

Report on Examination
of
UNITEDHEALTHCARE OF NEW ENGLAND, INC.

Warwick, Rhode Island

as of

December 31, 2018



State of Rhode Island and Providence Plantations
Department of Business Regulation
Insurance Division



**State of Rhode Island and Providence Plantations
OFFICE OF THE HEALTH INSURANCE COMMISSIONER
1511 Pontiac Avenue, Bldg. 69-1
Cranston, Rhode Island 02920**

ADOPTION ORDER - (OHIC)

The attached Report of Examination as of December 31, 2018, of the condition and affairs of

UNITEDHEALTHCARE OF NEW ENGLAND, INC.

was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Company and its financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

Department of Business Regulation

Marie L. Ganim, PhD
Health Insurance Commissioner

Dated: 6/11/2020

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SALUTATION

June 2, 2020

Marie L. Ganim, PhD
Health Insurance Commissioner
State of Rhode Island and Providence Plantations
Office of the Health Insurance Commissioner
1511 Pontiac Avenue, Bldg. 69-1
Cranston, Rhode Island 02920

Dear Commissioner Ganim:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2018, of the financial condition and affairs of

UNITEDHEALTHCARE OF NEW ENGLAND, INC.

located at 475 Kilvert Street, Suite 310, Warwick, Rhode Island. The report of such examination is herewith submitted.

UnitedHealthcare of New England, Inc. (also referred to as “UHCNE” or the “Company”) was previously examined as of December 31, 2014, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

SCOPE OF EXAMINATION

The current examination covered the four-year period from January 1, 2015 through December 31, 2018 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”) risk-focused examination process, and was performed in conjunction with the 2018 full-scope coordinated multi-state risk-focused examination (“2018 Coordinated Exam”) of the UnitedHealth Group (“UHG”). The 2018 Coordinated Exam consisted of 15 entities within the UHG holding company system, including 10 Health Maintenance Organizations (“HMOs”), a Limited Health Services Organization (“LHSO”), an Organized Delivery System (“ODS”), and three Life, Accident, and Health insurers. The Nevada Department of Insurance served as the exam facilitator for the 2018 Coordinated Exam, with Connecticut serving as the Overall Lead State. In addition to Nevada, the states of Arkansas, Georgia, Nebraska, New Jersey, New York, Ohio, and Rhode Island participated in the Coordinated Exam, which encompassed the following entities:

Name of Insurer	Type	State of Domicile
Health Plan of Nevada, Inc.	Organized Delivery System (ODS)	NV
Sierra Health and Life Insurance Company, Inc.	Health Maintenance Organization (HMO)	NV
PacifiCare of Nevada, Inc.	Life, Accident, and Health	NV
Nevada Pacific Dental, Inc.	Health Maintenance Organization (HMO)	NV

UnitedHealthCare of Georgia	Life, Accident, and Health	GA
UnitedHealthcare Community Plan of Georgia	Life, Accident, and Health	GA
UnitedHealthcare Insurance Company of New York	Health Maintenance Organization (HMO)	NY
UnitedHealthcare of New York	Health Maintenance Organization (HMO)	NY
UnitedHealthcare of Arkansas	Health Maintenance Organization (HMO)	AR
Care Improvement Plus South Central Insurance Company	Health Maintenance Organization (HMO)	AR
UnitedHealthcare of the Midlands	Health Maintenance Organization (HMO)	NE
AmeriChoice of New Jersey	Health Maintenance Organization (HMO)	NJ
Orthonet of the MidAtlantic	Limited Health Services Organization (LHSO)	NJ
UnitedHealthcare Community Plan of Ohio	Health Maintenance Organization (HMO)	OH
UnitedHealthcare of New England, Inc.	Health Maintenance Organization (HMO)	RI

The 2018 Coordinated Exam was performed as part of a global examination plan developed and managed by the State of Connecticut to facilitate the examination of all UHG affiliates. Although all companies within the UHG holding company are examined under the singular global coordination plan, not all legal entities will be examined in the same year.

