Report

of the

Examination of

UnitedHealthcare Life Insurance Company

Green Bay, Wisconsin

As of December 31, 2016

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Scott Walker, *Governor*
Theodore K. Nickel, *Commissioner*

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May 9, 2018

Honorable Theodore K. Nickel
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:

UNITEDHEALTHCARE LIFE INSURANCE COMPANY
Green Bay, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of UnitedHealthcare Life Insurance Company (the company or UHLIC) was conducted in 2012 as of December 31, 2011 (under the name American Medical Security Life Insurance Company). The current examination covered the intervening period ending December 31, 2016, and included a review of such 2017 and 2018 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of UnitedHealthcare Insurance Company. The Connecticut Insurance Department acted in the capacity as the lead state for the coordinated examinations. Work performed by the Connecticut Insurance Department 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) <u>Financial Condition Examiners Handbook</u>. 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 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 Office of the Commissioner of Insurance. 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.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1982 under the name of United Wisconsin Life Insurance Company (UWLIC). The following is an outline of corporate changes to date.

- February 1983 - BCBSUW sold 35% of UWLIC's stock in to International Financial Services, Inc. (IFS).
- April 1983 - BCBSUW contributed its 65% interest in UWLIC to United Wisconsin Services, Inc. (UWSI), a wholly owned subsidiary of BCBSUW.
- December 1985 - UWSI acquired the remaining 35% interest in UWLIC from IFS and became the sole shareholder of UWLIC.
- December 1996 - UWLIC was contributed to American Medical Security Holdings, Inc. (AMSH), a wholly owned subsidiary of UWSI. AMSH became American Medical Security Group, Inc. (AMSG).
- March 1997 - American Medical Security Insurance Company (AMSIC), an Arizona-domiciled insurer, was merged into UWLIC.
- November 2004 - American Medical Security, Inc. (AMS), an affiliated third-party administrator, merged into the company.
- On the date of the merger, the company changed its name to American Medical Security Life Insurance Company (AMSLIC).
- December 2004 - AMSG became a wholly owned subsidiary of PacifiCare Health Systems, Inc. (PacifiCare).
- December 2005 - PacifiCare was acquired by UnitedHealth Group Incorporated (UHG)
- August 2006 - The company exited the employer group market in various states to eliminate duplicate coverages with other UHG companies in these states.
- November 2006 - AMSLIC entered into an assumption reinsurance agreement with an affiliate, UnitedHealthcare Insurance Company (UHIC), whereby UHIC assumed AMSLIC's group medical, dental, life, and disability insurance business in certain states. After this date, the company focused on offering health care benefits and insurance products to individuals.

- December 2006 - The company's direct ownership was transferred to Golden Rule Financial Corporation, a wholly owned subsidiary of UHG.
- During the first half of 2010, the company made a decision to stop offering individual health insurance products to new customers and discontinue marketing and quoting new business as a result of the passage of federal health care reform legislation and corporate strategies to streamline duplicative product offerings with affiliated entities.
- March 2013 - The company changed its name to UnitedHealthcare Life Insurance Company.
- In 2014, the company started selling off-exchange individual health plans compliant with ACA. In addition, the company started selling employer group health plans, primarily in the state of Ohio.
- The company left the individual ACA market effective January 1, 2017.

In 2016, the company collected direct premium in the following states:

Ohio	$351,955,362	36.6%
Texas	132,830,254	13.8
Indiana	90,931,903	9.5
Florida	85,960,338	8.9
Missouri	45,605,554	4.7
Wisconsin	28,801,426	3.0
All others	225,371,140	23.4
Total	$961,455,977	100.0%

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

The following table is a summary of premium income as reported by the company in 2016.

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
Individual Life	$ 210,975	$0	$ 0	$ 210,975
Group Life	270,829	0	0	270,829
A&H Group Comp Medical	366,416,160	0	49,792	366,366,368
Other A&H:				
Medical	561,967,363	0	2,450,841	559,516,522
Dental	28,669,676	0	0	28,669,676
Vision	2,907,409	0	0	2,907,409
AD&D	1,282,123	0	0	1,282,123
ST Disability	17,403	0	0	17,403
Other	1,527,566	0	0	1,527,566
Total Other A&H	596,371,540	0	2,450,841	593,920,699
Total All Lines	$963,269,504	$0	$2,500,633	$960,768,871

