of the special meeting, we must have a quorum. A quorum requires the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting. Any shares of common stock held in treasury by UICI or by any of our subsidiaries are not considered to be outstanding for purposes of determining a quorum. Once a share is represented at a special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any postponement or adjournment thereof. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established.

Required Vote

Each outstanding share of common stock on the record date entitles the holder to one vote at the special meeting. The affirmative vote of a majority of the total voting power of the outstanding shares of the Company’s capital stock entitled to vote at the special meeting or any adjournment or postponement thereof, voting together as a single class, is required to adopt the merger agreement and is required to approve any motion to adjourn the special meeting to another time or place, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement.

If your shares are held in street name by a broker or other nominee, you should instruct your broker how to vote your shares using the instructions provided by your broker or nominee. Under the rules of the NYSE, brokers who hold shares in street name for customers may not exercise their voting discretion with respect to the approval of non-routine matters such as the merger proposal and thus, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote such shares with respect to the approval of such proposals. Abstentions and broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum is present. Failures to vote, abstentions and broker non-votes, if any, will have the same effect as votes **AGAINST** adoption of the merger agreement.

If you are a participant in the UICI Employee Stock Ownership and Savings Plan and hold shares pursuant to the Plan, see Voting by Employees Participating in the Employee Stock Ownership and Savings Plan beginning on page 28.

Voting by Directors and Executive Officers

As of [], 2006, the record date, our directors and current executive officers owned and were entitled to vote [] shares of common stock.

Voting of Proxies

Giving a proxy means that you authorize the persons named in the enclosed proxy card to vote your shares at the special meeting in the manner you direct. You may vote by proxy or in person at the meeting. To vote by proxy, you may use one of the following methods if you are a registered holder (that is if you hold your stock in your own name):

Telephone voting, by dialing the toll-free number and following the instructions on the proxy card;

Via the Internet, by going to the web address www.proxyvote.com and following the instructions on the proxy card; or

Mail, by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

We request that you complete and sign the accompanying proxy and return it to us as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of common stock represented by it will be voted at the special meeting in accordance with the instructions contained on the proxy card.

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If any proxy is returned without indication as to how to vote, the common stock represented by the proxy will be considered a vote in favor of all matters for consideration at the special meeting. Unless you check the box on your proxy card to withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the special meeting.

Your vote is important. Accordingly, you should sign, date and return the enclosed proxy card, or vote via the Internet or by telephone, whether or not you plan to attend the special meeting.

Revocability of Proxies

A proxy may be revoked at any time before its exercise by taking any of the following actions: (i) by notifying us in writing at 9151 Grapevine Highway, North Richland Hills, Texas 76180, Attention: Corporate Secretary; (ii) by completing a later-dated proxy and returning it to us; (iii) by logging onto the Internet address or calling the telephone number, in each case, set forth on your proxy card, if you are eligible to do so and following the instructions on your proxy or vote instruction card or (iv) by appearing at the special meeting in person and revoking the proxy orally by notifying the Secretary before the vote takes place.

If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change these instructions.

Solicitation of Proxies

This solicitation is made on behalf of our board of directors. We will pay the cost of this solicitation. Proxies for the merger may be solicited by our officers and employees by mail, telephone, fax, personal interviews or other methods of communication. These persons will not receive additional or special compensation for such solicitation services. We will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners of our common stock.

We have engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the merger from brokers, banks, other nominees, institutional holders and individual investors for a fee not to exceed \$15,000 plus reimbursement of expenses.

Voting by Employees Participating in Employee Stock Ownership and Savings Plan

If you are a participant in the UICI Employee Stock Ownership and Savings Plan (which we refer to as the Plan) and hold shares pursuant to the Plan, you should be aware that your vote directs Comerica Bank (the Plan trustee) to vote the shares allocated to your accounts according to your instructions. In addition, the Plan requires the Plan trustee to vote the shares held by the Plan for which instructions are not received (or not timely received) in proportion to the instructions the Plan trustee timely received from participants. All shares held by the Plan are voted. Your vote not only instructs the Plan trustee how to vote your allocated shares, but also will be used to determine an affirmative/negative ratio that the Plan trustee will use to vote the shares for which voting instructions have not been received and to vote the shares held by the Plan that have not been allocated to participants' accounts. Similarly, if you do not vote, your shares in the Plan, as well as the shares of other nonvoting participants in the Plan, and the shares held by the Plan that have not been allocated to participants' accounts, will be voted by the Plan trustee in proportion to the affirmative/negative ratio of votes timely received from other participants in the Plan.

To be considered timely received, your vote of your shares held by the Plan must be received by the close of business on _____, 2006, the third business day before the special meeting.

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PARTIES TO THE MERGER

UICI

9151 Grapevine Highway
North Richland Hills, Texas 76180
(817) 255-5200

We offer insurance (primarily health and life) to niche consumer and institutional markets. Through our subsidiaries, The MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company of Tennessee, and The Chesapeake Life Insurance Company, we issue primarily health and life insurance policies, covering individuals and families, the self-employed, association group, voluntary employer group and student markets. During 2004, 2003 and 2002, we generated health insurance premiums in the amounts of approximately \$1.813 billion, \$1.547 billion and \$1.161 billion, respectively, representing 88%, 85% and 84%, respectively, of our total revenues in such periods.

PREMIUM ACQUISITION, INC.

PREMIUM FINANCE LLC

c/o The Blackstone Group
345 Park Avenue
New York, New York 10154
(212) 583-5000

Premium Acquisition, Inc. is a Delaware corporation formed in anticipation of the merger by affiliates of The Blackstone Group. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Premium Acquisition, Inc. will merge with and into UICI. Premium Acquisition, Inc. has de minimis assets and no operations. Premium Finance LLC is a Delaware limited liability company formed in anticipation of the merger by affiliates of The Blackstone Group. The Blackstone Group, a private investment and advisory firm with offices in New York, Atlanta, Boston, Los Angeles, London, Hamburg, Paris and Mumbai, was founded in 1985. The firm has raised a total of approximately \$50 billion for alternative asset investing since its formation. Over \$26 billion of that has been for private equity investing, including Blackstone Capital Partners V, the largest institutional private equity fund ever raised at \$13 billion. In addition to private equity investing, The Blackstone Group's core businesses are private real estate investing, corporate debt investing, marketable alternative asset management, corporate advisory, and restructuring and reorganization advisory.

MULBERRY ACQUISITION, INC.

MULBERRY FINANCE CO., INC.

c/o Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
(212) 902-1000

Each of Mulberry Acquisition, Inc. and Mulberry Finance Co., Inc. is a Delaware corporation formed in anticipation of the merger by affiliates of Goldman Sachs. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Mulberry Acquisition, Inc. will merge with and into UICI. Mulberry Acquisition, Inc. has de minimis assets and no operations. Founded in 1869, Goldman Sachs is one of the oldest and largest investment banking firms. Goldman Sachs also ranks as one of the largest private equity investors in the world. Established in 1991, the GS Capital Partners Funds are part of the firm's principal investment area in the merchant banking division. Goldman Sachs' principal investment area has formed 11 investment vehicles aggregating approximately \$24 billion of equity capital to date. With \$8.5 billion in committed capital, GS Capital Partners V is the current primary investment vehicle for Goldman Sachs to make privately negotiated equity investments.

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DLJMB IV FIRST MERGER CO ACQUISITION INC.

DLJMB IV FIRST MERGER LLC

c/o DLJ Merchant Banking Partners

Eleven Madison Avenue

New York, New York 10010

(212) 325-4507

DLJMB IV First Merger Co Acquisition Inc. is a Delaware corporation formed in anticipation of the merger by affiliates of DLJ Merchant Banking Partners. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, DLJMB IV First Merger Co Acquisition Inc. will merge with and into UICI. DLJMB IV First Merger Co Acquisition Inc. has de minimis assets and no operations. DLJMB IV First Merger LLC is a Delaware limited liability company formed in anticipation of the merger by affiliates of DLJ Merchant Banking Partners. DLJ Merchant Banking Partners is a leading private equity investor that has a 20 year record of investing in leveraged buyouts and related transactions across a broad range of industries. DLJMB, with offices in New York, London, Los Angeles and Buenos Aires, is part of Credit Suisse's asset management business.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF
PREMIUM ACQUISITION, INC., MULBERRY ACQUISITION, INC. AND
DLJMB IV FIRST MERGER CO ACQUISITION INC.**

Premium Acquisition, Inc., Mulberry Acquisition, Inc. and DLJMB IV First Merger Co Acquisition Inc. were formed in anticipation of the merger by affiliates of The Blackstone Group, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners, respectively. Since these entities have de minimis assets and no operations, we have not included any historical financial information, since this information would not be meaningful.

Table of Contents**THE MERGER**

The following is a discussion of the merger and the material terms of the merger agreement. You are urged to read carefully the merger agreement in its entirety, a copy of which is attached as Annex A to this document and incorporated by reference herein. You are also urged to read the opinions of our financial advisors, which are attached as Annexes C and D to this document and are incorporated by reference herein.

Background of the Merger

In the spring of 2004, the UICI board of directors began to explore possible means to increase shareholder value, in light of trading prices for UICI common stock (both generally and relative to other insurance companies), competitive considerations in the life and health insurance and managed care businesses generally (including ongoing consolidation in the industry), and the concentration of share ownership in the family of the late Ronald L. Jensen (the Company's founder and chairman of the board). At that time, Mr. Jensen informed the board that the Jensen family would be willing to consider a substantial reduction in its equity ownership in the Company to diversify the family's overall investment portfolio and to alleviate the perceived overhang effect on UICI's stock price. However, Mr. Jensen stated that the family was under no timing or other pressure to do so and would not be interested in reducing its ownership position at then-prevailing market prices.

In connection with its consideration of these matters, in the spring of 2004 UICI's board of directors received presentations from representatives of management and outside financial advisors, including New Vernon Capital (a financial advisory firm whose principals had performed financial advisory services for UICI in the past), regarding stock market conditions (generally and in the life and health insurance and managed care businesses), as well as possible options to increase shareholder value. In April 2004, the board established the Company's current dividend policy, approved the payment of the Company's first semi-annual dividend and authorized the repurchase of up to an additional 1.0 million shares of common stock under its previously approved stock repurchase program. The board also directed management to consider capital markets or other transactions to enhance shareholder value.

In July 2004, New Vernon Capital arranged a meeting with Morgan Stanley (an internationally recognized investment banking firm) and representatives of UICI senior management to discuss these matters. New Vernon Capital introduced Morgan Stanley to the Company because Morgan Stanley had been identified as having particular experience in the health insurance/managed care industries. At that meeting, the financial advisors reviewed conditions in the capital markets generally, and for health insurance/managed care companies, as well as possible alternatives to enhance shareholder value, such as a public or private sale of a substantial portion of the Jensen family stock, either by the Jensen family itself or in a merger or other strategic transaction involving the Company. In August 2004, UICI retained Morgan Stanley and New Vernon Capital to assist in the exploration of possible strategic alternatives. In September 2004, UICI retained Jones Day (an internationally recognized law firm), as the Company's legal advisor in connection with the strategic assessment process.

On September 2, 2004, UICI's board of directors met to review the Company's strategic position generally. Representatives of Morgan Stanley and New Vernon Capital participated in the meeting. At the meeting, the board reviewed the Company's strategic and competitive position, the potential effects of regulatory issues involving the Company and the Company's prospects for enhancing shareholder value through continued operational improvement. Representatives of the financial advisors then discussed with the board market and other conditions affecting the Company, including, among other things, the level of consolidation and merger activity in the insurance and managed care businesses, the recent increases in trading prices for the Company's stock, and the Jensen family's desire to consider monetization of its investment. Taking into account conditions impacting the Company, representatives of the financial advisors then discussed with the board potential opportunities and factors to be considered in exploring a possible strategic transaction involving the Company. Following such discussion, representatives of the financial advisors then proposed that the Company consider contacting a small number of potential strategic partners to

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ascertain, on a preliminary basis, whether those potential strategic partners would have an interest in pursuing a strategic transaction with UICI.

At the September 2, 2004 board meeting, management emphasized the need to pursue any strategic assessment process on a disciplined and focussed basis in an effort to guard against premature disclosure of the process. Management and the board recognized that a leak could have a disruptive effect on the Company's independent agent sales force, and thereby negatively affect the Company's prospects. No decision was made to pursue any particular course of action, but the consensus of the board was that management and the financial advisors should contact four potential strategic parties to ascertain, on a preliminary basis, their interest in discussing a strategic transaction. Each of the four potential strategic partners was known or perceived by the board and its financial advisors to be pursuing an external growth strategy and might reasonably be expected to have an interest in, and the financial resources to complete, a strategic transaction. In conducting the exploration of any strategic alternative, the board further directed management, Morgan Stanley and New Vernon Capital to seek to minimize, to the extent practicable, the risk of premature disclosure of a possible transaction.

