STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 27 2020

FILED

CERTIFICATION

June 27, 2020

I, Bruce R. Ramge, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

UNITEDHEALTHCARE OF THE MIDLANDS, INC.

AS OF

DECEMBER 31, 2018

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.

Bruce R. Ramge

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

UnitedHealthCare of the Midlands, Inc.

2717 North 118th Street, Suite 300

OMAHA, NEBRASKA 68164

dated as of December 31, 2018, verified under oath by the examiner-in-charge on June 3, 2020, and received by the company on June 5, 2020, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 17th day of June 2020.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

UNITEDHEALTHCARE OF THE MIDLANDS, INC.

as of

December 31, 2018

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Omaha, Nebraska
May 29, 2020

Honorable Bruce R. Ramge
Director of Insurance
Nebraska Department of Insurance
1135 M Street, Suite 300
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

UNITEDHEALTHCARE OF THE MIDLANDS, INC.
2717 North 118th Street, Suite 300
Omaha, Nebraska 68164

(hereinafter also referred to as the "Company") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2014, by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2018, and includes such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Arkansas, Connecticut, Georgia, Nevada, New Jersey, New York, Ohio, and Rhode Island participated in this examination and assisted in the preparation of this report. The same examination staff conducted concurrent financial condition examinations of the Company's affiliates, Care Improvement South Central Insurance Company, UnitedHealthcare of Arkansas, Inc., UnitedHealthcare Community Plan of Georgia, Inc., UnitedHealthcare of Georgia, Inc., Health Plan of Nevada, Inc., Nevada Pacific Dental, Inc., PacifiCare of Nevada, Inc., Sierra Health and Life Insurance

Company, Inc., AmeriChoice of New Jersey, Inc., OrthoNet of the Mid-Atlantic, Inc., UnitedHealthcare Insurance Company of New York, UnitedHealthcare of New York, Inc., UnitedHealthcare Community Plan of Ohio, and UnitedHealthcare of New England, Inc.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nevada Department of Business and Industry – Division of Insurance as the coordinating state and the Arkansas Insurance Department, Connecticut Insurance Department, Nebraska Department of Insurance, New Jersey Department of Banking and Insurance, New York State Insurance Department, Ohio Department of Insurance, Rhode Island Department of Business Regulation – Insurance Division, and the Georgia Department of Insurance. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholders, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Transactions With Affiliates". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company’s method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Deloitte & Touche LLP, the Company’s external auditors, during their audit of the Company’s accounts for the years ended December 31, 2017 and 2018. Portions of the auditor’s workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated as a for-profit corporation on April 16, 1984 under the name of Share Health Plan of Nebraska, Inc. The Articles of Incorporation provided that the primary purpose is to operate as a health maintenance organization providing comprehensive health care to enrollees through contractual arrangements with health care providers and that it shall have perpetual existence.

At the commencement of business, the Company was a wholly owned subsidiary of Share Development Corporation, a wholly owned subsidiary of United Healthcare Corporation. During September of 1986, a 49% minority interest in the Company was sold to Lincoln National Administrative Services Corporation, a subsidiary of Lincoln National Corporation. This 49% interest was repurchased by Share Development Corporation on September 30, 1988. Also in 1988, the Company purchased Maxicare/HealthAmerica from Maxicare Health Plans, Inc. of Los Angeles, California. As of December 31, 1991, Share Development Corporation was merged with, and into, UHC Management Company, Inc., a wholly owned subsidiary of United HealthCare Corporation, with UHC Management Company, Inc. emerging as the surviving entity.

Effective September 2, 1994, the Company changed its name to United HealthCare of the Midlands, Inc. The Company's parent, UHC Management Company, Inc., changed its name to United HealthCare Services, Inc. (UHS) effective March 1, 1996.

Effective June 30, 2000, ownership of the Company transferred to UnitedHealthcare, Inc., an intermediate holding company. Management and operations of the Company remained unchanged.