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three 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.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Patrick F. Carr Indianapolis, IN	President	2018
James M. Gabriel Green Bay, WI	Senior Vice President, Actuarial Pricing	2018
Richard C. Sullivan Indianapolis, IN	Vice President, Secretary	2018

Officers of the Company

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

Name	Office	2016 Compensation[1]
Patrick F. Carr	President/CEO	$207,551
Jeremy M. Schoettle	Chief Financial Officer	41,514
Richard C. Sullivan	Secretary	36,209
Robert W. Oberrender	Treasurer	22,619

Committees of the Board

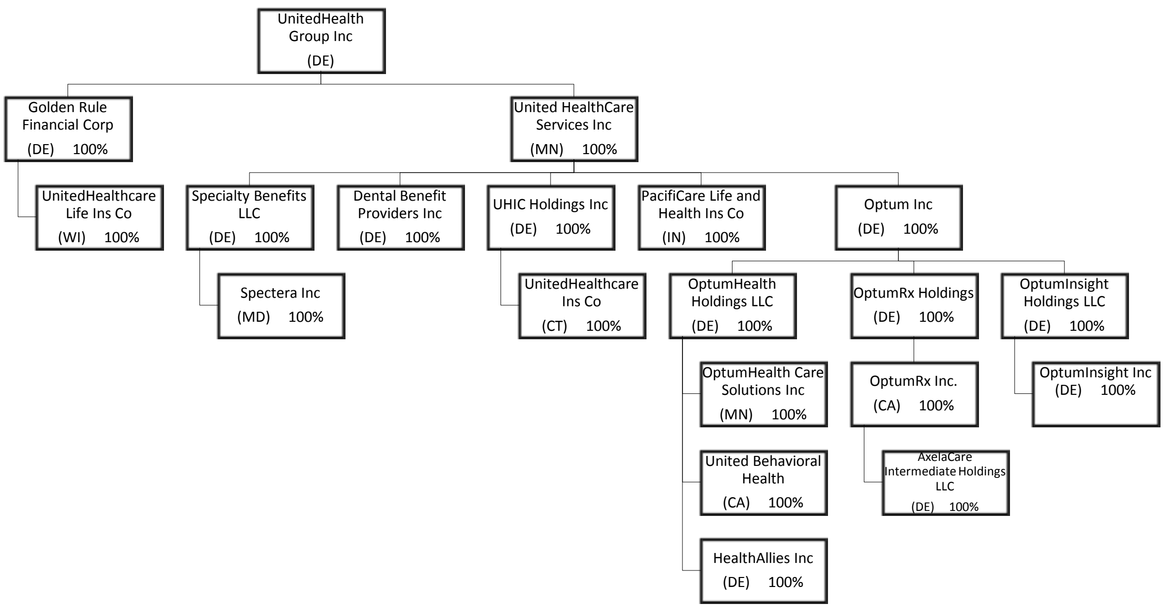
The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees of the board at the time of the examination.

[1] This is the portion of the officer’s salary allocated to UHLIC

IV. AFFILIATED COMPANIES

UnitedHealthcare Life Insurance Company is a member of a holding company system consisting of nearly 550 companies. The abbreviated organizational chart below depicts the relationships among the affiliates in the group that UHLIC has contractual relationships with. A brief description of affiliates deemed significant follows the organizational chart.

Organizational Chart
As of December 31, 2016



UnitedHealth Group Incorporated (UHG)

UHG, 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, 2016, the consolidated audited financial statements of UHG reported assets of $122.8 billion, liabilities of $82.6 billion, and net worth of $38.2 billion. Operations for 2016 produced net income of $7.1 billion.

United HealthCare Services, Inc. (UHS)

UHS provides administrative and other services to various member companies in the holding company group. As of December 31, 2016, the consolidated audited financial statements of UHS reported assets of $103.4 billion, liabilities of $47.4 billion, and net worth of $54.7 billion. Operations for 2016 produced net income of $7.1 billion.

OptumRx, Inc. (OptumRx)

OptumRx provides pharmacy benefit management services. As of December 31, 2016, the unaudited financial statements of OptumRx reported assets of $14.1 billion, liabilities of $8.4 billion, and net worth of $5.7 billion. Operations for 2016 produced net income of $1.2 billion.