At the request of UICI, in early September 2004, representatives of Morgan Stanley contacted the four potential strategic partners to explore their interest in a potential transaction with UICI. Following the execution of confidentiality agreements, each of the four parties was provided with due diligence information about UICI, and representatives of three of the parties met with UICI management. Representatives of Morgan Stanley and/or New Vernon Capital participated in all of these sessions. Acting on behalf of the Company, Morgan Stanley requested that each of the potential strategic bidders submit a preliminary indication of interest by the end of October 2004. In connection with this process, one of the potential strategic bidders requested assistance in assessing the availability of financing for a strategic transaction involving the Company. Following discussion with the Company's legal and financial advisors, management authorized Morgan Stanley to offer to make itself available as a potential financing source to all of the potential bidders in order to, among other things, reduce the risk of premature public disclosure of the sale process that might result if third parties were contacted concerning financing.

While each of the strategic parties contacted in this phase of the process had initially orally expressed preliminary interest in pursuing a possible transaction, none of the parties submitted an indication of interest by the requested deadline (or thereafter). At a UICI board meeting held on October 27, 2004, management and representatives of both Morgan Stanley and New Vernon Capital reviewed the process that had been undertaken to date. At that meeting, management was instructed to continue to work with the Company's financial advisors to focus on other possible methods to enhance shareholder value.

Over the next several months, management continued to explore UICI's potential strategic alternatives. Among the possible transactions considered were capital markets transactions, including the possibility of issuing debt and utilizing all or a portion of the proceeds in a self-tender for a portion of the Company's outstanding common stock. In anticipation of a possible capital markets transaction, in November 2004 the Company applied for, and in February 2005 the Company received, an investment grade credit rating from Standard & Poor's Rating Services. The Company also explored various alternatives by which the Jensen family ownership block could be transferred or broken up, including sales to one or more financial buyers, secondary offerings and repurchase by the Company. In the course of this process Mr. Jensen consistently expressed a reluctance to have his family's shares treated in a manner that might be viewed as more favorable than the treatment afforded to all other holders of the Company's common stock.

In March 2005, Morgan Stanley and New Vernon Capital discussed with senior management whether the Company should consider exploring a possible merger or sale transaction with one or more private equity firms, in light of the favorable conditions in the debt markets, the relatively high levels of liquidity of private equity firms and the perceived willingness of major private equity firms to consider investing in service-related businesses. At the request of UICI management, in April 2005 representatives of Morgan Stanley contacted three private equity firms that management believed, based in part on advice received from Morgan Stanley and New Vernon Capital, might be interested in exploring a sale or investment transaction and had the expertise and financial wherewithal to do so. In addition, at the direction of management, Morgan Stanley

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again contacted the four potential strategic partners with which UICI had had preliminary discussions in September and October 2004 to determine whether they had an interest at this time in pursuing a possible transaction involving the Company.

Following execution of confidentiality agreements, the Company provided all parties, strategic and financial, extensive due diligence information and the opportunity to meet with management. Management met with representatives of each party interested in pursuing a possible transaction, and representatives of Morgan Stanley and/or New Vernon Capital participated in all of these sessions. The potential parties were requested to submit preliminary indications of interest by May 16, 2005. One of the strategic parties indicated that it might have an interest in pursuing a possible transaction involving the whole company, but it was not able to propose specific terms at that time. (That party did not propose any terms thereafter.) The other strategic parties declined to participate further in the process. Of the three private equity firms contacted, one indicated that it was not interested in pursuing a possible transaction, one preliminarily indicated an interest in acquiring UICI at a price range per share of \$31.00-\$34.00 and one preliminarily indicated an interest in acquiring UICI at a price range per share of \$32.00-\$35.00.

UICI's board of directors reviewed the matter on May 18, 2005, at a meeting in which representatives of Morgan Stanley, New Vernon Capital and Jones Day participated. At this meeting, Mr. Jensen reiterated that, while the Jensen family remained willing to consider a sale of a substantial portion of its shares in the context of a strategic transaction for the Company, the family was under no timing or other pressure to monetize its investment in the Company. Mr. Jensen also indicated that he would not expect to have a continuing role with the resulting Company unless required by a third party to obtain an attractive transaction for all Company stockholders. Accordingly, the board proceeded on the assumption that, if any transaction were to be pursued, public stockholders would not be treated less favorably than the Jensen family stockholders.

A representative of Jones Day then reviewed the directors' fiduciary duties applicable in these circumstances and the process typically involved in considering a possible strategic transaction. Because the Jensen family was under no particular pressure to monetize its investment in UICI and intended to be treated in the same manner as other stockholders, following extensive discussion, the board determined that Mr. Jensen did not have an interest in a possible transaction that was different from or in conflict with the interests of UICI's public stockholders. The board also determined that, if the process were to be continued, no substantive discussions of the involvement or employment of management in the resulting Company or the terms thereof would occur between potential bidders and senior managers until such time, if ever, that a particular bidder had been selected and material deal terms had been settled.

Management then led a discussion of UICI's five-year financial forecast. Management expected that 2005 net income would be substantially higher than its net income in prior years due to various factors, including primarily a lower medical claims loss ratio associated with its self-employed agency (SEA) business, but management forecasted only modest net income growth thereafter until 2008. The directors and management then discussed the opportunities and risks associated with the forecast. The board concluded that the risks associated with competitive pressures and regulatory considerations more likely than not outweighed the possibility that the Company would in fact achieve results that exceeded management's forecast. The board also recognized that the Company's ability to actually realize management's forecasted results could be adversely affected by many factors, including competitive pressures and regulatory considerations.

Mr. Jensen then led a discussion concerning the Company's independent agents sales force and the potential effects of a strategic transaction on the sales force. Mr. Jensen believed that the independent agents were a critical component of the Company's success. Mr. Jensen expressed his view that, in order to maximize the value of the Company in any transaction, the Company or any possible strategic partner would need to maintain in place, or substantially replicate, the Company's agent stock accumulation plans. Under these plans, agents are afforded the opportunity to purchase Company common stock with after-tax commission dollars and the Company in turn matches such contributions with share-equivalent credits that vest over time. The vested shares subject to this arrangement represented about 6.8% of the Company's total outstanding

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shares. This ownership stake was substantially more significant than management's stock ownership (which represented less than 1% of the outstanding shares). Accordingly in any transaction the Company might consider, UICI's legal and financial advisors were instructed to assist the Company in developing a mechanism for the continuation of this arrangement without adverse tax or other effects on the independent agents. In addition, it was also the consensus of the board that extreme caution should continue to be taken to avoid premature public disclosure of any possible transaction the Company might consider, because of the potentially disruptive effect on the independent agents sales force and resulting adverse effect that would have on the Company.

A representative of Jones Day then explained that, in the first round of the process, potential bidders had been asked to submit initial indications of interest based on an assumed financing package no less favorable than a so-called "staple" financing package structured by an affiliate of Morgan Stanley. In light of the uncertainty that any acceptable transaction would result from the bid process, the purpose of providing potential bidders with the "staple" financing package was, among other things, to reduce the possibility of leaks, which sometimes occur when potential outside financing sources become involved, and to enhance the comparability of the initial indications of interest. The board was advised that, in any subsequent round of bidding, potential bidders would be permitted to utilize whatever financing the bidders desired. A representative of Morgan Stanley then reviewed the terms of the staple financing package, including the possibility that fees would be payable to the financing sources (including an affiliate of Morgan Stanley).

At the May 18, 2005 board meeting, representatives of Morgan Stanley and New Vernon Capital then reviewed the process undertaken to date, including the indications of interest received and various financial aspects of the indications of interest, including preliminary valuation information, trading prices for UICI stock and the distribution and composition of the Company's stockholders. At the conclusion of this portion of the meeting, representatives of Morgan Stanley and New Vernon Capital advised the board that the indications of interest received thus far did not represent what they believed could be the best value reasonably obtainable. Representatives of the Company's financial advisors then suggested that, if the board determined to continue the strategic assessment process, the Company consider approaching a small number of additional private equity firms that might reasonably be expected to have potential interest in, and the financial wherewithal to effect, a transaction.

Representatives of management (including the executive officers who were also directors) and the financial advisors were then excused from the May 18th board meeting. The independent directors then discussed among themselves the Company's prospects as an independent Company, including the risks involved in achieving management's forecasts in light of the Company's competitive position and the risks associated with the regulatory issues it confronted. Following discussion and debate, it was the consensus of the independent directors that:

none of the preliminary indications of interest was adequate; and

the strategic assessment process should continue, but should be expanded to include a limited number of additional private equity firms.

Thereafter, confidentiality agreements were executed by, and due diligence information was provided to, three additional private equity firms (including The Blackstone Group), each of which was invited to submit a preliminary indication of interest. In addition, the two private equity firms that had submitted first-round indications of interest were invited into a second, more extensive round of due diligence (which included additional meetings with senior management, access to a data room and due diligence sessions with representatives of the Company's auditors) and were provided additional details regarding management's forecast. Representatives of Morgan Stanley and/or New Vernon Capital participated in all of these sessions other than the due diligence sessions with representatives of the Company's auditors. Of the three additional private equity firms invited to submit preliminary indications of interest, Blackstone submitted an initial indication, subject to additional due diligence and other conditions, of \$38.00 per share, one private equity firm submitted a lower indication and the third additional private equity firm declined to continue to participate in the process.

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At the May 18th board meeting, a representative of Jones Day reviewed change-in-control-triggered severance and retention bonus arrangements. The board instructed the executive compensation committee to consider, with the assistance of counsel and outside executive compensation advisors, customary arrangements of this type with the intent to retain key employees. The executive compensation committee ultimately determined not to recommend change-in-control-triggered severance agreements, or so-called golden parachutes, but to implement the retention bonus program described in *The Merger Interests of Directors and Executive Officers in the Merger UICI Success Bonus Award Plan* beginning on page 58. Counsel and the outside compensation consultants had advised that such arrangements were customary, that the amounts involved were within ranges generally believed to be reasonable in these circumstances, and that arrangements of that type would enhance our ability to retain key employees.

In June 2005, all potential bidders were asked to submit formal proposals, including a mark-up of a definitive transaction agreement prepared by Jones Day. Following additional due diligence (including discussions with the Company's regulatory advisors), in late July, Blackstone submitted a proposal to acquire the Company at \$36.00 per share in cash. Blackstone's proposal was conditioned on the development of an acceptable mechanism by which the independent agents' stock accumulation plans would be continued, face-to-face informational meetings with insurance regulators from a number of states, confirmation that the financial strength ratings of the Company's insurance subsidiaries would not be adversely affected by the transaction and satisfaction that key managers and substantially all of the independent sales agents would stay with the Company. One other bidder indicated a \$32.00 per share price, subject to various conditions, and a third bidder continued to express an interest in a potential transaction but did not submit a specific bid.

The indications of interest were reviewed at a meeting of the non-management directors of the UICI board held on July 26, 2005. Representatives of Morgan Stanley, New Vernon Capital and Jones Day also participated in the meeting. Representatives of Morgan Stanley and New Vernon Capital reviewed the process conducted to date and discussed certain financial and valuation matters, including UICI's stock trading history relative to various indices, the Company's operating results relative to other insurance and managed care companies, securities analysts' views of the Company, management's forecasts and financial metrics in various other transactions believed to be comparable. Representatives of the financial advisors also informed the board that the other potential bidders had indicated that they would not be willing to increase their indicated prices.

A thorough discussion and debate among the directors followed. It was the general consensus of the directors, based in part on input from the Company's legal and financial advisors, that the strategic assessment process undertaken since mid-2004 was reasonably designed and that, at \$36.00 per share, or a higher amount that might be achieved through negotiation, the Blackstone proposal represented a very attractive immediate value for the Company's stockholders, and represented the highest value reasonably likely to be attainable. Balanced against this consideration was the question whether the Company's recent level of performance could be sustained and even further accelerated so as to create greater shareholder value. Recognizing that this was necessarily a matter of judgment, it was the consensus of the board that it was in the best interests of shareholders to see if an acceptable arrangement could be worked out with Blackstone. Accordingly, the board concluded that:

the process should continue, but that Blackstone should be pressed to increase its proposed per share price and modify its conditions to an acceptable level of risk to the Company; and

given the terms of Blackstone's current proposal, the other bidders should have an equal opportunity to increase and modify their bids.

At the direction of the non-management directors, Morgan Stanley communicated the board's conclusions to all parties that had submitted proposals. The bidders other than Blackstone declined to enhance their proposals.

Blackstone was informed of the board's concerns with the conditions Blackstone had proposed and the board's request that Blackstone increase its proposed price. In response, Blackstone posed two alternatives. Blackstone indicated that it would increase its proposed price to \$37.00 per share, but only if UICI immediately signed and announced a letter of intent that provided Blackstone with a break-up fee and expense

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reimbursement if the parties negotiated a transaction and Blackstone was prepared to proceed but UICI ultimately determined not to pursue a transaction with it. Alternatively, Blackstone indicated that it would be willing to increase its proposal to \$36.50 per share if the parties continued to work on a possible transaction in a customary manner to reach a definitive agreement. Following discussions with representatives of senior management, and UICI's advisors, representatives of Morgan Stanley on behalf of the Company informed Blackstone that management would recommend a \$37.00 per share deal to the board if all other terms were satisfactorily resolved. Following negotiations, Blackstone responded that it was willing to proceed on this basis, subject to an understanding that UICI would work with Blackstone to determine whether a definitive transaction could be structured and would reimburse Blackstone for up to \$500,000 of its out-of-pocket costs if Blackstone was prepared to proceed but UICI ultimately determined not to pursue a merger or other strategic transaction. UICI indicated it was willing to proceed on that basis.

