

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
PacifiCare Life and Health Insurance Company)
5995 Plaza Drive)
Cypress, CA 90630)

Examination of : **PacifiCare Life and Health Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of PacifiCare Life and Health Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 25, 2016, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of PacifiCare Life and Health Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

6/28/2016
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0060 5044

STATE OF INDIANA) BEFORE THE INDIANA
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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PacifiCare Life and Health Insurance Company)
5995 Plaza Drive)
Cypress, CA 90630)

Examination of : **PacifiCare Life and Health Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the PacifiCare Life and Health Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 8, 2016.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 25, 2016 and was received by the Company on May 28, 2016.

The Company did not file any objections.

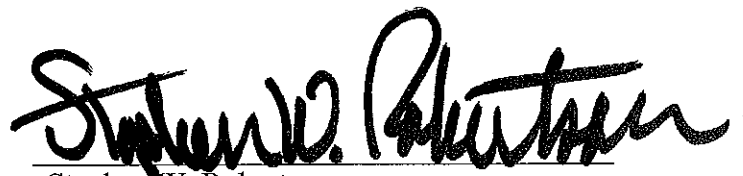
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the PacifiCare Life and Health Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the PacifiCare Life and Health Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 28th day of
June, 2016.



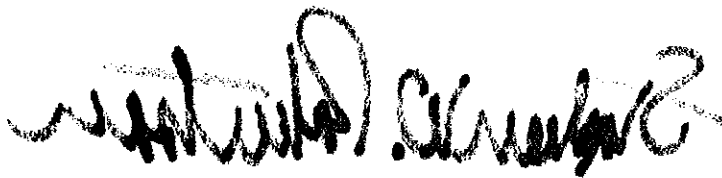
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style with a large initial "M" and a long horizontal stroke.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

PACIFICARE LIFE AND HEALTH INSURANCE COMPANY

NAIC Co. CODE 70785

NAIC GROUP CODE 0707

As of

December 31, 2014

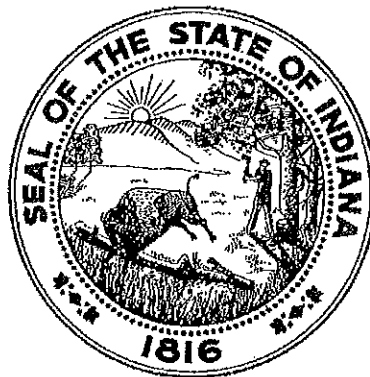
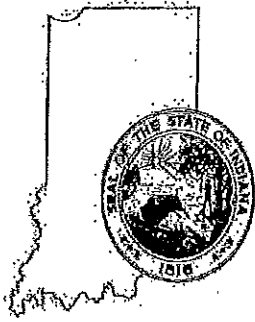


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance

311 W. Washington Street, Suite 300

Indianapolis, Indiana 46204-2787

Telephone: (317) 232-2385

Fax: (317) 232-5251

Stephen W. Robertson, Commissioner

April 8, 2016

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3855, an examination has been made of the affairs and financial condition of:

PacificCare Life and Health Insurance Company
5995 Plaza Drive
Cypress, California 90630

hereinafter referred to as the "Company", or "PLHIC", an Indiana domestic stock, life and health insurance company. The examination was conducted at the corporate offices of the Company in Cypress, California.

The Report of Examination, reflecting the status of the Company as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

COMPANY RECORDS
(317) 232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (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 Company 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 Company 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 Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Indiana Code 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

Connecticut is the lead regulator for the UnitedHealth Group Incorporated (UHG) and serves as the lead state when Connecticut entities are under examination. For those examination years where Connecticut entities are not under examination, either the New York Department of Financial Services or the Texas Department of Insurance (TDI) serves as the lead state for the respective coordinated examinations. For the period-ending 2014 examination, TDI is the designated lead state.

Due to the number of legal entities that are members of UHG and the nature of their operations, the coordinated examination consists of examination subgroups. The examination subgroups are designated by the lead regulator and states appointed to lead these subgroups are known as facilitating states. Washington Office of Insurance Commissioner is the facilitating state for the examination subgroup under which this examination was conducted. Participating states for this subgroup include the Arizona Department of Insurance, Colorado Department of Insurance, INDOI, Oklahoma Department of Insurance, and the Oregon Department of Insurance.

