STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

UNITEDHEALTHCARE OF OREGON, INC.
LAKE OSWEGO, OREGON

AS OF

DECEMBER 31, 2014

STATE OF OREGON

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NAIC COMPANY CODE 95893

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SALUTATION

March 31, 2016

Honorable Laura N. Cali, Commissioner
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

UNITEDHEALTHCARE OF OREGON, INC.
Five Centerpointe Drive, Suite 600
Lake Oswego, Oregon 97035

NAIC Company Code 95893

hereinafter referred to as the "Company" or the "Plan." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of UnitedHealthcare of Oregon, Inc., conducted with the insurance regulators from the States of Arizona, Colorado, Indiana, Oklahoma, Texas and Washington, for the coordinated examination of insurers under the UnitedHealth Group of insurers. There are approximately 81 insurers in the UnitedHealth Group, and regulators in each of the various jurisdictions were divided into ten sub-groups, based on four criteria; common IT platform, exam cycle years, identified facilitating states, and isolated non-integrated acquired entities. The Texas Department of Insurance was designated as the lead state, and performed the critical common functional reviews in which most entities could place reliance (IT assessment, Board/Audit review, Corporate Governance interviews, Treasury function controls, financial reporting controls, SOX/MAR/Internal Audit, etc.). The Washington Office of the Insurance Commissioner (OIC) was designated as the Subgroup 4 facilitating state which included the Oregon domestic. Other entities in the subgroup included PacifiCare of Arizona, Inc., PacifiCare Life Assurance Company, PacifiCare of Colorado, Inc., PacifiCare Life and Health Insurance Company, UnitedHealthcare of Oklahoma, Inc., UnitedHealthcare Benefits of Texas, Inc., and UnitedHealthcare of Washington, Inc. A separate report of examination will be prepared for each entity. This health care service contractor's last examination was as of December 31, 2011. The current examination covers the period of January 1, 2012, to December 31, 2014.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook.* The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance,

identify current and prospective risks of the Plan and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Plan were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Plan's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Plan.

COMPANY HISTORY

The Plan is the successor of PacifiCare of Oregon, a non-profit health maintenance organization incorporated under the laws of the State of Oregon on June 1, 1984. The current entity was incorporated on August 28, 1985, as a for-profit stock corporation under the name PacifiCare of Oregon II. This entity received its Certificate of Authority on January 30, 1987, to transact the business of accepting prepayment of health care services under the provisions of ORS Chapter 750. Effective February 4, 1987, the entity purchased the assets of PacifiCare of Oregon, dissolving the nonprofit company and commencing business under the name PacifiCare of Oregon, Inc.

Effective December 20, 2005, the Plan was acquired as part of the acquisition of PacifiCare Health Systems, Inc., by UnitedHealth Group, Inc. The Plan's current name was adopted December 15, 2010, to be effective as of May 1, 2011.

Capitalization

The Plan's Articles of Incorporation authorize the capital to be 1,000,000 shares of common stock, with a par value of $1.00 per share. Of these shares, 500,000 shares were issued to PacifiCare Health Plan Administrators, Inc. Effective July 2012, this entity and PacifiCare, LLC, were merged with and into United HealthCare Services, Inc., now the direct parent. In addition, the Plan reported $11,500,000 of gross paid-in and contributed surplus. Common capital stock and gross paid-in and contributed surplus amounts did not change during the period under examination.

Dividends and Other Distributions

During the period under examination, the Company declared and paid cash distributions to its parent as follows:

Declared Date	Paid Date	Amount	Description
08/28/2012	09/12/2012	$15,800,000	Ordinary
11/16/2012	12/26/2012	10,000,000	Extraordinary
12/02/2014	12/16/2014	7,000,000	Ordinary

The Company made the proper disclosure of the distributions to the director of the Department of Consumer and Business Services in accordance with the reporting requirements established by ORS 732.554 and 732.576.