In late August 2005, Mr. Jensen met with a representative of Blackstone to assess how UICI's agents would react to a possible transaction with that firm. Mr. Jensen had raised with the board and the Company's advisors his concern that, if the independent insurance agents were to react negatively to a possible transaction, there would be increased risk that the transaction would fail to close in light of the substantial period of time between signing and closing required to obtain regulatory approvals. Following the meeting, Mr. Jensen reported to Dennis McCuiston (the Company's lead director) and Mr. Gedwed (the Company's president and chief executive officer) that, based on his discussion with the Blackstone representative, he was satisfied and Blackstone appeared satisfied that there was not a substantial risk of an adverse reaction on the part of the independent agents to the Blackstone proposal.

During the week of August 21, 2005, representatives of the Company, Blackstone and Morgan Stanley met with representatives of Standard & Poors Rating Service, A.M. Best Co. and Fitch to present various financing scenarios for a possible transaction, all in an effort to obtain assurance that any transaction would not adversely affect the Company's credit ratings or the financial strength ratings of the Company's regulated insurance companies.

On September 2, 2005, Ron Jensen was killed in an automobile accident. On September 5th, the board met to receive an update on the strategic assessment process and to determine whether Mr. Jensen's death affected what the Company should do or the timing for proceeding. It was the consensus of the board that management should continue the process, recognizing that Mr. Jensen's death could impact timing because of probate and other legal considerations. Mr. Gedwed reported at the meeting that he had been advised by Jeffrey Jensen (Mr. Jensen's eldest son) that the Jensen family supported pursuit of a possible transaction despite Ron Jensen's death. Mr. McCuiston also reported at the meeting that Mr. Jensen had informed him prior to his death that Mr. Jensen believed that the proposed transaction was in the best interest of UICI's stockholders generally and would be well received by the Company's independent insurance agents.

From late August through mid-September, representatives of UICI and Blackstone focused on satisfaction of the regulatory and rating agency conditions to signing a definitive agreement that Blackstone had required, developed an approach under which the stock ownership program for the independent sales agents could be continued and negotiated the terms of the definitive merger agreement and other documentation. Blackstone's counsel also negotiated the terms of the Jensen family stockholder support and noncompetition agreements described under "The Merger Voting and Non-Compete Agreements" beginning on page 61 with members of the Jensen family and representatives of Gardere Wynne Sewell LLP, separate counsel for the Jensen family interests.

During this period, Blackstone also finalized the debt and equity commitments necessary for signing a definitive merger agreement. As part of this process, Blackstone committed to make a majority equity investment in the merged Company, and private equity groups within Goldman, Sachs & Co. and DLJ Merchant Banking Partners were invited to make minority equity investments in the merged Company. At this time, Blackstone determined not to utilize the "staple" financing developed by an affiliate of Morgan Stanley in connection with the bidding process. Instead, the Blackstone-led consortium agreed to engage JP Morgan Chase to arrange the financing. See "The Merger Agreement Financing" beginning on page 72.

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JP Morgan Chase subsequently invited both Morgan Stanley and Goldman Sachs Credit Partners to participate in the lending transaction syndicate.

The UICI board again met to review the process on September 7, 2005. Representatives of management reviewed the progress of discussions with Blackstone since the August 5th meeting. A representative of Jones Day reviewed the terms of the transaction, including the increase in the amount of the break-up fee Blackstone had requested in exchange for tightening the closing conditions as requested by UICI. He then reviewed the parties' respective positions on this issue and other unresolved issues and the parties' respective points of view and he indicated that he believed that these issues would be satisfactorily resolved. The representative of Jones Day then explained that, as was typical in these circumstances and as Blackstone had reflected in its indication of interest, Blackstone would require that, prior to signing final agreements, certain key members of management sign term sheets specifying the terms of their post-closing employment, including equity participation. He then reviewed the draft term sheet circulated by Blackstone's counsel in late August 2005 and explained that the term sheets would have to be finalized before Blackstone would sign definitive agreements. See *The Merger - Interests of Directors and Executive Officers in the Merger* beginning on page 57 for a discussion of these arrangements.

Over the next several days, representatives of Jones Day and representatives of Wachtell, Lipton Rosen & Katz (outside legal counsel for Blackstone) continued to negotiate the definitive transaction documentation. At meetings held during the period September 12-14, representatives of the Company and Blackstone advised representatives of the departments of insurance of five states of a possible transaction.

The UICI board of directors met on September 14, 2005, to consider the merger agreement and related matters. Messrs. Gedwed and Reed (the Company's general counsel) updated the directors on the course of discussions to date, presentations to and reactions of the rating agencies and the discussions with key regulators that had taken place over the last several days. They also explained the provisions worked out to permit the continuation of the stock accumulation plans for UICI's independent insurance agents and the rollover of agent equity in the current stock accumulation plans into the merged company.

A representative of Jones Day then reviewed the directors' fiduciary duties in this context. He also described the few remaining open items in the definitive merger documentation, including the size of the break-up fee and the circumstances that would trigger payment of the break-up fee. The representative of Jones Day then reviewed the terms of each aspect of the transaction in which it could be said that management or the directors had interests that were in addition to or different from the interests of shareholders generally. They included the provisions for continued employment reflected in term sheets that Blackstone was requiring be signed by senior executives (including Mr. Gedwed) before it would sign a definitive agreement. The term sheets had been provided to senior managers on September 13th and 14th. The representative of Jones Day then reviewed the limitations on the Company's right to consider an alternative transaction after a merger agreement was signed, the voting and non-competition agreements that the Jensen family stockholders were being required by Blackstone to sign and the conditions to the closing.

Representatives of Morgan Stanley then reviewed the financial aspects of the proposed merger. At the conclusion of Morgan Stanley's presentation, a representative of Morgan Stanley orally delivered Morgan Stanley's opinion (which opinion was subsequently confirmed in writing) that as of the date of such opinion, and based upon and subject to the assumptions, qualifications and limitations set forth in their opinion, the \$37.00 per share cash merger consideration to be received by UICI stockholders pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares). During this presentation, representatives of Morgan Stanley reviewed with the board that an affiliate of Morgan Stanley expected to participate in the financing arranged by J.P. Morgan, and would receive compensation in connection with such participation. The Morgan Stanley representatives indicated that the affiliate expected at that time to provide approximately 30% of the total amount of the debt financing arranged by J.P. Morgan for which it would receive customary fees.

A representative of New Vernon Capital then summarized that firm's financial analysis of the possible transaction. At the conclusion of New Vernon Capital's presentation, the representative orally delivered New Vernon Capital's opinion (which opinion was subsequently confirmed in writing) that as of the date of such

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opinion, and based upon and subject to the assumptions, qualifications and limitations set forth in their opinion, the \$37.00 per share cash merger consideration to be received by UICI stockholders pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares).

The full text of the written opinions of each of Morgan Stanley and New Vernon Capital, each dated September 15, 2005, which set forth the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley and New Vernon Capital, respectively, are attached as Annexes C and D to this document.

Representatives of management, including the executive officers who were also directors, were then excused from the September 14th 2005 meeting so that the independent directors could deliberate among themselves. It was the consensus of the non-management directors that the Company should proceed with the transaction. Following this discussion, the management directors were invited back into the meeting and the board, by unanimous vote of all of its members, determined to authorize the Company to enter into the merger agreement and resolved to recommend that UICI's stockholders vote FOR the proposal to adopt the merger agreement and vote FOR the approval of the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies in favor of the merger proposal.

Thereafter, representatives of Blackstone and UICI met to finalize the transaction documentation, throughout the night of September 14th. The transaction was publicly announced on September 15th.

Recommendation of our Board of Directors; Reasons for the Merger

The UICI board of directors determined, by unanimous vote of all of its members, that the merger is fair to and in the best interests of UICI and its stockholders. The board unanimously approved and declared advisable the merger agreement and recommends that stockholders vote or give instructions to vote FOR the proposal to adopt the merger agreement.

In reaching its decision to approve the merger agreement and the merger, the UICI board of directors consulted with legal counsel regarding the directors' legal duties, the terms of the merger agreement and related issues; with its financial advisors regarding the financial aspects of the transaction; and with senior management of UICI regarding, among other things, the industry, management's plans and UICI's prospects. In addition, the executive compensation committee, comprised solely of independent directors, consulted with an independent executive consulting firm and counsel with regard to change-in-control arrangements for management. The determination by the UICI board to approve the merger was the result of consideration of numerous factors, including:

the specific factors described in "The Merger - Background of the Merger" beginning on page 32.

its understanding of, and management's presentations regarding, the business, operations, financial condition, earnings and future prospects of UICI;

its understanding of, and management's presentations regarding, the health/life insurance and managed care businesses, including the increasingly competitive landscape resulting from consolidation in the business and the need for increased scale in order to achieve its business plan and remain competitive, the potential effect of consolidation on UICI in the absence of the proposed transaction and the impact a failure to meet management projections could have on the Company's prospects;

the process undertaken by the Company in pursuing a transaction aimed at enhancing shareholder value;

the generally favorable environment for private equity investment, the lack of substantial interest in the Company by strategic buyers and the possibility that the Company could not obtain as favorable terms as those proposed by Blackstone if it delayed or terminated the process;

the fact that the merger consideration represented a premium of 19% over the closing price of UICI common stock on September 14, 2005 (the last trading day prior to the announcement of the merger),

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a premium ranging from 3% to 69% over the high and low trading prices of UICI common stock for the preceding 12 months and exceeded the all-time high trading price of UICI common stock;

the presentations and opinions of Morgan Stanley and New Vernon Capital that, as of the date of those opinions and based upon and subject to the assumptions, qualifications and limitations set forth in those opinions, the \$37.00 per share cash merger consideration to be received by holders of shares of UICI common stock pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares);

the desire of the Jensen family to consider monetization of a substantial portion of its holdings of UICI stock;

the support for the transaction by the Jensen family stockholders, whose UICI stock ownership represented approximately 28% of the Company's outstanding common stock on the date the merger was announced, evidenced by the execution by those stockholders of a voting agreement in favor of the transaction;

the provisions of the merger agreement designed to permit the continuation of the stock accumulation plans for UICI's independent insurance agents;

the provisions of the merger agreement which give the UICI board the ability, in the event that UICI receives an unsolicited superior proposal, to furnish information to and conduct negotiations with a third party, and to enter into an agreement for a superior proposal after complying with certain requirements, including payment of either a termination fee or the reimbursement of certain expenses;

the stockholder voting and non-competition agreements required by Blackstone of members of the Jensen family and the termination provisions applicable to their undertaking to support the merger;

the debt and equity commitment letters available to affiliates of Blackstone, Goldman Sachs Capital Partners and DLJ Merchant Banking Partners and the guarantees provided by the private equity firms of the payment obligations of the Merger Cos under the merger agreement demonstrating a commitment to complete the merger; and

the likelihood of the merger being approved by appropriate regulatory authorities without burdensome conditions, and the satisfaction of the other conditions to the completion of the merger.

The UICI board of directors also considered and balanced against the potential benefits of the proposed merger the potential risks associated with the merger, including:

the improvement in the Company's results of operations during 2005 and the general increase in trading prices for its common stock since 2004;

the general potential for growth and increased shareholder value if UICI were to remain independent and achieve management's forecast of accelerated future growth beginning in 2008;

the fact that the receipt of cash in the merger would be a taxable event to stockholders for U.S. federal income tax purposes;

the risk that the financing contemplated by the debt commitment letters may not be available on the terms of those commitment letters; and

the possibility that the merger might not be completed and the resulting potential adverse consequences to the Company.

The UICI board of directors determined that the potential negative factors were substantially outweighed by the potential benefits of the merger.

The factors described above are not intended to be exhaustive but include the material factors considered by the UICI board of directors. In view of its many considerations, the board considered these factors as a whole and did not quantify or otherwise assign relative weights to the specific factors considered. In reaching its decision to approve the merger and recommend adoption of the merger agreement, the UICI board viewed

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its recommendation as being based on the totality of the information presented to it and considered by it. Individual directors may have given different weights to different factors.

In considering the recommendation of the UICI board of directors to vote for the adoption of the merger agreement, you should be aware that certain members of the board and executive officers of UICI may have interests in the merger that differ from, or are in addition to, their interests as UICI stockholders. The board was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. See *The Merger Interests of Directors and Executive Officers in the Merger* beginning on page 57.

Opinion of Morgan Stanley

Pursuant to an engagement letter dated August 16, 2004, UICI retained Morgan Stanley to provide it with financial advisory services in connection with the Company's planning and execution of potential strategic transactions. At the meeting of the UICI board of directors on September 14, 2005, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that, as of the date of the opinion, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the \$37.00 per share cash consideration to be received by the holders of shares of UICI common stock pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares).

The full text of Morgan Stanley's written opinion, dated September 15, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion is attached as Annex C to this document. The summary of Morgan Stanley's opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. We urge you to read the entire opinion carefully.