Agreements with Affiliates

UHG Tax Sharing Agreement

UHG and its affiliates are parties to a Tax Sharing Agreement. UHLIC became a party to this agreement effective January 1, 2006. The agreement provides that the group should file a consolidated tax return in which UHG is defined as the parent. Each subsidiary agrees to pay the amount of the consolidated federal income tax liability attributable to each subsidiary. Quarterly estimated tax payments are to be made to the parent on the given date in the contract.

UHG Subordinated Revolving Credit Agreement

Effective July 1, 2012, UHG and UHLIC entered into a Subordinated Revolving Credit Agreement whereby UHG provides UHLIC with a short-term borrowing facility. UHLIC may borrow funds upon demand from UHG up to a maximum of $15 million at an interest rate equal to LIBOR plus 50 basis points.

UHS Management Services Agreement

Effective January 1, 2014, UHLIC entered into a Management Services Agreement with UHS, in which UHS provides management and operational support to UHLIC including, but not limited to, those services described in Exhibit A of the Agreement. In return, UHLIC will pay management fees to UHS equal to: (a) UHS' Expenses for services or use of assets provided solely to the company, and (b) Company's allocated portion of UHS' Expenses where the services or use of assets are shared among the Company and other Health Plans.

UHS Network Access Agreement

UHLIC and PacifiCare Health Plan Administrators, Inc. (PHPA, now UHS), entered into the Network Access Agreement effective March 1, 2005, in which UHS grants to UHLIC the right to access contracted provider networks and receive the benefit of the provider networks' discount rates. No compensation is paid under the Agreement. The agreement provides for an initial term of one year with automatic one-year renewals, unless the Agreement is terminated by either party.

OptumRx Prescription Drug Benefit Administration Agreement

Effective January 1, 2013, UHS entered into a Prescription Drug Benefit Administration Agreement with OptumRx. Pursuant to the Agreement, OptumRx provides affiliates with 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, provide 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 UHLIC with mail order network prescription services.

OptumRx Facility Participation Agreement (Hearing Aid)

Effective June 1, 2015, UHLIC and OptumRx entered into the Facility Participation Agreement, in which OptumRx is a provider of Hearing Aids for UHLIC’s members.

OptumRx Facility Participation Agreement (Specialty Pharmacy for the Medical Benefits)

Effective December 1, 2015, UHLIC entered into the Facility Participation Agreement, in which OptumRx is a specialty pharmacy provider. OptumRx provides the specialty pharmacy medications covered under the member's medical benefits. In addition to dispensing and delivering the specialty pharmacy medications, OptumRx provides information, including side effect management, storage of the medication, missed dose management, and disease state information, to UHLIC's members or their caregivers. OptumRx also provides access to customer service representatives and pharmacists to provide support and guidance to UHLIC's members and family members.

OptumHealth Administrative Services Agreement

Effective January 1, 2014, UHLIC entered into the Administrative Services Agreement with OptumHealth Care Solutions, Inc. (OptumHealth). Pursuant to the Agreement, OptumHealth provides physical health services and claims administrative services to UHLIC's commercial members for all ASO Benefit Plans and Full Service Benefit Plans.

OptumInsight Services Agreement

Effective January 1, 2014, UHLIC entered into the OptumInsight Services Agreement with OptumInsight, Inc. (OptumInsight), in which OptumInsight provides services related to claim analytics and recovery services, retrospective fraud, waste and abuse services, and subrogation services.

OptumInsight Software License Agreement

Effective December 15, 2000, UHLIC entered into the Software License Agreement with HSS, Inc. (now OptumInsight), in which OptumInsight grants UHLIC a license to use their software to produce reports analyzing the accessibility of UHLIC’s health care networks. UHLIC pays OptumInsight an annual service fee.

Effective December 20, 2000, UHLIC entered into the Software License Agreement with GeoAccess, Inc. (now OptumInsight), in which OptumInsight grants UHLIC a license to use OptumInsight software to produce reports analyzing the accessibility of UHLIC’s health care networks.

Unimerica Reinsurance Agreement

Effective August 1, 2015, UHLIC entered into the Reinsurance Agreement with Unimerica Insurance Company (Unimerica), in which UHLIC cedes 100% of the covered obligations to Unimerica and shall remain liable as reinsurer on all liability reinsured under the Agreement until such time as UHLIC no longer has liability with respect to the covered obligations. This is discussed in detail in the Reinsurance section of this examination report.