The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also

includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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. 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 following the Company's financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.) are not included within the examination report, but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2018.

COMPANY HISTORY

The Company commenced business under the name Ocean State Master Health Plan, Inc. and was incorporated as a non-business corporation on December 14, 1979. Subsequently, the Company was licensed to transact business by the Department of Health of the State of Rhode Island. In 1983 the General Assembly of the State of Rhode Island enacted the “Health Maintenance Organization Act of 1983” and the Company in accordance with the act, applied for licensing with the Rhode Island Department of Business Regulation, Insurance Division.

On November 14, 1984, the Company amended its Articles of Incorporation and changed its name to Ocean State Health Fund, Inc. On the same date, a new corporation, Ocean State Master Health Plan, Inc., was incorporated as a business corporation under the provisions of the Health Maintenance Organization Act of 1983 of the State of Rhode Island. The incorporator was Thomas A. Lynch, however; title and interest in and to said Company and its franchises passed to the Board of Directors.

On December 27, 1984, Ocean State Health Fund, Inc. transferred its assets and liabilities to Ocean State Master Health Plan, Inc. Simultaneous to this transaction, Ocean State Coordinated Health Services Corporation (“OSCHS”), an Individual Practice Association (“IPA”), through its Board of Directors, resolved to purchase the assets and liabilities of the Company in consideration for the assumption of its liabilities in return for ten (10) shares of no-par value common stock in the Company.

On May 8, 1985, an amendment to the Articles of Incorporation changed the Company's name from Ocean State Master Health Plan, Inc. to Ocean State Physicians Health Plan, Inc.

Prior to September 1, 1991, approximately twenty-one percent (21%) of the outstanding common stock of OSCHS was owned by UHC Management Company, Inc., now known as United HealthCare Services, Inc. ("UHS"), a Minnesota-based Management Corporation which provides services to the Company under the terms of a management agreement. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated ("UHG"). On September 1, 1991, UHS purchased the remaining seventy-nine percent (79%) of the outstanding common stock of OSCHS.

On April 22, 1993, the Company's Articles of Incorporation were amended to change the name of the Company to United Health Plans of New England, Inc.

On March 31, 1995, the Company's former parent, OSCHS, was merged with and into the Company. The Company was the surviving entity directly owned by UHS.

On June 30, 1996, UHS purchased MetraHealth Care Plan of Massachusetts, Inc. ("Metra"), and on July 1, 1996, Metra was merged with and into the Company. The Company simultaneously changed its name to United HealthCare of New England, Inc. Effective January 25, 2002, the Company formally changed the appearance of its name to UnitedHealthcare of New England, Inc.

As of December 31, 2018, the Company continues as a for-profit corporation that is a privately held member of the UHG holding company system with one hundred percent (100%) of its shares owned by United HealthCare Services, Inc.

MANAGEMENT AND CONTROL

Shareholders

The Company's Bylaws, as amended on July 31, 2001, state that an annual meeting of the shareholders shall be held at such a place as fixed by the Board of Directors ("Board") on the first Monday of May in each year for the purposes of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors is not held on the day designated in the Bylaws for an annual meeting, the Board will cause the election to be held at a special meeting of the shareholders called and held as soon thereafter as is convenient.

Special meetings of the shareholders, for any purpose may be called at any time by the President, the Executive Committee or the Board, and must be called upon the request of the shareholders holding at least thirty percent (30%) of all shares entitled to vote at such meeting.

Board of Directors

The Bylaws provide that management control and direction of all the affairs, business and property of the Company shall be vested in the Board of Directors, which shall consist of at least three (3) and not more than eight (8) members. Vacancies in the Board caused by death, resignation, removal, disqualification, and increase in the number of directors, or any other cause may be filled

by majority vote of all the remaining directors then in office, though less than a quorum, or by the shareholders of the Company at any special meeting called for that purpose.

The annual meetings of the Board are to be held as soon as practicable following each annual election of directors, for the purpose of organization, election of Officers and the transaction of other business. Regular meetings of the Board are to be held at least quarterly.