Morgan Stanley's opinion was directed to the board of directors of UICI, addresses only the fairness from a financial point of view of the consideration to be received by holders of UICI common stock pursuant to the merger agreement (other than holders of retained shares as to such retained shares) as of the date of the opinion, and does not address any other aspect of the merger, including the relative merits of the merger as compared to other business strategies potentially available to UICI, nor does it address UICI's underlying business decision to enter into the merger agreement. Morgan Stanley's opinion does not constitute a recommendation to any holder of UICI common stock as to how such stockholder should vote at the special meeting. In addition, Morgan Stanley's opinion does not constitute any opinion or recommendation as to whether any participant in any agent stock accumulation plan should refrain from withdrawing shares of UICI common stock from such plan or as to whether any member of senior management or key employee who holds management shares should take action to cause such shares not to be converted into the merger consideration and, in any such case, should not be relied upon by any such participant or holder, respectively, as such.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other information of UICI;

reviewed certain internal financial statements and other financial and operating data concerning UICI prepared by the management of UICI;

analyzed certain financial projections prepared by the management of UICI;

discussed the past and current operations and financial condition and the prospects of UICI with senior executives of UICI;

reviewed the reported prices and trading activity for the UICI common stock;

compared the financial performance of UICI and the prices and trading activity of UICI common stock with that of certain other comparable publicly-traded companies and their securities;

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reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in discussions and negotiations among representatives of UICI, the Merger Cos and their financial and legal advisors;

reviewed a copy of the merger agreement and certain related documents;

reviewed a copy of the voting agreement;

reviewed copies of the equity commitment letters from each of The Blackstone Group, Goldman Sachs Capital Partners, DLJ Merchant Banking Partners or their affiliates, each dated September 15, 2005;

reviewed copies of the limited guarantees from each of The Blackstone Group, Goldman Sachs Capital Partners, DLJ Merchant Banking Partners or their affiliates, each dated as of September 15, 2005;

reviewed a copy of the forward underwriting commitment letter from J.P. Morgan Securities Inc., dated September 15, 2005;

reviewed a copy of the debt financing commitment letter from JP Morgan Chase Bank, N.A., Goldman Sachs Credit Partners L.P., Morgan Stanley Senior Funding, Inc. and J.P. Morgan Securities Inc., dated September 15, 2005; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to it for the purposes of its opinion. With respect to the financial projections, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of UICI. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement and the voting agreement, and that the equity and debt financing for the merger would be consummated on terms no less favorable than those set forth in the equity and debt financing commitment letters described above. Morgan Stanley is not a legal, regulatory or tax expert and relied on UICI with respect to the legal, regulatory and tax advice it received. Morgan Stanley assumed that in connection with the receipt of all necessary regulatory approvals for the proposed merger no restrictions would be imposed that would have a material adverse effect on the consummation of the merger as contemplated in the merger agreement. Morgan Stanley was not requested to make, and did not make, any independent valuation or appraisal of the assets or liabilities of UICI, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley's opinion did not address the solvency or fair value of UICI, any of the MergerCos or SibCos or any other entity under any U.S. state, U.S. federal or any other applicable laws relating to bankruptcy, insolvency or similar matters. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as they existed, and the information made available to it, as of the date of the opinion.

The following is a brief summary of the material analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion, dated September 15, 2005. Although each analysis was provided to the UICI board of directors, in connection with arriving at its opinion, Morgan Stanley considered all of its analysis as a whole and did not attribute any particular weight to any analysis described below. Some of these summaries include information presented in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

Historical Stock Trading Analysis. Morgan Stanley performed a trading range analysis to provide background and perspective with respect to the premium of the \$37.00 per share cash consideration to the closing share price of UICI common stock on September 13, 2005, the last trading day prior to the meeting of the UICI board of directors to

approve the merger, the volume weighted average trading prices of UICI

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common stock for the 3-month and 6-month periods ending September 13, 2005, and the 52-week high and low trading prices for the UICI common stock for the period ended September 13, 2005.

Morgan Stanley observed the following:

| Stock Price | | \$37.00 As Premium |
|-------------------------------------|----------|-------------------------------|
| Closing Price on September 13, 2005 | \$ 31.67 | 16.8% |
| Period Ending September 13, 2005 | | |
| 1 Month Volume Weighted Average | \$ 31.44 | 17.7% |
| 3 Month Volume Weighted Average | \$ 30.64 | 20.8% |
| 6 Month Volume Weighted Average | \$ 27.75 | 33.3% |
| 12 Month Volume Weighted Average | \$ 29.68 | 24.7% |
| 52-week High | \$ 36.40 | 1.6% |
| 52-week Low | \$ 21.31 | 73.6% |

Transaction Multiple Analysis. In addition, Morgan Stanley calculated the multiple of the aggregate transaction value to 2005 estimated earnings, next twelve months estimated earnings and 2006 estimated earnings, in each case based upon both median earnings per share, or EPS, estimates obtained from Institutional Brokers Estimate System, or IBES, and upon UICI management estimates. IBES is a database owned and operated by Thomson Financial, which contains estimated and actual earnings, cash flows, dividends, sales and pre-tax income data for companies in the U.S., Europe, Asia and emerging markets. For purposes of this analysis, Morgan Stanley calculated an aggregate transaction value of approximately \$1.73 billion by adding UICI's approximately \$15 million in outstanding debt to an aggregate equity purchase price of approximately \$1.715 billion based upon the \$37.00 per share cash consideration multiplied by approximately 46.4 million shares of UICI common stock on a fully diluted basis using the treasury method.

Morgan Stanley observed the following:

| Multiple of Aggregate Equity Purchase Price to | Wall Street Estimates | Management Estimates |
|---|----------------------------------|---------------------------------|
| 2005 estimated earnings | 9.3x | 8.9x |
| Next twelve months estimated earnings | 10.2x | 8.8x |
| 2006 estimated earnings | 11.2x | 8.7x |

Morgan Stanley also calculated the multiple of aggregate transaction value to latest twelve months (LTM) earnings before interest, taxes, depreciation and amortization, or EBITDA, and book value as of June 30, 2005 as set forth below:

| | |
|---|-------|
| Multiple of Aggregate Value to LTM EBITDA | 5.6x |
| Multiple of \$37.00 Price to Book Value Per Share | 2.12x |

Historical Share Price Analysis. Morgan Stanley reviewed the historical trading prices for the UICI common stock over the five-year period ended September 13, 2005 and the period January 1, 2004 through September 13, 2005. Morgan Stanley noted that UICI's share price had remained below \$20.00 for much of the 5-year period ended September 13, 2005, primarily due to legal and regulatory issues, as well as issues related to divested businesses. Morgan Stanley noted that the five-year high and low prices for the UICI common stock were \$36.40 and \$5.13, respectively, and that the UICI common stock hit an all-time high of \$36.75 on January 6, 1998. Morgan Stanley also noted that the price of the UICI common stock had risen 45% since the announcement of earnings for the first quarter

of 2005 on April 28, 2005 and 138% since January 1, 2004.

Relative Share Price Analysis. Morgan Stanley also compared the historical trading performance of the UICI common stock over the period January 1, 2004 through September 13, 2005 with that of (i) an index of

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publicly traded managed care companies set forth in the following table, (ii) an index of publicly traded supplemental health and disability companies set forth in the following table, and (iii) the S&P 500 index.

| Managed Care Companies | Supplemental Health and Disability Companies |
|---------------------------------|---|
| UnitedHealth Group Incorporated | AFLAC Incorporated |
| WellPoint, Inc. | Torchmark Corporation |
| Aetna Inc. | UNUMProvident Corporation |
| CIGNA Corporation | Assurant, Inc. |
| Coventry Health Care, Inc. | StanCorp Financial Group, Inc. |
| Humana Inc. | Delphi Financial Group, Inc. |
| WellChoice, Inc. | Universal American Financial Corp. |
| Health Net, Inc. | Conseco, Inc. |
| Sierra Health Services, Inc. | |

Morgan Stanley selected these managed care companies and supplemental health and disability companies because they participate in similar markets to UICI and maintain certain financial and operating characteristics similar to those of UICI. However, none of these companies is identical to, or directly comparable with, UICI. In particular, Morgan Stanley noted that the managed care companies are the closest trading comparables to UICI but that they operate on substantially different scale and business models than UICI. Morgan Stanley also noted that the companies that provide supplemental health and disability insurance are also relevant, but less so from a business perspective.

The table below presents the percentage change in the price of UICI common stock over calendar 2004, for the period January 1, 2005 through September 13, 2005 and for the period January 1, 2004 through September 13, 2005 compared with the performance of the S&P 500 index, the index of managed care companies and the index of supplemental health and disability companies.

| Company/ Market Index | Relative Price Change from January 1, 2004 to December 31, 2004 | Relative Price Change from January 1, 2005 to September 13, 2005 | Relative Price Change from January 1, 2004 to September 13, 2005 |
|--|--|---|---|
| UICI | 155% | (7)% | 138% |
| S&P 500 Index | 9% | 2% | 11% |
| Managed Care Companies Index | 48% | 34% | 98% |
| Supplemental Health & Disability Companies Index | 23% | 13% | 38% |

Review of Analyst Estimates. Morgan Stanley reviewed recent earnings per share estimates for UICI for 2005 and 2006 prepared by Wall Street analysts and compared them with estimates prepared by UICI management. Those estimates were as follows:

| Firm | EPS Estimate | | Recommendation |
|-------------|---------------------|-------------|-----------------------|
| | 2005 | 2006 | |
| | | | |

| | | | |
|-----------------------------|---------|---------|----------------|
| Sandler O'Neill | \$ 3.98 | \$ 3.47 | Hold |
| Cochran, Caronia Securities | \$ 4.18 | \$ 3.30 | Market Perform |
| Dowling & Partners | \$ 2.95 | \$ 3.16 | Neutral |
| Median Analyst Estimate | \$ 3.98 | \$ 3.30 | |
| UICI Management Estimate | \$ 4.14 | \$ 4.26 | |

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Morgan Stanley also reviewed historical quarterly earnings per share results for UICI and compared these results to publicly available consensus equity research estimates in effect as of the date immediately preceding the release of actual quarterly results. Morgan Stanley observed the following:

| Fiscal Quarter | Actual EPS | Consensus Estimate | Actual Vs. Estimate | Stock Price Reaction | |
|----------------|---------------|-----------------------|------------------------|-------------------------|--------|
| | | | | 1 Day | 1 Week |
| Q1 2004 | \$ 0.68 | \$ 0.58 | 17.2% | +6.2% | +14.0% |
| Q2 2004 | \$ 0.76 | \$ 0.57 | 33.3% | +0.9% | +4.7% |
| Q3 2004 | \$ 0.71 | \$ 0.68 | 4.4% | +0.9% | +8.1% |
| Q4 2004 | \$ 0.93 | \$ 0.88 | 5.7% | +3.1% | (0.1%) |
| Q1 2005 | \$ 1.11 | \$ 0.75 | 48.0% | +6.0% | +12.4% |
| Q2 2005 | \$ 1.11 | \$ 0.80 | 38.8% | +2.8% | +8.0% |

Comparable Company Analysis. Morgan Stanley performed a comparable company analysis, which attempts to provide an implied value of a company by comparing it to similar companies. Morgan Stanley reviewed and analyzed certain public market trading multiples and financial information for the managed care companies and supplemental health and disability companies described under *Relative Share Price Analysis* above.

For purposes of this analysis, Morgan Stanley analyzed the following statistics of each of these companies for comparison purposes:

the ratio of stock price as of September 13, 2005 to estimated earnings per share (EPS) for calendar 2005, estimated EPS for the next twelve months (NTM) and estimated EPS for calendar 2006;

the ratio of price to NTM estimated EPS, as a multiple of estimated IBES long term earnings growth estimates and the ratio of price to calendar 2006 estimated earnings per share, as a multiple of estimated long term earnings growth;

in the case of the managed care companies, the multiple of aggregate value (defined as public equity market value plus total book value of debt, total book value of preferred stock and minority interest) to 2005 estimated revenue and 2005 estimated earnings before interest, taxes, depreciation and amortization (EBITDA); and

in the case of the supplemental health and disability companies, the ratio of stock price as of September 13, 2005 to book value per share (as of June 30, 2005).

Morgan Stanley calculated these financial metrics and ratios based upon median EPS estimates obtained from IBES and, in the case of UICI, also upon management EPS estimates.

