Report

of the

Examination of

Unimerica Insurance Company

Milwaukee, Wisconsin

As of December 31, 2012

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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April 16, 2014

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:

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 2008 as of December 31, 2007. The current examination covered the intervening period ending December 31, 2012, and included a review of such 2013 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination of the company was conducted concurrently with other companies in UnitedHealth Group Incorporated. The Texas Department of Insurance acted in the capacity as the examination lead state for the coordinated exams. The examinations were divided into subgroups with Indiana being the coordinating state of the subgroup which contains Unimerica. Work performed by the Texas Department of Insurance and Indiana Department of Insurance was reviewed and relied on where deemed appropriate.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of 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 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 1980 under the laws of Iowa under the name Principal Life Insurance Company. It was formed as a subsidiary of the Principal Mutual Life Insurance Company of Iowa. On November 20, 1996, the company was purchased by DBP Ventures, Inc., a Maryland corporation. DBP Ventures, Inc., was a subsidiary of Dental Benefit Providers, Inc., formed to acquire Principal Life Insurance Company.

On December 20, 1996, the company amended its articles of incorporation to redomicile from Iowa to Maryland and to change the name of the company to Dental Insurance Company of America, Inc. (DICA). Subsequent to the redomestication, the company voluntarily surrendered its certificate of authority in Iowa because it did not intend to operate in Iowa under the business plan of that time. DBP Ventures, Inc., merged into its parent, Dental Benefit Providers, Inc., effective January 1, 1997, thereby making Dental Benefit Providers, Inc., the new parent company of DICA. On 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 affiliate companies, including DICA. Dental Benefit Providers, Inc., continued to manage DICA and used it to underwrite some of its dental business, principally the business of one large customer.

Effective 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. On February 28, 2001, Specialized Care Services, Inc., now known as OptumHealth, Inc., a Delaware corporation and also an affiliated company in the UHG holding company system, acquired Unimerica from DBP Ventures, Inc., in an affiliated transaction. OptumHealth, Inc., is a wholly owned direct subsidiary of UHS. On July 31, 2002, UHS acquired the remaining 20% ownership interest in Dental Benefit Providers, Inc. The company’s management and financial functions were transitioned to Minnesota from Maryland in the third quarter of 2002. Effective October 16, 2002, the company’s request to redomicile from Maryland to Wisconsin was approved.

On May 5, 2003, the Wisconsin Office of the Commissioner of Insurance (OCI) approved a plan to merge Spectera Insurance Company (Maryland) and Stop-Loss Life Reinsurance Company (Arizona) with and into Unimerica, with Unimerica being the sole survivor in both instances. The effective date of both mergers was June 30, 2003. Effective March 31, 2004, OCI approved a plan to merge Spectera Insurance Company, Inc., (Texas) with and into Unimerica, with Unimerica being the sole survivor.

In 2010 and 2011, several changes to the intermediate level holding companies were made which affected the ownership of the company. On April 13, 2010, UHG filed a request for change of control of Unimerica, due to an internal realignment of some of its legal entities. Effective June 1, 2010, OptumHealth Holdings, LLC, became the immediate parent company of Unimerica. RIO Holdings, Inc., became the parent company of OptumHealth Holdings, LLC. RIO Holdings, Inc., is a wholly owned subsidiary of UHS, which is a wholly owned subsidiary of UHG. As a result of the realignment, OptumHealth Holdings, LLC, acquired 100% of the issued and outstanding capital stock of Unimerica. Effective December 31, 2011, Rio Holdings, Inc., became Optum, Inc.

In 2012, the company collected direct premium in the following states:

California	$ 85,704,719	29.7%
North Carolina	19,629,864	6.8
Alabama	16,780,538	5.8
Missouri	15,994,229	5.6
Ohio	11,055,808	3.8
Pennsylvania	10,805,600	3.8
All others	128,252,595	44.5
Total	$288,223,355	100.0%

The company's business mix has undergone significant changes over the past five years. Consistent with UHG's strategy to align its businesses in a manner that segregates its Benefits and Services areas, certain insurance policies have been transferred between UHG affiliates, including Unimerica Insurance Company. Starting in 2011 and throughout 2012, policies related to behavioral health, managed transplant and stop loss that had historically been written on UnitedHealthcare Insurance Company paper, have been transferred to Unimerica Insurance Company. Other policies, primarily life, disability, and dental, that had been historically written on Unimerica Insurance Company paper, have been transferred to UnitedHealthcare Insurance Company over the same time period. In 2012, Behavioral Solutions (mental health services) and Care Solutions (managed transplant services) were introduced by Unimerica Insurance Company as new products.

The major products marketed by the company include: specific and aggregate medical stop loss; Behavioral Solutions, which covers mental health and substance abuse services; Complex Medical Conditions, which covers human organ transplants, bone marrow transplants and managed infertility; Physical Health which covers chiropractic, acupuncture, massage therapy, occupational therapy, and other related services; group term life, life and disability which covers group term accidental death and dismemberment, group term dependent life, voluntary supplemental life, voluntary supplemental group term accidental death and dismemberment, dental, short-term disability, long-term disability, business office overhead disability coverage, and hospital indemnity product. The majority of the products are marketed through employees of UHS brokers and consultants.