UHIC Insolvency Reinsurance Agreement

Effective January 1, 2014, UHLIC entered into the Insolvency Reinsurance Agreement with UnitedHealthcare Insurance Company (UHIC) for insolvency reinsurance pertaining to its Alabama Insurance Exchange, Small Business Health Options Program (SHOP) members. This is discussed in detail in the Reinsurance section of this examination report.

UBH Behavioral Services Agreement

Effective January l, 2014, UHLIC entered into the Behavioral Health Services Agreement with United Behavioral Health (UBH), in which UBH provides mental health and substance abuse services for UHLIC's commercial members. This agreement was amended four times. The agreement and subsequent amendments were associated with the reinsurance agreement with Unimerica, and provided for the assumption of risk for a limited portion of benefits provided by UHLIC on a reinsurance basis.

AxelaCare Facility Participation Agreement

Effective February 1, 2016, UHLIC entered into the Facility Participation Agreement with AxelaCare Intermediate Holdings, LLC (AxelaCare), in which AxelaCare provides home infusion therapy services, including per diem nursing services and the cost of drugs. The Agreement is available to be used by all Commercial, Medicare, and Medicaid products UHLIC may offer.

DBP Dental Services Agreement

Effective January 1, 2014, UHLIC entered into the Dental Services Agreement with Dental Benefit Providers (DBP), in which DBP provides dental services and/or products for UHLIC's members, as well as network management, credentialing and re-credentialing, utilization management and/or complex case management, claims administration, and other general services.

HealthAllies Marketing Services Agreement

Effective December 6, 2013, UHLIC entered into the Marketing Services Agreement with HealthAllies, Inc. (HealthAllies), in which UHLIC promotes HealthAllies discounting plans and programs to potential customers through various promotional methods. In return, HealthAllies gives UHLIC access to its provider networks and discount plans.

Golden Rule and All Savers Utilization Review Delegation Agreement

Effective February 12, 2012, Golden Rule Insurance Company (GRIC), UHLIC, and All Savers Insurance Company (ASIC) entered into the Utilization Review Delegation Agreement, under which UHLIC provides GRIC and ASIC with utilization review services.

Spectera Vision Service Agreement

Effective January 1, 2014, UHLIC entered into the Vision Services Agreement with Spectera, Inc. (Spectera), in which Spectera provides vision services and/or products for UHLIC's members.

Alere Facility Participation Agreement

Effective December 1, 2013, UHLIC entered into the Facility Participation Agreement with Alere Women's and Childrens' Health, LLC (Alere). Under the terms of the Agreement, Alere provides home infusion therapy to commercial and Medicaid pregnant women in need of certain hormonal and insulin therapy. Alere was acquired by United on January 9, 2015, and UHLIC was a participant to the Agreement.

Ancillary Provider Participation Agreement

Effective May 1, 2016, UHLIC entered into the Ancillary Provider Participating Agreement with MedExpress Health Insurance Company and DWIC of Tampa Bay, Inc., collectively referred to as the Facility. Pursuant to the Agreement, the Facility is providing home urgent care services to UHLIC's members.

UHCNC Network Access Agreement

Effective November 6, 2006, UHLIC and UnitedHealthcare of North Carolina, Inc. (UHCNC), entered into a Network Access Agreement in which UHCNC grants UHLIC the right to access UHCNC's contracted provider networks. UHLIC pays UHCNC a per member, per month (PM–PM) fee for the access.

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 contain proper insolvency provisions.

Prior to 2007, the company used reinsurance to mitigate large claim exposure. Currently, UHLIC has determined that the large claim exposure for individual life and health business is a manageable risk and has elected to not use reinsurance for these types of contracts.

Ceding Contracts

Section 1341 of the Affordable Care Act (ACA) established a transitional reinsurance program to stabilize premiums in the individual market inside and outside of the Marketplaces. This runs from January 1, 2014, through December 31, 2016. This program is designed to protect health insurance issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations. Relatively, the ACA imposes fees and premium stabilization provisions on the health insurance issuers offering comprehensive commercial health insurance.