A summary of the reference ranges, mean and median of multiples and ratios derived by Morgan Stanley is set forth below:

| Managed Care Companies | UICI | | | |
|------------------------|-----------------------|----------------------|------|------|
| | Wall Street Estimates | Management Estimates | | |
| Range | Mean | Median | 8.0x | 7.7x |
| 15.3x - 22.5x | 18.9x | 18.3x | | |

| | | | | | |
|---|---------------|-------|-------|------|-------|
| Ratio of Price to 2005 Estimated EPS | | | | | |
| Ratio of Price to NTM Estimated EPS | 14.7x - 19.9x | 17.5x | 17.3x | 8.7x | 7.5x |
| Ratio of Price to 2006 Estimated EPS | 14.2x - 18.6x | 16.3x | 16.4x | 9.6x | 7.4x |
| NTM P/ E to Growth | 0.99x - 1.47x | 1.22x | 1.14x | | 0.76x |
| 2006 Estimated P/ E to Growth | 0.94x - 1.42x | 1.14x | 1.06x | | 0.75x |
| Multiple of Aggregate Value to 2005 Estimated Revenue | 0.5x - 1.6x | 1.1x | 1.1x | | 0.7x |
| Multiple of Aggregate Value to 2005 Estimated EBITDA | 10.0x - 12.7x | 11.0x | 10.5x | | 4.5x |

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| | Supplemental Health and Disability Companies | | | UICI | |
|---|---|-------------|---------------|------------------------------|-----------------------------|
| | Range | Mean | Median | Wall Street Estimates | Management Estimates |
| Multiple of Price to 2005 Estimated EPS | 11.4x - 20.1x | 13.6x | 12.0x | 8.0x | 7.7x |
| Multiple of Price to NTM Estimated EPS | 10.8x - 17.3x | 12.7x | 11.5x | 8.7x | 7.5x |
| Multiple of Price to 2006 Estimated EPS | 10.3x - 15.2x | 12.0x | 11.1x | 9.6x | 7.4x |
| NTM Estimated P/ E to Growth | 1.03x - 1.33x | 1.13x | 1.10x | | 0.76x |
| 2006 Estimated P/ E to Growth | 0.98x - 1.17x | 1.07x | 1.06x | | 0.75x |
| | | | | UICI | |
| Multiple of Price to Book Value | 0.73x - 2.66x | 1.60x | 1.55x | 2.12x | |

Morgan Stanley noted that none of the companies in the Managed Care Index or the Supplemental Health and Disability Index is identical to, or directly comparable with, UICI. In particular, Morgan Stanley noted that, while the managed care companies are the closest trading comparables to UICI, they operate on substantially different scale and business models than UICI. Morgan Stanley also noted that the insurance companies that provide supplemental health and disability insurance are also relevant, but less so from a business perspective.

Morgan Stanley also observed that the UICI common stock has consistently traded at a discount, on a price-to-earnings per share basis, to the comparable companies when averaged over various periods prior to September 13, 2005 as set forth below:

| Period Ending September 13, 2005 | Discount of UICI P/ E Ratio to | |
|---|---------------------------------------|---|
| | Managed Care Index | Supplemental Health and Disability Index |
| 2 year average | 35.7% | 24.0% |
| 1 year average | 38.9% | 21.7% |
| 6 month average | 47.9% | 25.6% |
| 30 day average | 49.4% | 25.2% |
| Current, as of September 13, 2005 | 50.0% | 27.2% |

Based on this analysis, Morgan Stanley applied a discount range of 40%-50% to the median price-to-earnings per share (P/ E) multiple for the companies in the Managed Care Index and applied a discount range of 20%-30% to the median price-to-earnings per share multiple for the companies in the Supplemental Health and Disability Index.

Applying the discount, Morgan Stanley derived a multiple range of 8.7x-10.4x price-to-estimated NTM earnings per share relative to the companies in the Managed Care Index and a multiple range of 8.1x-9.2x price-to-estimated NTM earnings per share relative to the companies in the Supplemental Health and Disability Index.

Using its selected multiple ranges, Morgan Stanley calculated implied valuation ranges for UICI by applying the ranges of multiples to the applicable UICI statistic based on median earnings per share, or EPS, estimates obtained from IBES and upon UICI management estimates, as set forth below:

| Managed Care Companies | UICI NTM EPS | Median P/E Ratio | Discount Range | P/E Range | Implied Valuation Range |
|-------------------------------|-----------------------------|---------------------------------|---------------------------|----------------------|--|
| Wall Street Estimates | \$ 3.64 | 17.3x | 40% -50% | 8.7x - 10.4x | \$31.49 - \$37.78 |
| Management Estimates | \$ 4.20 | 17.3x | 40% -50% | 8.7x - 10.4x | \$36.33 - \$43.60 |

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| Supplemental Health and Disability Companies | UICI NTM EPS | Median P/E Ratio | Discount Range | P/E Range | Implied Valuation Range |
|---|-----------------------------|---------------------------------|---------------------------|------------------|--|
| Wall Street Estimates | \$ 3.64 | 11.5x | 20% - 30% | 8.1x - 9.2x | \$29.30 - \$33.49 |
| Management Estimates | \$ 4.20 | 11.5x | 20% - 30% | 8.1x - 9.2x | \$33.81 - \$38.64 |

In addition, using assumed long-term earnings growth rates of 7.5% to 10.0%, Morgan Stanley derived implied valuation ranges for the UICI common stock as set forth below:

| | UICI NTM EPS | Long-Term Growth Estimate | PE/G Range | P/E Range | Implied Valuation Range |
|-----------------------|-----------------------------|--|-----------------------|----------------------|--|
| Wall Street Estimates | \$ 3.64 | 7.5% - 10.0% | 1.00x - 1.20x | 7.5x - 12.0x | \$27.30 - \$43.68 |
| Management Estimates | \$ 4.20 | 7.5% - 10.0% | 1.00x - 1.20x | 7.5x - 12.0x | \$31.50 - \$50.40 |

Morgan Stanley noted that, there were no published Wall Street research estimates for UICI long-term earnings per share growth, UICI management projections assumed a 9.9% earnings per share compound annual growth rate from 2005 through 2009.

Morgan Stanley noted that the merger consideration per share of UICI common stock was \$37.00.

Morgan Stanley noted that no company utilized in this analysis is identical to UICI because of differences between the business mix, operations and other characteristics of UICI and the comparable companies. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of UICI, such as the impact of competition on the business of UICI and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of UICI or the industry or in the markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Precedent Transactions Analysis. Morgan Stanley performed a precedent transactions analysis, which is designed to imply a value of a company based on publicly available terms and premiums of selected transactions that share some of the characteristics with the merger. In connection with this analysis, Morgan Stanley compared publicly available statistics for selected transactions in the managed care sector announced during the period commencing on March 9, 1998 and ending on July 6, 2005 in which the transaction values were greater than \$500 million. The following is a list of these transactions (listed target/acquirer):

PacifiCare Health Systems, Inc./ UnitedHealth Group Incorporated

American Medical Security Group, Inc./ PacifiCare Health Systems, Inc.

Oxford Health Plans, Inc. / UnitedHealth Group Incorporated

Mid Atlantic Medical Services, Inc./ UnitedHealth Group Incorporated

Golden Rule Financial Corporation/ UnitedHealth Group Incorporated

WellPoint Health Networks Inc./ Anthem, Inc.

Cobalt Corporation/ WellPoint Health Networks Inc.

Trigon Healthcare, Inc./ Anthem, Inc.

RightCHOICE Managed Care, Inc./ WellPoint Health Networks Inc.

Blue Cross and Blue Shield of Georgia, Inc./ WellPoint Health Networks Inc.

John Alden Financial Corporation/ Fortis, Inc.

For each transaction noted above, Morgan Stanley reviewed the following financial statistics, where available:
(1) implied premium to stock price one-day and 30-days prior to announcement, (2) the ratio of

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implied equity value to last twelve months (LTM) and next twelve months (NTM) net income and (3) the ratio of implied aggregate value (defined as implied equity value plus total book value of debt, total book value of preferred stock and minority interest) to last twelve months earnings before interest, taxes, depreciation and amortization (EBITDA). For transactions involving consideration consisting of stock or a mix of cash and stock, Morgan Stanley calculated the value of the equity portion of the consideration to be received by the holders of target company stock based upon the price of the acquiring company's stock on the day prior to announcement of the transaction. The following table summarizes Morgan Stanley's observations for the transactions noted above:

| Summary of Precedent Transactions Statistics | Premium to Stock Price | | Equity Value to | | Aggregate Value to |
|---|---------------------------|---------------------|----------------------|----------------------|-----------------------|
| | 1 Day Prior | 30 Days Prior | LTM Net Income | NTM Net Income | LTM EBITDA |
| High | 46.3% | 54.5% | 34.8x | 21.2x | 20.6x |
| Mean | 20.8% | 31.0% | 18.3x | 16.7x | 12.1x |
| Median | 16.0% | 29.6% | 15.6x | 15.4x | 10.6x |
| Low | (0.6)% | 4.7% | 10.5x | 12.8x | 8.4x |

For each of the target companies in the transactions noted above, Morgan Stanley also reviewed (1) the median IBES long-term earnings per share growth estimates and (2) the ratio of the transaction price to estimated NTM earnings per share based on IBES estimates, as a multiple of IBES median estimated earnings per share growth (PE/G). Morgan Stanley observed the following:

| Summary of Precedent Transactions Statistics | Long Term Growth Estimate | NTM PE/LTG |
|---|---------------------------------|---------------|
| High | 20.0% | 1.62 |
| Mean | 15.3% | 1.15 |
| Median | 15.0% | 1.06 |
| Low | 12.0% | 0.93 |

The following tables summarize Morgan Stanley's analysis, based on the closing price per share of UICI common stock on September 13, 2005 and 12-month volume weighted average trading price for the UICI common stock:

| Stock Price Premium | Price | Median Premium | Selected Premium Range | Implied Valuation Range |
|---------------------|----------|-------------------|------------------------------|-------------------------------|
| Current Price | \$ 31.67 | 16.0% | 10.0% - 20.0% | \$34.84 - \$38.00 |
| 12-Month Average | \$ 29.68 | | 10.0% - 25.0% | \$32.65 - \$37.10 |

| NTM P/E | EPS | LTG | PE/G Range | P/E Range | Implied Valuation Range |
|-----------------------|---------|-----|---------------|--------------|----------------------------|
| Wall Street Estimates | \$ 3.64 | | 0.90x - 1.15x | 6.8x - 11.5x | \$ 24.57 - \$41.86 |

| | | | | | |
|------------|---------|--------|---------------|--------------|--------------------|
| | | 7.5% - | | | |
| | | 10.0% | | | |
| Management | | 7.5% - | | | |
| Estimates | \$ 4.20 | 10.0% | 0.90x - 1.15x | 6.8x - 11.5x | \$ 28.35 - \$48.30 |

Morgan Stanley noted that, while there were no published Wall Street research estimates for UICI long-term earnings per share growth, UICI management projections assumed a 9.9% earnings per share compound annual growth rate from 2005 through 2009.

Morgan Stanley noted that the merger consideration per share of UICI common stock was \$37.00.

Morgan Stanley noted that the merger and acquisition transaction environment varies over time because of macroeconomic factors (such as interest rate and equity market fluctuations) and microeconomic factors (such as industry results and growth expectations). Morgan Stanley noted that no company or transaction reviewed or utilized in the precedent transaction analysis was identical to UICI or the proposed merger and that, accordingly, these analyses involve complex considerations and judgments concerning differences in

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financial and operating characteristics of UICI and other factors that would affect the acquisition values in the comparable transactions, including the size and demographic and economic characteristics of the markets of each company and the competitive environment in which it operates. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to the general business, market and financial conditions and other matters, which are beyond the control of UICI, such as the impact of competition on the business of UICI or the industry generally, industry growth and the absence of any adverse material change in the financial condition of UICI or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared. Mathematical analysis (such as determining the average or median) are not themselves meaningful methods of using comparable transaction data.

Review of Projected Financial Performance. Morgan Stanley reviewed UICI's historical revenue, pre-tax margin, net income from continuing operations and EPS for the years 2002 through 2004 and UICI management estimates of the same financial statistics for the years 2005 through 2009. Morgan Stanley noted that UICI management projected a compound annual growth rate of 9.9% per year for each of revenue, net income from continuing operations and earnings per share over the period 2005 through 2009.

Morgan Stanley compared management's estimates to a Sensitivity Case developed in September 2005 to assess the potential adverse impact of certain business, competitive and regulatory factors. The Sensitivity Case assumptions, which were reviewed and discussed with the management of UICI, assumed lower growth rates and margins. The following table compares UICI management's earnings per share estimates with earnings per share estimates developed under the Sensitivity Case and, in the case of years 2005 and 2006, median wall street analyst earnings per share estimates:

| EPS Estimates | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Management Case | \$ 4.14 | \$ 4.26 | \$ 4.56 | \$ 5.25 | \$ 6.03 |
| Sensitivity Case | \$ 4.14 | \$ 3.49 | \$ 3.69 | \$ 3.88 | \$ 4.10 |
| Median Wall Street Estimates | \$ 3.98 | \$ 3.30 | | | |

In addition, Morgan Stanley reviewed UICI management's earnings estimates with the Sensitivity Case on a segment-by-segment basis, together with the implied compound annual growth rate (CAGR) for the period 2005 through 2009 (other than with respect to the Student segment, for which CAGR is provided for the period 2006 through 2009), as set forth below:

Management Case
(\$ in millions)

| Segment Earnings | 2005E | 2006 | 2007 | 2008 | 2009 | CAGR |
|-------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Self-Employed Agency | \$ 274.0 | \$ 246.7 | \$ 248.7 | \$ 279.0 | \$ 312.7 | 3.4% |
| Student | \$ (3.7) | \$ 13.2 | \$ 20.4 | \$ 26.3 | \$ 33.8 | 36.2% |
| Star | \$ 7.3 | \$ 16.2 | \$ 18.3 | \$ 21.1 | \$ 24.6 | 35.6% |
| Life | \$ 8.5 | \$ 13.3 | \$ 17.0 | \$ 20.1 | \$ 22.5 | 27.7% |
| Zon Re | \$ 6.8 | \$ 8.8 | \$ 10.6 | \$ 12.6 | \$ 15.1 | 22.3% |
| Total | \$ 292.8 | \$ 298.2 | \$ 315.0 | \$ 359.1 | \$ 408.1 | 8.7% |

