

REPORT ON EXAMINATION

of the

**UNISON HEALTH PLAN OF TENNESSEE, INC.
3175 LENOX PARK BOULEVARD, SUITE 400
MEMPHIS, TENNESSEE**

as of

DECEMBER 31, 2009

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

RECEIVED

MAR 25 2011

Dept. of Commerce & Insurance
Company Examinations

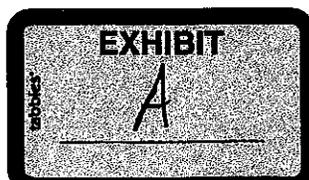


TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Salutation.....	1
Introduction.....	1
Scope of Examination.....	1
Company History (includes exhibit of growth and financial history).....	2
Charter and Bylaws	3
Management and Control	4
Pecuniary Interest Tenn. Code Ann. § 56-3-103	6
Agreements with Parent, Subsidiaries and Affiliates	6
Corporate Records	9
Statutory Deposits	10
Fidelity Bond and Other Insurance	11
Excess Loss	13
Territory and Plan of Operation	14
Market Conduct Activities	15
Loss Experience	16
Retirement Plan and Other Employee Benefits	16
Commitment and Contingencies.....	16
Accounts and Records.....	17
Subsequent Events	17
Financial Statement.....	18
Analysis of Changes in Financial Statement and Comments Resulting from Examination of Financial Statement	22
Summary Schedule for Analysis of Changes in Financial Statement and Comments Resulting from Examination as They Affect Surplus.....	23
Comments and Recommendations	24
Conclusion.....	25
Affidavit.....	26
Organizational Chart.....	27

Memphis, Tennessee
March 25, 2011

Honorable Julie M. McPeak
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee insurance laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and market conduct review were made of the condition and affairs of the

**UNISON HEALTH PLAN OF TENNESSEE, INC.
MEMPHIS, TENNESSEE**

hereinafter and generally referred to as the Company, and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee and commenced on April 26, 2010. The examination was conducted under the association plan of the NAIC by duly authorized representatives of the Tennessee Department of Commerce and Insurance (TDCI).

SCOPE OF EXAMINATION

This examination report covers the period from July, 1, 2005, to the close of business on December 31, 2009, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination of the financial condition was conducted in accordance with guidelines and procedures contained in the National Association of Insurance Commissioners (NAIC) Financial Examiners Handbook. During the course of examination, assets were verified and valued and liabilities were determined and estimated as of December 31, 2009. The financial condition of the Company and its amount of solvency were thereby established. Test checks were made of income and disbursement items for selected periods, and a general review was made of the Company's operations, practices, and compliance with applicable statutes and regulations. All asset and liability items

contained in the financial statement of this report were examined and verified with relative emphasis according to their amount and potential impact on capital and surplus. In addition, the following topics were reviewed:

- Company History
- Charter and Bylaws
- Management and Control
- Corporate Records
- Fidelity Bonds and Other Insurance
- Territory (includes inforce/premium by state)
- Plan of Operation
- Market Conduct Activities
- Excess of Loss
- Retirement Plan and Other Employee Benefits
- Loss Experience
- Accounts and Records
- Statutory Deposits
- Agreements with Parent, Subsidiaries and Affiliates
- Pecuniary Interest
- Dividends or Distribution
- Litigation
- Subsequent Events
- Financial Statement

The previous examination was a market conduct examination and limited financial examination conducted as of June 30, 2005. The examination report found no financial deficiencies.

COMPANY HISTORY

The Company was incorporated on August 9, 2000, as a for-profit corporation under the provisions of the Tennessee Business Corporation Act and was organized as a health maintenance organization pursuant to Title 56, Chapter 32, Tennessee Code Annotated for the purpose of providing managed health care services to residents of Tennessee by participating by contract as a managed care organization in the TennCare Program. The Company was issued a Certificate of Authority, effective April 16, 2001, to transact business in the State of Tennessee and commenced business on July 1, 2001. The current Certificate of Authority, issued to reflect the Company's current name, is dated June 24, 2005 and is valid until suspended or revoked. The Company was originally named "Better Health Plan of Tennessee, Inc." in Memphis, Tennessee.

At its incorporation in 2000, the Company was authorized to issue two thousand (2,000) shares of common stock. All shares were issued to the Company's sole shareholder, Three Rivers Holdings, Inc. (Holdings).

Effective June 24, 2005, the Company changed its name to Unison Health Plan of Tennessee, Inc.

The Company's parent, Holdings, was acquired by AmeriChoice Corporation on May 30, 2008. Holdings is a wholly owned subsidiary of AmeriChoice Corporation, which is a wholly owned subsidiary of UnitedHealth Group, Inc.

The Company's development since the previous examination is depicted as follows:

<u>Year</u>	<u>Direct Written Premiums</u>	<u>Net Admitted Assets</u>	<u>Liabilities</u>	<u>Retained Earnings</u>	<u>Total Capital and Surplus</u>
2006	\$0	\$6,700,249	\$1,248,652	\$2,462,097	\$5,451,597
2007	\$7,135,180	\$12,046,541	\$5,218,042	\$3,838,999	\$6,828,499
2008	\$26,757,772	\$21,373,557	\$11,058,680	\$7,325,377	\$10,314,87
2009	\$55,798,059	\$28,189,667	\$14,673,750	\$10,526,417	\$13,515,91

Dividends or Distributions:

The Company's Bylaws provide that "dividends may be declared by the board of directors, at any regular or special meeting, pursuant to law." During the period of examination, the Company approved the payment of a dividend to its sole shareholder Three Rivers Holdings, Inc. (Holdings). The Company paid a dividend of \$2,749,000 in 2009 to Holdings.

CHARTER AND BYLAWS

The Company's original Charter dated August 8, 2000 was filed and recorded with the Tennessee Secretary of State on August 9, 2000. The original Charter indicated a perpetual existence and established a for profit corporation. The initial registered agent in Tennessee per the Charter was John Hull Dobbs, Jr. with the address of 1000 Ridgeway Loop Road, Suite 203, Memphis, Tennessee. Subsequent amendments to the Charter have occurred during the Company's existence. The Charter was amended during the examination period to reflect the Company's change of principal address, registered agent, and registered agent's address to 3175 Lenox Park Boulevard, Suite 400, Memphis, TN. The new registered agent and address changed to CT Corporation, 800 S. Gay Street, Suite 2021, Knoxville, Tennessee effective upon filing with the Secretary of State.

