STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

UNITEDHEALTHCARE OF UTAH, INC.

of

West Valley City, Utah

as of

December 31, 2011

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April 15, 2013

Honorable Todd E. Kiser
Insurance Commissioner
State of Utah
3110 State Office Building
Salt Lake City, UT 84114

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2011, has been made of the financial condition and business affairs of:

UnitedHealthcare of Utah, Inc.
Salt Lake City, Utah

hereinafter referred to in this report as the "Organization", and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The current examination covers the period from January 1, 2008, through December 31, 2011, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination work papers. All material accounts and activities of the Organization were considered in accordance with the requirements of the risk-focused examination process.

Examination Procedure Employed

The examination of the Organization was part of the UnitedHealth Group Incorporated (UHG) Coordinated Holding Group Examination Plan (Plan) implemented with the 2011 examination cycle that included 28 regulated entities domiciled in 19 states. Connecticut assumed the responsibility of the coordinating state for the 2011 financial examination cycle. The examination was conducted in conjunction with the examination of Oxford Health Plans (CT), Inc. and United Health Insurance Company, which are both Connecticut domiciled insurers. Implementing the Plan facilitated communication among states and led to a more efficient use of resources while reducing duplication of work. Group examinations not only provide information on each insurer individually but also provide a structure for regulators to understand and evaluate risks of the holding company group as a whole.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Organization from 2008 through 2011:

- Audit reports completed by the certified public accounting firm, Deloitte & Touche, LLP (D&T), retained by the Organization;
- Board of Director (Board) minutes;
- Committee minutes;
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- Reports of the Company's internal audit department;
- Documentation supporting Section 404 of the Sarbanes Oxley Act (SOX);
- Documentation supporting Management's Report of Internal Control over Financial Reporting for 2011;
- 10-K reports filed with the Securities and Exchange Commission; and
- Annual statements filed with the Department.

A review of the 2008 through 2011 independent audit reports and a comprehensive analysis of the Organization's financial statements and other filings submitted to the Financial Analysis Unit of the Department indicated no material concerns with respect to financial condition or regulatory compliance issues.

Workpapers prepared by D&T in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate. Also, work performed by the Company's Internal Audit and Advisory Services Department, including internal audit work contracted with Ernst & Young LLP, was reviewed and relied upon to the extent possible.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Organization by obtaining information about the Organization, including corporate governance, identifying inherent risks within the Organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with Statutory Accounting Principles and Annual Statement Instructions (Instructions).

All accounts and activities of the Organization were considered in accordance with the risk-focused examination process. Substantive procedures performed were based on the results of the risk analysis. Other substantive procedures were performed as specifically required by the Utah Department of Insurance (the Department). Transactions subsequent to December 31, 2011 were also reviewed as a means of prospectively monitoring the current direction of the Organization's business operations.

The examination considered prospective risks, those risks that existed at the balance sheet date that will impact future operations or risks associated with future business plans of the Organization. Examination procedures were performed as deemed appropriate to evidence actions that the

Organization had taken to mitigate these risks. These risks were communicated to individuals in the Department responsible for ongoing monitoring.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Status of Prior Examination Findings

The previous examination was performed by the Department as of December 31, 2007. Items of significance noted in the prior examination report summary were reviewed by the examination team and it was determined the findings were satisfactorily addressed.

SUMMARY OF SIGNIFICANT FINDINGS

1. The Organization was not in compliance with Utah Administrative Code (U.A.C.) Rule R590-178. Reported assets in the amount of $13,030,165 were not held under a compliant custody agreement with the Bank of New York Mellon.

    a. The Organization took corrective action and executed a compliant custody agreement with the Bank of New York Mellon on April 8, 2013. According to U.A.C. Rule R590-178-5 (B) the Board of Directors (the Board) approved the custody agreement on April 11, 2013.

SUBSEQUENT EVENTS

The 2011 independent audit identified the Organization had accounting errors in both 2010 and 2011 related to a mental health/substance abuse health contract with an affiliate. According to the contract, the Organization should have recorded the actual incurred medical costs and liabilities associated with the mental health operations, but instead only recorded administrative fees. The audit adjustments resulted in a $8.5 million increase in liabilities, a $7.7 million decrease in capital & surplus and a $4.1 million decrease in net income as of December 31, 2011.

COMPANY HISTORY

General

The Organization was issued a Certificate of Incorporation, under the name of Physicians Health Plan of Utah, by the Office of the Lieutenant Governor of the state of Utah during March 1984. The initial articles of incorporation authorized the issuance of 5,000,000 shares of stock at a par value of $0.1 each. The Organization was issued a Certificate of Authority by the Department and commenced business during August 1984.