Table of Contents**Sensitivity Case**
(\$ in millions)

| Segment Earnings | 2006 | 2007 | 2008 | 2009 | CAGR |
|----------------------|----------|----------|----------|----------|--------|
| Self-Employed Agency | \$ 207.2 | \$ 214.8 | \$ 216.6 | \$ 218.2 | (5.5)% |
| Student | \$ 6.6 | \$ 7.1 | \$ 10.8 | \$ 15.0 | 31.5% |
| Star | \$ 11.1 | \$ 12.1 | \$ 13.1 | \$ 14.3 | 18.4% |
| Life | \$ 10.8 | \$ 11.5 | \$ 12.3 | \$ 13.2 | 11.7% |
| Zon Re | \$ 6.0 | \$ 6.3 | \$ 6.7 | \$ 7.0 | 0.9% |
| Total | \$ 241.8 | \$ 251.8 | \$ 259.4 | \$ 267.7 | (2.2)% |

Discounted Cash Flow Analysis. Morgan Stanley calculated ranges of implied equity values per share for UICI as of December 31, 2005 based on a discounted cash flow analysis utilizing UICI management projections for the years 2005 through 2009, extrapolations of such projections for 2010 and the sensitivity case described above. In arriving at the estimated equity values per share of UICI common stock, Morgan Stanley calculated a terminal value as of December 31, 2010 by applying a range of next twelve months earnings multiples ranging from 8.0x to 10.0x. The unlevered free cash flows from calendar years 2006 through 2010 and the terminal value were then discounted to present values using a range of discount rates from 10.0% to 15.0%. Morgan Stanley incorporated a risk premium to UICI's predicted weighted average cost of capital to take into account unique risks for UICI and the health insurance industry. Cash flows were calculated based on net cash flow at the holding company level, taking into account maximum allowable insurance company dividends and a 350% minimum risk based capital ratio.

| P/E Terminal Multiple | 8.0x | | | 9.0x | | | 10.0x | | |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Discount Rate | 10.0% | 12.5% | 15.0% | 10.0% | 12.5% | 15.0% | 10.0% | 12.5% | 15.0% |
| Management Case | \$ 48.32 | \$ 44.21 | \$ 40.60 | \$ 52.19 | \$ 47.68 | \$ 43.70 | \$ 56.06 | \$ 51.14 | \$ 46.80 |
| Sensitivity Case | \$ 34.66 | \$ 31.89 | \$ 29.44 | \$ 37.24 | \$ 34.20 | \$ 31.51 | \$ 39.82 | \$ 36.50 | \$ 33.58 |

Morgan Stanley noted that the merger consideration per share of UICI common stock was \$37.00.

In connection with review of the transaction by our board of directors, Morgan Stanley performed a variety of financial and comparable analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above should not be taken to be the view of Morgan Stanley with respect to the actual value of UICI or the UICI common stock. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of UICI. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness, from a financial point of view, of the consideration to be received by holders of shares of UICI common stock (other than holders of retained shares as to such retained shares), pursuant to the merger agreement, and in connection with the delivery by Morgan Stanley of its opinion, dated September 15, 2005, to our board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of UICI common stock might actually trade.

The merger consideration was determined through arms-length negotiations between UICI and Blackstone and was approved by UICI's board of directors. Morgan Stanley provided advice to UICI's board of directors during these

negotiations but did not recommend any specific merger consideration to UICI and did not advise UICI that any specific merger consideration constituted the only appropriate merger consideration

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for the merger. In addition, Morgan Stanley's opinion and its presentation to UICI's board of directors was only one of the many factors taken into consideration by UICI's board of directors in deciding to approve the merger.

The foregoing summary describes the material analyses performed by Morgan Stanley but does not purport to be a complete description of the analyses performed by Morgan Stanley.

UICI's board of directors retained Morgan Stanley because it is an internationally recognized investment banking and advisory firm with a reputation for experience in the health insurance and managed care industries. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, state and other purposes.

In the ordinary course of Morgan Stanley's trading and brokerage activities, Morgan Stanley or its affiliates may at any time hold long or short positions, may trade or otherwise effect transactions, for its own account or for the account of customers in the equity and other securities of UICI or any of the other parties involved in the merger or their respective affiliates, commodities or currencies.

Under the terms of its engagement letter, Morgan Stanley provided UICI financial advisory services and a fairness opinion in connection with the merger. UICI agreed to pay Morgan Stanley an advisory fee of \$150,000. In addition, UICI has agreed to pay Morgan Stanley a fee of approximately \$13 million for its services, less the foregoing advisory fee, one-third of which was paid upon the filing of a Form A with Oklahoma and Texas regulatory authorities, and the balance of which will become payable upon completion of the merger.

We have also agreed to reimburse Morgan Stanley for its fees and expenses incurred in performing its services and to indemnify Morgan Stanley and related persons against various liabilities and expenses, including certain liabilities under the federal securities laws, related to, arising out of or in connection with Morgan Stanley's engagement.

In addition, pursuant to a letter dated August 24, 2005, we consented to the participation by Morgan Stanley or any of its affiliates, effective as of September 2004, in providing or arranging, or seeking to provide or arrange, financing, including, among other things, bank or bridge loans or debt or equity financing for one or more potential bidders, which would be available to all qualified bidders, in connection with a strategic transaction of the type contemplated by Morgan Stanley's engagement letter. We further consented to Morgan Stanley's becoming a principal holder of debt or equity securities of UICI if it was acting as an underwriter in connection with such financing. Morgan Stanley Senior Funding Inc., an affiliate of Morgan Stanley, is a party to the commitment letter dated September 15, 2005 with respect to the senior debt financing for the merger and has agreed to act as joint lead arranger, joint bookrunner and syndication agent for the senior unsecured debt facilities contemplated thereby. If such financing is consummated, Morgan Stanley Senior Funding Inc. will receive fees for its services. The amount of such fees has not been determined as of the date of this document but is not expected to exceed \$1.8 million. In addition, The Blackstone Group, Goldman Sachs Capital Partners, DLJ Merchant Banking Partners or their affiliates will reimburse Morgan Stanley Senior Funding Inc. for certain costs and expenses incurred in connection with the financing and have agreed to indemnify Morgan Stanley Senior Funding Inc. and its officers, directors, employees, affiliates, agents and controlling persons from and against certain liabilities and expenses. As of the date of this document, the financing anticipated to be provided by Morgan Stanley comprises approximately 30% of the total amount of the debt financing to be provided in connection with the transaction. See "The Merger Agreement - Financing beginning on page 72.

In the past, Morgan Stanley and its affiliates have, in the ordinary course of business, provided financial advisory and financing services for The Blackstone Group, Goldman, Sachs & Co., DLJ Merchant Banking Partners and their respective affiliates and have received fees for such services.

Morgan Stanley and its affiliates may also provide financial advisory and financing services to UICI, The Blackstone Group, Goldman, Sachs & Co., DLJ Merchant Banking Partners and their respective affiliates in

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the future for which they may receive compensation. Morgan Stanley, its affiliates, directors or officers, including individuals working with UICI in connection with the merger, have invested in, may have committed to invest in and may commit in the future to invest in private equity funds involved in the merger or other private equity funds managed or advised by private investment firms affiliated with The Blackstone Group, Goldman, Sachs & Co. and/or DLJ Merchant Banking Partners.

Opinion of New Vernon Capital

Pursuant to an engagement letter, dated August 16, 2004, UICI retained New Vernon Capital to provide financial advisory services in connection with the company's planning and execution of potential strategic transactions. At the meeting of the UICI board of directors on September 14, 2005, New Vernon Capital rendered its oral opinion, subsequently confirmed in writing, that, as of the date of the opinion, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the \$37.00 per share cash consideration to be received by the holders of shares of UICI common stock pursuant to the merger agreement was fair from a financial point of view to such holders (other than holders of retained shares as to such retained shares).

The full text of New Vernon Capital's written opinion, dated September 15, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by New Vernon Capital in rendering its opinion is attached as Annex D to this document. The summary of New Vernon Capital's opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. We urge you to read the entire opinion carefully.

New Vernon Capital's opinion was directed to the board of directors of UICI, addresses only the fairness from a financial point of view of the consideration to be received by holders of UICI common stock pursuant to the merger agreement (other than holders of retained shares as to such retained shares) as of the date of the opinion, and does not address any other aspect of the merger, including the relative merits of the merger as compared to other business strategies potentially available to UICI, nor does it address UICI's underlying business decision to enter into the merger agreement. New Vernon Capital's opinion does not constitute a recommendation to any holder of UICI common stock as to how such stockholder should vote at the special meeting. In addition, New Vernon Capital's opinion does not constitute any opinion or recommendation as to whether any participant in any agent stock accumulation plan should withdraw or refrain from withdrawing shares of UICI common stock from such plan or as to whether any member of UICI senior management who was given the opportunity to receive common stock in the surviving corporation should or should not take action to cause such shares not to be converted into the merger consideration and, in any such case, should not be relied upon by any such participant or holder, respectively, as such.

In connection with rendering its opinion, New Vernon Capital, among other things:

reviewed public financial statements of the Company for the past ten years as filed with the SEC;

reviewed certain non-public financial information prepared by Company management, including management projections;

participated in discussions with senior management of the Company regarding past and current operations and financial condition and the future prospects of the Company;

participated in discussions with Company management and representatives of a select list of potential strategic merger partners;

participated in discussions with UICI management and representatives of potential private equity partners;

reviewed values accorded certain comparable publicly traded companies relative to the value accorded the Company's shares;

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reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

reviewed copies of the merger agreement and the voting agreement;

reviewed copies of the equity commitment letters from each of the equity investors, each dated September 15, 2005;

reviewed copies of the limited guarantees from each of the equity investors, each dated September 15, 2005;

reviewed the debt commitment letter (as defined in the merger agreement), dated September 15, 2005; and

performed such other analyses and considered such other factors it deemed appropriate.

In arriving at its opinion, New Vernon Capital assumed and relied without independent verification on the accuracy and completeness of the information supplied or otherwise made available to it for purposes of its opinion. With respect to financial projections, New Vernon Capital assumed that the management projections were reasonably prepared on bases reflecting the best currently available estimates and judgments by UICI management of the future financial performance of UICI. New Vernon Capital also assumed that, in connection with the receipt of all necessary regulatory approvals for the proposed merger, no restrictions will be imposed that would have a material adverse affect on the consummation of the merger as contemplated in the merger agreement. New Vernon Capital did not make any independent valuation or appraisal of the assets or liabilities of UICI, nor was New Vernon Capital furnished with any such appraisals.

The following is a summary of the analyses performed by New Vernon Capital in connection with its opinion.

Historical Financial Review. New Vernon Capital reviewed the financial statements of UICI for the fiscal years ended December 31, 2000 through December 31, 2004 and the six months ended June 30, 2004 and 2005. In order to put these results in historical perspective, New Vernon Capital also reviewed UICI's financial results for the fiscal years ended December 31, 1995 through December 31, 1999. On the basis of this review, New Vernon Capital noted that, while the last 18 months had shown significant improvement, UICI's results of operations have historically been volatile, with net income fluctuating significantly over the past five years and even more so when viewed over a ten-year period.

New Vernon noted that, from a valuation perspective, UICI's financial results provided two data points important to its analysis:

UICI has shown significant improvement in operating results over the last 18 months. This improvement has been reflected in generally higher market prices for its common shares.

The historic volatility of UICI's results has constrained the stock prices at which any given level of earnings has been valued in the securities markets.

Review of Financial Projections. New Vernon Capital reviewed certain non-public information prepared by UICI management, including management projections. New Vernon Capital noted that management anticipated more stable results over the next five years than the Company had experienced in prior periods. New Vernon Capital observed that this improved earnings stability, if achieved, could support a higher valuation for any given level of earnings. In this regard, however, New Vernon Capital also noted that management expected growth to slow significantly over the next two years and did not expect double digit growth levels before 2008. New Vernon Capital observed that this anticipated slower growth rate, if realized, could place downward pressure on trading prices for UICI's common shares.

Discussions with Management. New Vernon Capital engaged in extensive discussions with members of UICI senior management. These discussions focused on the past and current business operations, financial

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condition and prospects of UICI, as well as the strategic assessment processes the Company had undertaken. In connection with its analysis, New Vernon Capital considered:

The unique distribution capability of UICI;

The revenue opportunities afforded to UICI by its recent expansion into the small group business;

The financial risks faced by UICI resulting from its recent expansion into the small group business;

Increasing competition that UICI faced from major health insurance companies;

Increasing competitive pressures on UICI to find ways to reduce the prices UICI's insureds pay for medical services; and

The implications of the ongoing multi-state review of UICI's marketing practices being conducted by various state insurance regulatory authorities.

Based on these discussions, New Vernon Capital noted that, on balance, management was generally optimistic about the Company's ability to compete and grow profitably. However, New Vernon Capital also noted that there were substantial risks presented to the achievement of these objectives, including an acceptable resolution of the multi-state review, the profitable execution of UICI's small group strategy, the effects of competitive conditions and continued regulatory and legislative pressures on the health insurance business generally.

Comparable Company Analysis. New Vernon Capital noted that, while not directly comparable, managed care companies could be considered relevant valuation benchmarks. New Vernon Capital reviewed and analyzed certain public market financial information for UICI and each of United Health Care Incorporated, WellPoint, Inc. Aetna, Inc., CIGNA Corporation, Coventry Healthcare, Inc., Humana Inc., WellChoice, Inc., Health Net, Inc. and Sierra Health Services, Inc.

