Report

of the

Examination of

Unimerica Insurance Company

Milwaukee, Wisconsin

As of December 31, 2017

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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April 11, 2019

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

UNIMERICA INSURANCE COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Unimerica Insurance Company (Unimerica or the company) was conducted in 2013 as of December 31, 2012. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of UnitedHealth Group Inc. The Connecticut Insurance Department acted in the capacity as the lead state for the coordinated examinations with the Indiana Department of Insurance as exam facilitator for Group 3. Work performed by the Connecticut Insurance Department and Indiana Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Pennsylvania Insurance Department. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

Investment Review

Winthrop Capital Management was engaged by the Indiana Department of Insurance to perform a review of the company's invested assets portfolio as of December 31, 2017. The results of that review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

Unimerica was organized in 1980 under the laws of Iowa under the name Principal Life Insurance Company. The company has undergone ownership and organizational changes depicted below.

- November 20, 1996 - The company was purchased by DBP Ventures, Inc., a Maryland corporation and a subsidiary of Dental Benefit Providers, Inc.
- December 20, 1996 - The company redomiciled from Iowa to Maryland and changed the name of the company to Dental Insurance Company of America, Inc. (DICA).
- June 2, 1999 - United HealthCare Services, Inc. (UHS), a wholly owned subsidiary of UnitedHealth Group Incorporated (UHG), purchased an 80% interest in Dental Benefit Providers, Inc., and all of its affiliated companies. Dental Benefit Providers, Inc. continued to manage DICA and used it to underwrite some of its dental business.
- November 8, 2000 - The company changed its name to Unimerica Insurance Company in anticipation of expanding its product offerings beyond the group dental business to include medical stop-loss and group life.
- February 28, 2001 - Specialized Care Services, Inc. (n/k/a OptumHealth, Inc.) also an affiliated company in the UHG holding company system, acquired Unimerica.
- July 31, 2002 - UHS acquired the remaining 20% ownership interest in Dental Benefit Providers, Inc.
- October 16, 2002 - The company redomiciled from Maryland to Wisconsin.
- May 5, 2003 - Spectera Insurance Company (Maryland) and Stop-Loss Life Reinsurance Company (Arizona) merged with and into Unimerica.
- March 31, 2004 - Spectera Insurance Company, Inc. (Texas) merged with and into Unimerica.
- April 13, 2010 - UHG realigned some of its legal entities resulting in a change of control of Unimerica.
    - June 1, 2010 - OptumHealth Holdings, LLC became the immediate parent of company of Unimerica and RIO Holdings, Inc. became the parent company of OptumHealth Holdings, LLC. As a result of the realignment, OptumHealth Holdings, LLC acquired

100% of the capital stock of Unimerica. RIO Holdings, Inc. is a wholly owned subsidiary of UHG.

- December 31, 2011 - RIO Holdings, Inc. became Optum, Inc.

In 2017, Unimerica collected direct premium in the following states:

California	$ 69,244,055	19.3%
North Carolina	28,792,890	8.0
Illinois	23,133,706	6.4
Texas	22,391,413	6.2
Alabama	18,003,826	5.0
Pennsylvania	16,639,417	4.6
Ohio	15,200,845	4.2
All others	165,661,897	46.1
Total	$359,068,049	100.0%

The company is licensed in the District of Columbia and all states except New York.

The major products marketed by the company include: specific and aggregate medical stop-loss; behavioral solutions, which cover mental health and substance abuse services; complex medical conditions, which include human organ transplants, bone marrow transplants, and managed fertility; physical health, which covers chiropractic, acupuncture, massage therapy, occupational therapy, and other related services. The majority of the products are marketed through employees of UHS brokers and consultants. Stop-loss products are marketed to self-funded employer groups through independent producers and third-party administrators.

The following table is a summary of premium income as reported by the company in 2017. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Stop Loss	$304,921,717	$ 1,073,207	$2,552,968	$303,441,956
Behavioral solutions	31,879,188	450,231,176		482,110,364
Complex medical conditions		24,344,359		24,344,359
Physical health		42,308,685		42,308,685
Life/disability	18,749,337	1,119,822	2,617,068	17,252,091
Dental	4,881,502			4,881,502
Total all lines	$360,431,744	$519,077,249	$5,170,036	$874,338,957

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the board.

