

Report of Examination of
UnitedHealthcare of Ohio, Inc.
Columbus, 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
3rd 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 of Ohio, Inc.

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, 2004, 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:

Name	Principal Occupation
Richard G. Dunlop	Chief Financial Officer, UnitedHealthcare Insurance Company of Ohio.
Robert C. Falkenberg	Health Plan Chief Executive Officer, UnitedHealthcare Insurance Company of Ohio

David S. Luby	Vice President, The Company
Justin J. Roth	Vice President – Finance, UnitedHealth Group, Inc
Jefferson B. Walters, III	President and Chief Executive Officer, 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:

Name	Title
Jefferson B. Walters, III	President and Chief Executive Officer
Michelle M. H. Dill	Assistant Secretary
Nyle B. Cottingham	Vice President, Regulatory Controller, and Assistant Treasurer

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 United Healthcare Services which, in turn, a wholly-owned indirect subsidiary of UnitedHealth Group Incorporated, which is a publicly traded corporation.

Reinsurance

Ceded

At December 31, 2009, the Company had an insolvency reinsurance agreement with UnitedHealthcare Insurance Company. The agreement is effective January 1, 2005 and covers losses incurred by the Company, but for which the Company cannot honor due to insolvency. In lieu of the reinsurance coverage, the Company cedes 0.1% of earned premiums to UnitedHealthcare Insurance Company.

Territory and Plan of Operations

The Company was licensed to transact business in the States of Kentucky and 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 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. 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 five-year 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	\$120,450,491
Cash and short-term investments	48,385,556
Receivable for securities	130,786
Total cash and invested assets	168,966,833
Investment income due and accrued	1,609,923
Uncollected premiums and agents' balances in the course of collection	8,690,412
Amounts receivable related to uninsured plans	1,969,796
Net deferred tax asset	3,094,900
Healthcare and other amounts receivable	7,567,710
Aggregate write-ins for other than invested assets	525
Total admitted assets	\$191,900,099,

Liabilities and capital and surplus

Liabilities:

Claims unpaid	\$98,065,393
Accrued medical incentive pool and bonus amounts	108,107
Unpaid claims adjustment expenses	1,773,065
Aggregate health policy reserves	5,545,323
Aggregate health claim reserves	727,228
Premiums received in advance	220,675
General expenses due and accrued	374,771
Current federal and foreign income tax payable and interest thereon	557,825
Ceded reinsurance premiums payable	62,195
Remittances and items not allocated	128,433
Amounts due to parent, subsidiaries and affiliates	4,039,142
Aggregate write-ins for liabilities	1,480,144
Total liabilities	113,082,301

Capital and surplus:

Common stock	37,329,784
Gross paid in and contributed surplus	27,000,000
Unassigned surplus	14,488,014
Total capital and surplus	78,817,798
Total liabilities and capital and surplus	\$191,900,099

Statement of Revenue and Expenses

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

Net premium income	\$752,249,890
Change in unearned premium reserves and reserve rate credits	<u>(2,919,887)</u>
Totals revenue	749,330,003
Hospital and Medical:	
Hospital/medical benefits	576,287,906
Other professional services	1,610,390
Prescription drugs	59,950,936
Incentive pool, withhold adjustments, and bonus amounts	<u>108,107</u>
Total hospital and medical	637,957,339
Claims adjustment expenses	12,234,991
General administrative expenses	89,860,524
Increase in reserve for life and accident and health contracts	<u>1,900,000</u>
Total underwriting deductions	741,952,854
Net underwriting gain	7,377,149
Net investment income earned	6,013,138
Net realized capital losses	<u>(190,393)</u>
Net investment gain	5,822,745
Aggregate write-ins for other income or expenses	<u>12,839</u>
Net income after capital gains tax and before all other federal income taxes	13,212,733
Federal and foreign income tax incurred	<u>(4,445,171)</u>
Net income	<u>\$8,767,562</u>

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

	2005	2006	2007	2008	2009
Capital and surplus December 31, previous year	\$115,822	\$85,387	\$92,727	\$116,846	\$97,073
Net income	5,246	22,048	48,998	27,654	8,768
Change in net realized capital gains	(157)	-	-	-	-
Change in net deferred income tax	2,218	(2,711)	703	(1,985)	1,726
Change in nonadmitted assets	858	(3,497)	3,618	1,908	(2,512)
Paid in capital	-	-	-	-	8,000
Dividends to stockholders	(38,600)	(8,500)	(29,200)	(48,900)	(35,000)
Aggregate write-ins for gains or losses	-	-	-	1,550	763
Net change in capital and surplus	<u>(30,435)</u>	<u>7,340</u>	<u>24,119</u>	<u>(19,773)</u>	<u>(18,255)</u>
Capital and surplus end of period	<u>\$85,387</u>	<u>\$92,727</u>	<u>\$116,846</u>	<u>\$97,073</u>	<u>\$78,818</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with Section 3925.08 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:

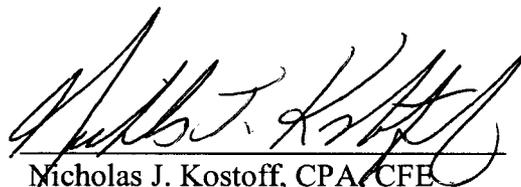
Total Admitted Assets	<u>\$191,900,099</u>
Liabilities	\$113,082,301
Surplus as Regards Policyholders	<u>78,817,798</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$191,900,099</u>

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