The Company's amended and restated Bylaws as adopted June 25, 2005 and approved by the Board on April 24, 2005 were relied upon for this examination. The Company's Bylaws are such as are generally found in corporations of this type and are much more specific than the Charter, since the Company's Charter does not state the purpose for the corporation, does not reflect any primary objectives nor recite any other general or specific powers. The Bylaws may be amended by a majority vote of all shareholders. The Bylaws may be amended by a majority vote of the Directors provided that the shareholders from time to time specify particular provisions of the Bylaws that may not be amended by the Board of Directors. The Company's Bylaws still reflect the Company's former name, Better Health Plans, Inc.

MANAGEMENT AND CONTROL

Shareholders:

The Company's sole shareholder is Three Rivers Holdings, Inc. (Holdings).

The Company's Charter is silent as to the duties of the shareholders. The Bylaws of the Company, as amended and effective June 25, 2005, state the following:

"Annual meetings of the shareholders of the Corporation shall be held each year on the second Monday after the close of the fiscal year if not a legal holiday... (or if by resolution of the Board of Directors) on any day within the period of sixty days (60) next succeeding the foregoing date . . . the shareholders shall elect Directors, receive reports on activities and financial condition of the Corporation, and transact such other business as may properly come before the meeting."

Special meetings "upon the call of the Board of Directors or the President, or upon written demand(s) by the Secretary by shareholders holding at least ten (10%) percent of all the votes entitled to be cast . . ."

Actions of the shareholders may be taken by written consent in lieu of a meeting if the consent is signed by all of the shareholders entitled to vote on the subject matter.

Board of Directors:

The Company's Bylaws state that all corporate powers of the Corporation shall be exercised by and under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors. The number of directors shall initially be three (3) members. The Board of Directors may determine or change the number of members of the Board of Directors from time to time. Board members shall be elected at the annual meeting of the shareholders, and each director elected shall hold office until his successor is elected and qualified. Vacancies on the board may be filled by the shareholders, the Board of Directors, or if the Directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all Directors remaining in office.

The following persons were duly elected by the shareholders and were serving as members of the board at December 31, 2009:

<u>Director</u>	<u>Home Address</u>	<u>Principal Affiliation</u>
Rita Johnson-Mills	Eden Prairie, MN	Senior Vice President – Customer Account Management, United HealthGroup, Inc., AmeriChoice Corporation
Michael Radu	Leesburg, VA	President - Southeast Region, United HealthGroup, Inc., AmeriChoice Corporation
Christopher Scherer	Monroe, MI	President – Business System Support, United HealthGroup, Inc., AmeriChoice Corporation

Regular meetings of the board of directors may be held without notice at such time and place as the Board of Directors shall determine from time to time, but no less frequently than once a year. Action may be taken by the board without a meeting if the action is in writing describing the action taken, signed by each director entitled to vote, and be delivered to the Secretary and included in the minutes or filed with the corporate records.

Officers:

The Bylaws provide that at the first meeting of the Board of Directors after each annual meeting of the shareholders, the Board shall elect officers of the Corporation. Required officers of the Company shall be a President and a Secretary and such other officers as may from time to time be elected or appointed by the Board of Directors. Vacancies shall be filled by the Board of Directors when required.

At December 31, 2009, the following persons had been duly elected to and were serving in the positions indicated:

<u>Name</u>	<u>Office Held</u>
Eric Paul	President and Chief Executive Officer
James W. Waters	Chief Financial Officer
Robert W. Oberrender	Treasurer
Christina R Palme-Krizak	Secretary
David W. Thomas	Assistant Secretary
John W. Kelly	Vice President – Tax Services

PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

Directors and officers of the Company are required to complete an Executive Disclosure Form for Conflicts of Interests and Outside Directorships annually. The disclosure forms were reviewed without exception. A check for compliance with Tenn. Code Ann. § 56-3-103 found that no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101 and is subject to Tenn. Code Ann. § 56-11-101, *et seq.* "Insurance Holding Company System Act of 1986". The Company files a Holding Company Registration Statement annually as required by Tenn. Code Ann. § 56-11-105. The required Forms B and C were filed April 23, 2009.

The Company is a wholly owned subsidiary of Three Rivers Holdings, Inc. (Holdings), a wholly owned subsidiary of AmerChoice Corporation, which in turn, is a wholly owned subsidiary of UnitedHealth Group, Inc. (UHG). An organizational chart is attached at the end of this report.

Management Agreement - TennCare: Effective August 1, 2000, Better Health Plans, Inc. (BHP) (the predecessor of Unison Health Plan of Tennessee, Inc.) entered into an "Administrative Service Agreement" with Three Rivers Administrative Services, LLC, of Pennsylvania (TRAS).

Effective May 1, 2001, BHP became a party to an "Amended Administrative Service Agreement" with TRAS. This amended agreement provided for TRAS to assist BHP during its "startup period" in negotiating its contract with TennCare, obtaining qualifications as an HMO in Tennessee, negotiating contracts with medical providers and other required assistance in order to offer services under the TennCare program. This amended agreement also provided for post "startup period" administrative services to be provided by TRAS that included: claims payment, medical management, utilization review, member services, accounting and reporting, credentialing, facilities management and mail handling, information technology management, marketing, data analysis and reporting and general administrative services. The "Amended Administrative Service Agreement" was filed and approved by the TDCI on June 14, 2001, in accordance with Tenn. Code Ann. § 56-11-106(a)(2)(D).

Effective July 1, 2002, the State of Tennessee changed the TennCare program from an "at risk" managed care program to an Administrative Services Agreement (ASO) program during the period extending from July 1, 2002 through December 31, 2003 and

beyond ("Stabilization Period"). Under the TennCare ASO contract the State of Tennessee was at risk and paid for all qualifying health care services provided to BHP's TennCare enrollees. The "August 2002 Amended Administrative Service Agreement" was filed with and approved by the TDCI on October 18, 2002, in accordance with Tenn. Code Ann. § 56-11-106(a)(2)(D).