The company has accident and health insurance premiums in the individual line of business subject to the risk-sharing provisions of the ACA. This business represented 66% and 59% of the company's premium revenue and covered membership, respectively. As of December 31, 2016, the company has established receivables of $33.6 million and liabilities of $1.6 million pursuant to the ACA provisions. The receivable is reported as amounts recoverable from reinsurers for the accident and health portion of claims paid and unpaid. The liability is reported as other amounts payable on reinsurance. Under this provision, the reinsurer is the U.S. Department of Health and Human Services. However, effective January 1, 2017, the company is exiting the individual line of business in nearly all states.

Effective August 1, 2015, the company entered into a quota share reinsurance agreement with an affiliate, Unimerica Insurance Company (Unimerica). Under this agreement, the company cedes to Unimerica 100% of chiropractic and mental health and substance abuse treatments and benefits on commercial health insurance products. Premiums are calculated on a per member, per month (PM-PM) basis of earned comprehensive member premiums. The financial impact of this reinsurance agreement is not material to the company.

Pursuant to the ACA, the company has entered into an insolvency-only agreement effective January 1, 2014, with UnitedHealthcare Insurance Company (UHIC), an affiliate, for qualified health plans written through the Alabama Insurance Exchange, as amended from time to time. Under this agreement, the company cedes to UHIC for the type of policies for the month by one tenth of one percent (0.1%) in exchange for insolvency coverage. The company did not have any enrollees covered under this agreement in 2016.

The company has a quota share reinsurance agreement with Vision Service Plan Ins. Co. (VSP) which became effective on June 1, 1999, for the provision of vision care benefits for certain members. Under the terms of the agreement, the company cedes to VSP 100% of the liability losses related to vision care benefits to the reinsurer in exchange for an agreed-upon premium per covered employee per month. The financial impact of this reinsurance agreement is not material to the company.

Assuming Contracts

Effective April 27, 2005, the company entered into a quota share coinsurance agreement with PacifiCare Life and Health Insurance Company (PLHIC), an affiliate, to retrocede 55% of the business ceded to PLHIC by Pacific Life Insurance Company (PLIC) and PacifiCare Life Assurance Company (PLAC) after the transfer to PLHIC of renewal rights to blocks of business. The reinsurance was terminated effective December 31, 2006. However, the existing business continued and there’s a minimal amount left on premium waiver.

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, 2016, 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.

UnitedHealthcare Life Insurance Company
Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$356,066,929	$ 0	$356,066,929
Cash, cash equivalents, and short-term investments	44,862,606	0	44,862,606
Investment income due and accrued	2,898,278	0	2,898,278
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	3,500,014	156,292	3,343,722
Accrued retrospective premiums and contracts subject to redetermination	31,101,144	0	31,101,144
Reinsurance:			
Amounts recoverable from reinsurers	29,883,641	0	29,883,641
Current federal and foreign income tax recoverable and interest thereon	23,815,050	0	23,815,050
Guaranty funds receivable or on deposit	97,746	0	97,746
Health care and other amounts receivable	19,168,734	3,831,718	15,337,016
Write-ins for other than invested assets:			
Prepaid expenses	636,261	636,261	0
Current state taxes receivable	720,578	0	720,578
Service fee billing	537	537	0
Total Assets	$512,751,518	$4,624,808	$508,126,710

UnitedHealthcare Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2016

Aggregate reserve for life contracts		$ 88,894
Aggregate reserve for accident and health contracts		36,939,545
Contract claims:		
Life		186,196
Accident and health		161,749,498
Premiums and annuity considerations received in advance		9,558,718
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		593
Other amounts payable on reinsurance		1,622,776
Interest maintenance reserve		342,648
Commissions to agents due or accrued		1,427,119
General expenses due or accrued		2,953,877
Taxes, licenses, and fees due or accrued, excluding federal income taxes		15,562,605
Amounts withheld or retained by company as agent or trustee		845
Remittances and items not allocated		491,610
Miscellaneous liabilities:		
Asset valuation reserve		690,263
Payable to parent, subsidiaries and affiliates		108,941,573
Write-ins for liabilities:		
Unclaimed property liability		65,385
Total Liabilities		340,622,145
Common capital stock	$ 6,000,000	
Gross paid in and contributed surplus	388,532,982	
Unassigned funds (surplus)	(227,028,417)	
Total Capital and Surplus		167,504,565
Total Liabilities, Capital and Surplus		$508,126,710