The following chart is a summary of premium income as reported by the company in 2012. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income (In Thousands)

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Stop loss	$190,334	$	$(1,919)	$188,414
Behavioral solutions	60,786	18,504		79,289
Complex medical conditions		21,817		21,817
Physical health		333		333
Life/disability	27,061	2,165	(5,860)	23,366
Dental	6,547			6,547
Total All Lines	$284,728	$42,819	$(7,780)	$319,766

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	Chief Financial Officer and Senior Vice President, Finance Optum, Inc.	2014
Jeffrey D. Grosklags Prior Lake, MN	Chief Financial Officer OptumRx	2014
John M. Prince Wayzata, MN	Executive Vice President and Chief of Operations Optum, Inc.	2014
Eric S. Rangen Prior Lake, MN	Senior Vice President and Chief Accounting Officer UnitedHealth Group Incorporated	2014
Amy L. Shaw Eden Prairie, MN	Corporate Controller Optum, Inc.	2014

Officers of the Company

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

Name	Office	2012 Compensation*
John M. Prince	President	$401,711
Robert T. Webb	Former Vice President	179,589
Timothy F. Ryan	Secretary	102,766
Paul M. Emerson	Chief Financial Officer	75,417
Robert W. Oberrender	Treasurer	30,971

***** These amounts represent the amount allocated to Unimerica by UHS. Each officer has responsibility for multiple regulated entities in UHG. Compensation for each officer is primarily allocated based on the quantity of total legal entities the officer serves as well as 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 UHS management fee.

Committees of the Board

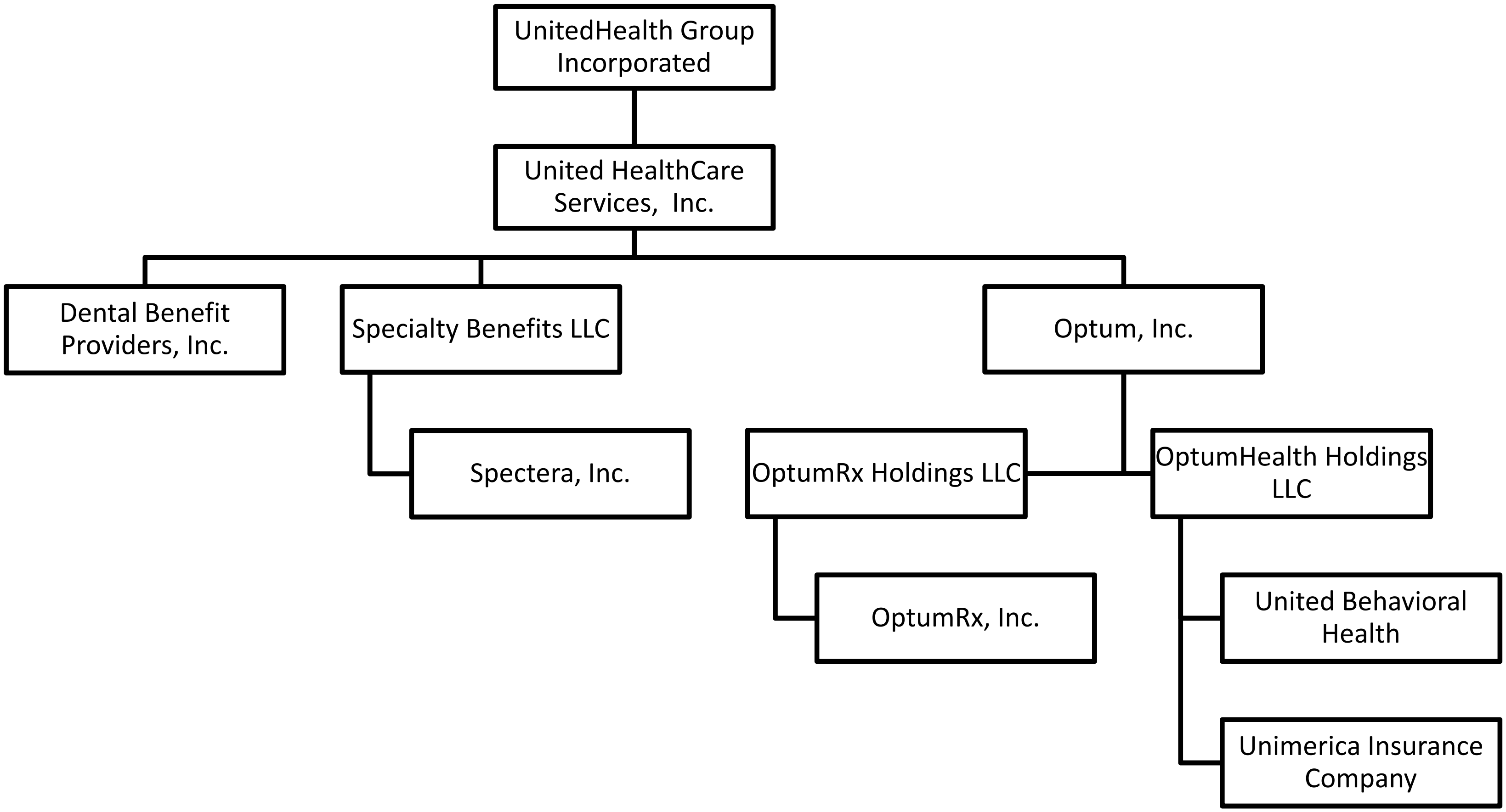
The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Audit Committee
Eric S. Rangen, Chair
Jeffrey D. Grosklags
Amy L. Shaw

IV. AFFILIATED COMPANIES

Unimerica is a member of a holding company system. Its ultimate parent is UnitedHealth Group Incorporated. As of December 31, 2012, UHG had 373 subsidiaries. The following abbreviated organizational chart depicts the relationships among the affiliates significant to the company's operations. A brief description of affiliates deemed significant follows the organizational chart.

Abbreviated Organizational Chart
As of December 31, 2012



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, 2012, UHG's audited financial statement reported assets of $80.9 billion, liabilities of $47.6 billion, and shareholders' equity of $31.2 billion. Operations for 2012 produced net income of $5.5 billion on total revenues of $110.6 billion. UHG is traded over the New York Stock Exchange under the symbol "UNH."

United HealthCare Services, Inc.