Effective January 1, 2007, Unison Health Plan of Tennessee, Inc. (UHPTN) (formerly Better Health Plans, Inc.) and Unison Administrative Service, LLC (UAS) (formerly Three Rivers Administrative Services, LLC) entered into a "3rd Amendment to Amended Administrative Service Agreement". The "3rd Amendment to Amended Administrative Service Agreement" made all references to BHP in the Administrative Service Agreement change to reflect BHP's name change to Unison Health Plan of Tennessee, Inc., made all references to Three Rivers Administrative Services, LLC in the Administrative Service Agreement change to reflect Three Rivers Administrative Services, LLC's name change to Unison Administrative Service, LLC., and made the provisions of the "August 2002 Amendment to Amended Administrative Service Agreement" effective July 1, 2002 that specify the fee paid by UHPTN to UAS during the period in which the TennCare program operated on an ASO basis add time periods fee reconciliations, notifications and payments rendered. The "3rd Amendment to Amended Administrative Service Agreement" effective January 1, 2007 was filed and received by the TDCI on June 22, 2007. The "3rd Amendment to Amended Administrative Service Agreement" was stamped approved in accordance with Tenn. Code Ann. § 56-11-106(a)(2)(D) by the TDCI on July 19, 2007.

Administrative services fees received under the Administrative Services Agreement, as previously amended three (3) times, in 2009 and 2008, totaled \$386,077 in 2009 and \$9,401,768 in 2008. Related expenses of \$59,404 and \$8,204,264 in 2009 and 2008, respectively, offset the administrative service fees received. The net amounts of \$326,673 and \$1,197,504 representing net reimbursements for ASO administrative expenses (including administrative fees) in excess of actual fees were included as a reduction to general and administrative expenses on the Statement of Revenues and Expenses in the 2009 and 2008 Annual Statements.

Management Agreement - Medicare: Effective March 9, 2006, UHPTN entered into a "2006 Medicare Operations Outsourcing Agreement" with UAS. Under the agreement, UAS performs all of the services necessary for UHPTN to conduct a Medicare Advantage program through its Unison Advantage managed care product in return for a percentage of revenue fees. Also, this agreement allows UHPTN to facilitate a Medicare Part D prescription drug insurance program through the services of UAS for a fee.

A summary of some of the services UAS agrees to perform on behalf of UHPTN are listed as follows: enrollment, member services, dispute resolution, health care provider network development and administration, including provider credentialing, fraud

prevention, utilization management, claims processing and payment, financial reporting, computer system operations and pharmacy benefit management.

The first Tennessee members of UHPTN's Medicare + Advantage plan became effective January 1, 2007. In 2007, UHPTN was approved by CMS to offer Medicare Advantage coverage to eligible participants in Mississippi and Arkansas beginning January 1, 2008.

The agreement with UAS terminates on December 31, 2007, with automatic successive one (1) year renewals unless either party to the agreement gives notice of termination.

On July 9, 2007, Amendment # 1 was executed for the "2006 Medicare Operations Outsourcing Agreement" with UAS. The amendment clarifies requirements for the billing and collection of amounts payable by UHPTN to UAS on a quarterly basis. Amendment # 1 to "2006 Medicare Operations Outsourcing Agreement" was stamped filed on June 26, 2007, by the TDCI.

At December 31, 2009, the Plan reported a receivable of \$448,649 due from Unison Health Plan of Ohio, Inc. for amounts receivable under the 2006 Medicare Operations Outsourcing Agreement / 2006 Restated Operations Outsourcing Agreement.

Prescription Drug Administration Agreement: Effective January 1, 2009, UAS contracted with Rx Solutions d/b/a Prescription Solutions ("PS") pursuant to the terms of a "Prescription Drug Benefit Administration Agreement". The "First Amendment" to the "Prescription Drug Benefit Administration Agreement" was made effective August 1, 2009 and the "Second Amendment" was made effective October 1, 2009. This agreement expires December 31, 2011 but shall renew automatically for twelve (12) month terms beginning effective January 1.

Under the Prescription Drug Benefit Administration Agreement, PS provided prescription drug benefit services as set forth on Exhibit C that included general administrative support, pharmacy network contracting and administration, claims processing services and rebate administration, eligibility and benefits administration, customer service for members, retail and home delivery pharmacy network management and implementation and operational support for pharmacy programs.

In 2009, UHPTN paid PS approximately \$275,000 in pharmacy related fees on a per-claim basis. These expenses were included in general and administrative expenses and claims adjustment expenses on the "Statement of Revenues and Expenses" in the 2009 Annual Statement.

The Prescription Drug Benefit Administration Agreement also provides for PS to remit to UHPTN within thirty (30) days after the end of each month 100% of all rebates received from pharmaceutical manufacturers that directly relate to covered member prescription drug services. Rebates related to this agreement of approximately \$564,000 in 2009

were included as a reduction of prescription drugs expense as disclosed on the "Statement of Revenue and Expenses" on page 4 in the 2009 Annual Statement.

Prior to January 1, 2009 UAS contracted with RxAmerica to provide pharmacy benefit management services.

Tax Sharing Agreement – United Health Group, Inc.: A "First Restated Tax Sharing Agreement" by and among UHG and its subsidiaries participating in its consolidated federal income tax return was effective January 1, 1997. UHPTN became a party to the agreement effective May 31, 2008, upon the acquisition of TRH by AmeriChoice. Federal income taxes are paid to or refunded by UHG pursuant to the terms of a tax sharing agreement under which taxes approximate the amount that would have been computed on a separate company basis. Income taxes incurred in the current year and prior years will be available for recoupment by UHPTN only in the future net losses of UHG on a consolidated basis. UHPTN receives a benefit at the federal rate in the current year for net losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UHG. UHG's 2008 and 2009 tax returns were under advance review by the IRS under its Compliance Assurance Program.

Federal income taxes paid net of refunds was approximately \$3,082,000 and \$1,187,000 in 2009 and 2008, respectively. Federal income taxes incurred of \$3,188,966 and \$80,072 for 2009 and 2008, respectively, is available for recoupment in the event of future net losses. At year-end 2009 there were no aggregate amounts of deposits admitted under Section 6603 of the Internal Revenue Service Code.

UHPTN submitted a Form D Filing, dated June 12, 2008, to the TennCare Division of the TDCI pursuant to Tenn. Code Ann. § 56-11-106(a)(2)(D) in order to notify the TDCI that UHPTN desired to enter into a "First Restated Tax Sharing Agreement" by and among UHG and its subsidiaries to be retroactive to May 30, 2008.

CORPORATE RECORDS

The Company's original Certificate of Authority was issued July 1, 2001 and was replaced by a certificate dated June 24, 2005 when the Company changed its name. The Certificate of Authority is current and is effective until suspended or revoked.

The minutes of the annual meetings of the Company's sole shareholder (Holdings) were provided to the examiners. The shareholder's primary function is to elect directors to the board annually.