The Organization was federally qualified as an independent practice association model health maintenance organization on October 4, 1985. It voluntarily relinquished its federal qualification on November 9, 1991.

The Organization became part of an insurance holding company system on December 30, 1986, when United HealthCare Services, Inc. (UHS), a Minnesota corporation, then known as Charter Med Inc., acquired 50% equity interest in the Organization. In 1987, the articles of incorporation were amended to change the common stock to 5,000 authorized shares at $50.00 per share.

A cash offer was made to purchase all outstanding shares of the Organization in November of 1990 by UHS, then known as UHC Management Company. The offer expired January 31, 1991, at which time UHS stock ownership approximated 85% of the total outstanding shares. UHS again increased its ownership of the Organization to approximately 92% in December of 1994 through a tender offer. UHS was a wholly owned subsidiary of United HealthCare Corporation (UHC), the ultimate controlling entity of the holding company system at that time.

The articles of incorporation were amended during July 1992 to change the name of the Organization to United HealthCare of Utah.

Effective March 6, 2000, UHC changed its name to UnitedHealth Group Incorporated (UHG). The holding company system was then restructured when UHS transferred all of its outstanding shares of the Organization to its wholly owned subsidiary, UnitedHealthcare, Inc. (UHI), on June 30, 2000. UHI's primary function was that of a holding company. During the years 2000, 2001, 2002, and 2008 UHI, the immediate parent of the Organization, acquired 66 shares of the Organization from minority shareholders, thereby increasing its aggregate ownership of the stock to 2,379 shares, representing 100% ownership. UHI is now the sole shareholder.

The articles of incorporation were amended on January 14, 2009 to change the name of the Corporation to UnitedHealthcare of Utah, Inc.

The Organization received $27 million as additional paid-in capital contributions during 2000 and 2001. UHI contributed $3 million in the year 2000 and $23 million in the year 2001. UHS contributed $1 million to the Organization during the year 2000.

UHI made a $10 million capital contribution on March 29, 2011 which was recorded as an increase to gross paid-in and contributed surplus. Another capital contribution was made on December 28, 2012 $10 million.

Capital Stock

As of December 31, 2011, the Organization had 5,000 shares of common capital stock authorized at a par value of $50 per share. The number of shares issued and outstanding was 2,379 at March 1, 2013.

Dividends to Stockholders

Prior to their distribution, each extra-ordinary dividend payment was submitted to and approved by the commissioner as required by Utah Code Annotated (U.C.A.) § 31A-16-106(2). The Board declared an ordinary dividend in the amount of $15.7 million payable to its sole shareholder UHI on December 16, 2008.

The Board of Directors declared an extraordinary dividend in the amount of $20 million as a reduction of gross paid-in and contributed surplus, payable to its sole shareholder, UHI on October, 29, 2009. The Department approved the dividend on December 14, 2009.

Mergers and Acquisitions

There were no mergers or acquisitions identified during the current time period under examination.

CORPORATE RECORDS

In general, the minutes of the meetings of the stockholder and directors adequately demonstrated approval and support of the Organization's transactions and events. Much of the business conducted by the directors was done telephonically and recorded as written action in lieu of meetings. The most recent written action was made on April 11, 2013, approving the custody agreement between the Organization and Bank of New York Mellon.

The previous Report of Examination as of December 31, 2007, was filed as a public document on June 30, 2009. It was distributed to the Board and discussed at the Board meeting held on August 6, 2009.

The articles of incorporation were amended on January 14, 2009 during the examination period to change the name of the Corporation to UnitedHealthcare of Utah, Inc.

Management

The amended and restated bylaws of the Organization, effective January 31, 2009, indicated the number of directors shall be no less than three members. Though the Department Stipulation Order and Docket No. 2005-129 dated December 25, 2005 granted a waiver pursuant to U.C.A. § 31A-5-407(2) from the requirement that the majority of the directors be Utah residents, the shareholder wishes to continue to elect a majority of Utah residents.