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes of the Plan indicated the minutes support the transactions of the Plan and clearly describe the actions taken by its directors. A quorum, as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

The Bylaws authorize the Plan to form one or more committee; however, no committees have been formed. Instead, the Plan relies on appointed committees of the ultimate parent, UnitedHealth Group, Inc. (UHG). There are four committees authorized to assist in the management of UHG, as follows:

- Audit Committee
- Nominating and Corporate Governance Committee
- Compensation and Human Resources Committee
- Public Policy Strategies and Responsibility Committee

A review of the Board minutes indicated the Compensation and Human Resources Committee of UHG approved the compensation of all its senior officers, which included the officers of the Plan. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Plan last restated its Articles on February 2, 2011. No changes were made during the period under examination. The Articles of Incorporation conform to the Oregon Insurance Code.

Bylaws

The Bylaws were last amended and restated on May 1, 2011. No changes were made during the period under examination. The Plan's Bylaws conform to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, in Article 3, Section 1, state the business and affairs of the corporation shall be managed under the direction of the Board. Section 2 states the number of Directors constituting the Board of Directors shall be three (3). The Plan was governed by a three member Board of Directors at December 31, 2014, as follows:

Name and Address	Principal Affiliation	Member Since
David M. Hansen, Jr. San Clemente, California	Regional President Network Management UnitedHealth Group, Inc.	2007
Elizabeth A. Maguire Portland, Oregon	Owner Net2vault	2010
Jeffrey D. Underwood Lake Oswego, Oregon	CEO, Medicare & Retirement UnitedHealth Group, Inc.	2009

Officers

Principal officers serving the Plan at December 31, 2014, were:

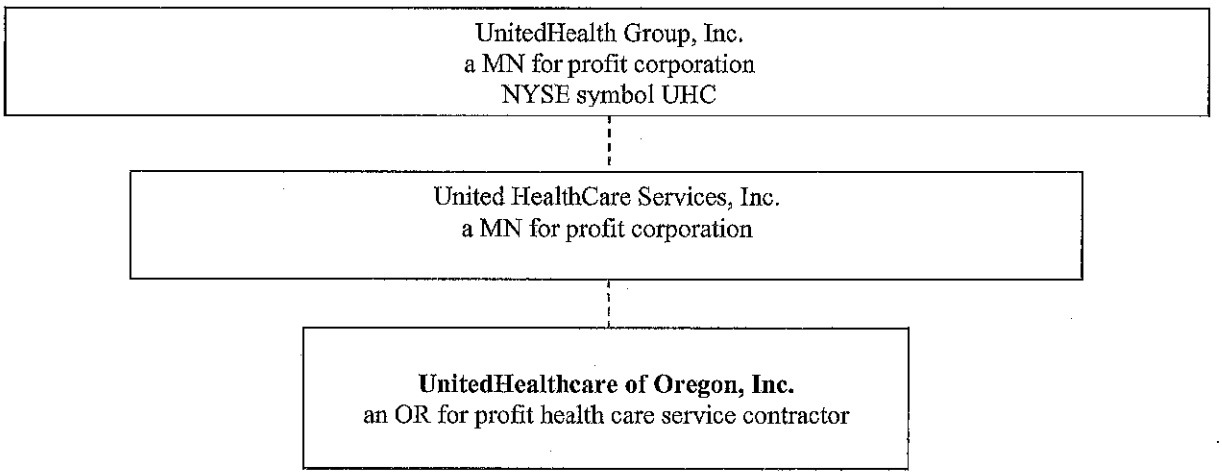
Officer	Office
Jeffrey D. Underwood	President – Medicare & Retirement
David M. Hansen, Jr.	President – Commercial
John P. Wolterbeek	Chief Financial Officer
Robert W. Obberender	Treasurer
Joy C. Higa	Secretary
N. Brent Cottington	Assistant Treasurer
Juanita B. Luis	Assistant Secretary
Michelle M. Huntley Dill	Assistant Secretary

Conflict Of Interest

The Plan's Board adopted a Principles of Ethics and Integrity that included a formal statement of policy concerning reporting of conflicts of interest for all directors, officers and responsible employees. Board members, senior officers and key employees are required to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Plan's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

The following abridged organization chart shows the relationships in the Oregon region (ownership is 100% unless otherwise noted):



A description of the upstream companies is as follows:

UnitedHealth Group, Inc. (UHC) is a Minnesota for profit stock holding company and a publicly held corporation trading on the New York Stock Exchange. As a holding company, it controls a highly diversified health care system, delivering insurance products, health care services, information and technology.

