

Report of Examination of

**Unison Health Plan of Ohio, Inc.**  
Cleveland, Ohio

As of December 31, 2009

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Columbus, Ohio  
October 1, 2010

Honorable Mary Jo Hudson  
Director  
State of Ohio  
Department of Insurance (“Department”)  
50 West Town Street  
3<sup>rd</sup> Floor – Suite 300  
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

**Unison Health Plan of Ohio, Inc.**

an Ohio domiciled, health insuring corporation, hereinafter referred to as the “Plan.” The examination was conducted at the Plan’s branch office, located at 9200 Worthington Road, Westerville, Ohio.

A report of this examination is hereby respectfully submitted.

The Plan was last examined as of August 30, 2005, by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2009.

**Management and Control**

**Board of Directors**

Management of the Plan is vested in its Board of Directors, which was comprised of the following members as of the examination date.

<b>Name</b>	<b>Principal Occupation</b>
Rita F. Johnson-Mills	Senior Vice President, UnitedHealth Group, Inc.
Michael P. Radu	President - Southeast Region, UnitedHealth Group, Inc.
Christopher A. Scherer	Senior Vice President, UnitedHealth Group, Inc.

## **Officers**

As of the examination date, the following officers were elected and serving in accordance with the Plan's Bylaws:

<b>Name</b>	<b>Title</b>
Scott A. Bowers	President and Chief Executive Officer
Robert W. Oberrender	Treasurer
Christina R. Palme-Krizak	Secretary
Timothy R. Binkley	Chief Financial Officer
John W. Kelly	Vice President

## **Insurance Holding Company System**

The Plan is a member of a holding company system as defined in Section 3901.32 of the ORC. The Plan is a wholly-owned subsidiary of Unison Health Holdings of Ohio, Inc., which, in turn, is a wholly-owned indirect subsidiary of UnitedHealth Group Incorporated, which is a publicly traded corporation.

## **Reinsurance**

### **Ceded**

Effective July 1, 2009, the Plan entered into an Insolvency Reinsurance Agreement with UnitedHealthcare Insurance Company. Pursuant to the agreement, UnitedHealthcare Insurance Company provides insolvency reinsurance to any contract holder, subscriber or eligible dependent who is enrolled and eligible to receive services under all products administered by the Plan except that this shall exclude persons covered under the Plan's Ohio Medicaid Aged, Blind and Disabled product and the Plan's Medicare product until January 1, 2010.

Effective July 1, 2009, Medicaid health insurance for the Covered Families and Children segment was reinsured under a contract with UnitedHealthcare Insurance Company. The Plan retains the first \$150,000 of Medicaid hospital expense per case with a maximum of \$2,000,000 for each covered member during the agreement year.

Effective January 1, 2009, Medicaid health insurance for the Aged, Blind and Disabled segment was reinsured under a contract with QBE Reinsurance Corporation. The Plan retains the first \$75,000 of Medicaid hospital expense per case with a maximum of \$2,000,000 for each covered member during the agreement year.

Effective January 1, 2009, Medicare health insurance was reinsured under a contract with QBE Reinsurance Corporation. The Plan retains the first \$175,000 of Medicare hospital

expense per case with a maximum of \$2,000,000 for each covered member during the agreement year.

The contracts contained clauses that meet the guidelines prescribed by the National Association of Insurance Commissioners (“NAIC”).

### **Assumed**

The Plan does not assume any business.

### **Territory and Plan of Operations**

The Plan was licensed to transact business in the State of Ohio.

### **Scope of Examination**

One of the purposes of the examination was to make an assessment of the financial condition of the Plan as of December 31, 2009. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For each year during the period under examination, the Certified Public Accounting (“CPA”) firms of Baker Tilly Virchow Krause, LLP (2009) and Ernst & Young LLP (2005 through 2008) have provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Plan, was reviewed during the examination and incorporated into the examination workpapers.

The Department’s health actuary reviewed the relevant work performed by the opining actuary, to report on the adequacy of the carried reserves, and to comment on any other statutory matters relating to reserves.

In addition, the following items were reviewed during the course of this examination:

1. Plan history;
2. fidelity bonds and other insurance;
3. officers’, employees’, and agents’ welfare and pension plans;
4. growth of Plan;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

## **Financial Statements**

The financial condition and the results of its operations for the period under examination as reported and filed by the Plan with the Department and audited by the Plan's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Operations  
Statement of Changes in the Capital and Surplus Account

## Statement of Assets, Liabilities, Surplus and Other Funds

**December 31, 2009**

### **Admitted assets**

#### Cash and invested assets:

Bonds	\$ 3,647,756
Cash and short-term investments	144,900,640
Total cash and invested assets	<u>148,548,396</u>

Accrued investment income	59,061
Uncollected premiums and agents' balances	3,495,436
Amounts recoverable from reinsurers	1,890,042
Amounts receivable relating to uninsured plans	10,087
Net deferred tax asset	3,667,354
Receivables from parent, subsidiaries and affiliates	6,542,796
Health care and other amounts receivable	4,250,705
Aggregate write-ins for other than invested assets	96,629
Total admitted assets	<u>\$ 168,560,507</u>