All of the directors are employees of UHS and hold the principal titles with subsidiaries of UHS shown below. Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Jean Benson Prior Lake, MN	VP, Finance	2018
Joel Costa Shakopee, MN	VP, Finance	2018
Jeffrey Grosklags Prior Lake, MN	VP, Finance	2018
Thomas Roos Maple Grove, MN	SVP, Chief Accounting Officer	2018
Amy Shaw Eden Prairie, MN	VP, Finance	2018

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2017* Compensation
Jean Benson	President and Director	$855,097
Joel Costa	Chief Financial Officer and Director	81,331
Patrick DeWall	Secretary	41,510
Robert Oberrender	Treasurer	18,347

* Each officer has responsibility for multiple regulated entities in the UnitedHealth Group. The portion of compensation shown above for each officer is primarily allocated based on the quantity of total legal entities the officer serves as well as the percentage of the year that each officer served for Unimerica Insurance Company. These amounts would be included in total salaries and benefits for the respective officer and allocated to the health plan through the United HealthCare Services, Inc. management fee.

Committees of the Board

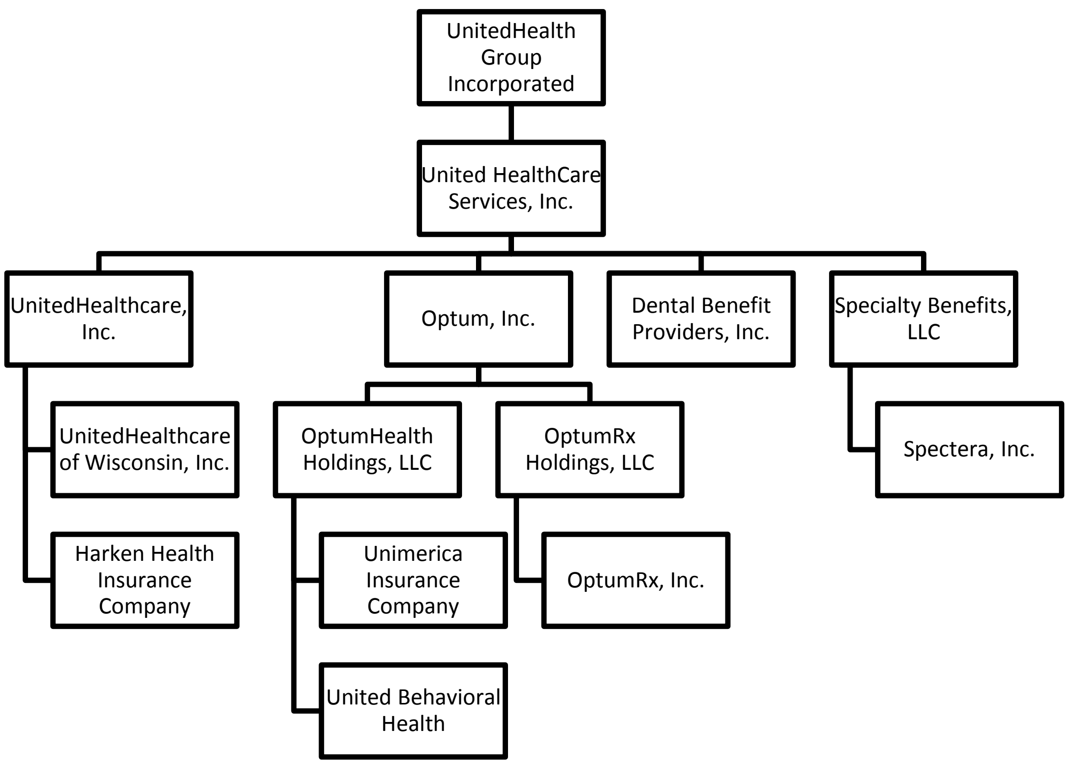
The company's bylaws allow for the formation of certain committees by the board of directors. The committee at the time of the examination is listed below:

Audit Committee
Thomas Roos, Chair
Jeffrey Grosklags
Amy Shaw

IV. AFFILIATED COMPANIES

Unimerica Insurance Company is a member of a holding company system consisting of 864 companies. The following abbreviated organizational chart depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant follows the organizational chart.