The members of the Board of Directors together with the principal business or professional affiliation of each director is as follows at December 31, 2018:

Name	Business Affiliation	Term Expires
Mary Rachel Snyder	Chief Executive Officer, Northeast Region Medicare & Retirement Segment - UnitedHealthcare Group	2019
Patrice E. Cooper	Chief Executive Officer, Community & State Health Plan Segment - UnitedHealthcare Group	2019
Stephen J. Farrell	Chief Executive Officer, Employer & Individual Health Plan Segment - UnitedHealthcare Group	2019

Committees

The Bylaws provide that the Board of Directors may establish an executive committee, finance committee, and such other committees as may be necessary or desirable to manage the business and affairs of the Company. At December 31, 2018, there are no standing committees of the Board of Directors.

Officers

The Articles of Incorporation provide that the Board of Directors may elect such Officers as are provided for in the Bylaws of the Company.

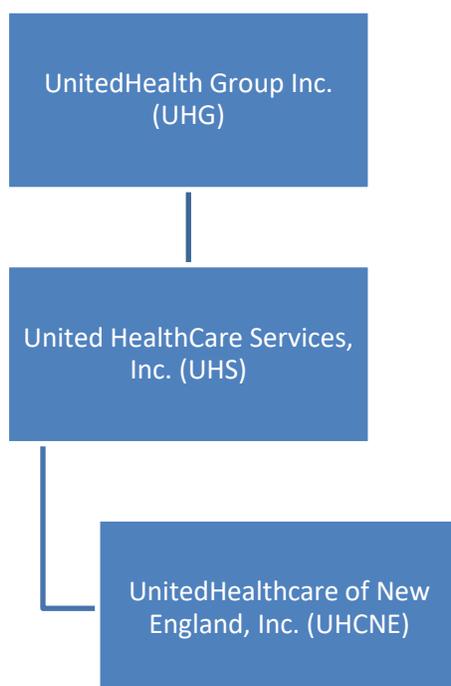
The Bylaws provide that the principal Officers of the Company shall be a President, a Vice President, a Treasurer, and a Secretary. Each Officer of the Company shall be elected annually by a majority of the whole Board and shall hold office until his or her successor has been duly elected and qualified, or until death, resignation or removal. The Board may also elect one or more assistant treasurers and assistant secretaries. In addition, there may be such other subordinate Officers, agents and employees as may be deemed necessary by the Board. The Board may delegate to any principal Officer the power to appoint any such subordinate Officers, agents or employees.

The Officers serving, and their respective titles at December 31, 2018, are as follows:

Stephen J. Farrell	President
Mary Rachel Snyder	Chief Executive Officer
Craig Andrew Stillman	Chief Financial Officer
Christina R. Palme-Krizak	Secretary
Peter Marshall Gil	Treasurer
Patrice E. Cooper	Vice President, Medicaid Operations
Steven Marc Burstein	Assistant Secretary
Heather Anastasia Lang	Assistant Secretary
Nyle Brent Cottington	Vice President
Jessica Leigh Zuba	Assistant Secretary

Organizational Structure

The Company is a wholly owned subsidiary of United HealthCare Services, Inc. (“UHS”), which is a Minnesota general business corporation. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated (“UHG”). UHG is a publicly held Minnesota general business corporation which is traded on the New York Stock Exchange. The following represents an abbreviated organizational chart as of December 31, 2018. The chart is not inclusive of the entire organizational structure, but includes only the Company and its controlling affiliates:



Intercompany Agreements

Tax Sharing Agreement

Effective January 1, 1990, and amended on January 1, 1996, the Company entered into a Tax Sharing Agreement with UnitedHealth Group Incorporated. The Tax Sharing Agreement

establishes a formal method for the allocation and settlement of federal, state and local income tax liabilities related to the consolidated federal income tax returns filed each year.