The meeting minutes of the Company's board of directors were provided to the examiners for the period under examination. The minutes were complete as to necessary detail and appear to properly reflect the acts of the Company's board.

Review of the minutes indicates that investment transactions were approved by the Board of Directors.

STATUTORY DEPOSITS

In compliance with statutory requirements, the Company was maintaining the following deposits with the named jurisdictions or custodians at December 31, 2009.

The following is a list of deposits with states where special deposits are for the benefits of all policyholders:

<u>Jurisdiction</u>	<u>Description</u>	<u>Par Value</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Mississippi	U.S. Treasury Note, 4.375%, due 8/15/12, CUSIP #912828AJ9	\$505,000	\$544,658	\$543,309
Totals		<u>\$505,000</u>	<u>\$544,658</u>	<u>\$543,309</u>

The following is a list of deposits with states where special deposits are not for the benefits of all policyholders:

<u>Jurisdiction</u>	<u>Description</u>	<u>Par Value</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Arkansas	U.S. Treasury Note, 4.375%, due 8/15/12, CUSIP #912828AJ9	\$302,000	\$325,716	\$324,910
Tennessee	U.S. Treasury Note, 3.875%, due 2/15/13, CUSIP #912828AU4	\$1,200,000	\$1,285,071	\$1,278,000
Tennessee	U.S. Treasury	\$3,180,000	\$3,405,086	\$3,403,586

Note, 4.50%,
 due 3/31/12,
 CUSIP
 #912828GM6

Tennessee	Memphis- Shelby County, TN Arpt Rev Bond, 4.0%, due 3/1/13, CUSIP #586111JU1	\$900,000	\$897,587	\$909,801
Totals		<u>\$5,582,000</u>	<u>\$5,913,460</u>	<u>\$5,916,297</u>

The above deposits were verified with the custodians of said deposits.

FIDELITY BOND AND OTHER INSURANCE

The Company is included as a named insured, by endorsement, on the coverage afforded UHG, the ultimate parent of the holding company system and UAS which employs individuals that perform business functions on behalf of the Company. The crime and fidelity coverage are underwritten by National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The fidelity bond has an occurrence/aggregate limit of \$10,000,000 and retention of \$25,000,000. The minimum range recommended by the NAIC for a company of this size is \$250,000 to \$300,000. The Company had fidelity coverage which exceeded the minimum suggested coverage.

The Company's policies are summarized as follows:

<u>Type or Class of Coverage</u>	<u>Limits, Retentions and Deductibles</u>
Fidelity Coverage (D & O)	\$10,000,000 per occurrence/aggregate with \$25,000,000 retention
Blanket Crime Policy	\$25,000,000 with \$500,000 retention (includes computer fraud and funds transfer fraud)
Professional and Medical Professional Liability	\$20,000,000 per claim; \$20,000,000 annual aggregate with a \$25,000,000 self-insured retention per claim; \$50,000,000 self-insured retention per

	claim in respect of Class Action Claims
General and Employee Benefits Liability	\$3,000,000 General Aggregate Limit, \$2,000,000 Products / Completed Operations Aggregate Limit, \$1,000,000 Each Occurrence Limit, \$1,000,000 Advertising Injury and Personal Injury Aggregate Limit, \$1,000,000 Damage to Premises Rented to You Limit, \$250,000 Bodily Injury and Property Damage Deductible Per Claim, \$250,000 Advertising Injury and Personal Injury Deductible Per Claim, \$1,000,000 Employee Benefits Errors and Omissions Aggregate Limit, \$1,000,000 Employee Benefits Errors Limit Each Claim, \$1,000 Deductible Each Claim
Auto Liability	\$2,000,000 CSL each accident \$1,000 Comp/Collision Deductible
Workers' Comp and Employers' Liability	Workers Compensation Insurance is applied by Statutory State Law; \$1,000,000 Bodily Injury by Accident/each accident; \$1,000,000 Bodily Injury by Disease/policy limit; \$1,000,000 Bodily Injury by Disease/ each employee/\$1,000,000 retention each claim
Umbrella	\$25,000,000 Each Occurrence; \$25,000,000 General Aggregate; \$25,000,000 Products/Completed Operations Aggregate/\$25,000 retention SIR
Commercial Property (Blanket)	\$500,000,000 Each Occurrence Limit \$50,000,000 Data, Programs or Software, and Computer Systems-Non Physical Damage; Expediting Costs and Extra Expense; Service Interruption; \$100,000,000 Accounts Receivables, Coinsurance Deficiency and Currency Devaluation, Errors and Omissions; \$100,000,000 Contingent Time Element;

\$250,000,000 for Flood; \$5,000,000 Terrorism in the Aggregate During Any Policy Year but not to exceed a \$1,000,000 limit per Occurrence; \$250,000,000 Earth Movement.

The Company's Business Auto Liability coverage was issued by Federal Insurance Company. The Company's Commercial Umbrella Liability coverage was issued by American Guarantee & Liability Insurance Company. The Company's Commercial Property (Blanket) policy was issued by Factory Mutual Insurance Company. The Company's Workers' Compensation and Employer's Liability policy was issued by Fidelity and Guaranty Insurance Company. The Company's General Liability Policy was issued by Federal Insurance Company. The Company's Professional and Medical Professional Liability coverage was issued by Lloyd's of London, Ltd. Each of the policies was issued by an insurance company authorized to transact business in the State of Tennessee.

EXCESS OF LOSS

The Company had three excess of loss (3) agreements in effect as of December 31, 2009. The agreements were reviewed and found to contain standard provisions for such agreements. The general terms of the agreements are as follows:

Ceded:

(1)

<u>Type:</u>	Excess of Loss
<u>Reinsurer:</u>	United States Fire Insurance Company
<u>Term:</u>	January 1, 2009 through December 31, 2009
<u>Premium:</u>	\$2.85 per covered person monthly
<u>Commission:</u>	N/A
<u>Coverage:</u>	Excess of \$175,000 specific retention for each loss incurred by any covered person during the policy year up to \$2,000,000 reimbursement maximum for each covered person during the policy year with the amount reimbursable being 90% of each loss incurred by any covered person in excess of the \$175,000 specific retention and hospital expenses limited to a maximum average of \$2,500 per day for each period of continuous confinement

Intermediary: N/A

(2)

<u>Type:</u>	Excess of Loss
<u>Reinsurer:</u>	United States Fire Insurance Company
<u>Term:</u>	January 1, 2009 through December 31, 2009