Abbreviated Organizational Chart*
As of December 31, 2017



*As of December 31, 2017 UHG's holding company system consisted of 864 companies.

UnitedHealth Group Incorporated

UnitedHealth Group Incorporated, the ultimate controlling entity in the insurance holding company system, is a diversified health and well-being company. Through its affiliated companies, UHG offers a broad spectrum of health care products and services. As of December 31, 2017, UHG's audited financial statement (consolidated) reported assets of $139 billion, liabilities of $87 billion, and shareholders' equity of $49.8 billion. Operations for 2017 produced a net income of $10.5 billion on total revenues of $201 billion.

UHG has two distinct but strategically aligned business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum through its OptumHealth, OptumInsight, and OptumRx businesses. To the extent there are contracts between Unimerica and any UnitedHealthcare or Optum affiliate, they will be within these four operating segments.

(Billions)	**UnitedHealthcare**	**OptumHealth**	**OptumInsight**	**OptumRX**
2017 Total earnings before income taxes	$ 8.5	$ 1.8	$ 1.8	$ 3.1
Revenues	163.3	20.6	8.1	63.8
Total assets	76.7	26.9	11.3	29.6

United HealthCare Services, Inc.

United HealthCare Services, Inc, (UHS) is the employer for a large percentage of the personnel who provide services to UHG and its subsidiaries. It is a direct subsidiary of UHG and functions as an intermediate holding company for all of the other subsidiaries of UHG. As of December 31, 2017, the consolidated audited financial statements for UHS and subsidiaries reported assets of $119.6 billion, liabilities of $52.9 billion, noncontrolling interests of $1.3 billion, and equity of $65.4 billion. Operations for 2017 produced net earnings of $8.9 billion on revenues of $182 billion.

Agreements with Affiliates

<u>UHS Management Services Agreement</u>

Effective March 1, 2011, Unimerica entered into the Management Services Agreement with UHS. UHS provides management and operational support to Unimerica including, but not limited to, those services described in Exhibit A of the agreement. Unimerica will pay fees to UHS equal to UHS' expenses for services or use of assets provided solely to the company, and Unimerica's allocated portion of UHS' expenses where the services or use of assets are shared among Unimerica and other health plans.

UHG Tax Sharing Agreement

Unimerica became a party to the Tax Sharing Agreement with UHG effective November 20, 2001. The Tax Sharing Agreement establishes a formal method for the allocation and payment of federal, state, and local income tax liabilities related to the consolidated federal tax returns of UHG and its subsidiaries filed each year.

UHG Amended and Restated Subordinated Revolving Credit Agreement

Effective August 1, 2012, Unimerica and UHG entered into the amended and restated Subordinated Revolving Credit Agreement whereby UHG provides Unimerica with a short-term borrowing facility. Unimerica may borrow funds upon demand from UHG up to a maximum of $50 million at an interest rate equal to LIBOR plus 50 basis points.

DBP General Agent and Services Agreement

Effective January 1, 2002, Unimerica entered into the General Agent and Services Agreement with Dental Benefit Providers, Inc. (DBP), a subsidiary of UHS. Under the agreement, DBP provides resources to Unimerica for the operation of dental benefit plans and services. Services encompass nearly every task necessary to provide dental products. The agreement was amended September 1, 2002, to establish that compensation would be limited to reimbursement of actual costs incurred by DBP in providing services to Unimerica.

Dental Benefit Providers Master Services Agreement

Effective February 1, 2009, Unimerica is a participant to the Master Services Agreement between DBP and UHS, by entering into the addendum for commercial business to the agreement. Pursuant to the agreement and addendum, DBP is providing Unimerica with services, including developing, contracting, and managing a network of participating providers to provide dental health care services for Unimerica’s insureds and other customers. This includes a credentialing process, having a quality management program, setting network participating requirements for providers, and providing appropriate geographic access to providers. Compensation is a reimbursement of costs and expenses as provided in the addendum.