In conducting this analysis, New Vernon Capital noted that, on balance, UICI's business model produced an inherently less stable book of business than most of the managed care companies it reviewed. The turnover in UICI's insureds appeared to be a result of the turnover in the self-employed market niche served. In addition, while UICI operates in many states, it is significantly smaller than other managed care companies, which places it at a disadvantage in negotiating the prices insureds pay for medical services.

In mid-September 2005, virtually all of the managed care companies were trading near their 52-week highs. While UICI's share price had more than doubled over the previous 18 months, the Company's stock had continued to trade at a significant discount to the managed care industry as measured by price-to-earnings ratios (or P/E ratios), which New Vernon Capital believed to be an appropriately utilized valuation metric. Generally, New Vernon Capital concluded that this discount likely reflected the historical volatility of UICI's results of operations, as well as its different scale and business model when compared to companies in the managed care industry.

New Vernon Capital concluded that UICI's relative P/E ratio at September 13, 2005 was consistent with historical P/E ratio patterns, which New Vernon Capital determined show that the Company's common stock has typically traded at a 30% to 50% discount to the managed care industry. New Vernon Capital observed that the discount at September 13, 2005 was at the high end of the historical range, which New Vernon Capital attributed primarily to the market price increases (relative to earnings growth) enjoyed by most managed care companies over the preceding 12 months.

On an overall basis, New Vernon Capital concluded that the review of UICI's stock market trading history generally, when viewed against that of comparable companies, indicated that the stock market's consistent application of a discount multiple to UICI's stock placed significant downward pressure on the price at which the entire company could be sold.

Precedent Transaction Analysis. New Vernon Capital analyzed publicly available terms of selected transactions it determined were generally comparable to the proposed merger. New Vernon Capital reviewed

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the following acquisition transactions in the managed care industry for the period March 1998 through July 2005:

PacifiCare Health Systems, Inc./ UnitedHealth Group Incorporated

American Medical Security Group, Inc./ PacifiCare Health Systems, Inc.

Oxford Health Plans, Inc. / UnitedHealth Group Incorporated

Mid Atlantic Medical Services, Inc./ UnitedHealth Group Incorporated

Golden Rule Financial Corporation/ UnitedHealth Group Incorporated

WellPoint Health Networks Inc./ Anthem, Inc.

Cobalt Corporation/ WellPoint Health Networks Inc.

Trigon Healthcare, Inc./ Anthem, Inc.

RightCHOICE Managed Care, Inc./ WellPoint Health Networks Inc.

Blue Cross and Blue Shield of Georgia, Inc./ WellPoint Health Networks Inc.

John Alden Financial Corporation/ Fortis, Inc.

While New Vernon Capital selected these transactions as representing the most relevant transactional comparisons and reviewed relevant valuation metrics for these transactions, including prices paid relative to current earnings, projected earnings and projected growth rates and reviewed premiums paid over pre-announcement stock prices, New Vernon Capital determined that this review provided limited useful information in evaluating the proposed merger for the following reasons:

All of the comparable transactions involved a strategic buyer, rather than a financial buyer. Consequently, New Vernon Capital believed that the prices paid reflected not only the value of the earning power purchased, but also some consideration for expected synergies. New Vernon Capital believed that no synergies are available in the proposed merger;

New Vernon Capital determined that in seven of the 11 transactions reviewed over 50% of the consideration paid was stock. Given the relatively high and recently improved multiples accorded the stocks of the acquiring entities, New Vernon Capital observed that the acquirors could therefore justify a relatively high multiple for the acquired earnings; and

Even in the case of the all-cash transactions, New Vernon Capital determined that a strategic buyer would relate the price it was willing to pay to its own cost of capital, which is typically lower than the cost of capital of a financial buyer.

Merger Process. New Vernon Capital participated with UICI and Morgan Stanley in what New Vernon Capital believed was an extensive and coordinated process over an extended period that was designed to assess UICI's strategic alternatives, including the price that UICI stockholders could obtain in a strategic or financial merger.

New Vernon Capital concluded and advised the UICI board that an untargeted, publicly announced auction was not advisable because of UICI's highly specialized business, and the potentially adverse, disruptive impact that premature public disclosure of a possible transaction could have on its agency force. New Vernon Capital believed that the strategic assessment process undertaken was designed to produce a transaction that would maximize the value paid for UICI. In this regard, New Vernon Capital observed and advised the UICI board that it believed that the

strategic assessment process created the dynamics necessary to maximize the value received for UICI in a sale of the Company or other strategic transaction. New Vernon Capital based this determination on the following key observations:

Given UICI's highly specialized business, New Vernon Capital noted that there were only a limited number of potential strategic partners with both the business fit and financial ability to acquire the Company. Beginning in 2004, four potential strategic partners were contacted. New Vernon Capital

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believed that these were the companies with the most likely strategic interest in UICI and the financial capability to execute the transaction. Each of these potential partners received extensive business and financial information regarding UICI and met with management. Indications of interest were requested by October 25, 2004. While each of the parties expressed initial interest, none of the contacted parties ultimately pursued the opportunity.

Beginning in April 2005, at the direction of management, a new process of contacting potential partners was undertaken, with an emphasis on private equity investors. Initially, three large private equity firms were contacted. Eventually, the process was expanded to include three additional large private equity firms, including The Blackstone Group.

In addition, the four strategic buyers originally contacted in the fall of 2004 were again invited to review UICI as a potential partner. Extensive discussions were held throughout the months of June and July with each of these parties. New Vernon Capital noted that no strategic buyers expressed interest in exploring a transaction with UICI. New Vernon Capital believed the lack of interest on the part of a strategic partner created a significant constraint on the ultimate price received.

From a valuation perspective, New Vernon Capital considered that virtually all potential buyers with sufficient business interest and financial capability were contacted as part of the strategic assessment process. Each of the potential partners was provided access to the information necessary to determine whether to pursue a transaction with UICI.

Consequently, New Vernon Capital concluded that the strategic assessment process created the dynamics necessary to maximize the value received for UICI in a sale of the Company or other strategic transaction.

Scope of Advice and Compensation for New Vernon Capital. The foregoing summary described the material analyses undertaken and performed by New Vernon Capital but does not purport to be a complete description of the analyses performed. The preparation of a fairness opinion is a complex process and is not susceptible to partial analysis or summary description. In arriving at its opinion, New Vernon Capital considered the results of its analyses as a whole including analyses it performed that are similar to those described on pages 52 to 55 and did not seek to assign particular weights to any particular analysis or factor considered. In performing its review and analyses, New Vernon Capital made numerous assumptions, many of which are beyond the control of UICI, related to industry performance, general business and economic conditions and other matters.

The merger consideration was determined through arms-length negotiations between UICI and Blackstone and was approved by UICI's board of directors. New Vernon Capital provided advice to UICI's board of directors during the course of these negotiations but did not recommend any specific merger consideration to UICI and did not advise UICI that any specific merger consideration constituted the only appropriate merger consideration for the merger. New Vernon Capital's opinion and its presentation to the UICI board of directors was only one of many factors taken into consideration by UICI's board of directors in determining to approve the merger.

UICI selected New Vernon Capital as its financial advisor in connection with the proposed transaction based on the reputation of its principals and their historical relationship and familiarity with UICI and its business. New Vernon Capital is a financial services boutique that provides financial and investment advisory services to small and mid-size corporations, family investment offices and high net worth individuals. The two senior principals of New Vernon Capital have a combined 50 years of experience in the investment banking and securities brokerage business. Prior to forming New Vernon Capital, they were both executive officers of a large U.S. investment bank. New Vernon currently manages a number of equity-oriented hedge funds with total assets in excess of \$800 million.

Under the terms of its engagement letter, New Vernon Capital provided UICI financial advisory services and a fairness opinion in connection with the merger. UICI agreed to pay New Vernon Capital an advisory fee of \$100,000. In addition, UICI has agreed to pay New Vernon Capital a fee of approximately \$8.6 million for its services, less the foregoing advisory fee, one-third of which was paid upon the filing of a Form A with

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Oklahoma and Texas regulatory authorities, and the balance of which will become payable upon completion of the merger.

UICI has also agreed to reimburse New Vernon Capital for its fees and expenses incurred in performing its services and to indemnify New Vernon Capital and related persons against various liabilities, including certain liabilities under the federal securities laws, related to, arising out of or in connection with New Vernon Capital's engagement.

In the ordinary course of its business, an insurance subsidiary of UICI has invested \$10 million as a limited partner in an \$800 million investment fund, of which an affiliate of New Vernon Capital is the general partner and serves as investment manager. New Vernon Capital and its affiliates may in the future provide financial advisory services to UICI, The Blackstone Group, Goldman, Sachs & Co., DLJ Merchant Banking Partners and their respective affiliates, for which it may receive compensation.

Financial Projections

We do not as a matter of course make public projections as to our future performance or earnings. However, in connection with the discussions concerning the merger, we furnished to Blackstone certain financial forecasts prepared by our management that were based upon our expected performance through 2009. The forecasts included (1) revenue projections for fiscal years 2005 through 2009 of \$2,187 million, \$2,286 million, \$2,506 million, \$2,813 million and \$3,191 million, respectively and (2) projections of operating income from continuing operations of \$196 million, \$202 million, \$216 million, \$249 million and \$285 million, respectively, over the same periods.

Important Information about the Projections. The projections referred to above were not prepared with a view to public disclosure and are included in this document only because this information was made available to Blackstone. The projections were not prepared with a view to compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. Neither our independent auditor, nor any other independent accountant has compiled, examined or performed any procedures with respect to the projections. The projections represented our management's best estimates as of July 5, 2005, and do not reflect events after that date. While presented with numeric specificity, the projections reflect numerous assumptions made by our management with respect to industry performance, general business, economic, market and financial conditions, including assumed effective interest rates and effective tax rates consistent with historical levels for us, all of which are difficult to predict, many of which are beyond our control and none of which was subject to approval by Blackstone. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate. Except to the extent required under applicable laws, we do not intend to make publicly available any update or other revisions to the projections to reflect circumstances existing after the date of the preparation of the projections. See *Cautionary Statements Regarding Forward-Looking Statements* beginning on page 25.

Interests of Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors to vote for the proposal to adopt the merger agreement, you should be aware that members of our board of directors and certain of our executive officers have agreements or arrangements that provide them with interests in the merger that are different from or in addition to the interests of our stockholders. Our board of directors specifically reviewed these interests during deliberations with respect to the merger and in deciding to recommend that you vote for the adoption of the merger agreement.

For a discussion of the ownership of our capital stock and options by our directors and executive officers, see *Security Ownership of Certain Beneficial Owners and Management of the Company* beginning on page 81.

Employment Agreements

Under the terms of employment commitment agreements negotiated with The Blackstone Group after the key terms of the merger were agreed upon, if the merger is completed, Timothy L. Cook, William J.

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Gedwed, Mark D. Hauptman, Troy A. McQuagge, Phillip Myhra, James N. Plato and William Truxal (which we refer to as the continuing executives) will continue to serve in each of their respective positions and will receive an annual base salary in an amount not less than their respective base salary immediately before the merger. The continuing executives will also be eligible for each of an annual bonus ranging from a target of 50% to 100% of annual base salary and a maximum of 75% to 200% of annual base salary, as the case may be. The continuing executives will also be entitled to new equity award grants and participation in employee benefit plans and (other than Mr. Cook) have agreed to retain all or a portion of their respective UICI equity and equity-based awards.

In addition, under the terms of their employment commitment agreements, the continuing executives are entitled to severance payments in the event of their termination of employment in certain specified circumstances. The continuing executives would be entitled to receive severance equal to two times the executive's base salary plus target bonus payable in monthly installments, continuation of welfare benefits for two years, as well as a pro-rata bonus, based on the executive's target bonus, if such termination occurs after the last day of the first quarter of the applicable fiscal year; and full change of control parachute excise tax gross up protection on all payments and benefits due to the executive; provided, that the surviving corporation will be entitled to reduce the executive's payments (but not by more than 10%) if the reduction would allow the avoidance of the imposition of any excise tax associated with the change of control. In addition, each of the executive officers has agreed to two-year post-termination non-competition and non-solicitation covenants.

Certain Other Employees

Under the terms of their employment commitment agreements, if the merger is completed, certain UICI employees other than Messrs. Cook, Gedwed, Hauptman, McQuagge, Myhra, Plato and Truxal, including members of our senior management team, will continue to serve in their respective positions and will receive an annual base salary, which will not be less than the employee's base salary immediately before the merger. These employees will be eligible for an annual bonus ranging from a target of 35% to 50% of annual base salary and a maximum of 65% to 100% of annual base salary, as the case may be. Furthermore, these employees will also be entitled to receive new equity award grants and participate in employee benefit plans.

Upon termination of employment in certain specified circumstances, these employees are entitled to receive severance payments equal to one or two times the employee's base salary plus target bonus payable in monthly installments, depending upon the employee's particular position with the surviving corporation; continuation of welfare benefits for one or two years, depending upon the employee's particular position with the surviving corporation; as well as a pro-rata bonus, based on his or her target bonus, if such termination occurs after the last day of the first quarter of the applicable fiscal year; and full change of control parachute excise tax gross up protection on all payments and benefits due to the employee, except that the surviving corporation will be entitled to reduce the executive's payments (but not by more than 10%) if the reduction would allow the avoidance of the imposition of any excise tax associated with the change of control. Further, each of these employees has agreed to one or two-year post-termination non-competition and non-solicitation covenants, the duration of which coincides with the term during which they will be entitled to receive severance payments.