Indemnity Agreement

On August 3, 1999, the Company entered into an Indemnity Agreement (“Agreement”) with UnitedHealth Group Incorporated (“UHG”). Under the terms of the Agreement, UHG agrees to indemnify the Company and guarantees to pay for coverage under certificates of coverage issued by the Company, if the Company should become insolvent or otherwise financially incapable of furnishing such health care services. UHG also agrees to indemnify the Company from any losses that it may suffer arising from the provision of administrative services to the Company from UHG or any affiliate.

The parental guarantee has no monetary limit and may only be terminated following at least six months’ notice of such termination to the Rhode Island Department of Business Regulation.

Management Services Agreement

Pursuant to the terms of a management services agreement, as amended effective July 1, 2011, UHS provides management services to the Company under a fee structure, which is based on a percentage of premium representing UHS’ expenses for services or use of assets provided to the Company. UHCNE does not have any employees and is provided services that are administrative and operational in nature and cover expenses such as payroll, rent, supplies, utilities, property and equipment and other general and administrative expenses that would be incurred if the Company

had its own employees. In addition, UHS provides or arranges for services on behalf of the Company using a pass-through of charges incurred by UHS on a PMPM basis (where the charge incurred by UHS is on a PMPM basis) or using another allocation methodology consistent with the Agreement. These services may include, but are not limited to, integrated personal health management solutions, such as disease management, treatment decision support, and wellness services, including a 24-hour call-in service, and discount program services. The amount and types of services provided pursuant to the pass-through provision of the Agreement can change year over year as UHS becomes the contracting entity for services provided to the Company's members. Certain expenses that are not covered within the scope of the management agreement may be paid by UHS and reimbursed by the Company.

The management agreement shall continue until terminated upon the written agreement of both parties and sixty days after any party's written notice of intent to terminate to all other parties. Termination requires prior notification to the Commissioner of the State of Rhode Island, Department of Business Regulation.

Subordinated Revolving Credit Agreement

Effective October 1, 2012, The Company entered into a Subordinated Revolving Credit Agreement ("Credit Agreement") with UnitedHealth Group Incorporated. Under the Credit Agreement, the Company is able to borrow upon demand up to a maximum amount of \$50,000,000, at a rate based on the London Interbank Offered Rate (LIBOR) plus 50 basis points in effect on the last business day of the month, prior to the month for which interest is being

calculated. The rate shall reset each month. Any amount loaned is subject to repayment within one year, with no prepayment penalties. All loans shall be subordinated to the claims of non-affiliated creditors and loans from non-affiliated lenders of the Company.

This Credit Agreement became effective on October 1, 2012 and shall continue until terminated. The Credit Agreement may be terminated without penalty by either party upon sixty (60) days prior written notice to the other party. As of December 31, 2018, the Subordinated Revolving Credit Agreement was still in effect.

Other Affiliated Agreements

The Company is also a party to several other agreements whereby affiliated companies provide members with various services and benefits including chiropractic, dental, vision care, money-saving health programs, substance abuse, mental health, pharmacy benefits, durable medical equipment, 24-hour nurse line, health pregnancy, and transplant.

The Company has also entered into reinsurance agreements with affiliated companies. Refer to the 'Reinsurance' section below for details.

TERRITORY AND PLAN OF OPERATION

The Company is a member of the UnitedHealthcare network which is headquartered in Minnetonka, Minnesota. At December 31, 2018, The Company is licensed as a health maintenance organization in the states of Massachusetts, New Hampshire, Pennsylvania, Rhode Island and

Vermont. It offers enrollees a variety of managed care programs and products through contractual arrangements with health care providers.

The Company also serves as a plan sponsor offering Medicare Advantage and Medicare Part D prescription drug insurance coverage under a contract with the Centers for Medicare and Medicaid Services (“CMS”).

The Company also has a contract with the State of Rhode Island, Department of Human Services, to provide health care services to Medicaid eligible beneficiaries in Rhode Island.