United HealthCare Services, Inc., is the employer for all 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, 2012, the consolidated audited financial statements for UHS and subsidiaries reported assets of $58.9 billion, liabilities of $23.4 billion, and shareholder's equity of $35.3 billion. For 2012, UHS reported net earnings of $5.2 billion on total revenue of $96.9 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 broad health care marketplace, including payers, care providers, employers, government, life sciences companies and consumers, through its OptumHealth, OptumInsight and OptumRx businesses. As of December 31, 2012, Optum' s unaudited financial statement reported assets of $11.7 billion, liabilities of $2.9 billion, and shareholder's equity of $8.8 billion. Operations for 2012 produced net income of $0.9 billion on total revenues of $0.6 billion. Substantially all 2012 net income was the result of equity in earnings of subsidiaries.

OptumHealth Holdings, LLC

OptumHealth Holdings, LLC, is a direct subsidiary of Optum, Inc., and functions as a holding company for the health services business of their parent. OptumHealth Holdings, LLC, does not have a contractual relationship with Unimerica and would not receive payments from

Unimerica in the ordinary course of business, other than in the form of dividends and other distributions. As of December 31, 2012, OptumHealth Holdings, LLC's unaudited financial statement reported assets of $3.9 billion, liabilities of $0.1 billion, and shareholder's equity of $3.8 billion. Operations for 2012 produced net income of $393 million on total revenues of $0 million. Substantially all 2012 net income was the result of equity in earnings of subsidiaries.

Agreements with Affiliates

There is a Management Services Agreement with UHS effective March 1, 2011. UHS provides management and operational support to Unimerica including, but not limited to, these services: banking; financial analysis and reporting; human resources; information technology systems and related activities; internal audit; legal, compliance, and regulatory affairs; real estate, office equipment, and supplies; tax; treasury and investments; actuarial and underwriting; benefit design and benefit administration; call centers and related activities; claims adjudication and payment systems; cost containment; data clearinghouse and data warehouse systems; data management; disease management; financial administration systems; health care decision support; marketing, sales, and public relations; medical management; pharmacy administration; provider networks; quality oversight; specialty benefit management systems; third-party administration; and wellness management. 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. Direct expenses not included in the management agreement, such as broker commissions, DOI exam fees, and premium taxes are paid by UHS on the behalf of the company. UHS is reimbursed by the company for these direct expenses.

Unimerica has a Tax-Sharing Agreement with UHG and each subsidiary included in the consolidated federal income tax return, effective January 1, 1997, and amended and restated on January 1, 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. All settlements under this agreement shall be made within 30 days of the filing of the applicable estimated or actual consolidated tax.

Effective January 1, 2002, Unimerica has a General Agent and Services Agreement with Dental Benefit Providers, Inc. (DBP), a subsidiary of UHS. Under this 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. This 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.

Unimerica has an Administrative Service Agreement with Spectera, Inc. (Spectera), effective March 1, 2004. Spectera is a subsidiary of UHS. Under this 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.

Unimerica has a Subordinated Revolving Credit Agreement with UHG, effective June 3, 2003, which was amended and restated on August 1, 2012. Pursuant to this agreement, UHG provides Unimerica with a short-term borrowing facility where Unimerica may borrow funds upon demand from UHG up to a maximum of $50 million, at an interest rate equal to LIBOR plus a margin of 0.50%.

Effective January 1, 2002, Unimerica has a Master Service Agreement and Participating Organization Addendum with Dental Benefit Providers, Inc., a subsidiary of UHS. Pursuant to the agreement and addendum, DBP will provide Unimerica with services, including developing, contracting, and managing a network of Participating Providers to provide dental health care service for Unimerica' s insureds and other customers. Settlements of each month's expenses are to occur within 30 days after the end of the month. This agreement was amended December 22, 2008, to establish settlement terms with DBP in providing services to Unimerica.

There is a Facility Participation Agreement – Durable Medical Equipment Supplies and Hearing Aids with OptumRx, Inc., effective January 1, 2012. OptumRx, Inc., a subsidiary of Optum, is a provider of durable medical equipment and hearing aids for Unimerica' s members.

This agreement is to be made available to be used by all business products. Unimerica remains ultimately responsible for the durable medical equipment and hearing aids provided to its members.

Effective January 1, 2013, Unimerica entered into a Prescription Drug Benefit Administration Agreement with OptumRx, Inc. OptumRx, Inc., provides Unimerica with drug benefit services; these services are through the OptumRx, Inc., network of pharmacies that serve 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. Unimerica remains ultimately responsible for the pharmacy benefits administration services provided to its members.

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. Settlement terms of each month's balances due between the parties shall occur within 90 days after the end of the month in which the amount is owed. 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 company participates in various reinsurance plans in order to limit losses, minimize exposure to large risks, and to effect specific transfer of risk arrangements. The company also assumes reinsurance from nonaffiliated entities primarily to expand the book of business and enhance business relations. Reinsurance assumed from affiliates limits or reduces the risk to affiliates.

Affiliated Assuming Contracts

1.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare of the Mid-Atlantic, Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial HMO in DC: $9.12 Per Member Per Month (PMPM) reinsurance premium with $1.46 PMPM expense allowance Commercial HMO+ in DC: $9.88 PMPM reinsurance premium with $1.46 PMPM expense allowance (d) Commercial Chiropractic in DC and MD: $1.03 PMPM reinsurance premium with $0.19 PMPM expense allowance
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous

2.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare of Mississippi, Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial HMO in Mississippi: $4.58 PMPM reinsurance premium with $1.46 PMPM expense allowance Commercial HMO+ in Mississippi: $4.89 PMPM reinsurance premium with $1.46 PMPM expense allowance (d) Commercial Chiropractic in Mississippi: $1.25 PMPM reinsurance premium with $0.19 PMPM expense allowance
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
3.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	Oxford Health Plans (CT), Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations

