



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**UnitedHealthcare Insurance Company**

**AS OF**

**January 15, 2010**

**NAIC COMPANY CODE: 79413**

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## EXECUTIVE SUMMARY

The purpose of this examination was to verify the accuracy of the self-reported 2008 Gross Annual Premium and Enrollment (GAP) submission.

Data downloads and additional supporting documents provided by UnitedHealthcare Insurance Company (Company) were reviewed and compared to the amounts the Company submitted on their GAP Report and Annual Statement.

The Company was not able to provide data to reconcile the numbers reported on the 2008 GAP filing except for Total Direct Premiums Earned.

The following represent general findings. Specific details are found in each section of the report.

| <b>Summary of Findings</b>                      |                                                                         |                                |                                                                                         |
|-------------------------------------------------|-------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|
| <b>GAP Reporting Area</b>                       | <b>Market Segment</b>                                                   | <b>Findings</b>                | <b>Reason</b>                                                                           |
| Total Direct Premiums Earned                    | Hospital Indemnity                                                      | Understated by<br>\$25,280,980 | Incorrectly reported as<br>Medicare Supplement.                                         |
|                                                 | Medicare Supplement                                                     | Overstated by<br>\$45,215,979  | Incorrectly included Medicare<br>Advantage and Hospital<br>Indemnity with this segment. |
| Direct Losses Incurred                          | All segments                                                            | N/A                            | Data provided could not be<br>reconciled to the Company's<br>2008 GAP Filing.           |
| Direct Premiums Earned for<br>New Business Only | All Segments                                                            | N/A                            | Company does not use actual<br>numbers but instead uses an<br>allocation method.        |
| Employers/Groups                                | Dental<br>Disability Income<br>Medicare Supplement<br>Student<br>Vision | N/A                            | Data provided could not be<br>reconciled to the Company's<br>2008 GAP Filing.           |
| Primary Enrollees                               | Dental<br>Disability Income<br>Medicare Supplement<br>Student<br>Vision | N/A                            | Data provided could not be<br>reconciled to the Company's<br>2008 GAP Filing.           |

| <b>Summary of Findings</b>           |                                                                         |                 |                                                                         |
|--------------------------------------|-------------------------------------------------------------------------|-----------------|-------------------------------------------------------------------------|
| <b>GAP Reporting Area</b>            | <b>Market Segment</b>                                                   | <b>Findings</b> | <b>Reason</b>                                                           |
| Covered Enrollee Dependents          | Dental<br>Disability Income<br>Medicare Supplement<br>Student<br>Vision | N/A             | Data provided could not be reconciled to the Company's 2008 GAP Filing. |
| Average Number of Days to Pay Claims | All segments                                                            | N/A             | Unable to verify calculation with data provided.                        |

### **PURPOSE AND SCOPE OF EXAMINATION**

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of UnitedHealthcare Insurance Company pursuant to Section 624.3161, Florida Statutes. The examination was performed by AGI Services. The scope period of this examination was January 1, 2008 through December 31, 2008. The examination began on July 27, 2009 and ended January 15, 2010.

Pursuant to Section 627.9175, F.S., and Rule 69O-137.004 F.A.C., each health insurer, prepaid limited health services organization, and health maintenance organization is required to file a Report of Gross Annual Premiums and Enrollment Data for Health Benefit Plans Issued to Florida Residents (GAP) by April 1 of each year.

The purpose of this examination was to verify the accuracy of the data reported for each market segment in which the company conducts business. There are seven reporting areas required in the GAP submission.

- 1) Direct Premiums Earned for New and Renewal Business
- 2) Direct Losses Incurred
- 3) Direct Premiums Earned for New Business Only
- 4) Employers, if Group Coverage, at End of Reporting
- 5) Primary Insureds at End of Reporting
- 6) Covered Dependents at End of Reporting
- 7) Average Number of Days Taken to Pay Claims

The following procedures were used in conducting the review:

- Obtained a data download of direct premiums earned, direct losses, employers (if group coverage), primary insureds, covered dependents and claims paid. This data was reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement.

- Analyzed data and performed computer aided audit techniques using ACL to verify the accuracy of the data provided and determine the proper classification.
- Identified areas of concern and held discussions with Company personnel to address and understand these areas.

In reviewing materials for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

### COMPANY OPERATIONS

UnitedHealthcare Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on October 2, 1973.

For calendar year 2008, the Company reported premiums in the following market segments: major medical in-state, dental, disability income, excess/stop loss, Medicare supplement, student and vision.

