

Report of the Examination of
Unimerica Insurance Company
Eden Prairie, Minnesota
As of December 31, 2022

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April 25, 2024

Honorable Nathan D. Houdek
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
Eden Prairie, Minnesota

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Unimerica Insurance Company (Unimerica or the company) was conducted in 2018 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of UnitedHealth Group Incorporated (UHG) holding company. The Connecticut Insurance Department acted in its capacity as the lead state for the coordinated examinations with Wisconsin serving as examination facilitator. Representatives of Alabama, California, Colorado, Florida, Indiana, Kentucky, Minnesota, Nebraska, Nevada, New Hampshire, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, and Texas, participated in the examination, and their work 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. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

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 concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Pennsylvania Insurance Department. The actuary assisted in the review of the company's reserving, pricing/underwriting, and reinsurance risks for the coordinated examination. 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

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 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 the 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.

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

On June 4, 2019, the Associate General Counsel, Regulatory Affairs for UnitedHealthcare; informed the Office of the Commissioner of Insurance (OCI) that they will be discontinuing the association policies underwritten by Unimerica Insurance Company (UIC). The products that were discontinued were term life, disability (short term, long term, and catastrophic), hospital indemnity plans, critical illness, business overhead expense, accident and AD&D policies sold to individuals who belong to professional associations (e.g., bar association, dental association, etc.).

The company is licensed to sell life, accident, and health insurance in all states, with the exception of New York. The company is also licensed in the District of Columbia. In 2022, Unimerica collected direct premium in the following states:

Pennsylvania	\$ 53,473,621	17.1%
California	42,625,971	13.6
Ohio	17,965,292	5.7
Colorado	15,266,320	4.9
North Carolina	14,588,994	4.7
Virginia	13,221,281	4.2
Wisconsin	12,562,176	4.0
Texas	10,776,974	3.4
Missouri	10,024,683	3.2
Indiana	9,724,886	3.1
Florida	9,356,631	3.0
Alabama	9,306,369	3.0
Illinois	9,284,412	3.0
Maryland	8,856,620	2.8
Minnesota	7,582,966	2.4
Georgia	7,385,103	2.4
Utah	6,715,830	2.1
New Jersey	6,427,897	2.1
All others	<u>48,099,639</u>	<u>15.4</u>
Total	<u>\$313,244,515</u>	<u>100.0%</u>

The company mainly writes Group Life and Group Accident and Health insurance. 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 chart is a summary of premium income as reported by the company in 2022. 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
Group life	\$ 3,375,867	\$(48,600)	\$ 214	\$ 3,327,053
Long-term care		22,038		22,038
Group disability	<u>316,892,485</u>	<u>339,156</u>	<u>1,015,585</u>	<u>316,216,056</u>
Total All Lines	<u>\$320,268,352</u>	<u>\$312,594</u>	<u>\$1,015,799</u>	<u>\$319,565,147</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. 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
Elizabeth V. Lewis Chanhassen, Minnesota	President Unimerica Insurance Company	2024
Mark W. Johns Eagan, Minnesota	Chief Financial Officer Unimerica Insurance Company	2024
Clint M. Egenes Chanhassen, Minnesota	Vice President Unimerica Insurance Company	2024

Officers of the Company

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

Name	Office
Elizabeth V. Lewis	President
Mark W. Johns ¹	Chief Financial Officer
Peter M. Gill	Treasurer
Patrick J. DeWall	Secretary

¹ Mark W. Johns became Chief Financial Officer, replacing Mark J. Flakne, effective February 17, 2023.