	Premium:	(a) Commercial in Connecticut: $5.56 PMPM reinsurance premium with $0.24 PMPM expense allowance (b) Commercial in Connecticut: $4.27 PMPM reinsurance premium with $0.20 PMPM expense allowance (c) None (d) Commercial Therapies in Connecticut: $4.35 PMPM reinsurance premium with $0.28 PMPM expense allowance Commercial Chiropractic in Connecticut: $1.23 PMPM reinsurance premium with $0.22 PMPM expense allowance
	Commissions:	None
	Effective date:	July 1, 2013
	Termination:	Continuous
4.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare of Louisiana, Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial HMO in Louisiana: $5.71 PMPM reinsurance premium with $1.46 PMPM expense allowance Commercial HMO+ in Louisiana: $6.28 PMPM reinsurance premium with $1.46 PMPM expense allowance (d) Commercial Chiropractic in Louisiana: $0.97 PMPM reinsurance premium with $0.19 PMPM expense allowance
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
5.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare Insurance Company of Illinois

	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial HMO in Illinois: $6.03 PMPM reinsurance premium with $1.46 PMPM expense allowance (d) Commercial Chiropractic in Illinois: $1.53 PMPM reinsurance premium with $0.19 PMPM expense allowance
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
6.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare of Texas, Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial HMO in Texas/Central Texas: $10.00 PMPM reinsurance premium with $1.46 PMPM expense allowance Commercial HMO in Texas/Dallas: $9.30 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial HMO in Texas/Houston: $9.89 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial HMO+ in Texas/Dallas: $10.23 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial HMO+ in Texas/Houston: $10.88 PMPM reinsurance premium with $1.46 PMPM expense allowance

(d) Commercial Chiropractic in Texas/All Markets: $0.81 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commissions: None

Effective date: March 1, 2013

Termination: Continuous

7. Type: Loss-Occurring Reinsurance Treaty

Reinsured: MAMSI Life and Health Insurance Company

Scope:

(a) Human organ and bone marrow transplants and related services;

(b) Infertility treatment and services;

(c) Mental health and substance abuse treatments and services; and/or

(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention: None

Coverage: 100% of the covered obligations

Premium:

(a) None

(b) None

(c) Commercial in DC: $7.25 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in MD: $7.25 PMPM reinsurance premium with $1.46 PMPM expense allowance

(d) None

Commissions: None

Effective date: March 1, 2013

Termination: Continuous

8. Type: Loss-Occurring Reinsurance Treaty

Reinsured: UnitedHealthcare of Illinois, Inc.

	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) None (d) Commercial Chiropractic in Illinois: $1.07 PMPM reinsurance premium with $0.19 PMPM expense allowance
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
9.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare Insurance Company of the River Valley
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) None (d) Commercial Chiropractic in Illinois: $1.78 PMPM reinsurance premium with $0.15 PMPM expense allowance Commercial Chiropractic in Tennessee: $1.78 PMPM reinsurance premium with $0.15 PMPM expense allowance

	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
10.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	Oxford Health Plans (NJ), Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) Commercial in New Jersey: $5.00 PMPM reinsurance premium with $0.24 PMPM expense allowance (b) Commercial in New Jersey: $5.09 PMPM reinsurance premium with $0.20 PMPM expense allowance (c) Commercial in New Jersey: $12.00 PMPM reinsurance premium with $1.00 PMPM expense allowance Medicare – SNP Institutional in New Jersey: $74.82 PMPM reinsurance premium with $6.95 PMPM expense allowance Medicare in New Jersey: $8.68 PMPM reinsurance premium with $1.51 PMPM expense allowance (d) Commercial Therapies in New Jersey: $2.27 PMPM reinsurance premium with $0.28 PMPM expense allowance
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
11.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	UnitedHealthcare Insurance Company
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services;

(c) Mental health and substance abuse treatments and services; and/or

(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention: None

Coverage: 100% of the covered obligations

Premium:

(a) None

(b) None

(c) Commercial in AK: $6.80 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in DC: $12.50 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare – Evercare in DC: $59.06 PMPM reinsurance premium with $6.95 PMPM expense allowance

Medicaid – Duals in DC: $36.84 PMPM reinsurance premium with $4.82 PMPM expense allowance

Commercial in IL: $6.95 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare Advantage in IL: $10.52 PMPM reinsurance premium with $1.51 PMPM expense allowance

Medicare – Evercare in IL: $66.20 PMPM reinsurance premium with $6.95 PMPM expense allowance

Commercial in LA: $5.70 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in MD: $12.50 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare – Evercare in MD: $59.06 PMPM reinsurance premium with $6.95 PMPM expense allowance

Commercial in MI: $4.05 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in MS: $3.60 PMPM reinsurance premium with $1.46 PMPM expense allowance

Child Health Plus (CHP) in MS: $10.57 PMPM reinsurance premium with $2.22 PMPM expense allowance

Commercial in MT: $7.00 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in ND: $7.00 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in NH: $8.00 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in NJ: $9.75 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in NV: $4.80 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial in RI: $15.55 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare Advantage in RI: $13.82 PMPM reinsurance premium with $1.51 PMPM expense allowance

Medicare – Evercare in RI: $57.43 PMPM reinsurance premium with $6.95 PMPM expense allowance

Commercial in TN: $5.60 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare – Evercare in TN: $27.30 PMPM reinsurance premium with $6.95 PMPM expense allowance

Commercial in TX: $5.55 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare Advantage in TX: $6.35 PMPM reinsurance premium with $1.51 PMPM expense allowance

Medicaid – Duals in TX: $14.33 PMPM reinsurance premium with $4.82 PMPM expense allowance

(d) Commercial Chiropractic in CA: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in CT: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in DC: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in IL: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in LA: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in MD: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in MI: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in MS: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in MT: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in ND: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in NH: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in NJ: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in NV: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in RI: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in TN: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in TX: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commercial Chiropractic in WV: $1.51 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commissions: None

Effective date: July 1, 2013

Termination: Continuous

12. Type: Loss-Occurring Reinsurance Treaty

Reinsured: UnitedHealthcare of New England, Inc.