Spectera Administrative Service Agreement

Unimerica has an Administrative Service Agreement with Spectera, Inc. (Spectera), effective March 1, 2004. Spectera is a subsidiary of UHS. Under the agreement, Spectera provides certain services to Unimerica including, but not limited to, sales management and marketing, policyholder services administration, and other general accounting and administrative functions with respect to Unimerica's vision insurance products. For its services provided in this agreement, Spectera shall be reimbursed by Unimerica for all costs and expenses incurred by Spectera in providing services to Unimerica.

OptumRx Facility Participation Agreement Durable Medical Equipment Services and Hearing Aids

Effective January 1, 2012, Unimerica and OptumRx, Inc. (OptumRx) entered into the Facility Participation Agreement. Under the terms of the agreement, OptumRx is a provider of durable medical equipment services and hearing aids for Unimerica's members. This agreement is to be made available to be used by all products, commercial, Medicare, and Medicaid that Unimerica may offer.

OptumRx Prescription Drug Benefit Administration Agreement

Effective January 1, 2013, Unimerica entered into the Prescription Drug Benefit Administration Agreement with OptumRx. Pursuant to the agreement, OptumRx provides core prescription drug benefit services and mail order pharmacy services. Under the core prescription drug benefit services, OptumRx establishes and maintains a network of pharmacies to service the benefit plans, provides claims processing services, benefits administration and support, marketing and sales support, account management services, rebate administration, clinical services, and finance and analytical support services. Under the mail order pharmacy services, OptumRx provides mail order network prescription services. Unimerica remains ultimately responsible for the pharmacy benefit administration services provided to its members.

UBH Behavioral Health Services Agreement

There is a behavioral health services agreement with United Behavioral Health (UBH) effective September 1, 2012. Pursuant to the agreement, UBH is responsible for arranging for the provision of certain mental health and substance abuse treatment services for Unimerica's commercial members that are part of the Massachusetts State Employee Plan. Unimerica remains ultimately responsible for the delivery of mental health and substance abuse care to its members.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Nonaffiliated Ceding Contracts

The company entered into a group life and accidental death and dismemberment reinsurance agreement with General Re Life Corporation effective January 1, 2010, which was last amended January 1, 2017. Coverage for group life is on an excess-of-retention basis. The agreement provides reinsurance coverage of the company’s basic and supplemental group and association life and accidental death and dismemberment (AD&D) business and voluntary accidental death and dismemberment business for face amounts that exceed various thresholds. For all groups other than the employees of UnitedHealth Group, the amount reinsured is 50% of face amounts between $500,000 and $1,000,000, and 100% of amounts in excess of $1,000,000 up to $2,000,000, for a maximum retained risk by the company of $750,000 per insured. For executive and non-executive employees of UnitedHealth Group, the amount insured is in excess of $750,000. Executive employees are covered up to $4,000,000 with a maximum reinsurance amount of $3,250,000 per insured. Non-executive employees are covered up to $3,000,000. For purposes of determination of amount applicable for reinsurance, the basic and supplemental life amounts are combined, and claims for life and AD&D are treated separately, so the maximum amount of exposure for the company on any one life is $1,500,000.

Unimerica has a group long-term disability income, association disability, and association business office overhead expense reinsurance agreement with Hartford Life Accident Insurance Company effective October 1, 2005. Coverage for the long-term disability is 80% of the first $10,000 of gross monthly benefit and 100% of the net loss amounts exceeding $10,000 of the gross monthly benefit, subject to a reinsurance limit per insured of $18,000 per month. Coverage for the association disability and association business office overhead is 100% of the net loss exceeding $5,000 of the gross monthly benefit to a maximum monthly limit of liability of $5,000 per insured for association disability and business office overhead expense business. This contract terminated May 31, 2015, but current in-force policies issued prior to December 31, 2014 remain reinsured until terminated.

Unimerica has a quota share reinsurance agreement with HPHC Insurance Company, Inc. (HPHC) effective January 1, 2012. The agreement reinsures excess of loss insurance agreements classified as specific stop-loss and aggregate stop-loss for employers who provide self-insured medical plans with 25 or more subscribers and a specific deductible of $20,000 or more. The company is liable for 65% of claims, and HPHC's limit of liability of claims for any individual covered member shall not exceed 35% of $2,000,000. HPHC is an unauthorized reinsurer in the state of Wisconsin.