United Healthcare Services Inc. (UHS) owns a number of United Healthcare and PacifiCare branded companies throughout the US. Through its insurance company subsidiaries, UHS provides managed care and other health insurance products to groups, individuals, Medicare and Medicaid beneficiaries in the United States. UHS operates as a wholly owned subsidiary of United Healthcare Group and is the Plan's direct parent.

INTERCOMPANY AGREEMENTS

The following agreements are in place between the Plan and its affiliates or subsidiaries within the insurance company holding system:

Management Services Agreement

Effective January 1, 2011, the Plan entered into a management agreement with UnitedHealthCare Services, Inc., (UHS). UHS agrees to provide services to the Plan based on UHS' expenses for services or use of assets provided to the Plan. In addition UHS will pay certain direct expenses, such as broker commissions, DOI exam fees and premium taxes, on behalf of the Plan. UHS will determine allocations to the Plan based on, (i) the ratio of the Plan's membership in relation the total membership of the health plans using such services and assets, (ii) the ratio of the Plan's utilization of the services or assets to the health plans total utilization, or (iii) the ratio of the Plan's revenue to the health plans total revenue. Management and general administration services provided include banking, financial analysis, human resources, IT systems, internal audit, legal, real estate and office equipment, tax, treasury and investments. Operations services provided include actuarial and underwriting, benefit design and administration, call centers, claims, cost containment, data management, diseases management, health care decisions, marketing, medical management, pharmacy administration, provider networks, quality oversight third party administration and wellness management, decision support and wellness services.

Subordinated Revolving Credit Agreement

Effective September 1, 2012, the Plan (as Borrower) signed an agreement with UnitedHealth Group (as Lender) allowing the Plan to borrow up to $15 million on a revolving basis. Interest on the principal is the LIBOR (London InterBank Offered Rate) plus 50 basis points in effect on the last business day of the month prior to the month for which interest is being calculated and shall reset each month. This loan is subordinate to all to claims of non-affiliated creditors and loans from non-affiliated lenders of the Plan. This agreement is meant to provide short term financing. No prepayment penalty or premium will be assessed for prepayment.

Preferred Pricing Agreement

Effective January 1, 2010, Health Allies Inc., an affiliated UnitedHealth Group entity, shall provide to the Plan access to preferred pricing on health and health related products and services. Fees related to the agreement are calculated on a per member per month basis. In addition, it will act as a third party administrator to collect premium payments that are received and claims payments that are processed on behalf of the Plan. Both premiums and claims applicable to the Plan are settled at regular intervals throughout the month via the intercompany settlement process and any amounts outstanding are reflected in the receivables from parent, subsidiaries and affiliates.

Medicare Prescription Drug Benefit Administration Agreement

Effective January 1, 2010, Rx Solutions agrees to provide administrative services to the Plan related to pharmacy management and pharmacy claims processing for the Plan's enrollees. Fees are calculated on a per claim basis, with Rx Solutions collecting rebates on specified pharmaceutical products based on member utilization. On April 11, 2011, Rx Solutions was renamed OptumRx. Effective April 1, 2012, the agreement was replaced with an

Administrative Agreement with OptumHealth Care Solutions to manage the prescription drug program, Parts C and D, for Medicare Advantage members.

Medicare Advantage Durable Medical Equipment and Supplies Mail Order Network Agreement

Effective January 1, 2010, the Plan contracted with Rx Solutions to provide durable medical equipment and diabetic testing supplies for Medicare Advantage members. On April 11, 2011, UnitedHealth Group renamed Rx Solutions to OptumRx.

Facility Participation Agreement

Effective January 1, 2012, OptumRx agrees to provide a network of physicians and other health care professionals for covered services, including durable medical equipment services and hearing aids for commercial members.