REINSURANCE

Excess Loss Reinsurance Agreement

Effective January 1, 1998, the Company entered into a Excess of Loss Reinsurance Agreement (“Excess of Loss Agreement”) with UnitedHealthcare Insurance Company (“UHIC”), an affiliate, for its commercial, Medicare and Medicaid members. The Excess of Loss Agreement provides for insolvency protection, member out-of-area conversion privileges, hospital inpatient claims in excess of certain limits and small group out-of-area coverage. The Excess of Loss Agreement has been amended several times to make changes to insolvency language as requested by regulators; to include contract changes and enhancements; and, to correct an error in the original agreement. Effective January 1, 2004, the Excess of Loss Agreement was superseded by a Coinsurance

Reinsurance Agreement to cover all of the Company's business except its Medicaid business. Therefore, the Excess of Loss Agreement remains in effect for the Company's Medicaid business.

Coinsurance Reinsurance Agreement

Effective January 1, 2004, the Company and UnitedHealthcare Insurance Company entered into a Coinsurance Reinsurance Agreement providing 60% coinsurance on behalf of the Company's commercial business. This Coinsurance Reinsurance Agreement supersedes and replaces any and all previous reinsurance agreements entered into which covered the company commercial business.

Reinsurance Agreement

Effective October 1, 2013, the Company entered into a Reinsurance Agreement with Unimerica Insurance Company ("UIC"). Under the terms of the Reinsurance Agreement, the Company cedes to UIC, 100% of the covered obligations relating to: (a) human organ and bone marrow transplants and related services; (b) infertility treatment and services; (c) mental health and substance abuse treatments and services; (d) chiropractic, physical and occupational therapy treatments and services for musculoskeletal conditions. The reinsurance agreement was terminated effective December 31, 2017.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Rhode Island Department of Business Regulation and present the financial condition of the Company for the period ending December 31, 2018. The accompanying comments on financial statements reflect examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statement of Assets
December 31, 2018 and December 31, 2014

Comparative Statement of Liabilities and Capital and Surplus
December 31, 2018 and December 31, 2014

Statement of Revenue and Expenses
Year Ended December 31, 2018

Reconciliation of Capital and Surplus
December 31, 2014 to December 31, 2018

Analysis of Examination Adjustments
December 31, 2018

UNITEDHEALTHCARE OF NEW ENGLAND, INC.

Comparative Statement of Assets

December 31, 2018 and December 31, 2014

	December 31, <u>2018</u>	December 31, <u>2014</u>	Increase <u>(Decrease)</u>
Bonds	\$214,926,319	\$182,191,789	\$32,734,530
Common stocks	11,621,975	77,913,314	(66,291,339)
Cash, cash equivalents, and short-term investments	5,663,402	9,385,881	(3,722,479)
Investment income due and accrued	1,314,782	1,256,048	58,734
Uncollected premiums and agents' balances in the course of collection	21,580,495	5,627,047	15,953,448
Accrued retrospective premiums	43,170,090	34,974	43,135,116
Amounts recoverable from reinsurers	749,162	1,001,326	(252,164)
Other amounts receivable under reinsurance contracts	14,583	116,450	(101,867)
Amounts receivable relating to uninsured plans	2,236,239	6,916,738	(4,680,499)
Net deferred tax asset	3,278,398	3,468,545	(190,147)
Receivables from parent, subsidiaries, and affiliates	-	10,599,745	(10,599,745)
Health care and other amounts receivable	26,267,445	16,420,553	9,846,892
Aggregate write-ins for other than invested assets	152,281	-	152,281
Total Assets	<u>\$330,975,171</u>	<u>\$314,932,410</u>	<u>\$16,042,761</u>

UNITEDHEALTHCARE OF NEW ENGLAND, INC.
Comparative Statement of Liabilities and Capital and Surplus
December 31, 2018 and December 31, 2014