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. The Board of Directors of United HealthCare Services, Inc. has established a Central Region Audit Committee for the purpose of overseeing the accounting and financial reporting processes of the company. The members of the Central Region Audit Committee are as follows:

Audit Committee

Thomas E. Roos, Chair

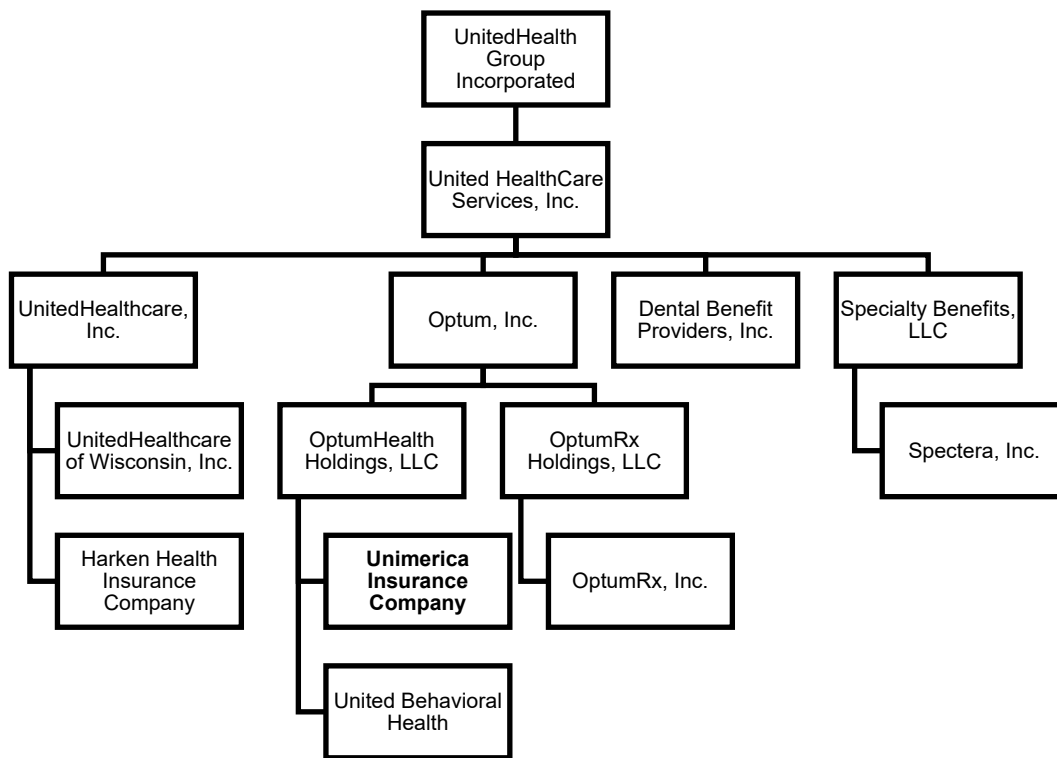
Jason P. McCabe

Matthew P. Trok

IV. AFFILIATED COMPANIES

Unimerica Insurance Company is a member of a holding company system with UnitedHealth Group Inc. as the ultimate parent. The holding company consists of 864 entities, including 95 insurance companies operating in all 50 states. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the company. A brief description of affiliates deemed significant follows the organizational chart.

**Abbreviated Organizational Chart
As of December 31, 2022**



UnitedHealth Group Incorporated

UnitedHealth Group Incorporated, the ultimate controlling entity in the insurance holding company system, is a diversified health and well-being company. UHG offers a broad spectrum of health care products and services through its affiliated companies. As of December 31, 2022, UHG's audited financial statement (consolidated) reported assets of \$245.7 billion, liabilities of \$159.4 billion, and shareholders' equity of \$81.5 billion. Operations for 2022 produced net earnings of \$20.6 billion on total revenues of \$324.2 billion. UHG is traded over the New York Stock Exchange under the symbol "UNH."

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. The following is the number of total assets, revenues, and total earnings before income taxes as of December 31, 2022, for each segment:

(in billions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx
Total assets	\$107.1	\$69.0	\$31.1	\$47.5
Revenues	249.7	71.2	14.6	99.8
Total earnings before income taxes	14.4	6.0	3.6	4.4

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 the other subsidiaries of UHG. As of December 31, 2022, the consolidated audited financial statements for UHS and subsidiaries reported assets of \$204.5 billion, liabilities of \$101.0 billion, redeemable noncontrolling interests of \$4.8 billion, and equity of \$98.6 billion. Operations for 2022 produced net earnings of \$15.2 billion on revenues of \$297.1 billion.