Effective December 31, 2008, the Company changed its name to UnitedHealthcare of the Midlands, Inc.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. The following is an organizational chart of the companies involved in the coordinated exam and flowing from the "Ultimate Controlling Person", as reported in the 2018 Annual Statement.

- UnitedHealth Group, Inc.
  - United HealthCare Services, Inc.
    - PacifiCare of Nevada, Inc.
    - Dental Benefit Providers, Inc.
      - Nevada Pacific Dental, Inc.
    - UnitedHealthcare, Inc.
      - Sierra Health Services, Inc.
        - Sierra Health and Life Insurance Company, Inc.
        - Health Plan of Nevada, Inc.
      - UnitedHealthcare of Arkansas, Inc.
      - UnitedHealthcare of the Midlands, Inc.
      - UnitedHealthcare of Georgia, Inc.
    - UnitedHealthcare of New England, Inc.
    - UHIC Holdings, Inc.
      - UnitedHealthcare Insurance Company
        - UnitedHealthcare Insurance Company of New York
    - XLHealth Corporation
      - Care Improvement South Central Insurance Company
    - Optum, Inc.
      - OptumInsight Holdings, LLC
        - OptumInsight, Inc.
          - OptumHealth Care Solutions, LLC
            - OrthoNet Holdings, Inc.
              - OrthoNet of the Mid-Atlantic, Inc.
  - AmeriChoice Corporation
    - AmeriChoice of New Jersey, Inc.
    - UnitedHealthcare Community Plan of Georgia, Inc.
    - UnitedHealthcare of New York, Inc.
    - Three Rivers Holding, Inc.
      - UnitedHealthcare Community Plan of Ohio

Shareholder

Article VI of the Company's Articles of Incorporation states that, "the total authorized number of shares of this Corporation shall be One Hundred Thousand (100,000) Common Shares of the par value of One dollar ($1.00) per share." At the 2018 year end, Company records indicate that all of its issued and outstanding shares of capital stock, being 100,000 shares of common stock, were owned and held by UnitedHealthcare, Inc.

During the period under review, capital paid up remained at $100,000 for years 2015 through 2018. Paid in surplus was $1,100,000 in 2015, and increased to $61,100,000 for years 2016 through 2018. The Company paid no cash dividends for years 2015 through 2017, and paid $15,000,000 in 2018.

Board of Directors

Article III, Section 3.1 of the By-Laws states that, "the property, funds, affairs and business of the Corporation shall be managed by the Board of Directors." Section 3.2 states that, "…the Board of Directors shall consist of at least three (3) members. The Board of Directors shall be divided into two classes, Consumer Directors and Non-Consumer or Regular Directors." Furthermore, "one-third (1/3) of the members of the Board of Directors shall be Consumer Directors who reside in or in proximity to the HMO's service areas..."

Members of the Company's Board of Directors at December 31, 2018 were as follows:

Name and Residence	**Principal Occupation**
Robert A. Broomfield Overland Park, KS	President, Commercial of the Company
Lowell W. Gratopp* Omaha, NE	Retired Owner and President of Master Images, Inc.
Kathleen A. Mallatt Omaha, NE	President and Chief Executive Officer of the Company

*= Consumer Director

Article IV, Section 4.1 of the By-Laws states that, "Consumer Directors shall be that class of Directors who are enrollees in the HMO who are not providers and are not associated with a provider and do not have an ownership or financial interest in or are employed by or will gain any financial rewards from direct dealings with the HMO or an affiliated institution or organization, and no member of their immediate family has any such relationship." Section 4.2 states that, "upon a vacancy in the officer of Consumer Director at the time of the Shareholders annual meeting, created by either resignation, removal, death or disqualification of the Consumer Director, notice shall be provided to all adult Enrollees of their opportunity to nominate persons for Consumer Director. Such notice shall be provided in the Corporation's regular newsletter to the Enrollees. Nominations shall be submitted in writing to the President at the administrative office of the Corporation within the time frame established by the Board, and the Consumer Director shall be elected by the Shareholders at their annual meeting." Section 4.3 states that, "Consumer Directors elected to the Board of Directors must be enrollees at the time of their election and during the term of their office."