Scope:

(a) Human organ and bone marrow transplants and related services;

(b) Infertility treatment and services;

(c) Mental health and substance abuse treatments and services; and/or

(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention: None

Coverage: 100% of the covered obligations

Premium:

(a) None

(b) None

(c) Commercial HMO in Rhode Island: $14.80 PMPM reinsurance premium with $1.46 PMPM expense allowance

Commercial HMO+ in Rhode Island: $16.13 PMPM reinsurance premium with $1.31 PMPM expense allowance

Medicare Advantage in Rhode Island: $13.82 PMPM reinsurance premium with $1.51 PMPM expense allowance

(d) Chiropractic in Rhode Island: $1.21 PMPM reinsurance premium with $0.19 PMPM expense allowance

Commissions: None

Effective date: October 1, 2013

Termination: Continuous

13. Type: Loss-Occurring Reinsurance Treaty

Reinsured: UnitedHealthcare Benefits of Texas, Inc.

Scope:
(a) Human organ and bone marrow transplants and related services;
(b) Infertility treatment and services;
(c) Mental health and substance abuse treatments and services; and/or
(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention: None

Coverage: 100% of the covered obligations

Premium:
(a) None
(b) None
(c) Commercial HMO in Texas: $10.00 PMPM reinsurance premium with $1.46 PMPM expense allowance

Medicare Advantage in Texas: $6.61 PMPM reinsurance premium with $1.51 PMPM expense allowance

Medicare SNP Institutional in Texas: $47.07 PMPM reinsurance premium with $6.95 PMPM expense allowance

Dual Eligibles in Texas: $13.99 PMPM reinsurance premium with $3.50 PMPM expense allowance

(d) Commercial - Chiropractic in Texas: $1.09 PMPM reinsurance premium with $0.17 PMPM expense allowance

Medicare - Chiropractic in Texas: $1.59 PMPM reinsurance premium with $0.17 PMPM expense allowance

Commissions: None

Effective date: April 1, 2013

Termination: Continuous

14. Type: Loss-Occurring Reinsurance Treaty

Reinsured: UnitedHealthcare Community Plan of Texas, LLC

Scope:
(a) Human organ and bone marrow transplants and related services;
(b) Infertility treatment and services;
(c) Mental health and substance abuse treatments and services; and/or

(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention: None

Coverage: 100% of the covered obligations

Premium:

(a) None

(b) None

(c) Medicaid – Star Hidalgo in Texas: $5.58 PMPM reinsurance premium with $1.82 expense allowance

Medicaid – Star Plus in Texas: $95.60 PMPM reinsurance premium with $7.37 PMPM expense allowance

Evercare Dual Eligibles Plan in Texas: $23.19 PMPM reinsurance premium with $4.82 PMPM expense allowance

Medicaid – Texas Star Child Health Plans (CHP) in Texas: $4.08 PMPM reinsurance premium with $1.20 PMPM expense allowance

Medicaid – Texas Star Exp: Child > 1 year in Texas: $0.58 PMPM reinsurance premium with $0.40 PMPM expense allowance

Medicaid – Texas Star Fed Man, Texas Star Pregnant Women, Texas Star TANF in Texas: $3.15 PMPM reinsurance premium with $0.40 PMPM expense allowance

Medicare Advantage HMO in Texas: $6.35 PMPM reinsurance premium with $1.51 PMPM expense allowance

(d) None

Commissions: None

Effective date: April 1, 2013

Termination: Continuous

15. Type: Loss-Occurring Reinsurance Treaty

Reinsured: Optimum Choice, Inc.

Scope:

(a) Human organ and bone marrow transplants and related services;

(b) Infertility treatment and services;

(c) Mental health and substance abuse treatments and services; and/or

(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention: None

	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial in DC: $7.00 PMPM reinsurance premium with $1.46 PMPM expense allowance (d) None
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
16.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	MD-Individual Practice Association, Inc.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services; (c) Mental health and substance abuse treatments and services; and/or (d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.
	Retention:	None
	Coverage:	100% of the covered obligations
	Premium:	(a) None (b) None (c) Commercial in DC: $7.00 PMPM reinsurance premium with $1.46 PMPM expense allowance (d) None
	Commissions:	None
	Effective date:	March 1, 2013
	Termination:	Continuous
17.	Type:	Loss-Occurring Reinsurance Treaty
	Reinsured:	Physicians Health Choice of Texas, LLC.
	Scope:	(a) Human organ and bone marrow transplants and related services; (b) Infertility treatment and services;

(c) Mental health and substance abuse treatments and services; and/or

(d) Chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions that occur on or after the effective date of the agreement.

Retention:	None
Coverage:	100% of the covered obligations
Premium:	(a) None (b) None (c) Medicaid – Duals in Texas: $19.37 PMPM reinsurance premium with $3.24 expense allowance Medicare in Texas: $9.87 PMPM reinsurance premium with $1.51 PMPM expense allowance (d) None
Commissions:	None
Effective date:	March 1, 2013
Termination:	Continuous

Non-affiliated Ceding Contracts

The company 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 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 gross monthly benefit to a maximum monthly limit of liability of $5,000 per insured for association disability and business office overhead expense business.

The company entered into a Group Life and AD&D Reinsurance Agreement with General Re Life Corporation effective January 1, 2010. Coverage for group life is on an excess-of-retention basis. For all groups (other than the employees of UnitedHealth Group Incorporated), the amount reinsured is 50% of face amounts between $500,000 and $1,000,000 and 100% of face amounts greater than $1,000,000, so the company’s maximum risk retention is $750,000. For purposes of determination of the amount applicable to reinsurance, 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.

The company has a quota share reinsurance agreement with Harvard Pilgrim Health Care 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 shall not exceed 35% of $2,000,000. HPHC is an unauthorized reinsurer in the state of Wisconsin and, as a result, an additional liability is required to be established in reinsurance ceded to unauthorized companies with a surplus in the statutory basis financial statements.

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 of gross monthly benefit and 100% of the net loss amounts exceeding $10,000 of gross monthly benefit, disability is 80% of the first $10,000 subject to a reinsurance limit per insured of $18,000 per month.