UnitedHealthcare, Inc.

UnitedHealthcare, Inc. (UHC) is a direct subsidiary of UHS and functions as a holding company. UHC provides global health care benefits, serving individuals and employers, and Medicare and Medicaid beneficiaries. As of December 31, 2022, the unaudited financial statements of

UnitedHealthcare reported assets of \$107.1 billion. Operations for 2022 produced a net income of \$14.4 billion on total revenues of \$249.7 billion.

Optum, Inc.

Optum, Inc. (Optum) is a direct subsidiary of UHS and functions as a holding company for the health services business serving the global health care marketplace, including payers, care providers, employers, governments, life sciences companies, and consumers through its OptumHealth, OptumInsight, and OptumRx businesses. As of December 31, 2022, the unaudited financial statements of Optum reported assets of \$147.5 billion. Operations for 2022 produced a net income of \$14.1 billion on total revenues of \$182.8 billion.

UnitedHealthcare Insurance Company

UnitedHealthcare Insurance Company (UHIC) is a life and health insurer domiciled in Connecticut. UHIC is the largest insurer in the holding company and writes group accident and health insurance contracts for employers and associations. As of December 31, 2022, the annual statement of UHIC reported assets of \$21.4 billion, liabilities of \$15.0 billion, and net worth of \$6.4 billion. Operations for 2022 produced a net income of \$2.5 billion.

Agreements with Affiliates

UHG Tax Sharing Agreement

Unimerica became a party to the Tax Sharing Agreement with UHG effective November 20, 2001. The agreement was amended and restated effective March 2019. 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. The agreement was terminated effective December 31, 2022.

UHS Management Services Agreement

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.

The agreement was amended effective January 1, 2015, to modify the Third-Party Administrator and Other Services Provisions and Medicare Provisions to comply with regulatory requirements. The agreement was amended for a second time effective March 1, 2017, to implement an updated methodology for calculating management fees and to update the list of services subject to the agreement.

Dental Benefit Providers, Inc. 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 on 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 (Commercial)

Effective January 1, 2013, United Healthcare Services, Inc. entered into the Prescription Drug Benefit Administration Agreement with OptumRx. Effective October 1, 2013, Unimerica participated in the agreement via a participating addendum. 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.

The agreement was amended effective December 1, 2017, and included modifications to the definitions of the agreement and updates to the Services Addendum.

V. REINSURANCE

The company's active contracts within its 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.

Active Nonaffiliated Ceding Contracts

General Re Life Corporation

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 the 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.

HPHC Insurance Company, Inc. (HPHC)

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. This agreement was amended on January 1, 2014. HPHC is an unauthorized reinsurer in the state of Wisconsin. The agreement was terminated effective June 30, 2023.

Sun Life Assurance Company of Canada

Effective January 1, 2016, Unimerica entered into a quota share disability reinsurance agreement with Sun Life Assurance Company of Canada. This agreement has been amended twice as of the examination with the most recent amendment on January 1, 2019. This amendment reduced the reinsurance percentage from 65% down to 50% allowing the company to recapture 15% of its business. This agreement is to remain in effect until otherwise terminated.

Active Nonaffiliated Assuming Contracts

Employers Reassurance Corporation

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's life and disability business under the New York agreement that ERAC assumes from First UNUM Life Insurance Company.

Westport Insurance Corporation

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 changed 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.

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, 2022, 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 and the compulsory and security surplus calculation.