Premium: \$2.80 per covered person per month and \$0.05 per member per month for continuation of coverage in case of the Company's insolvency

Commission: N/A

Coverage: Excess of \$175,000 specific retention for each loss incurred by any covered person during the policy year up to \$2,000,000 reimbursement maximum for each covered person during the policy year with the amount reimbursable being 90% of each loss incurred by any covered person in excess of the \$175,000 specific retention and hospital expenses limited to a maximum average of \$2,500 per day for each period of continuous confinement

Intermediary: N/A

(3)

Type: Excess of Loss

Reinsurer: United States Fire Insurance Company

Term: January 1, 2009 through December 31, 2009

Premium: \$2.80 per covered person per month and \$0.05 per member per month for continuation of coverage in case of the Company's insolvency

Commission: N/A

Coverage: Excess \$175,000 specific retention for each loss incurred by any covered person during the policy year up to \$2,000,000 reimbursement maximum for each covered person during the policy year with the amount reimbursable being 90% of each loss incurred by any covered person in excess of the \$175,000 specific retention and hospital expenses limited to a maximum average of \$2,500 per day for each period of continuous confinement

Intermediary: N/A

United States Fire Insurance Company of Delaware is licensed to do business in Tennessee.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in three (3) states, Arkansas, Mississippi, and Tennessee. The Certificate of Authority for each state was reviewed without exception.

During 2009, the Company wrote direct premiums in 3 states:

<u>State</u>	<u>Amount</u>
Arkansas	\$1,463,360
Mississippi	446,753
Tennessee	<u>53,887,946</u>

Total \$55,798,059

The Company's service area includes the following counties:

Craighead, AR	Crockett, TN	Lake, TN
Crittenden, AR	Decatur, TN	Lauderdale, TN
Mississippi, AR	Dyer, TN	Madison, TN
Poinsett, AR	Fayette, TN	McNairy, TN
Desoto, MS	Gibson, TN	Obion, TN
Tunica, MS	Hardeman, TN	Shelby, TN
Union, MS	Hardin, TN	Tipton, TN
Benton, TN	Haywood, TN	Weakley, TN
Carroll, TN	Henderson, TN	
Chester, TN	Henry, TN	

The Company provides managed health care services. The Company contracts with various health care providers for the provision of certain medical care services to its members. The Company compensates those providers on a capitation or unit of service basis. The Company has maintained these contracts under the ASO Agreement with TennCare. The Company is no longer at risk for medical expenses incurred on or after July 1, 2002 for this Medicaid line of business. The cost of health care services provided or contracted for related to the Medicare line of business is accrued in the period in which the service is provided to a member based in part on estimates.

MARKET CONDUCT ACTIVITIES

Claims Review:

The Company writes Medicare business only. Previously, the Company wrote TennCare business which is in an unspecified run out period for submission of claims by providers for dates of service performed on or before October 31, 2008. TennCare claims during 2009 were selected for review. The claims month reviewed showed the Company to be in compliance with Tenn. Code Ann. § 56-32-126 by having 99.5% of claims paid within 30 days and 100% of claims paid within 60 days.

Complaints:

Inquiries made to the various sections within the Division of Insurance indicated no specific concerns with the HMO during the period of examination. The Company's complaint register was reviewed. No unusual complaints were noted.

Policy Forms and Rates:

The Company receives CMS reimbursement rates and uses CMS forms. The rates and forms are not required to be filed with the TDCI. The Company uses CMS guidelines as it only writes Medicare business. The Company does not maintain its own underwriting manual.

Advertising:

The Company uses advertising through mailers, flyers, and brochures. No exceptions were noted during review of the advertising files.

Privacy:

The Company has written privacy policies for Commercial and Medicare business which complies with Tenn. Comp. R. & Regs. 0780-01-72.

LOSS EXPERIENCE

The loss experience of the Company during the examination period is as follows:

<u>Year</u>	<u>Net Written Premiums</u>	<u>Medical and Hospital Expenses</u>	<u>Loss Ratio</u>	<u>Administration Expenses</u>	<u>Loss and Experience Ratio</u>
2006	\$0	\$0	N/A	(\$507,700)	N/A
2007	7,113,723	5,000,883	70.30%	414,670	76.13%
2008	26,688,637	19,704,283	73.83%	2,754,845	84.15%
2009	55,633,406	38,294,128	68.83%	8,397,043	83.93%

RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS

The Company has no employees. As previously discussed, all business functions are performed for the Company by its affiliate, UAS, under a management agreement. Retirement and insurance benefits are provided to all personnel in the UHG holding company system by UAS.

COMMITMENTS AND CONTINGENCIES

From the data made available, it appears that the only matters of law in which the Company was involved, during the period under review, were those arising out of the normal course of business and the outcome of such actions should not have a material effect on the financial position of the Company.

ACCOUNTS AND RECORDS

During the course of examination, such tests and audit procedures were made as were considered necessary, including substantial verification of postings, extensions and footings and reconciliation of subsidiary ledgers to control accounts where necessary. General ledger trial balances were reconciled with copies of annual statements for the years 2006, 2007, 2008, 2009.

Accounting records conform to generally accepted insurance accounting practices and appear to properly reflect the operations during the period under examination and the status of the Company at the date of examination.

The Company's Risk Based Capital Report was reviewed. The Company was in compliance with Tenn. Code Ann. § 56-46-101, et seq. (Risk Based Capital for Insurers). An annual audit of the Company is performed by independent accounting firm, Baker, Tilly, Virchow, Krause, LLP.

The Company's books and records are maintained primarily at the main administrative office location, 1001 Brinton Road, Pittsburgh, Pennsylvania 15221. The Company's corporate records are located in Vienna, VA. Accounting records, statutory reports, and audit workpapers are located in Pittsburgh, PA.