Non-affiliated Assuming Contracts

The company entered into a reinsurance agreement with Geisinger Indemnity Insurance Company and Geisinger Quality Options effective July 1, 2012. The company assumes 100% of the liability of Geisinger Indemnity Insurance Company and Geisinger Quality Options to provide coverage for mental health and substance abuse services that the reinsured has assumed or specifically contracted for under policies, contracts, riders and/or similar documents.

The company entered into a reinsurance agreement with First Health Life & Insurance Company and the Cambridge Life Insurance Company effective January 1, 2012. The company assumes 100% liability of First Health Life & Insurance Company and the Cambridge Life Insurance Company for mental health and substance abuse services that the reinsured has assumed or specifically contracted for under policies, contracts, riders, and/or similar documents.

The company entered into a reinsurance agreement with Presbyterian Insurance Company and Presbyterian Health Plan, Inc., effective March 1, 2012. The company assumes 100% of the liability of Presbyterian Insurance Company and Presbyterian Health Plan, Inc., to provide coverage for human organ transplants and bone marrow transplants which the reinsured has assumed or specifically contracted for under policies, contracts, riders, and/or similar documents.

The company entered into a reinsurance agreement with Avmed Health Plans effective January 1, 2012. The company assumes 100% of the liability of Avmed Health Plans to provide for human organ and bone marrow transplants which the reinsured has assumed or specifically contracted for under policies, contracts, riders, and/or similar documents.

The company entered into a reinsurance agreement with CommunityCare HMO, Inc., effective January 1, 2012. The company assumes 100% of the liability of CommunityCare HMO, Inc., to provide coverage for human organ and bone marrow transplants which the reinsured has assumed or specifically contracted for under policies, contracts, riders, and/or similar documents.

The company entered into a reinsurance agreement with CommunityCare Life and Health Insurance Company effective January 1, 2012. The company assumes 100% of the liability of CommunityCare Life and Health Insurance Company to provide coverage for human organ and bone marrow transplants which the reinsured has assumed or specifically contracted for under policies, contracts, riders, and/or similar documents.

The company has a quota share Association Hospital Indemnity Plan Reinsurance Agreement (New York) with UNUM Life Insurance Company effective October 31, 2003, retroactive to April 1, 2003. The company reinsures 100% of the business with a reinsurance limit of $500 per day, per policy, per certificate, per insured to a maximum of two years.

The company has a quota share Association Hospital Indemnity Plan Reinsurance Agreement (New York) with First UNUM Life Insurance Company effective October 31, 2003, retroactive to April 1, 2003. The company reinsures 90% of the business to a reinsurance limit of $450 per day, per policy, per certificate, per insured to a maximum of two years.

The Company 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 $12,000 or $15,000 per policy, per certificate, per insured.

The company 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-NY 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 NY agreement that ERAC assumes from First UNUM Life Insurance Company.

The company entered into a reinsurance agreement with Health Net Health Plan of Oregon effective January 1, 2011. The company assumes the liability of Health Net Health Plan of Oregon to provide coverage for chiropractic, acupuncture, massage therapy, and naturopathy services, which the reinsured has assumed or specifically contracted for under policies, contracts, riders, and/or similar documents.

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, 2012, annual statement. Also included in this section are schedules which 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, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$283,391,871	$ 0	$283,391,871
Cash, cash equivalents, and short-term investments	29,765,997		29765,997
Investment income due and accrued	2,122,100		2,122,100
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	7,190,688	240,328	6,950,360
Reinsurance:			
Amounts recoverable from reinsurers	1,180,929		1,180,929
Other amounts receivable under reinsurance contracts	137,718		137,718
Net deferred tax asset	2,853,594	734,953	2,118,641
Guaranty funds receivable or on deposit	152,318		152,318
Write-ins for other than invested assets:			
Premium tax recoverable	719,148		719,148
Prepaid commissions	67,914	67,914	
Miscellaneous receivables	40,000		40,000
Total Assets	$327,622,277	$1,043,195	$326,579,082

Unimerica Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2012

Aggregate reserve for life contracts		$ 28,423,072
Aggregate reserve for accident and health contracts		84,807,690
Liability for deposit-type contracts		2,907,838
Contract claims:		
Life		3,364,579
Accident and health		22,667,660
Premiums and annuity considerations received in advance		2,050,993
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		8,897,378
Other amounts payable on reinsurance		430,240
Interest maintenance reserve		1,960,849
Commissions to agents due or accrued		480,577
Commissions and expense allowances payable on reinsurance assumed		8,221
General expenses due or accrued		4,817,775
Taxes, licenses, and fees due or accrued, excluding federal income taxes		5,036,612
Current federal and foreign income taxes		1,192,405
Remittances and items not allocated		15,859
Miscellaneous liabilities:		
Asset valuation reserve		556,765
Reinsurance in unauthorized and certified companies		773,156
Payable to parent, subsidiaries and affiliates		4,973,280
Write-ins for liabilities:		
Unclaimed property		16,424
Total liabilities		173,381,373
Common capital stock	$ 2,600,000	
Gross paid in and contributed surplus	82,849,470	
Unassigned funds (surplus)	67,748,239	
Total capital and surplus		153,197,709
Total Liabilities, Capital and Surplus		$326,579,082

Unimerica Insurance Company
Summary of Operations
For the Year 2012

Premiums and annuity considerations for life and accident and health contracts		$319,766,445
Net investment income		7,291,006
Amortization of interest maintenance reserve		466,095
Commissions and expense allowances on reinsurance ceded		1,666,290
Total income items		329,189,836
Death benefits	$ 12,416,578	
Disability benefits and benefits under accident and health contracts	221,947,350	
Interest and adjustments on contract or deposit-type contract funds	(411,420)	
Increase in aggregate reserves for life and accident and health contracts	(1,720,696)	
Subtotal	232,231,812	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	11,960,029	
Commissions and expense allowances on reinsurance assumed	1,121,569	
General insurance expenses	24,221,886	
Insurance taxes, licenses, and fees excluding federal income taxes	10,801,302	
Write-in for deductions:		
Fines and penalties	1,163	
Total deductions		280,337,761
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		48,852,075
Federal and foreign income taxes incurred (excluding tax on capital gains)		16,653,219
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		32,198,856
Net realized capital gains or (losses)		(40,723)
Net Income		$ 32,158,133