The following persons served as directors of the Organization as of December 31, 2011:

Name	Principal Occupation
Christopher Lockett Hard*	President and Chair
Pamela Jean Gold	Director
Jean Kalbacher	Chief Financial Officer

The Organization's bylaws provide for principal officers to consist of the Chairman of the Board, a President, such number of Vice Presidents as the Board may determine, a Secretary and a Treasurer. Any offices may be held by the same person except that of President and Secretary and provided that at least three people are officers. The officers of the Organization as of December 31, 2011, were as follows:

Principal Officer	Office
Christopher Lockett Hard*	President/Chair
Jean Kalbacher	Chief Financial Officer
Christina Regina Palme-Krizak	Secretary
Robert Worth Oberrender	Treasurer
Nyle Brent Cottington	Assistant Treasurer
Juanita Bolland Luis	Assistant Secretary
Michelle Marie Huntley Dill	Assistant Secretary

Several directors and officers left the Organization during the examination period. The resignations of Curt Howell and Benton Davis were accepted by the Sole Shareholder on March 10, 2009 and Christopher Lockett Hard and Michael Plum were elected as directors on the same date. The Board accepted Michael Plum's resignation on March 24, 2010. Nyle Brent Cottington, Assistant Treasurer left the Organization on April 5, 2011. Mary Lyn Stanislav, Assistant Secretary left the Organization on April 5, 2011. Benton Vince Davis, Treasurer, left the Organization on June 20, 2011. Subsequent to the examination period, the election of Marc R. Briggs occurred on March 19, 2012. Christopher Lockett Hard, President and Chair resigned left April 5, 2012. Marc R. Briggs replaced Christopher Lockett Hard as President and Chair.

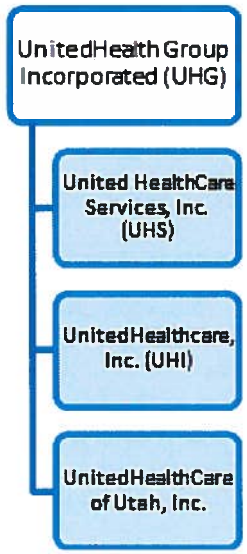
The members of the Organization's audit committee as of December 31, 2011, were as follows:

Audit Committee Members

Dan Cummings, Chair
Robert Friedrichs
Richard Dunlop

AFFILIATED COMPANIES

The Organization is a member of the UnitedHealth Group Incorporated insurance holding company system as shown in the following abbreviated, straight-down organizational chart derived from the Annual Statement, Schedule & as of December 31, 2011.



Transactions with Affiliates

Management Agreement with United HealthCare Services, Inc.

Effective January 1, 2011, the Organization entered into a revised Management Agreement with UHS. This agreement replaces and supersedes the Management Agreement by and between the Organization and UHC Management Company, Inc. effective January 1, 1993 and Amendment to Management Agreement by and between the Organization and UHC effective June 10, 1997. UHS will continue to provide management services to the Organization under a revised fee structure which changed from a fee based on a percentage of premium basis to a direct charge based on UHS's expenses for services or use of assets provided to the Organization. Under the agreement UHS provides or arranges for services on behalf of the Organization using a pass-through of charges incurred by UHS, Inc, on a PMPM basis where the charges incurred are on a PMPM basis. These services 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, access to a network of transplant providers and discount program services.

UHS pays certain direct expenses, such as broker commissions, DOI exam fees on behalf of the Organization. UHS is reimbursed by the Organization for these expenses.

Additionally, the Management Services Agreement calls for an annual review and a prospective adjustment of the fees so that the fees will remain responsive to changes in the businesses' operations.

Tax Sharing Agreement with UnitedHealth Group, Inc.

The Organization's federal tax obligations were reported in the ultimate controlling parent's consolidated federal income tax return pursuant to an agreement effective January 1, 1990, as amended effective January 1, 1996. The agreement provided for an allocation method for the payment of federal, state and local income taxes to the subsidiaries of the parent, related to the consolidated federal income tax returns filed each year.

Premium Allocation Agreement with United HealthCare Insurance Company

The Organization is party to an agreement dated January 1, 1998 between United HealthCare Insurance Company (UHIC) and United HealthCare Services, Inc. (UHS), whereby UHIC receives consideration for insurance coverage marketed and issued in conjunction with the products provided by HMOs under common ownership. Section II of the agreement provides that premiums allocated to UHIC shall be (i) fair and reasonable; (ii) determined according to actuarial review conducted at least annually; (iii) allocated in conformity with customary insurance accounting practices consistently applied.

Short Term Investment Pool Agreement (Affiliate)

By addendum dated March 1, 2002, the Organization indicated its acceptance of the terms of the Pooling Agreement for the Short Term Investment Pool dated as of July 1, 1997 among Travelers Asset Management International Corporation (TAMIC), State Street Bank and Trust Company and United HealthCare Services, Inc., as amended March 1, 2002 by the substitution of BancOne for TAMIC, and agrees to be bound by its terms.