SUBSEQUENT EVENTS

The Company did not file a copy of its excess insurance policy in effect during the 2007 and 2009 calendar years covering Medicare Advantage members residing in Tennessee with the TDCI pursuant to Tenn. Code Ann. § 56-32-103(d). Additionally, the Company did not file a copy of its excess loss agreements in effect during the 2009 calendar year covering Medicare Advantage members located in Arkansas and Mississippi with the TDCI in accordance with Tenn. Code Ann. § 56-32-103(d). Information provided by the Company revealed no excess insurance or reinsurance coverage in effect during the 2010 calendar year.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and a summary of operations as of December 31, 2009, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net-Admitted <u>Assets</u>
Bonds	\$6,458,118	\$0	\$6,458,118
Cash, Cash Equivalents and Short- Term Investments	18,199,769	0	18,199,769
Investment Income Due and Accrued	79,970	0	79,970
Uncollected Premiums	2,267,895	0	2,267,895
Amounts Recoverable from Reinsurers	15,879	0	15,879
Amounts Receivable Relating to Uninsured Plans	432,214	0	432,214
Net Deferred Tax Asset	88,180	0	88,180
Receivables from Parent, Subsidiaries, and Affiliates	448,649	0	448,649
Health Care Receivable	<u>207,584</u>	<u>8,591</u>	<u>198,993</u>
Totals	<u>\$28,198,258</u>	<u>\$8,591</u>	<u>\$28,189,667</u>

Liabilities, Surplus and Other Funds

Claims Unpaid	\$8,190,970
Unpaid Claims Adjustment Expenses	167,197
Aggregate Health Policy Reserves	768,573
Aggregate Health Claim Reserves	253,587
Premiums Received in Advanced	211
General Expenses Due or Accrued	915,203
Current Federal and Foreign Income Tax Payable	186,966
Amounts Due to Parent, Subsidiaries and Affiliates	1,833,430
Liability for Amounts Held Under Uninsured Plans	<u>2,357,613</u>
 Total Liabilities	 14,673,750
 Common Capital Stock	 \$100
Gross Paid in and Contributed Surplus	2,989,400
Unassigned Funds (Surplus)	<u>10,526,417</u>
 Total Capital and Surplus	 <u>13,515,917</u>
 Total	 <u>\$28,189,667</u>

Summary of Operations

Net Premium Income	\$55,633,406	
Change in Unearned Premium Reserves and Reserve for Rate Credits	<u>(68,778)</u>	
Total Premium Revenue		\$55,564,628
Hospital / Medical Benefits	26,683,446	
Other Professional Services	7,224,036	
Emergency Room and Out-of-Area	962,862	
Prescription Drugs	3,515,495	
Aggregate Write-ins for Other Hospital and Medical	<u>(10,213)</u>	
Subtotal		38,375,626
Net Reinsurance Recoveries	<u>81,498</u>	
Total Hospital and Medical		38,294,128
Claims Adjustment Expenses	1,079,636	
General Administrative Expenses	<u>7,317,407</u>	
Total Claims and General Administrative Expenses		<u>8,397,043</u>
Total Underwriting Deductions		46,691,171
Net Underwriting Gain or (Loss)		<u>8,873,456</u>
Net Investment Income Earned	175,794	
Net Realized Capital Gains or (Losses)	<u>(829)</u>	
Net Investment Gains		174,965
Net Income or (Loss) Before Federal Income Taxes		9,048,421
Federal Income Taxes Incurred		<u>3,188,137</u>
Net Income (Loss)		<u><u>\$5,860,284</u></u>

Capital and Surplus Account

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Surplus as Regards Policyholders, December 31, Previous Year	\$4,956,514	\$5,451,597	\$6,828,499	\$10,314,877
Net Income	480,361	1,435,397	3,438,050	5,860,284
Change in Deferred Income Tax	0	0	75,033	13,147
Change in Non-Admitted Assets	14,722	(58,495)	(26,705)	76,609
Change in Surplus Notes	0	0	0	0
Cumulative Effect of Changes in Accounting Principals	0	0	0	0
Capital Changes: Paid in	0	0	0	0
Surplus Adjustments: Paid in	0	0	0	0
Change in Asset Maintenance Reserve	0	0	0	0
Dividends to Stockholder	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,749,000)</u>
Aggregate Write-Ins for Gains or (Losses) in Surplus	0	0	0	0
Net Change for the Year	<u>495,083</u>	<u>1,376,902</u>	<u>3,486,378</u>	<u>3,201,040</u>
Surplus as Regards Policyholders, December 31, Current Year	<u>\$5,451,597</u>	<u>\$6,828,499</u>	<u>\$10,314,877</u>	<u>\$13,515,917</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS
RESULTING FROM EXAMINATION

Differences in various items were noted during the course of the examination; however, none were considered to produce a material effect on surplus, as regards policyholders, either singly or in the aggregate.

SUMMARY SCHEDULE FOR "ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION" AS THEY AFFECT SURPLUS

No schedule or comment applicable. All differences noted were not material singly or in the aggregate.

COMMENTS AND RECOMMENDATIONS

Comments

None.

Recommendations

The Company's primary location of books and records is Pittsburgh, PA. The maintaining of such records outside of Tennessee for this Company is in violation of Tenn. Code Ann. § 56-2-104(a)(5)(A). It is recommended that the Company comply with Tenn. Code Ann. § 56-2-104(a)(5)(A) by maintaining the primary location of books and records within Tennessee.

The Company did not file a copy of its excess of loss insurance agreements in effect during the 2007 and 2009 calendar years covering Medicare Advantage members residing in Tennessee with the TDCI pursuant to Tenn. Code Ann. § 56-32-103(d). Additionally, the Company did not file a copy of its excess of loss agreements in effect during the 2009 calendar year covering Medicare Advantage members located in Arkansas and Mississippi with the TDCI in accordance with Tenn. Code Ann. § 56-32-103(d). Said agreements do require filing with the TDCI. Information provided by the Company revealed no excess insurance or reinsurance coverage in effect during the 2010 calendar year. Therefore, it is recommended that the Company comply with Tenn. Code Ann. § 56-32-103(d), in the future, upon entering policies or agreements which require filing with the TDCI.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of the liabilities of the Company.

In such manner, it was found that as of December 31, 2009, the Company had admitted assets of \$28,189,667 and liabilities, exclusive of capital and surplus, of \$14,673,750. Thus, there existed for the additional protection of the policyholders, the amount of \$13,515,917 in the form of paid up capital, gross paid in and contributed surplus and unassigned funds (surplus).

The courteous cooperation of the officers and employees working on behalf of the Company extended during the course of examination is hereby acknowledged.

In addition to the undersigned, Michael A. Mayberry, FSA, MAAA, of the contracting actuarial firm, Lewis and Ellis, Inc., Richardson, Texas, James T. Pearce, Insurance Examiner III, State of Tennessee, and David N. Bobo, Insurance Examiner III, participated in the work of this examination.