Administrative Services Agreement

Effective April 1, 2012, OptumHealth Care Solutions agrees to manage the prescription drug program, Parts C and D benefits, for Medicare Advantage members. OptumHealth Care Solutions Inc. also manages a network of chiropractic, physical, occupational and speech therapy providers for the Plan's Medicare members.

Medicare Prescription Drug Benefit Mail Order Network Agreement

Effective January 1, 2013, OptumRx agrees to provide prescription drugs via mail order to members of the Plan. Prescriptions are limited to a three month supply for each prescription.

Facility Participation Agreement

Effective October 1, 2010, Wellness, Inc., agrees to provide influenza and pneumonia vaccination services to the Plan's members.

Behavioral Health Services Agreement

Effective March 1, 2012, United Behavioral Health agrees to provide mental health and substance abuse treatment services for commercial and Medicare members of the Plan. The Plan pays a stated PMPM charge.

Services Agreement

Effective August 1, 2011, and amended July 1, 2012, OptumInsight agrees to provide the plan specific services, including retrospective payment integrity and fraud, waste and abuse services, prevention and recovery of medical expense, and for subrogation and premium audits. OptumInsight charges a fixed PMPM fee for its services. Recoveries, net of fees, are returned to the Plan on a monthly basis.

Combined Billing and Disbursement Agreement

Effective January 1, 2007, the Plan, UnitedHealthCare Insurance Company, UnitedHealthCare Services, Inc., and PacifiCare Health Plan a dministrators agreed to use a common lockbox for premium collection and zero balance disbursement accounts for paying certain bills.

Dental Services Agreement

Effective February 1, 2012, Dental Benefit Providers, Inc. agreed to provide the Plan access to their network of dentists, process dental claims, and other administrative functions.

Master Services Agreement

Effective February 1, 2011, and superseded January 1, 2012, Spectera, Inc., agreed to provide vision services to the Plan for its Commercial and Medicare members. These services include credentialing, quality management and network access.

Tax Sharing Agreement

The Plan was added to the existing consolidated tax agreement between and among all subsidiaries of UnitedHealth Group, Inc., effective January 1, 2006. Computation of tax liability is calculated on a "stand alone" basis and the Plan agrees to remit any estimated tax liability payment on a quarterly basis. Upon filing of the federal consolidated tax return with the IRS, the Plan and UNH will have sixty days to settle any overpayment/underpayment.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The Plan's insurance coverages are provided through insurance policies from an unaffiliated carrier, and coverage protected the Plan as a named insured. The group as a whole is insured up to $25,000,000 in aggregate liability, with no deductible, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity coverage was found to meet the coverage level recommended by the NAIC.

The Plan had no other insurance coverages in force at December 31, 2014.

TERRITORY AND PLAN OF OPERATION

The Plan is authorized to conduct business as a health care service contractor in Oregon and Washington. It offers enrolled members a variety of managed care programs and products through contractual arrangements with health care providers, including physicians, hospitals and other health care provider organizations.

The Plan provides individual and family plans, Medicare plans (including Medicare Advantage and Part D policies), group plans and portability plans that offer hospital, medical and surgical benefits and group-only plans for dental, vision products, prescription

medication, additional rider products, and other value-added benefits. The Plan reported total enrolled members over the past five years as follows:

Line of Business	2010	2011	2012	2013	2014
Indv. hospital & medical	435	189	166	130	0
Group hospital & medical	2,462	1,914	1,563	1,283	507
Medicare supplement	0	0	0	0	0
Vision only	0	0	0	0	0
Dental only	0	0	0	0	0
FEHPB	0	0	0	0	0
Medicare	17,135	16,120	14,244	18,171	20,412
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
Total enrollment	20,032	18,223	15,973	19,584	20,919

During 2014, the Plan reported direct business, as follows:

State	Direct Premiums Written
Oregon	$229,108,080
Washington	0
Total	$229,108,080

GROWTH OF THE COMPANY

Growth of the Plan over the past five years is reflected in the following schedule. Amounts were derived from Plan's filed annual statements, except in those years where a report of examination was published by the Division of Financial Regulation.