UICI Success Bonus Award Plan

On September 14, 2005, our board of directors adopted the UICI Success Bonus Award Plan as an employee incentive and retention program to help retain and provide an incentive to employees (including executive officers) who are key to a successful completion of the merger.

Under the terms of the UICI Success Bonus Award Plan, a participant will be entitled to receive his or her award if the participant continues to be employed by us or any of our subsidiaries through the date of completion of any transaction resulting in a change of control of UICI (including the merger). If a participant ceases to be employed before that date, he or she will not be entitled to an award, unless the Compensation Committee determines otherwise. If the merger (or another transaction that would qualify as a change of

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control under the plan) is not completed before June 30, 2006, participants will not be entitled to receive awards under the plan.

Awards under the UICI Success Bonus Award Plan will be payable 60% on the date of completion of any transaction resulting in a change of control of UICI (including the merger) and the remaining 40% will be payable on a date that is not later than 180 days following completion of any transaction resulting in a change of control of UICI (including the merger). If a participant's employment is terminated as a result of his or her death or disability, the participant or his or her designated beneficiary will be entitled to receive 75% of the amounts to which the participant otherwise would have been entitled. The continuing executives collectively are eligible to hold [73]% of the bonus pool, which represents an aggregate dollar amount of approximately \$14.7 million.

The total pool available for award to participants under the plan is estimated to be \$20.3 million. In accordance with the terms of the plan, on November 1, 2005 the Committee designated participants in the plan and awarded success bonuses to be paid to such participants at the times and in the manner as prescribed by the plan. Designated participants under the plan included William J. Gedwed, Glenn W. Reed, Phillip J. Myhra, Troy A. McQuagge and William J. Truxal, who were allocated success bonuses in the amounts of \$2,026,490, \$2,533,113, \$3,378,160, \$3,378,160 and \$1,126,728, respectively. The remaining portion of the pool (approximately \$7.8 million) was allocated among seven additional designated participants.

UICI Director and Employee Stock Options and Restricted Shares

Immediately before the completion of the merger, each outstanding option to purchase shares of UICI common stock granted under our benefit plans will become fully vested, and except with respect to those options that will be retained by certain continuing executives, each option will be cancelled and converted into a right to receive a payment from the surviving corporation (subject to any applicable withholding taxes) equal to the difference between \$37.00 and the exercise price for the option multiplied by the number of shares subject to such option, to the extent the difference is a positive number. As of the record date for the special meeting, the aggregate number of shares of stock subject to unvested stock options held by the continuing executives as a group and our non-employee directors as a group is approximately [] and [], respectively, and the number of such shares of stock subject to unvested stock options that will be in-the-money (i.e., the merger consideration will exceed the applicable exercise price per share of the stock option) is approximately [] and []. The weighted average exercise prices of these [] and [] options are approximately \$[] and \$[], respectively.

Immediately before the completion of the merger, the forfeiture provisions of each then outstanding restricted share issued under our employee benefit plans will lapse. At the completion of the merger, each holder of restricted shares will be treated as a holder of the corresponding number of shares of common stock and in the same manner as other outstanding common shares issued and outstanding immediately before the merger was completed, except with respect to those shares that will be retained by certain members of senior management described above. As of the record date for the special meeting, the aggregate number of restricted shares held by our continuing executives and our non-employee directors as a group is approximately [] and [], respectively.

Indemnification and Insurance

The merger agreement provides that the certificate of incorporation of the surviving corporation will contain provisions no less favorable with respect to indemnification of the directors, officers, employees, fiduciaries and agents of us and our subsidiaries than those set forth in our current bylaws. For a period of six years following the effective time of the merger, the indemnification provisions in the certificate of incorporation of the surviving corporation will not be amended or repealed in any manner adverse to persons entitled to rights under those provisions on or before the effective time of the merger.

The surviving corporation has also agreed to indemnify, to the fullest extent permitted by applicable law and to the extent required by our certificate of incorporation and bylaws and any contract in effect as of the

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date of the merger agreement, each present and former director and officer of UICI and each of our subsidiaries, against all expenses, losses and liabilities incurred in connection with any claim, proceeding or investigation arising out of any action or failure to take action by such person in their capacity as a director or officer of UICI or any of our subsidiaries occurring at or before the effective time of the merger.

The merger agreement also requires the surviving corporation to either:

obtain tail directors and officers indemnification insurance policies in an amount and a scope at least as favorable as our existing policies and with a claims period of at least six years from the effective time of the merger for claims arising from facts or events that occurred at or before the effective time of the merger; or

maintain in effect, for a period of six years after the effective time of the merger, our current directors and officers liability insurance policies with respect to matters occurring before the effective time of the merger or substitute policies of at least the same coverage and amount and containing terms and conditions no less advantageous to the officers and directors than our existing policies, subject to a maximum annual premium of 200% of our current premium. If the annual premium of insurance coverage exceeds 200% of our current annual premium, the surviving corporation is required to obtain a directors and officers indemnification policy with the greatest coverage available at an annual premium equal to 200% of our current annual premium.

The director and officer indemnification and insurance obligations described above must be assumed by a successor entity to the surviving corporation as result of any consolidation, merger or transfer of 50% or more of its properties or assets.

Composition of the Board of Directors and Executive Management of the Surviving Corporation

Board of Directors

We expect that the board of directors of the surviving corporation will consist of the people set forth below. In addition, we expect that up to three independent directors may be added to the board of directors to the extent we deem them necessary or advisable. Delaware law permits the certificate of incorporation to confer voting powers on some directors that are greater than or less than voting powers of other directors. Pursuant to the certificate of incorporation of the surviving corporation, which is attached as Annex B to this document, immediately following the merger, Messrs. Chu and Kabaker, the designees of The Blackstone Group, will hold a majority of the total number of votes conferred upon all directors.

William J. Gedwed (age 49) has served as a director of UICI since June 2000 and as President and Chief Executive Officer since July 1, 2003. Mr. Gedwed was elected Chairman of the Board of UICI in September 2005. Mr. Gedwed also currently serves as Chairman and Director of The MEGA Life and Health Insurance Company, Mid-West National Life Insurance Company of Tennessee, The Chesapeake Life Insurance Company and Fidelity First Insurance Company (subsidiaries of the Company). Mr. Gedwed currently serves as a Director of NMC Holdings, Inc. and National Motor Club of America, Inc. He also served as a director and/ or executive officer of other subsidiaries of NMC Holdings, Inc. until June 2003.

Chinh E. Chu (age 39) is a Senior Managing Director of The Blackstone Group LP, which he joined in 1990. Mr. Chu received a BS in Finance from the University of Buffalo, where he graduated summa cum laude. He currently serves as a director of Celanese Corporation, Nalco Holdings LLC, SunGard Data Systems, Inc., Graham Packaging Holdings Company and Financial Guaranty Insurance Company.

Matthew Kabaker (age 29) is a Principal of The Blackstone Group LP, which he joined in 1998. Mr. Kabaker received a BA in Philosophy, Politics & Economics from the University of Pennsylvania, where he graduated summa cum laude and was elected to Phi Beta Kappa.

Adrian M. Jones (age 41) has been a Managing Director of Goldman, Sachs & Co. since 2002. Mr. Jones joined Goldman, Sachs & Co.'s Investment Banking Division in 1994 and moved to its Merchant Banking Division in 1998. Before joining Goldman Sachs, Mr. Jones served as a lieutenant in the Irish Army and worked at Bank of Boston. Mr. Jones earned a BA from University College Galway, an MA in Economics

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from University College Dublin and an MBA from Harvard Business School. Mr. Jones currently serves on the boards of directors of Burger King Corporation and Autocam Corporation.

Nathaniel Zilkha (age 30) has been a Vice President of Goldman, Sachs & Co., since 2004. For the last five years, he has worked in the Principal Investment Area of Goldman, Sachs & Co., where he focuses on investments in Healthcare Services, Life Sciences and Medical Devices. He earned a BA from Princeton University. Mr. Zilkha currently serves on the boards of directors of XLHealth Corporation and Diveo Broadband Networks, Inc.

Kamil M. Salame (age 37) is a partner of DLJ Merchant Banking Partners, the leveraged buyout business of Credit Suisse's asset management business. Mr. Salame joined DLJ Merchant Banking Partners in 1997. Previously, he was a member of DLJ's Leveraged Finance Group. Mr. Salame is a director of Aspen Insurance Holdings Limited, Montpelier Re Holdings Limited, Merrill Corporation, Professional Career Development Institute, LLC and US Express Leasing, Inc. Mr. Salame received a JD from Columbia Law School, an MBA from Columbia Business School and a BS from Georgetown University.

Executive Officers

The merger agreement provides that the officers of UICI immediately before the effective time will be the officers of the surviving corporation immediately after the effective time. We expect that UICI's current executive officers generally will continue to hold such offices in the surviving corporation immediately before the effective time and will be the executive officers of the surviving corporation immediately following the merger. You can find information about our current executive officers in UICI's Annual Report on Form 10-K for the year ended December 31, 2004 and UICI's proxy statement for its 2005 annual meeting of stockholders. See *Where You Can Find More Information* beginning on page 104.

Voting and Non-Compete Agreements

In connection with the execution of the merger agreement, certain stockholders who are members of the family of the late Ronald L. Jensen (our founder and former Chairman of the Board) entered into a voting agreement, dated as of September 15, 2005, with the Merger Cos. Pursuant to the voting agreement, those persons and their permitted transferees have agreed, among other things, to vote their UICI common shares in favor of adoption of the merger agreement, against a competing proposal and against any action intended to result in any condition to the closing of the merger not being fulfilled. The stockholders who are parties to the voting agreement and their permitted transferees who agreed to be bound by the terms of the voting agreement beneficially own approximately [28]% of our outstanding common shares. The voting agreement terminates upon the occurrence of certain events, including if the merger agreement is terminated.

These stockholders also executed agreements with UICI, dated September 15, 2005 and effective upon completion of the merger, which provide that each stockholder will not compete with UICI in North America or solicit any employee or exclusive consultant or independent contractor of UICI for a period of three years from the effective time of the merger, subject to the terms thereof. The voting agreement and the non-compete agreements are filed as Exhibits 99.1 and 10.1 through 10.6, respectively, to the Form 8-K filed by UICI on September 20, 2005 and are incorporated by reference into this document.

Governmental and Regulatory Approvals

We and the other parties to the merger agreement have agreed to use our reasonable best efforts to complete the transactions contemplated by the merger agreement as promptly as practicable, including obtaining all necessary actions or non-actions, waivers, consents, clearances and approvals from governmental entities and making all necessary registrations and filings and taking all steps as may be necessary to obtain these approvals. The completion of the transactions contemplated by the merger agreement depends upon the receipt of insurance regulatory approvals in the states of Texas and Oklahoma and in Turks and Caicos, and upon the expiration or early termination of all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which we refer to as the HSR Act).

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The merger cannot proceed in the absence of the requisite regulatory approvals. We cannot assure you whether or when the requisite regulatory approvals will be obtained, and, if obtained, we cannot assure you of the date of receipt of any of these approvals, the absence of any litigation challenging them or the conditions that such approvals might include. There can likewise be no assurance that U.S. federal or state or foreign regulatory authorities will not attempt to challenge the merger on antitrust grounds or for other reasons, or, if such a challenge is made, as to the result thereof. We are not aware of any other material governmental approvals or actions that are required before the parties completion of the merger other than those described above. The filing of these applications and notices has been, or will promptly be, completed. While we believe that the requisite regulatory approvals for the merger will be received, there can be no assurances when or if they will be obtained, whether the regulatory approvals will contain satisfactory terms or whether there will be litigation challenging these approvals.

Insurance Regulatory Authorities

The insurance laws and regulations of all 50 U.S. states and the District of Columbia generally require that, before the acquisition of an insurance company, either through the acquisition of or merger with the insurance company or a holding company of that insurance company, domiciled in that jurisdiction, the acquiring company must obtain the approval of the insurance commissioner of that jurisdiction. In connection with this state approval process, the necessary applications have been made with the insurance commissioners of Oklahoma and Texas, the domiciliary states of UICI's U.S. insurance company subsidiaries.

In addition, the insurance laws and regulations of certain U.S. states require that, before an acquisition of an insurance company doing business in that state or licensed by that state (or the acquisition of its holding company), a notice filing disclosing certain market share data in the applicable jurisdiction must be made and an applicable waiting period must expire or be terminated. These filings have been or will be made as necessary. Furthermore, applications or notifications have been or will be filed with one or more foreign regulatory authorities in connection with the changes in control that may be deemed to occur as a result of the merger.

Although we do not expect these regulatory authorities to raise any significant concerns in connection with their review of the merger, there is no assurance that we will obtain all required regulatory approvals, or that those approvals will not include terms, conditions or restrictions that may have an adverse effect on UICI.

Other than the filings described above, we are not aware of any regulatory approvals to be obtained, or waiting periods to expire, to complete the merger. If the parties discover that other approvals or waiting periods are necessary, they will seek to obtain or comply with them. If any appr