The addendum provides that the Organization acknowledges the United HealthCare Services, Inc. is authorized to enter into the Pooling Agreement pursuant to the agreement between United HealthCare of Utah and United HealthCare Services, Inc. pursuant to which United HealthCare Services, Inc. provides various administrative services including investment and cash management services.

The Pooling Agreement provides that the Organization shall at all times together with other participants of the pool be the beneficial owners of 100 percent (100%) of the assets of the Pool. BancOne has been issued instructions that all Pool Assets must qualify as "admitted assets" for the Organization and shall be rated 1 or 2 or equivalent rating by SVO.

Combined Billing and Disbursement Operations Agreement

Effective April 1, 2012, the Organization became a party to an agreement dated December 1, 2006 between UHIC, UHS and PacifiCare Health Plan Administrators, Inc. ("PHPA"). Under the agreement, the UHIC will provide a common lockbox for premium collection and zero balance disbursement account for paying certain bills. The zero balance disbursement account is designated for the payment of claims, claims related expenses, commission and bills owed by the Organization. Any bill paid by UHIC on behalf of the Organization will be netted against premiums collected and transferred to the Organization five times per month.

Insolvency Reinsurance Agreement

Prior to January 1, 2005, the Organization had an excess risk stop loss reinsurance agreement with an affiliate, United HealthCare Insurance Company. The agreement was superseded by an Insolvency Reinsurance Agreement with the same reinsurer, effective January 1, 2005.

The Insolvency Reinsurance Agreement provides coverage only in the event of the Organization's insolvency (defined by the agreement as: insolvency, liquidation, rehabilitation of the Organization or the appointment of a liquidator, receiver or statutory successor). Upon insolvency, any claims payments are payable by the reinsurer directly to the Organization's liquidator, receiver or statutory successor on the basis of the liability of the Organization under the policies without diminution because of the insolvency.

Contract with United Behavioral Systems, Inc.

On January 1, 1994, the Organization contracted with United Behavioral Systems Inc., now known as United Behavioral Health (UBH), to provide or arrange for the provision of mental health and substance abuse services to members. Payment for services provided is calculated on a per member per month basis.

Ingenix Services Agreement

Effective July 1, 2011 the Organization contracted with Ingenix, Inc., now known as OptumInsight, to provide claim analytics and recovery services, retrospective fraud, waste and abuse services and subrogation services to Registrant's Commercial and Medicare members. Percentages of every recovery are retained by OptumInsight as service fees based on the services performed. Recoveries, net of fees, are returned to the Organization on a monthly basis.

Contract with OptumHealth Solutions, Inc. (formerly ACN Group, Inc.)

The Organization has an agreement, effective October 1, 2001, and last amended on May 1, 2010 with OptumHealth Solutions, Inc. to provide network management of chiropractic, complementary and alternative medicine services for its enrollees in commercial plans. Payment structures for such services are disclosed in the original agreement and as changed through succeeding amendments. Amendment

The Organization has a Network Services Agreement with OptumHealth Solutions, Inc. April 1, 2010, and last amended on June 1, 2011 for the provision of therapy services to it Medicare members. Payment for services provided is calculated on a per member per month basis

Subordinated Revolving Credit Agreement with United HealthCare Corporation (UnitedHealth Group Incorporated)

The Organization has a subordinated revolving credit agreement with UnitedHealth Group Incorporated, under which the parent agreed to lend and re-lend amounts to the Organization for up to $6,000,000. Repayments are subordinated to claims of non-affiliated creditors and loans from non-affiliate lenders of the Organization. Interest is payable at the one month London InterBank Offered Rate (LIBOR) in effect on the last business day of the calendar month prior to the calendar month for which interest is calculated plus fifty basis points. No amounts were outanding under the line of credit as of December 31, 2011. Effective November 1, 2012 the line of credit was increased to $15,000,000.

Dental Benefit Providers Master Services Agreements

Effective January 1, 2005, the Organization entered into a Participating Organization Addendum to the January 1, 2004, Dental Benefit Providers Master Services Agreement. Under the Agreement, Dental Benefit Providers, Inc. (DBP) is responsible for developing, contracting and managing a network of dental providers to provide dental health care services for the Organization's commercial enrollees.

The Organization entered into an agreement with DBP effective June 1, 2009. Under the agreement, DBP is responsible for developing, contracting and managing a network of dental providers to provide dental health care service for the Organization's Medicare members.