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2010	$50,453,315	$20,807,805	$29,645,510	$13,775,916
2011*	53,720,275	21,098,759	32,621,515	15,870,329
2012	44,350,963	24,067,271	20,283,692	13,952,959
2013	56,407,964	23,530,952	32,877,012	12,417,619
2014*	64,211,195	25,634,514	38,576,682	12,579,775

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Plan over the last five years. The amounts were compiled from copies of the Plan's filed annual statements and, where indicated, from the previous examination reports.

Year	(1) Total Revenues	(2) Total Hospital and Medical	(2)/(1) Simple Medical Loss Ratio	(3) Claim Adjustment and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2010	$221,860,208	$170,872,496	77.0%	$31,904,434	91.4%
2011*	207,054,047	162,261,951	78.4%	21,502,926	88.8%
2012	186,273,987	148,223,479	79.6%	18,328,598	89.4%
2013	201,981,058	164,515,333	81.4%	19,498,790	91.1%
2014*	229,126,469	181,079,492	79.0%	28,105,218	91.3%

*Per examination

A combined loss incurred and expense to premium ratio of more than 100% would indicate an underwriting loss. The Plan reported underwriting gains in each of the last five years.

REINSURANCE

Assumed

None.

Ceded

None.

The Plan's management concluded it does not need the protection or expense of reinsurance coverage because the upstream parent has developed sophisticated forecasting and capital planning disciplines which give it the ability to accurately forecast statutory net worth quarterly against RBC levels and other solvency requirements. Furthermore, the Plan's greater predictability based on its experience and control, in conjunction with the liquidity of

its investment portfolio, makes it possible to cover its own risks without conventional reinsurance. UHG regularly performs a thorough review of the reinsurance programs, catastrophic claims experience, and capital planning process of its subsidiaries and has determined that the Plan does not need reinsurance, asserting there are no additional risks to the Plan's clients or providers.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2014, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSIT

As of the examination date, the Company maintained a surety bond in the amount of $250,000 on deposit at the Division of Financial Regulation, which meets the requirements of ORS 750.045(2). Bond #6120713 was placed on September 5, 2001, to be effective October 15, 2001, through Safeco Insurance Company of America and is still in place as of the date of examination.

In addition, the Plan reported $397,457 in Federated Treasury Obligations Fund mutual fund as a deposit held with the Washington Office of the Insurance Commissioner, for the benefit of all policyholders. This was properly disclosed on Schedule E – Part 3 in the 2014 annual statement.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no adjustments made to surplus and no recommendations were made in the 2011 report of examination.

SUBSEQUENT EVENTS

Effective January 1, 2016, the Plan is assuming all the Medicare Advantage business written in Washington by United Healthcare of Washington (UHC-WA). In connection with this transaction, UHC-WA is transferring assets and liabilities to the Plan to cover costs associated with the transfer of business. This transfer was approved by the Center for Medicare and Medicaid Services (CMS).

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with the Division of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Surplus Since the Last Examination

UNITEDHEALTHCARE OF OREGON, INC.
ASSETS
As of December 31, 2014

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 44,497,244	$ -	$ 44,497,244	1
Cash, cash equivalents and short-term investments	4,761,887	-	4,761,887	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	$ 49,259,131	$ -	$ 49,259,131	
Investment income due and accrued	263,545	-	263,545	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	6,286,089	-	6,286,089	
Amounts receivable relating to uninsured plans	2,903,955	-	2,903,955	
Current FIT recoverable	2,661,911	-	2,661,911	
Net deferred tax assets	244,830		244,830	
Health care receivable	2,591,734		2,591,734	
Aggregate write-ins for other than invested assets	-	-	-	
Total Assets	$ 64,211,195	$ -	$ 64,211,195	

UNITEDHEALTHCARE OF OREGON, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2014