Unimerica Insurance Company
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$318,941,753	\$	\$318,941,753
Cash, cash equivalents, and short-term investments	23,547,226		23,547,226
Investment income due and accrued	2,633,046		2,633,046
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	13,403,338	97,688	13,305,650
Reinsurance:			
Amounts recoverable from reinsurers	362,179		362,179
Other amounts receivable under reinsurance contracts	2,675		2,675
Net deferred tax asset	675,232		675,232
Guaranty funds receivable or on deposit	283,410		283,410
Health care and other amounts receivable	638,101	638,101	
Write-ins for other than invested assets:			
Premium tax recoverable	1,036,031		1,036,031
Premium assets and miscellaneous receivables	<u>96,735</u>	<u>96,735</u>	<u> </u>
Total Assets	<u>\$361,619,726</u>	<u>\$832,524</u>	<u>\$360,787,202</u>

Unimerica Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2022

Aggregate reserve for life contracts		\$ 8,940,419
Aggregate reserve for accident and health contracts		107,379,182
Liability for deposit-type contracts		1,440,935
Contract claims:		
Life		742,223
Accident and health		508,262
Premiums and annuity considerations received in advance		219,743
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		13,466,385
Other amounts payable on reinsurance		2,126
Interest maintenance reserve		1,195,450
Commissions to agents due or accrued		1,012,148
Commissions and expense allowances payable on reinsurance assumed		605
General expenses due or accrued		1,247,138
Taxes, licenses, and fees due or accrued, excluding federal income taxes		2,859,135
Current federal and foreign income taxes		4,114,193
Remittances and items not allocated		66,755
Asset valuation reserve		1,577,513
Reinsurance in unauthorized and certified companies		367,566
Payable to parent, subsidiaries and affiliates		14,233,742
Write-ins for liabilities:		
Unclaimed property		<u>268,310</u>
 Total Liabilities		 159,641,830
 Common capital stock	 \$ 2,600,000	
Gross paid in and contributed surplus	82,849,470	
Unassigned funds (surplus)	<u>115,695,902</u>	
 Total Capital and Surplus		 <u>201,145,372</u>
 Total Liabilities, Capital and Surplus		 <u>\$360,787,202</u>

**Unimerica Insurance Company
Summary of Operations
For the Year 2022**

Premiums and annuity considerations for life and accident and health contracts		319,565,147
Net investment income		9,418,774
Amortization of interest maintenance reserve		616,001
Commissions and expense allowances on reinsurance ceded		2,007
Total income items		329,601,929
Death benefits	\$ 3,427,651	
Disability benefits and benefits under accident and health contracts	222,952,913	
Interest and adjustments on contract or deposit-type contract funds	(141,181)	
Increase in aggregate reserves for life and accident and health contracts	<u>(8,638,012)</u>	
Subtotal	217,601,371	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	6,279,068	
Commissions and expense allowances on reinsurance assumed	(1,644)	
General insurance expenses and fraternal expenses	15,720,984	
Insurance taxes, licenses, and fees excluding federal income taxes	7,666,383	
Write-in for deductions:		
Fines and Penalties	<u>3,319</u>	
Total deductions		<u>247,269,481</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		82,332,448
Federal and foreign income taxes incurred (excluding tax on capital gains)		<u>16,642,494</u>
Net Income (Loss)		<u>\$ 65,689,954</u>

Unimerica Insurance Company
Cash Flow
For the Year 2022

Premiums collected net of reinsurance		\$312,169,475
Net investment income		11,870,570
Miscellaneous income		<u>18,355</u>
Total		324,058,400
Benefit- and loss-related payments	\$228,121,804	
Commissions, expenses paid, and aggregate write-ins for deductions	28,542,727	
Federal and foreign income taxes paid (recovered)	<u>12,503,360</u>	
Total deductions		<u>269,167,891</u>
Net cash from operations		54,890,509
Proceeds from investments sold, matured, or repaid:		
Bonds	67,336,253	
Cost of investments acquired (long-term only):		
Bonds	<u>31,830,258</u>	
Net cash from investments		35,505,995
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	(183,644)	
Dividends to stockholders	125,000,000	
Other cash provided (applied)	<u>2,502,469</u>	
Net cash from financing and miscellaneous sources		<u>(122,681,175)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(32,284,671)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>55,831,898</u>
End of year		<u>\$ 23,547,226</u>