The company has a facultative group long-term disability income reinsurance agreement with ReliaStar Life Insurance Company effective January 1, 2008. Coverage for the long-term disability is 80% of the company’s gross liability, subject to a limit of $10,000 gross monthly benefit per person. Additionally, the company agrees to cede and reinsurer agrees to reinsure and indemnity the company 100% of the amounts in excess of $10,000 gross monthly benefit per person.

Unimerica has a quota share disability reinsurance agreement with Sun Life Assurance Company of Canada effective January 1, 2016. Coverage for the long-term disability is 80% of the gross monthly benefit. The initial term of five years ends December 31, 2020.

Affiliated Assuming Contracts

1. Type: Reinsurance Treaty

Reinsured: Each of the following has a separate, similar agreement:

- Care Improvement Plus South Central Insurance Company
- UnitedHealthcare Life Insurance Company
- UnitedHealthcare of the Midwest, Inc.
- All Savers Insurance Company
- UnitedHealthcare of Louisiana, Inc.
- MD-Individual Practice Association, Inc.
- MAMSI Life and Health Insurance Company
- UnitedHealthcare of the Mid-Atlantic, Inc.
- Optimum Choice, Inc.
- Oxford Health Plans (NJ), Inc.
- UnitedHealthcare of Mississippi, Inc.
- UnitedHealthcare of Texas, Inc.
- UnitedHealthcare Insurance Company of the River Valley
- UnitedHealthcare Insurance Company of Illinois
- Physicians Health Choice of Texas, LLC
- UnitedHealthcare Benefits of Texas, Inc.
- UnitedHealthcare Community Plan of Texas, LLC
- UnitedHealthcare of Illinois, Inc.
- UnitedHealthcare Insurance Company
- Oxford Health Plans (CT), Inc.
- UnitedHealthcare of New England, Inc.
- UnitedHealthcare of Wisconsin, Inc.
- Oxford Health Insurance, Inc.
- PacifiCare of Colorado, Inc.

Scope: a) Human organ and bone marrow transplants and related services

b) Infertility treatments and services

c) Mental health and substance abuse treatments and services

d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions

Retention: None

Coverage: 100% of the covered obligations

Commissions: None

Effective date: Various with earliest as of March 1, 2013

Termination: The reinsurance agreements were terminated effective December 31, 2017.

Nonaffiliated Assuming Contracts

Unimerica has a quota share association life and accidental death and dismemberment retrocession agreement with Employers Reassurance Corporation (ERAC) effective November 24, 2003, retroactive to April 1, 2003. The company reinsures ERAC on a retrocession basis for 100% of the first $500,000 of policy benefits of the association life and disability business under the non-New York agreement that ERAC assumes from UNUM Life Insurance Company of America. The company also reinsures ERAC on a retrocession basis for 100% of the first $500,000 of policy benefits of the association life and disability business under the New York agreement that ERAC assumes from First UNUM Life Insurance Company.

Unimerica has a quota share association disability retrocession agreement with Westport Insurance Corporation (Westport) effective November 24, 2003, retroactive to April 1, 2003. Effective January 1, 2006, the company executed an amendment that changes the percentage assumed from Westport. The company now reinsures Westport on a retrocession basis for 100% and 90% of the association disability business that Westport assumes from UNUM Life Insurance Company of America and First UNUM Life Insurance Company, respectively. Retrocession limits are subject to a maximum of $15,000 or $13,500 per policy, per certificate, per insured.

The company has an excess of loss reinsurance agreement with Kern Health Systems and KHS Group Health Plan effective January 1, 2017. The agreement reinsures excess of loss insurance for MediCal nonSPD and MediCal SPD members. The company reinsures 95% of the business with a reimbursement limit of $2,000,000 per member per agreement period.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2017, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Unimerica Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$364,795,960	$	$364,795,960
Cash, cash equivalents, and short-term investments	54,945,276		54,945,276
Investment income due and accrued	2,620,700		2,620,700
Uncollected premiums and agents' balances in course of collection	50,028,611	311,693	49,716,918
Amounts recoverable from reinsurers	897,599		897,599
Funds held by or deposited with reinsured companies	27,720,000		27,720,000
Other amounts receivable under reinsurance contracts	38,728		38,728
Net deferred tax asset	1,220,519		1,220,519
Guaranty funds receivable or on deposit	546,259	432,176	114,083
Write-ins for other than invested assets:			
Premium tax recoverable	476,273		476,273
Prepaid assets and miscellaneous receivables	385,775	385,775	
Total assets	$503,675,700	$1,129,644	$502,546,056