Unimerica Insurance Company
Cash Flow
For the Year 2012

Premiums collected net of reinsurance		$321,638,963
Net investment income		9,252,708
Miscellaneous income		1,692,995
Total		332,854,666
Benefit- and loss-related payments	$219,769,777	
Commissions, expenses paid, and aggregate write-ins for deductions	44,175,469	
Federal and foreign income taxes paid (recovered)	19,423,641	
Total deductions		283,368,887
Net cash from operations		49,215,779
Proceeds from investments sold, matured, or repaid:		
Bonds	81,535,594	
Cost of investments acquired (long-term only):		
Bonds	117,667,551	
Net cash from investments		(36,131,957)
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	(478,598)	
Dividends to stockholders	9,400,000	
Other cash provided (applied)	(3,257,376)	
Net cash from financing and miscellaneous sources		(13,135,974)
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		(52,152)
Cash, cash equivalents, and short-term investments:		
Beginning of year		29,818,149
End of Year		$ 29,765,997

Unimerica Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2012

Assets			$326,579,082
Less liabilities			173,381,373
Adjusted surplus			153,197,709
Annual premium:			
Group life and health	$314,158,411		
Factor	10%		
Total		$31,415,841	
Compulsory surplus (subject to a $2,000,000 minimum)			31,415,841
Compulsory Surplus Excess or (Deficit)			$121,781,868
Adjusted surplus (from above)			$153,197,709
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%)			41,154,751
Security Surplus Excess or (Deficit)			$112,042,958

Unimerica Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2012

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:

	2012	**2011**	**2010**	**2009**	**2008**
Capital and surplus, beginning of year	$129,890,987	$133,060,805	$112,957,378	$104,728,494	$ 45,093,900
Net income	32,158,133	9,494,719	20,513,064	5,234,958	(5,511,029)
Change in net unrealized capital gains/losses				7,702	(7,702)
Change in net deferred income tax	697,520	62,874	1,189,773	(1,108,878)	969,382
Change in nonadmitted assets and related items	316,335	(152,038)	(1,096,387)	1,631,602	(725,387)
Change in liability for reinsurance in unauthorized and certified companies	(773,156)				
Change in asset valuation reserve	(140,958)	(154,418)	(81,433)	(179,956)	79,892
Cumulative effect of changes in accounting principles	448,848				
Surplus adjustments:					
Paid in					66,000,000
Dividends to stockholders	(9,400,000)	(13,000,000)			
Write-ins for gains and (losses) in surplus:					
Prior period adjustment		579,045	(421,590)	2,643,456	(1,170,562)
Capital and Surplus, End of Year	$153,197,709	$129,890,987	$133,060,805	$112,957,378	$104,728,494

Unimerica Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2012

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	2012	2011	2010	2009	2008
#1	Net change in capital and surplus	18%	-2%	18%	8%	-14%*
#2	Gross change in capital and surplus	18	-2	18	8	132*
#3	Net income to total income	10	4	10	2	-2*
#4	Adequacy of investment income	344	335	367	376	444
#5	Nonadmitted to admitted assets	0	1	1	0	1
#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	6
#8	Surplus relief	0	1	2	1	1
#9	Change in premium	42	12	-14*	-9	80*
#10	Change in product mix	3.4	1.2	1.0	0.7	4
#11	Change in asset mix	0.2	0.1	0.8	0.4	5.4*
#12	Change in reserving	20*	-21*	154*	153*	42*

Ratio No. 1 compares the net change in capital and surplus. The unusual result in 2008 was due to paid in surplus adjustment of $66 million needed to support the company's growth. Ratio No. 2 compares the change in capital and surplus from prior year to current year. In 2008 the exception result was due to the reported paid in surplus adjustment of $66 million noted above. Ratio No. 3 compares net income/loss to total income. The unusual results in 2008 were due to a net loss of $5,511,029.

Ratio No. 9 represents the percentage change in premium from the prior year to the current year. The exceptional result in 2008 was due to a 43% increase in premium compared to prior year. The unusual result in 2010 was due to a 15% decrease in premium related to the attrition of life and disability business as well as a decrease in persistency levels and group terminations on the stop-loss business.

Ratio No. 11 represents the average change in the percentage of total cash and invested assets. Total cash and invested assets increased 53% in 2008 to $225 million from $117 million in 2007. The increase was due to the acquiring of additional bonds in 2008 compared to 2007.

Ratio No. 12 represents the number of percentage points of difference between the reserving ratio for current and prior years. This ratio indicates that the company's operations have changed. The company had made significant changes to their lines of business moving from life/disability products to stop-loss, behavioral solutions, complex medical conditions and physical health. As the life/disability business decreased, the associated reserves decreased.

Growth of Unimerica Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2012	$326,579,082	$173,381,373	$153,197,709
2011	289,006,509	159,115,522	129,890,987
2010	264,232,349	131,171,544	133,060,805
2009	262,067,083	149,109,705	112,957,378
2008	244,430,653	130,702,159	104,728,494
2007	135,192,042	90,098,142	45,093,900

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2012	$18,520,163	$0	$0
2011	46,989,859	0	0
2010	51,862,179	0	0
2009	71,571,490	0	0
2008	66,769,255	0	0
2007	50,173,552	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2012	$14,314,635	$ 84,465	$14,230,170
2011	29,293,313	163,791	29,129,522
2010	33,392,495	102,720	33,289,775
2009	45,022,814	422,882	44,599,932
2008	46,196,181	0	46,196,181
2007	39,401,367	344,518	39,056,849

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2012	$302,708,520	$228,517,033	$ 9,950,885	$28,048,846	86.6%
2011	182,862,184	141,473,659	12,589,540	19,552,459	92.8
2010	147,792,463	104,083,204	8,914,810	19,975,378	87.0
2009	167,403,623	118,589,750	13,848,180	20,061,472	88.4
2008	91,537,600	165,259,115	19,961,192	20,457,687	198.6
2007	91,864,516	65,381,122	11,506,987	12,498,237	97.3

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

Admitted Assets has increased 142% from $135.2 million in 2007 to $325.6 million in 2012. Surplus increased 132% in 2008 due to capital contribution received from parent of $66 million in 2008. The company reported a 240% increase in surplus from $45.1 million in 2007 to $153.2 million in 2012.