Liabilities, Surplus and other Funds	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 19,478,216	$ -	$ 19,478,216	4
Accrued medical incentive pool and bonus	3,284,087	-	3,284,087	
Unpaid claim adjustment expenses	250,870	-	250,870	4
Aggregate health policy reserves	72,265	-	72,265	
Premiums received in advance	360,655	-	360,655	
General expenses due or accrued	1,169,511	-	1,169,511	
Remittances and items not allocated	22,722	-	22,722	
Amounts due to parent, subsidiaries and affiliates	343,755	-	343,755	
Liability for amounts held under uninsured plans	186,184	-	186,184	
Aggregate write-ins for liabilities	466,250	-	466,250	
Total Liabilities	$ 25,634,514	$ -	$ 25,634,514	
Aggregate write-in for special surplus funds	$ 4,387,596	$ -	$ 4,387,596	
Common capital stock	500,000		500,000	
Gross paid-in and contributed surplus	11,500,000		11,500,000	
Unassigned funds (surplus)	22,189,085	-	22,189,085	
Surplus as regards policyholders	38,576,682	-	38,576,682	
Total Liabilities, Surplus and other Funds	$ 64,211,195	$ -	$ 64,211,195	

NOTE: Footing differences are due to rounding.

UNITED HEALTHCARE OF OREGON, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2014

Revenue	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	$ 229,108,080	$ -	$ 229,108,080	
Change in unearned premium reserves and reserve for rate credits	18,389	-	18,389	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	229,126,469	-	229,126,469	
Hospital and Medical:				
Hospital/medical benefits	159,988,226	-	159,988,226	
Other professional services	6,994,985	-	6,994,985	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	10,849,372	-	10,849,372	
Incentive pool, withhold adjustments and bonus amounts	3,246,909	-	3,246,909	
Subtotal	181,079,492	-	181,079,492	
Less:				
Net reinsurance recoveries	-	-	-	
Total medical and hospital	181,079,492		181,079,492	
Non-health claims	-	-	-	
Claim adjustment expenses	8,548,485	-	8,548,485	
General administrative expenses	19,556,733	-	19,556,733	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	209,184,710	-	209,184,710	
Net underwriting gain or (loss)	19,941,759	-	19,941,759	
Net investment income earned	1,107,313	-	1,107,313	
Net realized capital gains (losses)	(28,397)	-	(28,397)	
Net investment gains (losses)	1,078,916	-	1,078,916	
Net gain or (loss) from agents' or premium balances charged off	(264,550)	-	(264,550)	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	8,176,349	-	8,176,349	
Net income	$ 12,579,775	$ -	$ 12,579,775	

NOTE: Footing differences are due to rounding.

UNITED HEALTHCARE OF OREGON, INC.
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2014	2013	2012
Surplus as regards policyholders, December 31, previous year	$ 32,877,012	$ 20,283,692	$ 32,621,515
Net income	12,579,775	12,417,619	13,952,959
Change in net unrealized capital gains or (losses)	-	-	-
Change in net unrealized foreign exchange capital gains	-	-	-
Change in net deferred income tax	(66,505)	(86,061)	(62,989)
Change in non-admitted assets	186,400	261,762	(427,793)
Change in provision for reinsurance	-	-	-
Change in surplus notes	-	-	-
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	-	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Distributions to parent (cash)	(7,000,000)	-	(25,800,000)
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	5,699,670	12,593,320	(12,337,823)
Surplus as regards policyholders, December 31, current year	$ 38,576,682	$ 32,877,012	$ 20,283,692

NOTE: Footing differences are due to rounding.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2014, the Plan's long-term bond investments were diversified in US obligations, US federal agency bonds, municipal obligations, and corporate issues. The Plan did have an exposure to mortgaged-backed and asset-backed securities. All MBS/ABS issues were investment rated at year-end 2014, and the carrying book value of $11.3 million comprised 21.1% of the total long-term bond portfolio, or 19.4% of all invested assets.

Short-term deposits consisted of $57,111 in the UHC Liquidity Pool, and 16 short term money market funds held at Bank of New York Mellon, Northern Trust and other depositories.