Total Direct Premiums Written in Florida for Accident and Health Premiums were as follows:

| Year | Total Written Premium In Florida<br>(Per Schedule T of the Annual Statement) |
|------|------------------------------------------------------------------------------|
| 2008 | \$2,771,476,925                                                              |
| 2007 | \$2,640,118,759                                                              |

### GAP ANALYSIS AND RESULTS

#### **I. General Findings**

The Company reported both *Line 4: 2-5 Member Groups* and *Line 5: 6-50 Member Groups* on *Line 5: 6-50 Member Groups*. The Company stated they do not separately track these two group sizes and was unable to provide the data by the required market segments.

**Corrective Action:** The Company should report each market segment on the GAP Filing.

The Company was not able to provide data to reconcile the numbers reported on the 2008 GAP filing except for Total Direct Premiums Earned. The Company's databases are updated continuously to reflect changes in enrollment. Timing differences exist in enrollment information from the time of the original GAP submission and the more recent data pull. The Company did not take snapshots of the data used to generate the numbers for the 2008 GAP Filing for Employers/Group, Primary Insureds and Covered Dependents.

**Corrective Action:** The Company should establish better internal controls for the purpose of reconciling data submitted on the GAP Filing.

II. **Direct Premiums Earned for New and Existing Business**

**Findings:**

- The Company incorrectly included Medicare Advantage and Hospital Indemnity premiums on *Line 30: Medicare Supplement*. Medicare Advantage should not be reported on the GAP Filing and therefore resulted in an overstatement of total premium by that amount.

The table below summarizes the inaccuracies in the Company's 2008 filing:

| <b>Market Segment</b>        | <b>Per<br/>2008 Filing</b> | <b>Per<br/>Examination</b> | <b>Variance</b>     |
|------------------------------|----------------------------|----------------------------|---------------------|
| Line 26: Hospital Indemnity  | 0                          | \$25,280,980               | (\$25,280,980)      |
| Line 30: Medicare Supplement | \$579,285,232              | \$534,069,253              | \$45,215,979        |
| <b>Total</b>                 |                            |                            | <b>\$19,934,999</b> |

**Corrective Action:** Medicare Advantage direct premiums earned should not be included on the GAP Filing. The Company should establish better internal controls and accurately report each market segment for Direct Premiums Earned on the GAP Filing.

III. **Direct Losses Incurred**

**Findings:**

- The data submitted by the Company during this review could not be reconciled to the numbers reported on the 2008 GAP Filing. The Company provided reconciliation from Paid Losses to Direct Losses Incurred. However, the data did not match the numbers provided for Paid Losses on the reconciliation.

**Corrective Action:** The Company should establish better internal controls and accurately report each market segment for Direct Losses Incurred on the GAP Filing.

IV. **Direct Premiums Earned for New Business Only**

**Findings:**

- The Company uses an allocation method to determine New Business premiums instead of actual totals.

**Corrective Action:** The Company should accurately report Direct Premiums Earned for New Business Only and not use an allocation method.

V. **Employers, if Group Coverage, at End of Reporting**

**Findings:**

- The group counts were unable to be reconciled to the GAP Filing based on the data files provided by the Company for *Line 23: Dental, Line 24: Disability Income, Line 30: Medicare Supplement, Line 34: Student, and Line 36: Vision* due to databases that are updated continuously to reflect changes in enrollment.

**Corrective Action:** The Company should establish better internal controls and accurately report each market segment for Employers/Group on the GAP Filing.

VI. **Primary Insureds at End of Reporting**

**Findings:**

- The primary insureds counts were unable to be reconciled to the GAP Filing based on the data files provided by the Company for *Line 23: Dental, Line 24: Disability Income, Line 30: Medicare Supplement, Line 34: Student, and Line 36: Vision* due to databases that are updated continuously to reflect changes in enrollment.

**Corrective Action:** The Company should establish better internal controls and accurately report each market segment for Primary Insureds on the GAP Filing.

VII. **Covered Dependents at End of Reporting**

**Findings:**

- The covered dependent counts were unable to be reconciled to the GAP Filing based on the data files provided by the Company for *Line 23: Dental, Line 24: Disability Income, Line 30: Medicare Supplement, Line 34: Student, and Line 36: Vision* due to databases that are updated continuously to reflect changes in enrollment.

**Corrective Action:** The Company should establish better internal controls and accurately report each market segment for Covered Dependents on the GAP Filing.

VIII. **Average Number of Days Taken to Pay Claims**

**Findings:** AGI was unable to verify the reported number on the 2008 GAP Filing with the data provided. In many instances the Company did not provide the original date of disposition in the data, which is necessary to calculate the number of days for claims that have been adjusted.

**Corrective Actions:** The Company should establish better internal controls and accurately report each market segment for Average Number of Days Taken to Pay Claims on the GAP Filing.

### **EXAMINATION FINAL REPORT SUBMISSION**

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Examiners participating with this exam were:

John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM – Managing Partner, AGI Services  
Joanna J. Latham, CFE, CPA, CISA, AES – Senior Examiner, AGI Services  
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