OptumRx, Inc., formerly known as RxSoutions, Inc. and United Health Care Products, LLC

The Organization entered into an agreement with UnitedHealth Care Products, LLC ("Care Products"), effective January 1, 2008 and last amended April 1, 2010. Under the agreement, Care Products provides members a catalogue of over-the-counter drugs and durable medical equipment to the Organization's Medicare members. The Medicare members receive points for each quarter they are insured by the Organization. These "points" can be used to purchase catalogue items or items can be purchased outright. The Organization pays a base amount which increases depending on the amount purchased.

Effective May 1, 2008 and last amended October 1, 2011, the Organization became party to two Facilities Participation Agreements between United Health Care Insurance Company and RxSolutions, Inc. The Facilities Participation Agreements are essentially identical: one for Specialty Pharmacy Provider Agreement, Medical Benefit and the other one for Specialty Pharmacy Provider Agreement, Pharmacy Benefit. The difference is that one is for pharmacy medications covered under the insured's medical benefits and the other one is for pharmacy medications covered under the insured's pharmacy benefits. These agreements are applicable to Medicare Advantage and dual-eligible Medicare-Medicaid business.

Effective May 1, 2008 and last amended October 1, 2011, the Organization became party to two Facilities Participation Agreements between United Health Care Insurance Company and RxSolutions, Inc. The Facilities Participation Agreements are essentially identical: one for Specialty Pharmacy Provider Agreement, Medical Benefit and the other one for Specialty Pharmacy Provider Agreement, Pharmacy Benefit. The difference is that one is for pharmacy medications covered under the insured's medical benefits and the other one is for pharmacy medications covered under the insured's pharmacy benefits. These agreements are applicable to the Organization's commercial business.

The Organization entered into a Participating Plan Addendum to the Mail Order Network Agreement between RxSolutions, Inc. and United HealthCare Services, Inc., effective March 1, 2009. Pursuant to the agreement, RxS olutions, provides durable medical equipment and supplies to Registrant's Medicare Advantage members.

The Organization became a party to a Medicare Prescription Drug Benefit Administration agreement between United HealthCare Services, Inc. and RxSolutions effective April 1, 2010 and as amended February 1, 2011. Under the terms of the agreement RxSolutions is the Pharmacy Benefit Manager for the Organization's Medicare Advantage plans with a Part D drug benefit.

The Organization entered into a Facilities Participation Agreement with OptumRx. Under the agreement, OptumRx provides durable medical equipment services and hearing aids to for the Organization's members effective January 1, 2012. The Form D was submitted for this new agreement, and the Commissioner's office did not disapprove.

Wellness, Inc. Agreement

The Organization entered into an agreement with Wellness, Inc. effective October 1, 2010. Under the Facility Participation Agreement Wellness, Inc. will provide influenza and pneumococcal vaccination services to the Organization's Commercial & Medicare members on a fee for service basis.

FIDELITY BOND AND OTHER INSURANCE

As employees of a subsidiary of UnitedHealth Group Incorporated, officers of UnitedHealthcare of Utah, Inc. and employees of affiliates performing the functions necessary for the Organization's operations were covered by a blanket crime policy with a coverage limit of $25 million as of December 31, 2011. The blanket crime coverage exceeded the minimum $1 million to $1.25 million suggested by the National Association of Insurance Commissioners (NAIC).

In addition to blanket crime coverage, the Organization was named as an insured on policies providing for commercial general liability, business auto coverage, commercial umbrella liability coverage, executive and organization liability coverage, and property insurance.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Organization has no employees. Employees of UHS performed many of the functions necessary for the Organization's operation. With no employees, the Organization does not provide employee benefits such as group life and medical insurance, cafeteria plans or unfunded pension plans.

STATUTORY DEPOSITS

The Organization's statutory deposit requirement was $2,718,089 pursuant to U.C.A. § 31A-8-211(1) for health organizations. The examination confirmed the Organization maintained a statutory deposit consisting of two U.S. Bonds with a market value of $3,310,837 and a par value of $3,000,000, which was adequate to cover the required deposit.

TERRITORY AND PLAN OF OPERATION

As if December 31, 2011, the Organization had a Certificate of Authority authorizing it to operate as a health maintenance organization (HMO) in all counties throughout the state of Utah with its commercial product. It contracts with independent physicians and other health care providers using a network model to deliver health care services to its members.

The Organization 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. The Organization's AARP Medicare Complete plans are Medicare Advantage Health Maintenance Organization (HMO/POS) plans. With these plans, members have open access and may self-refer to any plan contracted provider. Members also have an out-of-network benefit at a higher out-of- pocket expense. For Medicare service areas, it is licensed to operate in the following counties: Box Elder, Cache, Davis, Morgan, Salt Lake, Summit, Tooele, Utah, Wasatch, and Weber.