Unimerica Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Aggregate reserve for life contracts		$ 15,839,519
Aggregate reserve for accident and health contracts		110,349,932
Liability for deposit-type contracts		1,632,478
Contract claims:		
Life		1,864,064
Accident and health		136,231,741
Premiums and annuity considerations received in advance		3,032,235
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		22,943,971
Other amounts payable on reinsurance		223,027
Interest maintenance reserve		2,535,898
Commissions to agents due or accrued		780,928
Commissions and expense allowances payable on reinsurance assumed		4,628
General expenses due or accrued		2,173,275
Taxes, licenses, and fees due or accrued, excluding federal income taxes		2,976,746
Current federal and foreign income taxes		4,153,563
Remittances and items not allocated		117,408
Miscellaneous liabilities:		
Asset valuation reserve		1,186,961
Reinsurance in unauthorized and certified companies		905,448
Payable to parent, subsidiaries and affiliates		7,653,857
Payable for securities		1,871,047
Write-ins for liabilities:		
Unclaimed property		16,175
Total liabilities		316,492,901
Common capital stock	$ 2,600,000	
Gross paid in and contributed surplus	82,849,470	
Write-ins for special surplus funds:		
Section 9010 ACA subsequent fee year assessment	784,651	
Unassigned funds (surplus)	99,819,034	
Total capital and surplus		186,053,155
Total liabilities, capital and surplus		$502,546,056

Unimerica Insurance Company
Summary of Operations
For the Year 2017

Premiums and annuity considerations for life and accident and health contracts		$874,338,955
Net investment income		8,268,002
Amortization of interest maintenance reserve		1,085,002
Commissions and expense allowances on reinsurance ceded		473,421
Total income items		884,165,380
Death benefits	$ 8,731,103	
Disability benefits and benefits under accident and health contracts	776,357,050	
Interest and adjustments on contract or deposit-type contract funds	(302,605)	
Increase in aggregate reserves for life and accident and health contracts	10,861,573	
Subtotal	795,647,121	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	13,204,982	
Commissions and expense allowances on reinsurance assumed	434,813	
General insurance expenses	21,511,730	
Insurance taxes, licenses, and fees excluding federal income taxes	7,087,221	
Write-in for deductions:		
Fines and penalties	13	
Total deductions		837,885,880
Net gain (loss) from operations before dividends to policyholders and federal income taxes		46,279,500
Federal and foreign income taxes incurred (excluding tax on capital gains)		14,843,676
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		31,435,824
Net realized capital gains or (losses)		(21,961)
Net income (loss)		$ 31,413,863

Unimerica Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance			$874,936,239
Net investment income			10,374,025
Miscellaneous income			545,195
Total			885,855,459
Benefit- and loss-related payments		$796,894,378	
Commissions, expenses paid, and aggregate write-ins for deductions		44,532,630	
Federal and foreign income taxes paid (recovered)		6,623,013	
Total deductions			848,050,021
Net cash from operations			37,805,438
Proceeds from investments sold, matured, or repaid:			
Bonds		74,223,205	
Cost of investments acquired (long-term only):			
Bonds	$114,864,256		
Miscellaneous applications	2,684,710		
Total investments acquired		117,548,966	
Net cash from investments			(43,325,761)
Cash from financing and miscellaneous sources:			
Net deposits on deposit-type contracts and other insurance liabilities		(336,892)	
Other cash provided (applied)		(2,390,570)	
Net cash from financing and miscellaneous sources			(2,727,462)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(8,247,785)
Cash, cash equivalents, and short-term investments:			
Beginning of year			63,193,061
End of year			$ 54,945,276