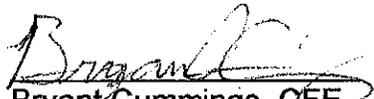
Respectfully submitted,



Bryant Cummings, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

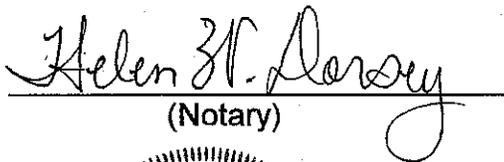
EXAMINATION AFFIDAVIT

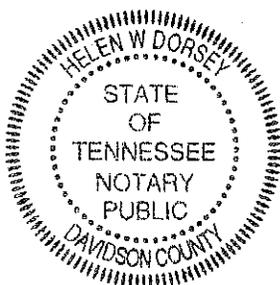
The undersigned deposes and says that he has duly executed the attached examination report of the Unison Health Plan of Tennessee, Inc., dated March 25, 2011, and made as of December 31, 2009, on behalf of the TDCI. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

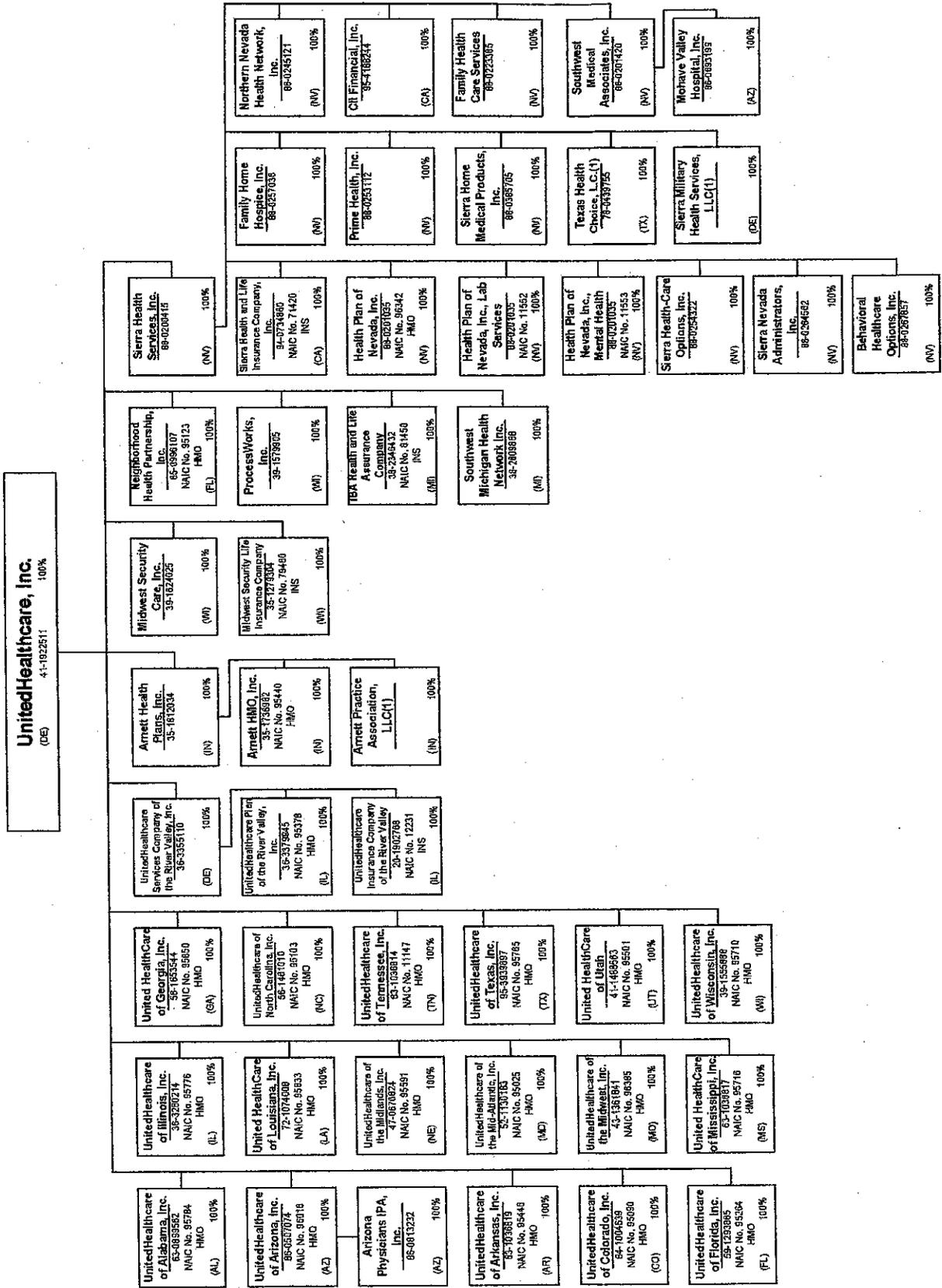

Bryant Cummings, OFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

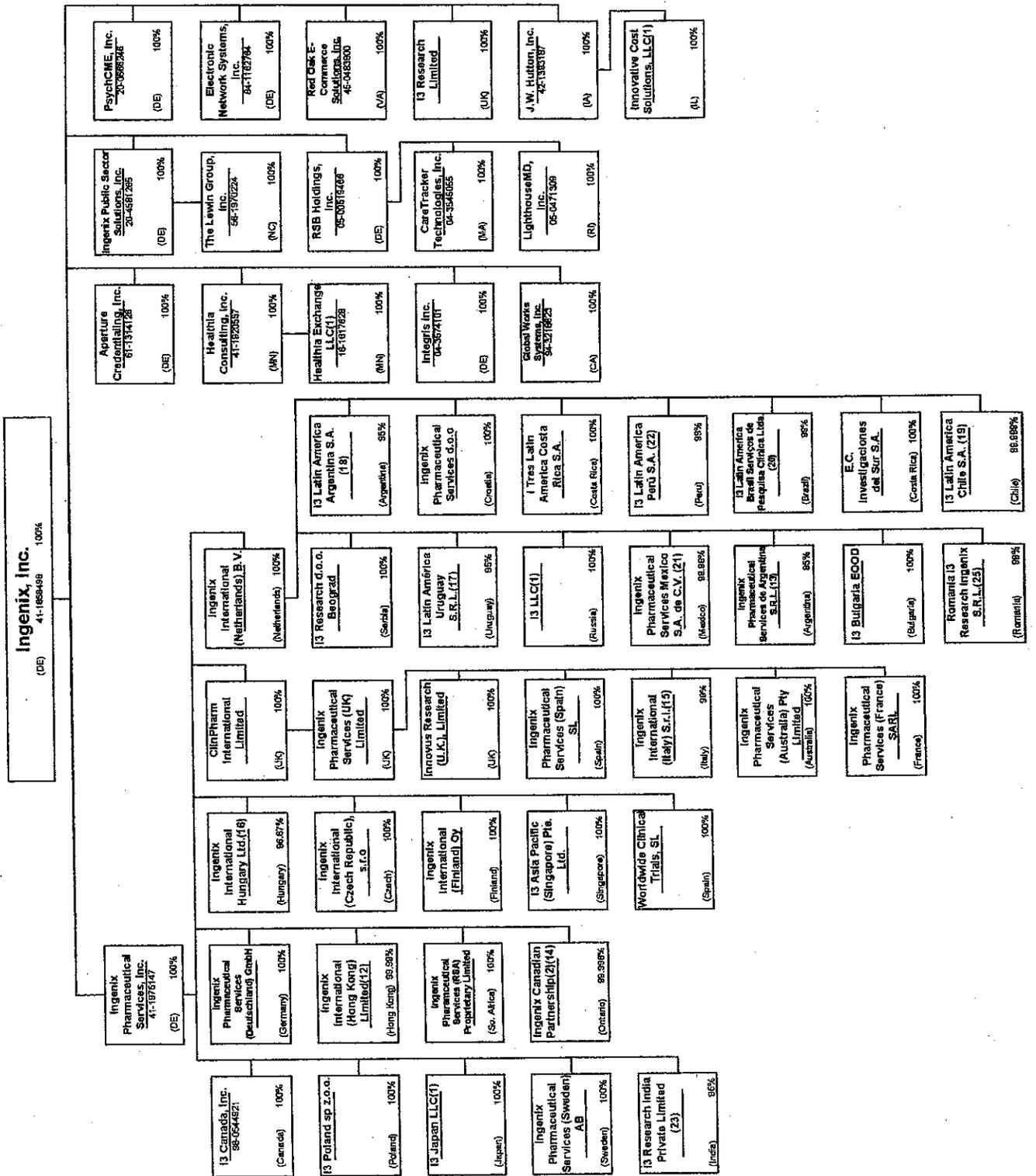
County Davidson
State Tennessee

Subscribed and sworn to before me
this 25th day of
March, 2011


(Notary)







Notes

All legal entities on the Organization Chart are Corporations unless otherwise indicated.

- (1) Entity is a Limited Liability Company
- (2) Entity is a Partnership
- (3) Entity is a Non-Profit Corporation
- (4) Control of the Foundation is based on sole membership, not the ownership of voting securities
- (5) PacifiCare Life and Health Insurance Company is 99% owned by PacifiCare Health Plan Administrators, Inc. and 1% owned by PacifiCare Health Systems, LLC
- (6) UnitedHealth Group Information Services Private Limited is 99.37% owned by UnitedHealth Group International B.V.. The remaining 0.63% is owned by UnitedHealth International, Inc.
- (7) UnitedHealth Group International B.V. is 70.56% owned by UnitedHealth Group Incorporated and 29.44% owned by United HealthCare Services, Inc.
- (8) UnitedHealthcare India (Private) Limited is 99.9952% owned by UnitedHealth Group International B.V. and 0.0048% owned by UnitedHealth International, Inc.
- (9) Omega Insurance Advisors Private Limited is 99.99% owned by United HealthCare India (Private) Limited and 0.01% owned by an individual shareholder
- (10) UnitedHealthcare Asia Limited is 99% owned by UnitedHealthcare International Asia, LLC and 1% owned by UnitedHealth International, Inc.
- (11) General partnership interests are held by United HealthCare Services, Inc. (99.77%) and by UnitedHealthcare, Inc. (10.23%). United HealthCare Services, Inc. also holds 100% of the limited partnership interests. When combining general and limited partner interests, United HealthCare Services, Inc. owns 94.18% and UnitedHealthcare, Inc. owns 5.83%.