The Organization offers the Evercare product which offers complete individualized care planning and care benefits for aging, disabled and chronically ill individuals. Evercare offers these long-term care services in nursing homes, community-based settings and private homes.

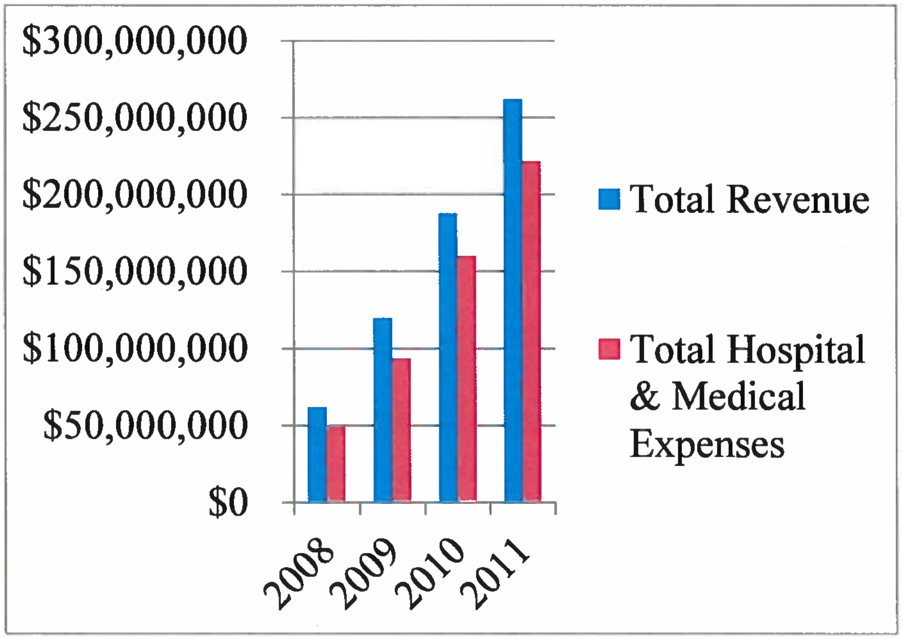
GROWTH OF ORGANIZATION

UNITEDHEALTHCARE OF UTAH, INC.
KEY FINANCIAL INDICATORS ($000)

Year	Assets	Net Premiums Written	Total Capital & Surplus	Statutory Surplus	Net Premiums-to-Statutory Surplus	Total Revenues	Net Income
2007	54,690	46,089	45,960	5,816	8	48,331	6,775
2008	45,533	62,094	31,057	5,032	12	63,915	662
2009	39,465	120,581	18,310	8,462	14	121,245	8,912
2010	51,101	187,648	16,025	13,776	14	188,643	-4,157
2011	69,983	262,502	19,122	17,984	15	262,647	-2,968
2012	92,753	295,080	34,581	20,829	14	293,961	-2,347

The Board declared an ordinary dividend in the amount of $15.7 million payable to its sole shareholder, UHI on December 16, 2008. A $20 million extraordinary dividend was paid in October 2009 to United Healthcare, Inc. The Organization's earnings deteriorated in 2010 and 2011 driven by underwriting losses in the Medicare line of business. The Risk Based Capital level increased to 332% as of December 31, 2012 from 213% as of December 31, 2011. This improved results was mainly due to a $10 million capital contribution from the Parent in May 2012, another $10 million capital infusion in December 2012 and the 2012 year's favorable underwriting results.

LOSS EXPERIENCE



Total revenues were $61,835,943, $119,819,460, $187,622,418 and $261,808,948 in 2008, 2009, 2010 and 2011, respectively. Total hospital and medical expenses were $48,493,202, $93,166,344, $159,618,560 and $221,134,610 in 2008, 2009, 2010 and 2011, respectively. During the examination period total revenues increased by 323% while total hospital and medical expenses increased by 356%.

Total member months were 93,992, 172,063, 288,895 and 401,900 in 2008, 2009, 2010 and 2011, respectively. During the examination period total member months increased by 332%.

REINSURANCE

The Organization does not have a reinsurance program. It has an insolvency program that was approved by the Utah Department of Insurance in 2004. It has an insolvency-only reinsurance agreement whereby 0.1% of net premium income is ceded to United Healthcare Insurance Company (UHIC), a wholly owned subsidiary of UHIC Holdings, Inc. which is a wholly owned subsidiary of UHS, to provide insolvency protection for its enrollees.
This insolvency agreement allows UHCU to lower its overall cost structure while protecting the interests of its members.