A comparison of the major investments over the past five years shows the following:

	A	B	Ratio	Ratio
		Cash and	A/	B/
Year	Bonds	Short-term	Total Assets	Total Assets
2010	$21,603,327	$22,960,702	42.8%	45.5%
2011	31,217,042	16,460,462	58.1%	30.6%
2012	31,905,254	9,471,812	70.5%	20.9%
2013	38,543,222	10,924,796	68.3%	19.4%
2014	44,497,244	4,761,887	69.3%	7.4%

The Board approved the investment transactions in each of the years under review, pursuant to ORS 733.740. As of December 31, 2014, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Plan was in compliance with ORS 733.580.

Effective May 1, 2011, the Plan entered into a custodial agreement with BNY Mellon. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Actuarial Reserves

David Dillon, FSA, MAAA, actuary with Lewis & Ellis, assessed the Company's group-level actuarial liabilities and actuarial assets as reported in the 2014 Annual Statement were reasonable, appropriate, and adequate in the aggregate as of the statement date.

Mr. Dillon reviewed the reconciliation of the data used in the Plan's actuarial report to the data in the actuarial work papers and found them to be consistent. He relied on work performed by the examiners who reviewed the underlying data used to create the annual statement filing, as well as prepared his own independent calculations. His conclusions are as follows:

	Lewis & Ellis	Company	Redundancy/ (Deficiency)
Claims Unpaid	$ 18,833,840	$ 19,478,216	$ 644,376
Accrued Medical Incentive Pool and Bonus Payments	3,284,087	3,284,087	-
Unpaid Claims Adjustment Expenses (CAE)	417,432	250,870	(166,562)
Aggregate Health Policy Reserves	72,265	72,265	-
Aggregate Health Claims Reserves	-	-	-
Premium Deficiency Reserves	$ -	$ -	$ -
Total Actuarial Liabilities	$ 22,607,624	$ 23,085,438	$ 477,814

Allen J. Sorbo, FSA, MAAA, Chief Actuary of UnitedHealthcare Insurance Company, opined that the reserves for unpaid claims and CAE carried by the Company as of December 31, 2014 were reasonable. Mr. Dillon concluded that the claims adjustment expense (CAE) estimate was higher than the Plan's estimate. This was not significant, since the Company uses consistent assumptions and methodologies to estimate CAE and the deficiency was offset by a redundancy in the claims unpaid reserves. He concurred with the Company's appointed actuary that the reserves were reasonable.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiners made no recommendations and there were no changes to surplus as a result of this examination.

CONCLUSION

During the three year period covered by this examination, the surplus of the Plan has increased from $32,621,515, as presented in the December 31, 2011, report of examination to $38,576,682, as shown in this report. The comparative assets and liabilities are:

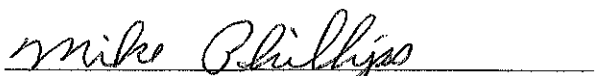
	December 31,		
	2014	**2011**	**Change**
Assets	$64,211,195	$53,720,275	$10,490,920
Liabilities	25,634,514	21,098,759	4,535,755
Surplus	$38,576,681	$32,621,516	$ 5,955,165

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Plan during the examination process are gratefully acknowledged.

We would also like to thank examiners representing the States of Arizona, Indiana, Colorado, Oklahoma, Texas and Washington for their participation in the examination.

Respectfully submitted,



Michael P. Phillips, CFE, CPA, AES
Financial Examiner
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Michael P. Phillips, CFE, CPA, AES, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of United Healthcare of Oregon, Inc., Lake Oswego, Oregon.

2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon 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 United Healthcare of Oregon, Inc. was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

Mike Phillips

Michael P. Phillips, CFE, CPA, AES
Financial Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 21 day of April, 2016.

Linda J Rothenberger

Notary Public for the State of Oregon

OFFICIAL SEAL
LINDA J ROTHENBERGER
NOTARY PUBLIC-OREGON
COMMISSION NO. 476327
MY COMMISSION EXPIRES MARCH 22, 2017

My Commission Expires: 3/22/2017