**Unimerica Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2022**

Assets		\$360,316,249
Less liabilities		<u>159,641,830</u>
Adjusted surplus		201,145,372
Group life and health	\$313,162,490	
Factor	<u>10%</u>	
Total		\$31,316,249
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>31,316,249</u>
Compulsory Surplus Excess (Deficit)		<u>\$169,829,123</u>
Adjusted surplus (from above)		201,145,372
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%)		<u>41,024,286</u>
Security Surplus Excess (Deficit)		<u>\$160,121,086</u>

Unimerica Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2022

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:

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$260,225,386	\$241,403,638	\$204,764,371	\$230,701,544	\$186,053,154
Net income	65,689,954	68,742,473	57,747,089	47,033,566	62,514,431
Change in net unrealized capital gains/losses	(208,688)	22,186	41,742	66,929	78,393
Change in net deferred income tax	(162,216)	(101,454)	146,993	130,367	(558,827)
Change in nonadmitted assets and related items	94,633	915,386	(1,205,929)	(176,346)	669,376
Change in liability for reinsurance in unauthorized and certified companies	648,177	(134,470)	7,190	115,624	(98,639)
Change in asset valuation reserve	(141,874)	(87,202)	(97,819)	(107,313)	43,656
Dividends to stockholders	(125,000,000)	(50,000,000)	(20,000,000)	(73,000,000)	(18,000,000)
Write-ins for gains and (losses) in surplus: Correction of error	_____	(535,170)	_____	_____	_____
Capital and Surplus, End of Year	<u>\$201,145,372</u>	<u>\$260,225,386</u>	<u>\$241,403,638</u>	<u>\$204,764,371</u>	<u>\$230,701,544</u>

Growth of Unimerica Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2022	\$360,787,202	\$159,641,830	\$201,145,372
2021	427,554,229	167,328,843	260,225,386
2020	450,010,984	208,607,346	241,403,638
2019	396,027,198	191,262,827	204,764,371
2018	436,717,249	206,015,705	230,701,544

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2022	\$ 2,870,057	\$0	\$0
2021	8,701,239	0	0
2020	8,336,325	0	0
2019	6,895,867	0	0
2018	11,257,236	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2022	\$ 274,390	\$ 30	\$ 274,360
2021	3,243,249	109,115	3,135,234
2020	3,283,243	108,660	3,174,583
2019	3,398,008	69,129	3,328,879
2018	3,274,509	70,101	3,204,408

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2022	\$316,313,514	\$215,929,657	\$ 6,341,698	\$22,942,472	77.5%
2021	303,208,898	199,458,169	7,112,213	22,188,672	75.4
2020	390,588,835	290,085,367	11,084,581	27,380,801	84.1
2019	394,354,536	311,256,956	11,983,089	22,600,183	87.7
2018	422,573,044	319,284,108	12,216,902	26,404,985	84.7

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

Though there was a slight increase from 2019 to 2020, both assets and liabilities decreased steadily during the examination period, decreasing 28.2% and 49.6%, respectively. Despite the decreases, capital and surplus steadily increased, increasing 8.1% during the five-year period.

On June 4, 2019, the Associate General Counsel, Regulatory Affairs for UnitedHealthcare; informed OCI that they will be discontinuing the association policies underwritten by Unimerica Insurance Company (UIC). The products that were discontinued were term life, disability (short term, long term, and catastrophic), hospital indemnity plans, critical illness, business overhead expense, accident and AD&D policies sold to individuals who belong to professional associations (e.g., bar association, dental association, etc.). This can be seen in the 38.7% lower life premiums written in 2019 than in 2018 and gradually lower commissions as the business discontinued had higher commissions. Even with this change, operations remained favorable in 2020, 2021 and 2022.

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, 2022, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report.

The action taken by the company as a result of the comment and recommendation was as follows:

1. 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.

Action—Compliance.

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.