The Insolvency Reinsurance Agreement IOA-016 was executed November 30, 2004 and effective January 1, 2005 and continues in force until terminated. The main points of the agreement are as follows:

1) United Healthcare Insurance Company, Inc. (UHIC) is only responsible for Losses under this agreement in the event of the Insolvency of the United HealthCare of Utah (the Plan).
2) Any payments to the Plan under the insolvency agreement shall be payable by UHIC directly to the Plan's liquidator, receiver, or statutory successor, on the basis of the liability of the Company under the policies without diminution because of such insolvency or because the liquidator, receiver, or statutory successor has failed to pay all or any portion of any claims.
3) UHIC shall have no obligations with respect to the administration of benefits under any policy, but shall accept from the Plan its obligation to continue benefits, as defined in the policies.
4) UHIC shall accept from the Plan its obligation with respect to Loss paid or payable that arose from health care services or goods provided on or prior to the date of Insolvency by Providers who were not than under contract with the Plan for the provision of such services or goods, to the extend that such Loss remained unpaid by the Plan at the date of Insolvency.
5) Monthly premiums are based on a percentage of the premiums earned by the Plan.

ACCOUNTS AND RECORDS

The Organization, as a member of a holding company group, utilizes common systems for recording its transactions. The group's current general ledger system is a purchased package (PeopleSoft), which maintains GAAP, Statutory (since 2008) and MLR (since 2010) data. The Organization uses Eagle Wings filing software to produce its statutory Annual Statement.

An independent certified public accounting firm audited the Organization's records during the period covered by this examination. Audit reports generated by the auditors for the years 2008 through 2011 were made available for the examiners' use.

FINANCIAL STATEMENTS

The following financial statements were prepared from the Organization's accounting records and the valuations and determination made during the examination:

BALANCE SHEET as of December 31, 2011

STATEMENT OF REVENUE AND EXPENSES for the Year Ended December 31, 2011

RECONCILIATION OF CAPITAL AND SURPLUS – 2008 through 2011

The accompanying COMMENTS TO FINANCIAL STATEMENTS are an integral part of the financial statements.

UNITEDHEALTHCARE OF UTAH, INC.
BALANCE SHEET
as of December 31, 2011

ASSETS

	Net Admitted Assets	Notes
Bonds	$ 31,667,357	
Cash and short-term investments	24,612,437	(1)
Investment income due and accrued	193,356	
Deferred compensation investment	-	
Uncollected premiums and agent's balance in the course of collection	4,418,339	
Amounts receivable relating to uninsured plans	2,537,566	
Current federal and foreign income tax recoverable and interest thereon	3,089,251	
Net deferred tax asset	411,179	
Health care receivables	3,053,757	
Total assets	$ 69,983,242	

LIABILITIES, SURPLUS, AND OTHER FUNDS

Claims unpaid	$ 31,672,995	
Accrued medical incentive pool and bonus amounts	46,790	
Unpaid claims adjustment expenses	712,204	
Health Service Act	9,620,988	
Aggregate health claim reserves	230,722	
Premiums received in advance	21,559	
General expenses due or accrued	300,038	
Ceded reinsurance premiums payable	24,368	
Amounts due to parent, subsidiaries and affiliates	5,924,779	
Liability for amounts held under uninsured plans	2,306,606	
Aggregate write-ins for other liabilities	495	
Total liabilities	50,861,544	
Common capital stock	118,950	
Gross paid in and contributed surplus	22,848,589	
Unassigned funds (surplus)	(3,845,841)	
Total capital and surplus	19,121,698	
Total liabilities, capital and surplus	$ 69,983,242	

UNITEDHEALTHCARE OF UTAH, INC.
STATEMENT OF REVENUE AND EXPENSES
for the Year Ended December 31, 2011

	Total	Notes
Net premium income	$ 262,502,343	
Change in unearned premium reserves and reserve for rate credits	(693,395)	
Total revenues	261,808,948	
Medical and Hospital:		
Hospital/medical benefits	201,206,120	
Other professional services	255,855	
Prescription drugs	19,614,517	
Incentive pool, withhold adjustments, and bonus amounts	58,118	
Total medical and hospital	221,134,610	
Less:		
Claims adjustment expenses	9,423,576	
General administrative expenses	28,925,592	
Increase in reserves for life and accident and health contracts	5,142,000	
Total underwriting deductions	264,625,778	
Total underwriting gain or (loss)	(2,816,830)	
Net investment income earned	838,247	
Net realized capital gains (losses)	18,401	
Net investment gains or (losses)	856,648	
Net income or (loss) before federal income taxes	(1,960,182)	
Federal and foreign income taxes incurred	1,007,724	
Net income (loss)	$ (2,967,906)	