Officers

Article V, Section 5.1 of the By-Laws states that, "the Board of Directors shall elect the Officers of the Corporation, which Officers shall be a President, a Vice President, a Secretary and a Treasurer or a Secretary/Treasurer. The Board of Directors may elect one (1) or more additional Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board of Directors may deem necessary. In addition, a Chairman and Vice Chairman of the Board of Directors may be elected from the members of the Board of Directors."

Officers elected and serving the Company at December 31, 2018, were as follows:

Name	Office
Kathleen A. Mallatt	President, Chief Executive Officer
James S. Elliston	Vice President, Chief Financial Officer
Peter M. Gill	Treasurer
Christina R. Palme-Krizak	Secretary
Robert A. Broomfield	President, Commercial
Nyle B. Cottington	Vice President
Steven Marc Burstein	Assistant Secretary
Heather A. Lang	Assistant Secretary
Jessica L. Zuba	Assistant Secretary

Committees

Article III, Section 3.11 of the By-Laws states that, "the Board of Directors may, by resolution approved by the affirmative vote of the entire Board of Directors, designate three (3) or more Directors to constitute an Executive Committee, which, to the extent determined by resolution approved by the affirmative vote of the entire Board of Directors, shall have and exercise the authority of the Board of Directors in the management of the business of the Corporation. Any such Executive Committee shall act only in the interval between meetings of the Board of Directors and shall be subject at all times to the control and direction of the Board of Directors."

In addition, Article III, Section 3.12 of the By-Laws states that, "…the Board of Directors shall create, by resolution, a Complaint Review Committee, which shall be a standing committee consisting of three (3) Directors, at least one (1) of which shall be a Consumer Director; the Complaint Review Committee shall be charged with the resolution and recording of written complaints…"

TRANSACTIONS WITH AFFILIATES

Effective January 1, 1990, the Company entered into an Intercompany Federal Income Tax Sharing Agreement with UnitedHealth Group Incorporated (Ultimate Parent) whereby the parties join in filing a consolidated federal tax return as members of an "affiliated group". The Ultimate Parent coordinates the tax planning for the group, accumulates the information, prepares and files the required consolidated tax return and pays the taxes due or collects refunds from the IRS. Payment by a subsidiary to the Ultimate Parent is equal to its separate tax liability attributable to its net taxable income. This agreement establishes the method for reimbursing the Ultimate Parent for payment of such tax liability; for computation of any consolidated adjustments; for treatment of participant losses; and to provide for the allocation and payment of any refund or liability arising from a carry back.

Effective January 1, 2005, the Company entered into an insolvency-only reinsurance agreement with United HealthCare Insurance Company (UHIC) to provide insolvency protection for its enrollees. This agreement does not relieve the Company from its obligations to policyholders.

Effective July 1, 2007, UHIC, contracting on behalf of it and other United Participating affiliates entered into an Ancillary Provider Participation Agreement with Evercare Hospice, Inc. to provide health care services. The Company entered into the Agreement through a Participating Addendum effective November 21, 2008.

Effective April 1, 2010, the Company entered into a Combined Billing and Disbursement Operations Agreement through a Participating Addendum with UHIC, UHS, and certain other Participants to provide premium collection and claim payment services for the Company.

Effective October 1, 2010, the Company entered into a Facility Participation Agreement with Optum Biometrics (f/k/a Wellness, Inc.). This agreement is for Wellness, Inc. providing the members influenza vaccination services.

Effective January 1, 2011, the Company entered into a Management Services Agreement with UHS to provide various management and administrative services.

Effective July 1, 2011, the Company entered into a Services Agreement with OptumInsight, Inc. (f//k/a Ingenix, Inc.) to provide for its members claim analytics and recovery services, retrospective fraud, waste, abuse and subrogation.