	December 31, 2018	December 31, 2014	Increase (Decrease)
Claims unpaid	\$112,847,609	\$105,436,641	\$7,410,968
Accrued medical incentive pool and bonus amounts	5,225,174	1,963,658	3,261,516
Unpaid claims adjustment expense	916,943	651,048	265,895
Aggregate health policy reserves	11,267,481	36,746	11,230,735
Aggregate health claim reserves	593,484	286,387	307,097
Premiums received in advance	50,528,510	34,476,700	16,051,810
General expenses due or accrued	3,801,850	5,073,609	(1,271,759)
Current federal and foreign income tax payable	1,170,238	4,341,400	(3,171,162)
Ceded reinsurance premiums payable	553,531	1,261,950	(708,419)
Amounts withheld or retained for the account of others	156,925	186,500	(29,575)
Remittances and items not allocated	34,355	19,208	15,147
Payable for securities	4,001,250	-	4,001,250
Liability for amounts held under uninsured plans	6,932,065	306,453	6,625,612
Amounts due to parent, subsidiaries and affiliates	334,718	-	334,718
Aggregate write-ins for other liabilities	6,253	149,525	(143,272)
Total Liabilities	\$198,370,386	\$154,189,824	\$44,180,562
Aggregate write-ins for special surplus funds	-	13,502,520	-
Common capital stock	5,862,835	5,862,835	-
Gross paid in and contributed surplus	12,000,000	12,000,000	-
Unassigned funds (surplus)	114,741,950	129,377,231	(14,635,281)
Total Capital and Surplus	\$132,604,785	\$160,742,586	(\$28,137,801)
Total Liabilities, Capital and Surplus	\$330,975,171	\$314,932,410	\$16,042,761

UNITEDHEALTHCARE OF NEW ENGLAND, INC.

Statement of Revenue and Expenses

December 31, 2018

Revenues:

Net premium income		\$1,154,259,736
Change in unearned premium reserves and reserve for rate credits		6,583,052
Total revenues		<u>1,160,842,788</u>

Hospital and Medical:

Hospital/medical benefits	\$848,885,968
Other professional services	3,265,513
Emergency room and out-of-area	-
Prescription drugs	123,815,807
Aggregate write-ins for other hospital and medical	-
Incentive pool, withhold adjustments and bonus amounts	<u>6,220,316</u>
Subtotal	982,187,604

Less:

Net reinsurance recoveries	<u>5,398,471</u>	
Total hospital and medical	976,789,133	
Claims adjustment expenses, including \$28,650,802 cost containment expenses	49,941,411	
General administrative expenses	111,860,474	
Total underwriting deductions		<u>1,138,591,018</u>
Net underwriting gain or (loss)		22,251,770
Net investment income earned	6,220,543	
Net realized capital gains (losses) less capital gains tax	<u>(8,890)</u>	
Net investment gains (losses)		6,211,653
Net gain or (loss) from agents' or premium balances charged off		<u>(361,489)</u>
Net income or (loss) after capital gains tax and before all other federal income taxes		28,101,934
Federal and foreign income taxes incurred		<u>9,705,173</u>
Net income		<u><u>\$18,396,761</u></u>

UNITEDHEALTHCARE OF NEW ENGLAND, INC.

Reconciliation of Capital and Surplus

December 31, 2013 to December 31, 2018

Capital and Surplus, December 31, 2014			\$ 160,742,586
	<u>Gains</u>	<u>Losses</u>	
Net income	82,241,861		
Change in net unrealized capital gains	98,519		
Change in net deferred income tax		190,148	
Change in nonadmitted assets		2,788,033	
Dividends to stockholders		82,500,000	
Aggregate write-in for surplus gains or (losses)	<u> </u>	<u>25,000,000</u>	
Total Gains and Losses	<u>82,340,380</u>	<u>110,478,181</u>	
Net change in Capital and Surplus for the period			<u>(28,137,801)</u>
Capital and Surplus, December 31, 2018			<u>\$ 132,604,785</u>

UNITEDHEALTHCARE OF NEW ENGLAND, INC.

Analysis of Examination Adjustments

December 31, 2018

The examination of UnitedHealthcare of New England, Inc., performed as of December 31, 2018, did not disclose any material misstatements to the financial statements contained in its 2018 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

COMMENTS ON FINANCIAL STATEMENTS

Bonds

\$ 214,926,319

The above amount is the net admitted value of bonds held by the Company at December 31, 2018 and is the same amount reported by the Company in its 2018 Annual Statement. All the bonds are held in accordance with the terms of custodial agreements with third-party financial institutions.