### **Liabilities, capital and surplus**

#### Liabilities:

Claims unpaid	\$ 50,091,176
Unpaid claims adjustment expenses	947,242
Aggregate health policy reserves	29,528
Aggregate health claim reserves	1,650,976
Premiums received in advance	41,501,005
General expenses due or accrued	1,759,246
Current federal and foreign income tax payable	6,346,464
Amounts due to parent, subsidiaries and affiliates	3,238,182
Liability for amounts held under uninsured plans	10,070
Aggregate write-ins for other liabilities	2,461,094
Total liabilities	<u>108,034,983</u>

#### Capital and surplus:

Common capital stock	1,000
Gross paid in and contributed surplus	21,227,057
Unassigned funds (surplus)	39,297,467
Total capital and surplus	<u>60,525,524</u>
Total liabilities, capital and surplus	<u>\$ 168,560,507</u>

## Statement of Operations

**For the Year Ended  
December 31, 2009**

Net premium income	\$405,398,953
Change in unearned premium reserves and reserve for rate credits	(28,618)
Aggregate write-ins for other health care related revenues	2,096,589
Total revenues	<u>407,466,924</u>
Hospital and Medical:	
Hospital/medical benefits	205,606,379
Other professional services	34,274,859
Emergency room and out-of-area	25,872,638
Prescription drugs	62,096,857
Aggregate write-ins for other hospital and medical	(465,561)
Subtotal	<u>327,385,172</u>
Less:	
Net reinsurance recoveries	3,663,398
Total hospital and medical	<u>323,721,774</u>
Claims adjustment expenses	10,710,638
General administrative expenses	45,141,351
Total underwriting deductions	<u>379,573,763</u>
Net underwriting gain	27,893,161
Net investment income earned	273,477
Net realized capital gains (losses) less capital gains tax	0
Net investment gains	<u>273,477</u>
Net income before federal income taxes	28,166,638
Federal and foreign income taxes incurred	12,947,208
Net income	<u>\$ 15,219,430</u>

**Statement of Changes in the Capital and Surplus Account**  
(In thousands)

	2005	2006	2007	2008	2009
Capital and surplus December 31, previous year	\$ 0	\$1,766	\$ 9,931	\$26,279	\$41,257
Net income	38	195	5,385	15,256	15,219
Change in net deferred income tax				647	3,020
Change in nonadmitted assets		(30)	(537)	(925)	583
Capital changes	1				
Surplus adjustments	1,727	8,000	11,500		
Aggregate write-ins					446
Net change in capital and surplus	<u>1,766</u>	<u>8,165</u>	<u>16,348</u>	<u>14,978</u>	<u>19,269</u>
Capital and surplus December 31, current year	<u>\$1,766</u>	<u>\$9,931</u>	<u>\$26,279</u>	<u>\$41,257</u>	<u>\$60,525</u>

**Notes to Financial Statements**

**Investments**

The Plan's investments were in compliance with Section 3925.08 of the ORC.

**Loss and Loss Adjustment Expense Reserves**

The Plan's actuary, Jed L. Linfield, FSA, MAAA, certified the total reserves for 2009. The Plan had an outside actuary, Barbara V. Scheil, FSA, MAAA, of Barbara V. Scheil and Associates, Ltd., certify the total reserves for 2005 through 2008. The Department's actuary, Mary Miller, FSA, MAAA, reviewed the detailed calculations for the reserves of the major lines of business as of December 31, 2009.

On the basis of the above-mentioned analysis, it was determined that the loss and loss adjustment expense reserves were reasonable as of December 31, 2009.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Plan as of December 31, 2009, and is summarized as follows:

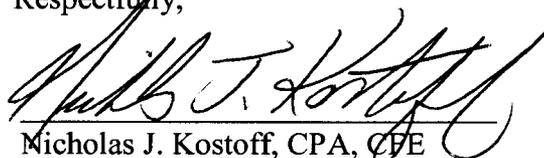
Total Admitted Assets	<u>\$168,560,507</u>
Liabilities	\$108,034,983
Surplus as Regards Policyholders	<u>60,525,524</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$168,560,507</u>

### Acknowledgement

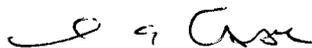
Appreciation is expressed for the assistance extended by the officers and employees of the Plan during the course of this examination.

In addition to the aforementioned and the undersigned, the following representatives of the Department participated in this examination: Matt C. Elston, FSA, MAAA; Ryan S. Gibson, CFE, FLMI; Dominic R. Ilc, AES, CFE, CPA, CISA, CIA; Jennifer M. Leming; Floyd D. Meeks, AES, CFE, CIDM, CISA, CPA, MBA; Mary D. Miller, FCAS, MAAA; and Methuselah E. Nyangoro, CPA.

Respectfully,



Nicholas J. Kostoff, CPA, CFE  
Examiner-In-Charge  
Ohio Department of Insurance



David A. Cook, CFE  
Assistant Chief Examiner  
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2009.

Nicholas J. Kostoff 12/2/10 David A. Cook 12/2/10  
Examiner-In-Charge Date Assistant Chief Examiner Date

State of Ohio

County of Franklin

Personally appeared before me the above named Nicholas J. Kostoff, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 2 day of December, 2010.

Elizabeth Chase  
Notary Public  
ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2012  
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 2 day of December, 2010.

Elizabeth Chase  
ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2012  
My Commission Expires