Effective January 1, 2012, the Company entered into a Vision Services Agreement with Spectra, Inc. to provide vision services to customers.

Effective January 1, 2012, the Company entered into a Facility Participation Agreement with OptumRx, Inc., (f/k/a RxSolutions, Inc.) for the purpose of providing hearing aid services to customers. Effective January 1, 2013, the agreement was amended to include prescription drug benefit administration agreement.

Effective February 1, 2012, the Company contracted with Dental Benefit Providers, Inc. (DBP) to provide dental services for the Company's Members. Additionally, DBP provides claims administration services for the covered services.

Effective March 1, 2012, the Company entered into a Behavioral Health Services Agreement with United Behavioral Health and its subsidiaries to provide mental health services for commercial and Medicare participants.

Effective April 1, 2012, the Company entered into an Administrative Services Agreement with OptumHealth Care Solutions, Inc. to administer benefit plans related to physical health services on behalf of the Company and Payors for the benefit of the members.

Effective June 1, 2012, the Company entered into an Amended and Restated $10,000,000 Subordinated Revolving Credit Agreement with the Ultimate Parent at an interest rate of LIBOR plus 50 basis points on the last business day of the month prior to the month for with interest is being calculated and shall reset each month. The Ultimate Parent will provide a short-term borrowing facility for the Company, which shall be repaid within one year of the date on which the loan was initially made. The Company is able to borrow upon demand from the Ultimate Parent up to a maximum amount of $10,000,000 outstanding at any time. The credit agreement is effective as of the Effective Date and shall continue until terminated pursuant to the terms of the agreement.

Effective January 1, 2013, OptumRx, Inc. and UHS entered into a Prescription Drug Benefit Administration Agreement for commercial members. The Company participates in the Agreement by entering into a Participating Plan Addendum effective January 1, 2013.

Effective January 1, 2013, OptumRx, Inc. and UHS entered into a Medicare Prescription Drug Administration Agreement. The Company participates in the Agreement by entering into a Participating Plan Addendum effective January 1, 2013.

Effective January 1, 2013, OptumRx, Inc. and United HealthCare Services, Inc. entered into a Second Amended and Restated Prescription Drug Benefit Administration Agreement for pharmacy benefit management and administration services for pharmacy related services, acting on behalf of its affiliates including but not limited to the Company.

Effective January 1, 2016, the Company entered into a Services Agreement with LifePrint Health, Inc. which provides medical management services for the Company's Institutional Special Needs Plan members including but not limited to care management services, referral services, and out-of-area services.

Effective February 1, 2016, the Company entered into a Facility Participation agreement with AxelaCare Intermediate Holdings, LLC which provides home infusion therapy services and per diem nursing services.

Effective November 1, 2016, the Company entered into an Administrative Services Agreement with OptumRx, Inc. and its affiliates which provides administrative services related to pharmacy management and pharmacy claims processing for its enrollees, pharmacy incentive services, and specialty drug pharmacy services. In addition, it provides durable medical equipment services including orthotics, prosthetics, and personal health products catalogues, which shows the healthcare products and benefit credits enrollees need to redeem the respective products.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact the business of a Health Maintenance Organization in the states of Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri, and Nebraska.

The Company currently operates in all Nebraska counties under their Medicaid program. The Company accepts contractual responsibility for the delivery of a stated range of health care services to its enrollees for a predetermined pre-paid fee that does not vary with the nature or extent of service provided to any particular enrollee during the covered period. This health delivery system consists of a commercial “Plan” offered primarily to employers. Under this Plan, Members are offered health care coverage through an organized network of physicians, hospitals and independent professional associations. This Plan is made available with two alternative choices to the Members. One limits the Member to selecting a Primary Care Physician who will coordinate any referrals to Specialists as needed. The other allows the Members to select both their Primary Care Physician and Specialist within this network. The Company also contracts at full risk with the Center for Medicare and Medicaid Services (CMS) to provide benefits for Medicare beneficiaries who select the Company's health delivery system. In addition, the Company has a Medicaid contract through the state of Nebraska.