Intersegment Rate Negotiation Documentation

During the lead state's review of the intercompany transactions during the as of 2021 examination, it was noted that the documents used by UnitedHealthcare segments to analyze and renegotiate the inter-segment rates, for appropriateness, are not maintained as support in accordance with s. 617.21 Wis. Stat., s. Ins. 40.04 (2) (d) Wis. Adm. Code, NAIC Accounting Practices and Procedures Manual Statement of Statutory Accounting Principles No 25 – Affiliates and Other Related Parties (SSAP No. 25), and Appendix A-440 – Insurance Holding Companies (A-440). Additionally, the company did not provide comprehensive support to demonstrate that charges between affiliates were fair and reasonable as required by SSAP No. 25 and A-440. Due to the timing of the examination, the examination team was unable to confirm compliance with the lead state's recommendation and as such, the following recommendations were carried forward to the current examination. It is recommended that the company maintain, for review, the accounting information necessary to support the reasonableness of charges or fees for affiliated transactions, as required by s. 617.21 Wis. Stat. and s. Ins. 40.04 (2) (d) Wis. Adm. Code, SSAP No. 25, and A-440. It is further recommended for future affiliated contracts that the company either be able to fully demonstrate that the charges or fees are fair and reasonable or enter into those arrangements on a cost basis.

VIII. CONCLUSION

Unimerica was organized in 1980 under the laws of Iowa under the name Principal Life Insurance Company. The company has undergone several ownership and organizational changes beginning in 1996. In 2010, UHG realigned some of its legal entities resulting in a change of control of Unimerica. OptumHealth Holdings, LLC became the immediate parent 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. Effective December 31, 2011, RIO Holdings, Inc. became Optum, Inc.

Though there was a slight increase from 2019 to 2020, both assets and liabilities decreased steadily during the examination period, decreasing 28.2% and 49.6%, respectively. Despite the decreases capital and surplus steadily increased, increasing 8.1% increase during the five-year period.

On June 4, 2019, the Associate General Counsel, Regulatory Affairs for UnitedHealthcare informed OCI that they would be discontinuing the association policies underwritten by Unimerica Insurance Company (UIC). The products that were discontinued were term life, disability (short term, long term, and catastrophic), hospital indemnity plans, critical illness, business overhead expense, accident and AD&D policies sold to individuals who belong to professional associations (e.g., bar association, dental association, etc.). This can be seen in the 38.7% lower life premiums written in 2019 than in 2018 and gradually lower commissions as the business discontinued had higher commissions. Even with this change, operations remained favorable in 2020, 2021, and 2022.

The examination resulted in two recommendations and no adjustments to surplus. The amount of surplus reported by the company as of December 31, 2022, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 26 - Intersegment Rate Negotiation Documentation—It is recommended that the company maintain, for review, the accounting information necessary to support the reasonableness of charges or fees for affiliated transactions, as required by s. 617.21 Wis. Stat. and s. Ins. 40.04 (2) (d) Wis. Adm. Code, SSAP No. 25, and A-440.
2. Page 26 - Intersegment Rate Negotiation Documentation—It is further recommended for future affiliated contracts that the company either be able to fully demonstrate that the charges or fees are fair and reasonable or enter into those arrangements on a cost basis.

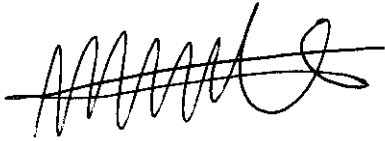
X. ACKNOWLEDGMENT

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
Takoda Boyd	Insurance Financial Examiner
Gabriel Gorske, CFE	Insurance Financial Examiner
Kongmeng Yang, AFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Marisa K. Rodgers
Examiner-in-Charge

XI. SUBSEQUENT EVENT

On February 21, 2024, UnitedHealth Group (UHG) identified a cyber security threat actor had gained access to the Change Healthcare (Change) information technology systems. Change is a clearinghouse used by providers and health insurers to facilitate claim submissions and payment processes. Change is owned by UHG. UHG has reported that it has isolated the impacted systems from other connecting systems in the interest of protecting its partners and patients, to contain, assess and remediate the incident. The company has indicated that the event has not resulted in unauthorized access, disruption, or misuse of any information system supporting its regulated insurance entities.