UNITEDHEALTHCARE OF UTAH, INC.
RECONCILIATION OF CAPITAL AND SURPLUS
2008 through 2011

	2008	2009	2010	Per Exam 2011	Notes
Capital and surplus prior reporting year	$ 45,960,465	$ 31,057,276	$ 18,309,860	$ 16,025,329	
Increase (decrease) in contributed capital	-	-		10,000,000	
Ordinary dividend	(15,700,000)				
Extraordinary dividend		(20,000,000)			
Net income or (loss)	661,842	8,912,043	(4,157,115)	(2,967,904)	
Change in nonadmitted assets	134,969	(1,659,459)	1,872,584	(3,935,727)	
Rounding	-				
Net change in capital and surplus	(14,903,189)	(12,747,416)	(2,284,531)	3,096,369	
Capital and surplus end of reporting year	$ 31,057,276	$ 18,309,860	$ 16,025,329	$ 19,121,698	(2)

* Per the regulatory financial statements filed with the Utah Insurance Department.

COMMENTS ON FINANCIAL STATEMENTS

(1) Short term investments $2,025,618

Within the captioned account, the Organization did not classify its $2,025,618 pro-rata share in the UHG Liquidity Pool (Liquidity Pool) in accordance with the Instructions and the Practice and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual). The Organization reported its share in the Liquidity Pool as a Class One Money Market Mutual Fund (Class 1) on Schedule DA of the Annual Statement. The Liquidity Pool did not meet the conditions to be eligible for listing on the Class 1 list pursuant to the SVO Manual, Section 2 (b) (ii), nor did the Organization submit to the SVO the required documentation detailed in Section 10 (c) (vii) in order to establish the Liquidity Pool to be classified as a Class 1. Furthermore, the SVO Manual states, "Mutual funds not rated by an NAIC Approved Rating Organization, and/or those not meeting the documentation requirements of Section 10 (c) (vii) will not be considered for listing."

(2) Capital and surplus $19,121,698

The Organization's capital and surplus was determined to be $19,121,698 as reported in the Organization's annual statement as of December 31, 2011.

The Organization's minimum capital requirement was $2,718,089 as defined in U.C.A. § 31A-8-209. As defined by U.C.A. § 31A-17 Part 6, the Organization had total adjusted capital of $19,121,698, which exceeded the company action level risk-based capital (RBC) requirement of $17,983,796 by $1,637,902.

SUMMARY OF RECOMMENDATIONS

1) It is recommended the Organization implement a process to assure the execution of custody agreements that are in compliance with U.A.C. Rule R590-178. (SUMMARY OF SIGNIFICANT EXAMINATION FINDINGS)

   Corrective Action Taken: The Organization took corrective action and executed a compliant custody agreement with the Bank of New York Mellon on April 8, 2013. According to U.A.C. Rule R590-178-5 (B) the Board of Directors (the Board) approved the custody agreement on April 11, 2013.

2) It is recommended the Organization classify its Liquidity Pool in accordance with the Instructions in the NAIC SVO Manual. Additionally, it is recommended that the Organization provide to the Department a detail listing of the underlying assets comprising the Liquidity Pool. (COMMENTS ON FINANCIAL STATEMENTS)

   Corrective Action Taken: The Parent received guidance from the NAIC for the classification of the Liquidity Pool. Based on this guidance and upon Connecticut Department of Insurance guidance, the Organization will classify the pool as Industrial and Miscellaneous in the Schedule DA. The examination reviewed and verified the Organization reported its pro-rata share of the liquidity pool as Industrial and Miscellaneous in the 2012 Annual Statement filing Schedule DA.

ACKNOWLEDGEMENT

Karon E. Elsom, FSA, MAAA, of the actuarial firm of Lewis & Ellis, Inc. performed the actuarial phases of the examination. In addition, Patricia Neesham, CPA, CFE, MCM, and Jan Moenck, CFE, CIA, CRP, of Risk & Regulatory Consulting participated in the examination representing the Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Organization.

Respectfully Submitted,

Colette M. Hogan Sawyer, CFE, CPM, PIR, MSA
Utah Insurance Department