Various management/administrative services are provided to the Company under the Management Agreement with UHS. Direct marketing and continued servicing of the subscribers and accounts is provided by an Omaha office staff consisting of sales, account management, clinical and network staff and other individuals handling subscriber support services. There are satellite offices located in Hoover, Mobile, and Montgomery, Alabama; Little Rock, Arkansas; Chicago, Downers Grove, Lawrenceville, Moline, Naperville, Rockford, and Schaumburg, Illinois; Indianapolis, Indiana; West Des Moines, Iowa; Overland Park, Kansas; Jefferson City, Maryland Heights, Springfield, and St. Louis, Missouri; and Lincoln and Omaha, Nebraska. These offices serve their respective networks and handle sales and marketing in the other areas of Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri, and Nebraska. All personnel are employees of UHS.

This health delivery system is responsible for managing the health care of its approximately 324,932 Members. Members are provided services by over 140,626 providers, (i.e., physicians, & hospitals), under contract with the Company. The Company also contracts with a significant number of pharmacies for services to its Members.

PROVIDER AGREEMENTS

The Company has secured the use of health providers for its enrollees primarily through agreements with affiliated companies. These agreements are commented on under the caption "Transactions with Affiliates." Although most of the Provider contractual arrangements are between the Provider and a Company affiliate, the Provider agreement defines "Payor" as the entity or person authorized by the affiliate to access the affiliate's network of Participating

Providers. It also specifies that obligation for payment of health services rendered to a Member is solely that of Payor. The types of Provider agreements currently utilized have all been updated and new contracts set in place since the prior examination.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	2015	2016	2017	2018
Total admitted assets	$ 90,910,317	$207,263,898	$ 645,484,264	$ 729,653,661
Total liabilities	64,954,427	135,031,370	452,155,855	426,937,294
Total capital & surplus	25,955,890	72,232,528	193,328,409	302,716,367
Total revenues	286,395,955	573,191,476	2,542,915,448	3,102,464,390
Hospital/medical benefits	221,863,887	467,383,616	1,788,096,162	2,246,862,672
General administrative expenses	26,501,770	67,377,707	194,219,480	287,600,455
Net income before taxes	(7,946,257)	(17,163,391)	194,764,987	170,391,543
Federal income taxes	3,627,343	(8,788,540)	68,512,651	46,134,303
Net income (loss)	(11,573,600)	(8,374,851)	126,252,336	124,257,240
Membership	69,694	117,767	277,973	324,932

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2018

Assets	**Assets**	**Assets Not Admitted**	**Net Admitted Assets**
Bonds	$412,606,073		$412,606,073
Cash, cash equivalents, and short term investments	30,495,736		30,495,736
Subtotal, cash and invested assets	$443,101,809		$443,101,809
Investment income due and accrued	2,852,273		2,852,273
Uncollected premiums	28,766,300	$ 869,765	27,896,535
Accrued retrospective premiums and contracts subject to redetermination	132,510,522		132,510,522
Amounts recoverable from reinsurers	29,939		29,939
Amounts receivable relating to uninsured plans	21,803,682	34,100	21,769,582
Current federal income tax recoverable	6,224,162		6,224,162
Net deferred tax asset	2,536,007		2,536,007
Health care and other amounts receivable	95,444,048	7,903,015	87,541,033
State taxes recoverable	4,500,253		4,500,253
Premium tax recoverable	691,546		691,546
Miscellaneous receivables	863	863	
Prepaid commissions	94	94	
Total assets	$738,461,498	$8,807,837	$729,653,661

Liabilities:

Claims unpaid	$319,140,151
Accrued medical incentive pool and bonus amounts	36,146,013
Unpaid claims adjustment expenses	2,595,150
Aggregate health policy reserves	32,924,717
Aggregate health claim reserves	805,150
Premiums received in advance	1,231,587
General expenses due or accrued	8,713,832
Ceded reinsurance premiums payable	1,059,133
Remittances and items not allocated	39,312
Amounts due to parent, subsidiaries and affiliates	2,768,942
Payable for securities	6,938,461
Liability for amounts held under uninsured plans	14,572,880
Unclaimed property	1,966
Total liabilities	$426,937,294
Common capital stock	$ 100,000
Gross paid in and contributed surplus	61,100,000
Unassigned funds (surplus)	241,516,367
Total capital and surplus	$302,716,367
Total liabilities, capital and surplus	$729,653,661

STATEMENT OF REVENUE AND EXPENSES - 2018

Underwriting revenues:	
Net premium income	$3,101,313,307
Change in unearned premium reserves and reserve for rate credits	1,151,083
Total underwriting revenues	$3,102,464,390
Hospital and medical:	
Hospital/medical benefits	$2,246,862,672
Other professional services	27,501,289
Prescription drugs	215,496,907
Incentive pool, withhold adjustments and bonus amounts	39,328,119
Total hospital and medical	$2,529,188,987
Claims adjustment expenses	127,630,647
General administrative expenses	287,600,455
Total underwriting deductions	$2,944,420,089
Net underwriting gain	$ 158,044,301
Investments:	
Net investment income earned	$ 13,528,363
Net realized capital (losses)	(12,294)
Net investment gains	$ 13,516,069
Net (loss) from agents' or premium balances charged off	$ (1,168,827)
Net income before federal income taxes	$ 170,391,543
Federal income taxes incurred	46,134,303
Net income	$ 124,257,240

CAPITAL AND SURPLUS ACCOUNT

	2015	2016	2017	2018
Capital and surplus, beginning	$ 32,649,948	$25,955,890	$ 72,232,528	$193,328,409
Net income or (loss)	$(11,573,600)	$ (8,374,851)	$126,252,336	$124,257,240
Change in net unrealized capital gains (losses) less capital gains tax			(541)	57,466
Change in net deferred income tax	4,785,534	(3,881,407)	1,226,673	(96,403)
Change in nonadmitted assets	94,008	(1,467,104)	(6,382,587)	169,655
Surplus adjustments: paid in		60,000,000		
Dividends to stock-holders				(15,000,000)
Net change in capital and surplus	$ (6,694,058)	$46,276,638	$121,095,881	$109,387,958
Capital and surplus, end of year	$25,955,890	$72,232,528	$193,328,409	$302,716,367

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of $241,516,367 as reported in the Company's 2018 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

A review of the safekeeping agreement with Wells Fargo noted that it did not include the provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81, Sections 003.02(a) through

003.02(o). It is recommended that the Company revise its safekeeping agreement with Wells Fargo to include the provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following recommendation has been made as a result of this examination:

Safekeeping Agreement – It is recommended that the Company revise its safekeeping agreement with Wells Fargo to include the provisions related to safeguards and controls of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Michael Muldoon, MAAA, ASA, FCA, Health Actuary with the Nebraska Department of Insurance, and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the Nevada Department of Business and Industry – Division of Insurance, Arkansas Insurance Department, Connecticut Insurance Department, New Jersey Department of Banking and Insurance, New York State Insurance Department, Ohio Department of Insurance, Rhode Island Department of Business Regulation – Insurance Division, and the Georgia Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

Kimberly A. Hurst, CFE
Examiner in Charge
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Kimberly A. Hurst, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of UnitedHealthcare of the Midlands, Inc.

2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report, and the examination of UnitedHealthcare of the Midlands, Inc. was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Kimberly A. Hurst
Examiner-in-Charge's Signature

Subscribed and sworn before me by Kimberly A. Hurst on this 3rd day of June, 20 20.

(SEAL)

Carole J Dailey
Notary Public

My commission expires 11-13-2022 [date].

CAROLE J DAILEY
Commission Number 821209
MY COMMISSION EXPIRES
11-13-2022