From 2011 through 2012 certain insurance policies were migrated between affiliated entities. Policies related to behavioral health, managed transplant and stop-loss, that historically had been written by UnitedHealthcare Insurance Company (UHIC), migrated to Unimerica. Certain products that had historically been written by Unimerica—primarily life, disability, and dental—migrated to UHIC over the same period. In 2012 the company introduced new products which include mental health services and managed transplant services. The increase in premium revenue in 2012 is due to a $79.3 million increase in mental health revenues and $21.9 million increase in managed transplant revenues, and $24.0 million increase in stop-loss revenues as a result of new customers and movement of groups from an affiliated legal entity. Life and disability premium revenue decreased $33.8 million primarily due to decreases in group and association business due to terminations, attrition, and migration to an affiliated legal entity. The increase in incurred claims and cost containment expenses in 2012 is primarily due to increase in disability benefits and benefits under accident and health contracts and offset by a decrease in death benefits. This change is primarily driven by product mix changes along with the corresponding revenue changes.

The company reported significant losses in 2008 compared to premium. In 2008 and 2009 incurred claims and cost containment increased due to an increase in medical stop loss business. Premiums earned reported on Schedule H in 2008 were $91.5 million; however, upon further review of the annual statement by the company, net premiums earned should have been reported as $189.1 million. With this adjustment the combined loss and expense ratio would have been 105.5%. The increase in combined loss and expense ratio was due to increased incurred claims as a percent of premium revenue on the stop-loss business during 2008.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were eight specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Affiliated Agreements—It is recommended that in the future examination requests be responded to in compliance with ss. 601.42 and 601.44, Wis. Stat.

   Action—Compliance

2. Affiliated Agreements—In addition, due to the difficulty of auditing the services provided under the cost reimbursement agreement, it is recommended that the company require an annual SAS 70 as of December 31 opining on the control environment related to the IT services provided under the cost reimbursement agreement.

   Action—Compliance

3. Access Reviews—It is recommended that the company perform a periodic review of users with access to its applications and data to ensure that access is authorized and rights are appropriate.

   Action—Compliance

4. Firewall Reviews—It is recommended that the company require a formal periodic review of network hardware be performed to ensure that the hardware configuration is authorized and appropriate.

   Action—Compliance

5. Disaster Recovery Plan – Manual Processes—It is recommended that the company identify detailed manual procedures to be performed in the event that critical systems are not available within the recovery time objective and identify who would be responsible for performing the functions.

   Action—Compliance

6. Unclaimed Funds—It is recommended that the company comply with ch. 177, Wis. Stat., as regards unclaimed funds, and similar regulations of other respective states in which it does business, and that the company accurately escheat unclaimed payments to the appropriate state when due.

   Action—Compliance

7. Outstanding Checks—It is recommended that the company properly record outstanding checks as a reduction to cash in accordance with SSAP No. 2 paragraph 7 of the NAIC Accounting Practices and Procedures Manual and the NAIC's Annual Statement Instructions - Life and Health.

   Action—Compliance

8. General Expenses Due or Accrued—It is recommended that the company properly report unallocated cash receipts as Remittances and Items not Allocated in accordance with SSAP 67 paragraph 9 of the NAIC Accounting Practices and Procedures Manual and the NAIC's Annual Statement Instructions - Life and Health.

   Action—Compliance

Summary of Current Examination Results

There were no adverse findings as a result of the examination.

VIII. CONCLUSION

In 2010 and 2011 several changes to the intermediate level holding companies were made which affected the ownership of the company. On April 13, 2010, UHG filed a request for change of control of Unimerica. UHG had undertaken an internal realignment of some of its legal entities. Effective June 1, 2010, OptumHealth Holdings, LLC, became the immediate parent company of Unimerica. RIO Holdings, Inc., became the parent company of OptumHealth Holdings, LLC. RIO Holdings, Inc., is a wholly owned subsidiary of UHS, which is a wholly owned subsidiary of the ultimate parent company, UHG. As a result of the realignment, OptumHealth Holdings, LLC, acquired 100% of the issued and outstanding capital stock of Unimerica. Effective December 31, 2011, Rio Holdings, Inc., became Optum, Inc.

The company's business mix has undergone significant changes over the past five years. Consistent with UHG's strategy to align its businesses in a manner that segregates its benefits and services areas, certain insurance policies have been transferred between affiliates, including Unimerica Insurance Company. Starting in 2011 and throughout 2012, policies related to behavioral health, managed transplant and stop-loss that have historically been written on UnitedHealthcare Insurance Company paper have been transferred to Unimerica Insurance Company. Other policies, primarily life, disability, and dental, that had been historically written on Unimerica Insurance Company paper have been transferred to UnitedHealthCare Insurance Company. In 2012, Behavioral Solutions mental health services and Care Solutions managed transplant services were introduced by Unimerica Insurance Company as new products.

Admitted assets have increased 142% from $135,192,042 in 2007 to $325,579,082 in 2012. Surplus increased 126% in 2008 due to capital contribution received from parent of $66 million in 2008. The company reported a 234% increase in surplus from $45.1 in 2007 to $153.2 in 2012.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adverse findings 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
Stephanie Falck	Insurance Financial Examiner
James Vanden Branden	Insurance Financial Examiner
Thomas Houston	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Judith Michael
Examiner-in-Charge