- (12) Ingenix International (Hong Kong) Limited is 99.99% owned by Ingenix Pharmaceutical Services, Inc. and 0.01% owned by Ingenix, Inc.
- (13) Ingenix Pharmaceutical Services de Argentina S.R.L. is 95% owned by Ingenix International (Netherlands) B.V. and 5% owned by Ingenix, Inc.
- (14) Ingenix Canada Partnership is 99.998% owned by Ingenix Pharmaceutical Services, Inc. and 0.002% owned by Ingenix, Inc.
- (15) Ingenix International (Italy) S.r.l. is 99% owned by Ingenix Pharmaceutical Services (UK) Limited and 1% owned by Ingenix Pharmaceutical Services, Inc.
- (16) Ingenix International Hungary Ltd. is 96.67% owned by Ingenix Pharmaceutical Services, Inc. and 3.33% owned by Ingenix, Inc.
- (17) Latin America Uruguay S.R.L. is 95% owned by Ingenix International (Netherlands) B.V. and 5% owned by Ingenix Pharmaceutical Services, Inc.
- (18) Latin America Argentina S.A. is 95% owned by Ingenix International (Netherlands) B.V. and 5% owned by Ingenix Pharmaceutical Services, Inc.
- (19) Latin America Chile S.A. is 99.9699% owned by Ingenix International (Netherlands) B.V. and 0.0001% owned by Ingenix Pharmaceutical Services, Inc.

(20) Latin America Brasil Serviços de Pesquisa Clínica Ltda. is 99% owned by Ingenix International (Netherlands) B.V. and 1% owned by Ingenix Pharmaceutical Services, Inc.

(21) Ingenix Pharmaceutical Services Mexico S.A. de C.V. is 99.96% owned by Ingenix International (Netherlands) B.V. and 2.36% owned by E.C. Investigaciones del Sur S.A.. The remaining 0.02% is owned by Latin America Argentina S.A.

(22) Latin America Perú S.A. is 99% owned by Ingenix International (Netherlands) B.V. and 1% owned by Latin America Argentina S.A.

(23) Research India Private Limited is 95% owned by Ingenix Pharmaceutical Services, Inc. and 5% owned by Ingenix, Inc.

(24) Limited partnership interest is held by UMR Holdings, Inc., (99%). General partnership interest is held by UMR, Inc. (1%)

(25) Romania Research Ingenix S.R.L. is 99% owned by Ingenix International (Netherlands) B.V. and 1% owned by Ingenix Pharmaceutical Services (UK) Limited

(26) Dental Benefit Providers, Inc. is 99.999% owned by United HealthCare Services, Inc. and 0.001% owned by PacificDental Benefits, Inc.