Unimerica Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017

Assets		$502,546,056
Less liabilities		316,492,901
Adjusted surplus		186,053,155
Annual premium:		
Group life and health	$874,936,247	
Premiums ceded to unauthorized and certified reinsurers	2,552,968	
Subtotal	877,489,215	
Factor	10%	
Compulsory surplus (subject to a $2,000,000 minimum)		87,748,922
Compulsory surplus excess (deficit)		$ 98,304,233
Adjusted surplus (from above)		$186,053,155
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum of 110%)		100,033,771
Security surplus excess (deficit)		$ 86,019,384

Unimerica Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2017

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2017	2016	2015	2014	2013
Capital and surplus, beginning of year	$154,738,461	$167,705,352	$187,834,687	$181,120,550	$153,197,709
Net income	31,413,863	21,069,352	65,680,403	76,871,025	43,250,582
Change in net unrealized capital gains/losses	(565)				
Change in net deferred income tax	(858,593)	126,736	(63,176)	(234,503)	(603,687)
Change in nonadmitted assets and related items	1,234	(75,322)	107,160	(469,247)	349,726
Change in liability for reinsurance in unauthorized and certified companies	74,444	443,962	(706,124)	(23,580)	79,006
Change in asset valuation reserve	(47,668)	(111,274)	(147,598)	(170,871)	(152,785)
Change in treasury stock					
Cumulative effect of changes in accounting principles	731,979				
Capital changes:					
Dividends to stockholders		(30,000,000)	(85,000,000)	(67,500,000)	(15,000,000)
Write-ins for gains and (losses) in surplus:					
Correction of prior year error		(4,420,345)		(1,758,687)	
Capital and surplus, end of year	$186,053,155	$154,738,461	$167,705,352	$187,834,687	$181,120,550

Unimerica Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2017

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2017	2016	2015	2014	2013
#1	Net change in capital and surplus	20%	-8%	-11%*	4%	18%
#2	Gross change in capital and surplus	20	-8	-11*	4	18
#3	Net income to total income	4	2	10	13	9
#4	Adequacy of investment income	662	574	513	435	352
#5	Non-admitted to admitted assets	0	0	0	0	0
#6	Total real estate and mortgage loans to cash and invested assets	0	0	0	0	0
#7	Total affiliated investments to capital and surplus	0	0	0	0	0
#8	Surplus relief	0	0	0	-4	-14
#9	Change in premium	10	30	12	24	48
#10	Change in product mix	0.0	0.1	0.1	0.1	0.7
#11	Change in asset mix	0.4	1.3	0.1	1.8	1.3
#12	Change in reserving	-41*	9	0	35*	-64*

Ratio No. 1 compares the net change in capital and surplus. Ratio No. 2 compares the change in capital and surplus from the prior year to the current year. The unusual result in 2015 for both ratios was due to the company paid dividends of $85 million to its parent.

Ratio No. 12 represents the number of percentage points of difference between the reserving ratio for current and prior years. The unusual results are for ordinary life insurance which has decreasing premiums and aggregate reserves and is an insignificant portion of the company's business.

Growth of Unimerica Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2017	$502,546,056	$316,492,901	$186,053,155
2016	476,392,240	321,653,779	154,738,461
2015	435,884,737	268,179,385	167,705,352
2014	415,039,544	227,204,857	187,834,687
2013	410,077,144	228,956,594	181,120,550
2012	326,579,082	173,381,373	153,197,709

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2017	$12,315,581	$0	$0
2016	13,837,901	0	0
2015	12,919,908	0	0
2014	12,713,590	0	0
2013	13,394,405	0	0
2012	18,963,492	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2017	$ 3,846,207	$70,232	$3,775,975
2016	4,796,667	70,167	4,726,500
2015	4,509,698	69,373	4,440,325
2014	3,999,790	48,986	3,950,804
2013	6,430,944	57,102	6,373,842
2012	14,314,635	84,465	14,230,170

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2017	$861,443,046	$790,687,863	$11,883,283	$25,722,539	96.2%
2016	863,478,318	798,917,654	10,477,928	32,575,173	97.5
2015	657,160,019	531,746,605	11,106,509	28,582,517	86.9
2014	569,067,743	421,034,738	17,266,464	28,356,489	82.0
2013	476,860,509	359,629,644	35,950,577	25,782,266	88.3
2012	302,708,520	228,517,033	9,950,885	28,048,846	88.1