UnitedHealthcare Life Insurance Company
Summary of Operations
For the Year 2016

Premiums and annuity considerations for life and accident and health contracts		$ 960,768,871
Net investment income		5,564,153
Amortization of interest maintenance reserve		59,505
Write-ins for miscellaneous income:		
Service fees and other revenue		162,865
Total income items		966,555,394
Death benefits	$ 208,761	
Disability benefits and benefits under accident and health contracts	926,317,402	
Increase in aggregate reserves for life and accident and health contracts	(68,502,118)	
Subtotal	858,024,045	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	45,607,131	
General insurance expenses	70,951,582	
Insurance taxes, licenses, and fees excluding federal income taxes	40,703,656	
Write-in for deductions:		
Interest and penalty expense	17,450	
Total deductions		1,015,303,864
Net gain (loss) from operations before dividends to policyholders and federal income taxes		(48,748,470)
Federal and foreign income taxes incurred (excluding tax on capital gains)		(39,763,569)
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		(8,984,901)
Net realized capital gains or (losses)		(4,812)
Net Loss		$ (8,989,713)

UnitedHealthcare Life Insurance Company
Cash Flow
For the Year 2016

Premiums collected net of reinsurance		$ 958,121,004
Net investment income		6,744,396
Miscellaneous income		162,865
Total		965,028,265
Benefit- and loss-related payments	$878,984,836	
Commissions, expenses paid, and aggregate write-ins for deductions	152,505,996	
Federal and foreign income taxes paid (recovered)	(18,135,828)	
Total deductions		1,013,355,004
Net cash from operations		(48,326,739)
Proceeds from investments sold, matured, or repaid:		
Bonds	59,946,397	
Cost of investments acquired (long-term only):		
Bonds	304,883,578	
Net cash from investments		(244,937,181)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	40,000,000	
Other cash provided (applied)	22,172,914	
Net cash from financing and miscellaneous sources		62,172,914
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(231,091,006)
Cash, cash equivalents, and short-term investments:		
Beginning of year		275,953,612
End of year		$ 44,862,606

UnitedHealthcare Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2016

Assets			$508,126,710
Less security surplus of insurance subsidiaries			0
Less liabilities			340,622,145
Adjusted surplus			167,504,565
Annual premium:			
Individual life and health	$587,741,138		
Factor	15%		
Total		$88,161,171	
Group life and health	370,379,867		
Factor	10%		
Total		37,037,987	
Compulsory surplus (subject to a $2,000,000 minimum)			125,199,156
Compulsory Surplus Excess (Deficit)			$ 42,305,409
Adjusted surplus (from above)			$167,504,565
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%)			140,223,054
Security Surplus Excess (Deficit)			$ 27,281,511

UnitedHealthcare Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2016

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:

	2016	2015	2014	2013	2012
Capital and surplus, beginning of year	$137,067,444	$ 41,438,073	$29,256,575	$23,763,984	$32,341,997
Net income	(8,989,713)	(143,004,855)	(15,378,519)	7,333,643	8,933,824
Change in net deferred income tax	0	(3,058,023)	(671,440)	2,495,856	339,999
Change in nonadmitted assets and related items	(355,081)	(3,093,108)	1,281,257	(2,137,498)	116,721
Change in asset valuation reserve	(218,085)	(214,643)	(49,799)	590	31,444
Surplus adjustments:					
Paid in	40,000,000	245,000,000	27,000,000	(2,200,000)	(18,000,000)
Capital and Surplus, End of Year	$167,504,566	$137,067,444	$41,438,073	$29,256,575	$23,763,984

UnitedHealthcare Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2016

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	2016	2015	2014	2013	2012
#1	Net change in capital & surplus	-7%	-360%*	-51%*	32%	29%
#2	Gross change in capital & surplus	22	231*	42	23	-27*
#3	Net income to total income	-1*	-20*	-6*	9	9
#4	Adequacy of investment income	100,672*	51,676*	23,994*	10,909*	13,780*
#5	Non-admitted to admitted assets	1	1	1	4	1
#6	Total real estate & mortgage loans to cash & 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	0	0
#9	Change in premium	37	185*	185*	-12*	-19*
#10	Change in product mix	0.7	11.9*	2.2	0.1	0.1
#11	Change in asset mix	7.5*	3.6	1.7	1.1	1.9
#12	Change in reserving	47*	-60*	0	131*	-5

The exceptional results in Ratios No. 1 and 2 analyze the change in net and gross capital and surplus for the year. The exceptional ratio results are from paid in capital of $245 million in 2015 and $27 million in 2014 and the payment of dividends recorded as a return of capital of $18 million in 2012.

