

Report of Examination of

**UnitedHealthcare Insurance Company of Ohio**  
Columbus, Ohio

As of December 31, 2009

## Table of Contents

<b>Subject</b>	<b>Page</b>
Salutation.....	1
Description of Company.....	1
Management and Control:	
Board of Directors.....	1
Officers.....	2
Insurance Holding Company System.....	2
Reinsurance:	
Assumed and Ceded.....	2
Territory and Plan of Operations.....	2
Scope of Examination.....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds.....	4
Statement of Revenue and Expenses.....	5
Statement of Changes in the Capital and Surplus Account.....	6
Notes to Financial Statements:	
Investments.....	6
Loss and Loss Adjustment Expense Reserves.....	6
Conclusion.....	7
Acknowledgement.....	7

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

**UnitedHealthcare Insurance Company of Ohio**

an Ohio domiciled, health insuring company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 9200 Worthington Road, Columbus, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2008, 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:**

Members of the board of directors elected and serving on December 31, 2009, were as follows:

<b>Name</b>	<b>Principal Occupation</b>
Jerome P. Brophy, Jr.	Vice President, The Company
Richard G. Dunlop	Chief Financial Officer, The Company

Robert C. Falkenberg	President and Chief Executive Officer, The Company
David S. Luby	Vice President, The Company
Leonard A. Wilkerson D.O	National Medical Director UnitedHealth Group, Inc

## **Officers**

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

<b>Name</b>	<b>Title</b>
Robert C. Falkenberg	President and Chief Executive Officer
Jay A. Warmuth	Secretary
Cecilia A. Walpole-Griffin	Assistant Treasurer
Richard G. Dunlop	Chief Financial Officer

## **Insurance Holding Company System**

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is a wholly-owned subsidiary of UnitedHealthcare Insurance Company, which, in turn, a wholly-owned indirect subsidiary of UnitedHealth Group Incorporated, which is a publicly traded corporation.

## **Reinsurance**

### **Assumed and Ceded**

The Company has no assumed or ceded reinsurance.

## **Territory and Plan of Operations**

The Company 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 Company 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 National Association of Insurance Commissioners (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") firm of Deloitte & Touché LLP has provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The Department's health actuary reviewed the relevant work performed by the opening 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. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and,
7. Articles of Incorporation/Bylaws.

## **Financial Statements**

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

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Revenue and Expenses  
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	\$87,992,064
Cash and short-term investments	35,836,798
Receivable for securities	2,022
Total cash and invested assets	123,830,884
Investment income due and accrued	1,009,831
Uncollected premiums and agents' balances in the course of collection	1,117,063
Net deferred tax asset	746,365
Receivable from parent, subsidiaries and affiliates	2,168,040
Healthcare and other amounts receivable	282,202
Aggregate write-ins for other than invested assets	81,399
Total admitted assets	\$129,235,784

### Liabilities and capital and surplus

#### Liabilities:

Aggregate reserves for life contracts	\$28,904
Aggregate reserve for accident and health contracts	2,081,623
Accident and health contract claims	37,107,408
Premiums and annuity considerations for life and accident and health contracts received in advance	9,400,946
Interest Maintenance Reserve	1,608,998
Commissions to agents due or accrued	619,136
General expenses due and accrued	554,500
Taxes, licenses and fees due or accrued, excluding federal taxes	5,373,206
Current federal and foreign income taxes	2,807,970
Remittances and items not allocated	530,290
Asset valuation reserve	312,816
Payable to parent, subsidiaries and affiliates	1,332,692
Aggregate write-ins for liabilities	1,092
Total liabilities	61,759,581

#### Capital and surplus:

Common stock	1,000,000
Gross paid in and contributed surplus	2,700,000
Unassigned surplus	63,776,203
Total capital and surplus	67,476,203
Total liabilities and capital and surplus	\$129,235,784

## Statement of Revenue and Expenses

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

Premiums and annuity consideration for life and accident and health contracts	\$444,459,300
Net investment income	4,161,523
Amortization of Interest Maintenance Reserve	392,310
Aggregate write-ins for miscellaneous income	6,682
Totals	<u>449,019,815</u>
Death benefits	191
Disability benefits and benefits under accident and health contracts	348,427,135
Increase in aggregate reserve for life and accident and health contracts	(139,942)
Totals	<u>348,287,384</u>
Commission on premiums, annuity considerations and deposit-type contract funds	19,638,060
General insurance expenses	25,631,162
Insurance taxes, licenses and fees, excluding federal taxes	6,433,240
Totals	<u>399,989,846</u>
Net gain from operations before dividends to policyholders and federal income taxes	49,029,969
Federal and foreign income taxes incurred	16,042,564
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital losses	32,987,405
Net realized capital gains	387,908
Net income	<u>\$33,375,313</u>

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

	<b>2009</b>
Capital and surplus December 31, 2008	\$68,122
Net income	<u>33,375</u>
Change in net deferred income tax	(740)
Change in nonadmitted assets	32
Change in Asset valuation reserve	(313)
Dividends to stockholders	<u>(33,000)</u>
Net change in capital and surplus	<u>(646)</u>
Capital and surplus end of period	<u><u>\$67,476</u></u>

**Notes to Financial Statements**

**Investments**

The Company's investments were in compliance with Section 3907.14 of the Ohio Revised Code (ORC).

**Loss and Loss Adjustment Expense Reserves**

The Company's actuary, Allen J. Sorbo, FSA, MAAA, certified the total reserves for the years covered by the examination. The Department's actuary, Mary Miller, FCSA, MAAA, reviewed the calculations for the reserves 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 Company as of December 31, 2009, and is summarized as follows:

Total Admitted Assets	<u>\$129,235,784</u>
Liabilities	\$61,759,581
Surplus as Regards Policyholders	<u>67,476,203</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$129,235,784</u>

### Acknowledgement

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

In addition to the aforementioned and the undersigned, the following representative of the Department participated in the 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      [Signature]      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**

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  
(Notary Public)  
**ELIZABETH CHASE**  
**NOTARY PUBLIC, STATE OF OHIO**  
**MY COMMISSION EXPIRES MAY 22, 2012**