The quality ratings of all securities included in the Company's bond portfolio were reviewed based upon criteria established by the National Association of Insurance Commissioners ("NAIC"). It was noted that 97.3% of the bond portfolio represented class NAIC-1, which are bonds of the "highest" quality, according to the NAIC rating system, and 2.7% were NAIC-2.

The book value, fair value, actual cost and par value of the bond portfolio at December 31, 2018, are as follows:

<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Actual Cost</u>	<u>Par Value</u>
\$214,926,319	\$213,369,555	\$216,895,793	\$208,930,800

Common Stocks

\$ 11,621,975

The above amount is the same amount reported by the Company in its 2018 Annual Statement. Common stocks are stated at fair market value. The Company's common stocks are composed entirely of its share of the UHC Liquidity Pool, which consists of short-term investments with an

average life of less than 60 days. The company's share of the pool is immediately convertible to cash at no cost or penalty.

The book value, fair value, and actual cost of the common stock portfolio at December 31, 2018, are as follows:

<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Actual Cost</u>
\$11,621,975	\$11,621,975	\$11,621,975

Uncollected Premiums **\$ 21,580,495**

The above amount is the same amount reported by the Company in its 2018 Annual Statement, and reflects the admitted portion of uncollected premium balances due from insured members. Uncollected premium balances that are over 90 days past due, other than amounts due from government insurance plans, are considered nonadmitted assets. Current balances are also nonadmitted if the corresponding balance greater than 90 days past due is more than inconsequential.

Premiums Received in Advance **\$ 50,528,510**

The above amount is the same amount reported by the Company in its 2018 Annual Statement, and includes premiums received in full for the policies processed during the current period, but prior to the commencement of the service period.

Actuarially Determined Assets and (Liabilities)

Accrued Retrospective Premiums	\$ 43,170,090
Health Care and Other Amounts Receivable	26,267,445
Claims Unpaid	(112,847,609)
Accrued Medical Incentive Pool and Bonus Amounts	(5,225,174)
Unpaid Claims Adjustment Expenses	(916,943)
Aggregate Health Policy Reserves	(11,267,481)
Aggregate Health Claim Reserves	(593,484)

The significant actuarially determined amounts above are the same as those reported in the Company's 2018 Annual Statement. The calculations prepared by the Company were reviewed by Lewis and Ellis, Inc. ("L&E"), consulting actuaries engaged by the State of Nevada to assist in the coordinated examination. L&E relied upon the underlying data reported by the Company, and their analyses included a review of the actuarial assumptions and methods used by the Company in determining the reserves, and such tests of actuarial calculations as deemed necessary.

In assisting L&E with their analysis, the examiners either independently performed or relied upon the procedures performed by the Company's independent accounting firm to verify the integrity of the underlying claims data, including completeness and accuracy testing. A combination of subjective and statistical sampling techniques was utilized in testing the claims data, as deemed appropriate.

L&E reviewed the actuarially determined liabilities as of December 31, 2018 and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2018, are fairly stated.

SUBSEQUENT EVENTS

A review of financial information, Company records, and the minutes to the Board of Directors' meetings and its various committees for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, there was one significant event which occurred subsequent to December 31, 2018 as follows:

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Rhode Island Department of Business Regulation, Insurance Division (the "Insurance Division"), is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Insurance Division and all insurance

regulators, with the assistance of the National Association of Insurance Commissioners (“NAIC”), are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Insurance Division, in coordination with the Connecticut Insurance Department, has been in communication with UnitedHealth Group regarding the impact of COVID-19 on its business operations and financial position, including its Pandemic Preparedness Plan and Third-Party Services Management. Per summary analysis by the Connecticut Insurance Department, at this time there are no significant concerns with the UnitedHealth Group’s financial solvency and business continuity plans.

CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Company as presented in this report.

Respectfully submitted,



David Carter, CFE, CIE, FLMI, MCM
Insurance Examiner-In-Charge
INS Regulatory Insurance Services, Inc., on behalf of the
Rhode Island Insurance Division