Ratio No. 3 compares net income to total income. The exceptional results from 2014 to 2016 are due to the company's business plan changes over the examination period as discussed in the "History and Plan of Operation" section of the examination report.

Ratio No. 4 compares the net investment income to the increase in reserves from tabular interest. The exceptional results for Ratio No. 4 were due to the company being primarily a group health insurer. Since the company's business is not written on a level-premium basis like individual life insurance, there are no tabular reserves. Because of the nature of the company's business, the exceptional results are not an indication of insufficient reserves.

Ratio No. 9 represents the percentage change in premium from the prior year to the current year. The exceptional results for Ratio No. 9 are due to the company's business plan changes over the examination period as discussed in the "History and Plan of Operation" section of the examination report.

Ratio No. 10 measures the mix in premium volume among products. The exceptional result in Ratio No. 10 in 2015 is due to the company's business plan changes over the examination period as discussed in the "History and Plan of Operation" section of the examination report.

Ratio No. 11 measures the mix of assets. The exceptional result in Ratio No. 11 in 2016 is due to the company investing paid-in capital from the prior year.

Ratio No. 12 represents the number of percentage points of difference between the reserving ratio for current and prior years. The exceptional results for Ratio No. 12 are due to the company's business plan changes over the examination period.

Growth of UnitedHealthcare Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2016	$508,126,710	$340,622,145	$167,504,565
2015	488,431,489	351,364,045	137,067,444
2014	132,599,648	91,161,575	41,438,073
2013	56,953,177	27,696,602	29,256,575
2012	48,992,928	25,228,944	23,763,984
2011	65,748,428	33,406,431	32,341,997

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2016	$ 495,008	$0	$0
2015	362,968	0	0
2014	497,818	0	0
2013	705,218	0	0
2012	874,421	0	0
2011	1,123,797	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2016	$ 79,762	$0	$ 79,762
2015	42,588	0	42,588
2014	39,746	0	39,746
2013	61,239	0	61,239
2012	80,066	0	80,066
2011	105,028	0	105,028

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2016	$960,946,644	$869,199,064	$45,410,224	$100,885,485	105.7 %
2015	699,889,663	783,002,673	36,497,119	61,806,251	125.9
2014	244,446,819	231,319,909	12,893,452	22,304,096	109.0
2013	84,083,681	61,964,455	3,357,937	9,562,256	89.1
2012	99,041,757	74,681,682	4,184,557	10,530,275	90.3
2011	118,270,124	89,431,979	5,341,457	11,348,406	89.7

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

In 2014, the company began selling off-exchange individual health plans compliant with ACA and the company's premiums increased rapidly. As a result of this change, the company, as expected, experienced large changes in many balance sheet items and financial trends. Premiums increased to $244 million in 2014 from $84 million in 2013. The increase in premiums continued over the rest of the examination period to $700 million in 2015 and to $961 million in 2016. The company experienced greater than anticipated losses associated with the ACA business written and posted net losses of $15 million in 2014, $143 million in 2015, and $9 million in 2016. These losses required capital contributions from their parent of $27 million in 2014, $245 million in 2015, and another $40 million in 2016. The company experienced an increase in premiums earned of 712% and an increase in total assets of 673% over the examination period.

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, 2016, 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

There were no recommendations or adjustments to surplus made as a result of the examination.

VIII. CONCLUSION

In March 2013, the company changed its name from American Medical Security Life Insurance Company to UnitedHealthcare Life Insurance Company. In 2014, the company started selling off-exchange individual health plans compliant with ACA. The company left the individual ACA market effective January 1, 2017.

As a result of the above-mentioned business plan changes, the company, as expected, has experienced a 712% increase in premiums earned and a 673% increase in assets over the examination period. As of December 31, 2016, the company reported assets of $508 million and liabilities of $341 million. The company reported a net loss of $9 million for 2016.

There were no prior examination recommendations for the company to comply with. The current examination did not result in any recommendations. The examination did not result in any adjustments to surplus as reported by the company.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

No recommendations were made as a result of the examination.

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
Kong Yang	Insurance Financial Examiner
Angelita Romaker	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Terry Lorenz
Examiner-in-Charge