The examination of PLHIC was called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination will be performed using a risk-focused examination with reliance on the external auditors work to reduce financial reporting risks.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Deloitte & Touche, LLP, for the years ended December 31, 2010 through December 31, 2014. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Dave Dillion, FSA, MAAA, MS, of Lewis and Ellis, Inc., and staff provided actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2014.

HISTORY

The Company was incorporated on March 1, 1967, under the laws of the state of Indiana, as National Public Life Insurance Company and first commenced business on September 1, 1967. On February 19, 1973, it adopted the name of Firstmark Life Insurance Company of Indiana. On November 30, 1984, Firstmark Life Insurance Company of Indiana was acquired by Columbia General Life Insurance Company, an Arizona corporation. On December 31, 1984, Columbia General Life Insurance Company was merged into the Company, the survivor, and the name was then changed to Columbia General Life Insurance Company, an Indiana corporation.

On May 1, 1986, PacifiCare Health Systems, a Delaware corporation, which was subsequently merged into PacifiCare Health Plan Administrators, Inc. (PHPA), acquired Columbia General Life Insurance Company. On September 29, 1993, the Company's present name was adopted. On January 1, 1999, PHPA contributed 1% of the Company's shares to PacifiCare Health Systems, LLC (PHS).

On December 20, 2005, PHS became a wholly owned subsidiary of UHG. As a result of the acquisition, the Company became part of the UHG insurance holding company system. Effective July 1, 2012, PHPA and PHS merged into United HealthCare Services, Inc. (UHS), a wholly owned subsidiary of UHG. UHG is a publicly held company trading on the New York Stock Exchange. Accordingly, UHG is presently the Company's ultimate parent company.

CAPITAL AND SURPLUS

The Company's direct parent, UHS, owns 100% of the Company's issued and outstanding shares of common stock as of the examination date. There were 2,000 shares authorized of \$2,000 par value common stock and 1,500 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to PHPA, PHS, and UHS during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends
2014	\$ 409,000,000	\$ 59,000,000	\$ 350,000,000
2013	-	-	-
2012	87,000,000	87,000,000	-
2011	237,000,000	120,000,000	117,000,000
2010	-	-	-
Total	<u>\$ 733,000,000</u>	<u>\$ 266,000,000</u>	<u>\$ 467,000,000</u>

In accordance with Indiana Code (IC) 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers that exceed the greater of 10% of the prior year's surplus or the net gains from operations of such insurer of the prior year are considered extraordinary dividends. The Company paid two (2) extraordinary dividends during the examination period with the prior approval of the INDOI. Other dividends paid during the examination period were ordinary in nature. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

PLHIC is licensed to sell life, accident, and health insurance in all states except New York. It no longer issues policies for which it is licensed.

The Company has a block of small-group business in-force in Oklahoma and Texas, a large group stand-alone vision plan in-force in California, and individual Medicare supplement policies in twenty-two (22) other states. In December 2012, PLHIC notified the California Department of Insurance (CADOI) and the INDOI that beginning January 1, 2013, upon the contract renewal date, all individual PPO policies in California would terminate and no coverage would continue.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums and Annuity Considerations</u>	<u>Net Income</u>
2014	\$204,827,926	\$11,557,289	\$193,270,637	\$36,280,291	\$7,914,200
2013	616,206,895	23,642,467	592,564,428	104,658,269	13,179,199
2012	622,171,603	40,183,400	581,988,203	139,310,767	18,744,163
2011	695,348,054	44,712,855	650,635,199	205,832,169	87,413,771
2010	848,314,792	170,685,500	677,629,292	225,616,695	117,600,658

Admitted Assets, Liabilities; Surplus and Other Funds, Premiums and Annuity Considerations, and Net Income declined throughout the examination period, primarily due to the decrease in members as blocks of business migrated to affiliates. The Company's admitted assets decreased approximately \$411 million between 2013 and 2014, primarily due to \$409 million paid in dividends. The Company's liabilities decreased approximately \$12 million between 2013 and 2014.

The Company's surplus and other funds decreased from \$592.5 million in 2013 to \$193.2 million in 2014, primarily due to \$409 million paid in dividends during 2014.

The Company's premiums and annuity considerations decreased approximately \$68 million in 2014, primarily due to a decrease in members. The Company's net income decreased from \$13.1 million in 2013 to \$7.9 million in 2014, primarily due to a decrease in members.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the Company shall be managed by a Board of Directors (Board) consisting of five (5) directors. Every director shall, during his whole term of service, be a citizen of the United States or the Dominion of Canada. Directors shall be elected annually by vote of the shareholders for a term of one (1) year; and they shall hold office until their respective successors are elected and qualified. For each year under review, there have been five (5) directors.