* Includes increase in contract reserves
** Includes taxes, licenses, and fees

Year	Premiums A&H Assumed - Affiliates	Benefits A&H Assumed - Affiliates
2017	$493,007,993	$517,445,602
2016	507,515,639	524,691,309
2015	334,060,897	299,731,016
2014	288,348,718	231,392,804
2013	165,934,119	129,783,927
2012	0	0

UnitedHealth Group has a strategy to align its businesses in a manner that segregates its benefits and services areas. In 2012, a migration of behavioral health, managed transplant, and stop-loss policies from UnitedHealthcare Insurance Company (UHIC) to the company was completed. Similarly, certain products that had historically been written by the company (primarily life, disability, and dental) migrated to UHIC, except for an insignificant amount of life and disability.

During 2013, Unimerica entered into reinsurance agreements with various affiliated entities. The company assumed the liability of the affiliated entities to provide coverage for mental health and substance abuse services; chiropractic, physical and occupational therapy treatments; and services for musculoskeletal conditions, as well as human organ transplants, bone marrow transplants, and infertility services. In 2014 and 2015, Unimerica entered into reinsurance agreements with Oxford Health Insurance Company and additional affiliated entities that also provided coverage for the services discussed above.

The increase in net premiums earned was primarily due to affiliated reinsurance business as supported by the year-over-year trends in net premiums earned compared to the premiums for accident and health contracts assumed from affiliates shown in the schedules above. The increase in incurred claims and cost containment expenses was primarily due to affiliated reinsurance business as supported by the year-over-year trends in incurred claims compared to cost containment expenses and the benefits under accident and health insurance contracts assumed from affiliates shown in the schedules above.

As a result of the changes in business, the company experienced large changes in many balance sheet items and financial trends. The company experienced an increase in premiums earned of 185% and an increase in total assets of 54% over the examination period. Capital and surplus increased 21% due to net income of $238 million over the examination period offset by dividends paid to the parent of $198 million.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2017, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Executive Compensation

The examination disclosed that the Report on Executive Compensation filed for 2017 did not include employer-paid health insurance and employer contributions to health savings accounts.

The State of Wisconsin requires that each Wisconsin-domiciled insurer file a supplement to the annual statement titled “Report on Executive Compensation” pursuant to s. 611.63 (4), Wis. Stat. This report includes the total annual compensation paid to each director and all “C” level executives or their equivalent. Compensation reported should include all gross direct and indirect remuneration paid and accrued during the report year for the benefit of an individual director, officer, or manager, and shall include wages, stock grants, gains from the exercise of stock options, and all other forms of personal compensation (including employer-paid health, life and any other premiums). It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

VIII. CONCLUSION

UnitedHealth Group has a strategy to align its businesses in a manner that segregates its benefits and services areas. In 2012, a migration of behavioral health, managed transplant, and stop-loss policies from UnitedHealthcare Insurance Company (UHIC) to the company was completed. Similarly, certain products that had historically been written by the company (primarily life, disability, and dental) migrated to UHIC, except for an insignificant amount of life and disability.

During the examination period, Unimerica entered into reinsurance agreements with various affiliated entities. The company assumed the liability of the affiliated entities to provide coverage for mental health and substance abuse services, chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions, as well as human organ transplants, bone marrow transplants, and infertility services.

As a result of the changes in business, the company experienced large changes in many balance sheet items and financial trends. The company experienced an increase in premiums earned of 185% and an increase in total assets of 54% over the examination period. Capital and surplus increased 21% due to net income of $238 million over the examination period offset by dividends paid to the parent of $198 million. As of December 31, 2017, the company reported assets of $503 million and liabilities of $316 million. The company reported a net income of $31 million in 2017.

There were no prior examination recommendations for the company. The examination resulted in one recommendation. No adjustments to surplus or reclassifications of account balances were made as a result of the examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 28 - Executive Compensation—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Angelita Romaker	Insurance Financial Examiner
Kongmeng Yang	Insurance Financial Examiner
Ana Careaga	ACL Specialist
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Greg Mielke
Examiner-in-Charge