IC 27-1-7-11 states that at least one (1) of the directors must be a resident of Indiana. Upon review, it is confirmed that at least one (1) director is a resident of Indiana.

The following is a listing of persons serving as directors for PLHIC and their principal occupations as of December 31, 2014:

<u>Name and Address</u>	<u>Principal Occupation</u>
Brandon Eric Cuevas Ladera Ranch, California	West Region Chief Financial Officer UnitedHealthcare, Inc.
Daniel Krajnovich ^A Zionsville, Indiana	Central Region Health Plan Chief Executive Officer UnitedHealthcare, Inc.
Stephen Andrew Scheneman Huntington Beach, California	West Region Executive UnitedHealthcare, Inc.
John Peter Wolterbeek Duarte, California	Health Plan Chief Financial Officer UnitedHealthcare, Inc.
Gregory Scott Wright Santa Ana, California	West Region President UnitedHealthcare, Inc.

Officers

The Bylaws state that the officers of the Company shall be a President, one (1) or more Vice Presidents, a Secretary, one (1) or more Assistant Secretaries, and a Treasurer.

The following is a list of the officers and their respective titles as of December 31, 2014:

<u>Name and Address</u>	<u>Principal Occupation</u>
Stephen Andrew Scheneman	President
Robert Worth Oberrender	Treasurer
Payman Pezhman ^B	Secretary
John Peter Wolterbeek	Chief Financial Officer
John Evan Burch	Assistant Treasurer
Nyle Brent Cottington	Assistant Treasurer
Michelle Marie Huntley	Assistant Secretary
Juanita Bolland Luis	Assistant Secretary

^AThe individual does not have a middle name

^BThe individual does not have a middle name

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. The directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their Conflict of Interest statements as of December 31, 2014.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. The Company could not provide current Oath of Office statements for the directors listed in the Management and Control section of this Report of Examination. The Company is not in compliance with IC 27-1-7-10(i). See the **Other Significant Issues** section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the corporation and at such time within that period as the bylaws may provide. There were no Board or shareholder meetings held in 2014 and therefore the Company is not in compliance with IC 27-1-7-7(b) or its Bylaws. See the **Other Significant Issues** section of this Report of Examination.

IC 27-1-12-2(b)(24) states no investment, other than commercial bank deposits and loans on life insurance policies, shall be made unless authorized by the life insurance company's board of directors or a committee designated by the board of directors and charged with the duty of supervising loans or investments. The Company could not provide Board of Directors meeting minutes notes for 2014. Therefore approval of investment transactions could not be confirmed and the Company is not in compliance with IC 27-1-12-2(b)(24). See the **Other Significant Issues** section of this Report of Examination.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company and its affiliated Indiana domiciled companies as of December 31, 2014:

	<u>NAIC Co.</u>	<u>Domiciliary</u>
	<u>Code</u>	<u>State</u>
UnitedHealth Group Incorporated		
Golden Rule Financial Corporation		
Golden Rule Insurance Company	62286	IN
All Savers Insurance Company	82406	IN
United HealthCare Services, Inc.		
PacifiCare Life and Health Insurance Company	70785	IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Administrative Services Agreement - Dental Benefit Providers, Inc.

Effective January 1, 1999, PLHIC entered into an Administrative Services Agreement with Dental Benefit Providers, Inc. (DBP) (f/k/a PacifiCare Dental and Vision Administrators). Pursuant to the agreement, DBP provides administrative services to PLHIC for insured group dental and vision products. The INDOI did not disapprove the agreement on January 27, 1999. The fees associated with the agreement during the 2014 calendar year were \$376,999.

Subrogation Agreement - OptumInsight, Inc.

Effective January 1, 2009, PLHIC entered into a Subrogation Agreement with OptumInsight, Inc. (OptumInsight) (f/k/a Ingenix, Inc). Pursuant to the agreement, OptumInsight is providing PLHIC with healthcare subrogation, right of reimbursement and recovery services, including activities relating to detecting, evaluating, and investigating subrogation and recovery matters; notifying parties; and negotiating, settling, and obtaining reimbursement related to recovering medical expenses or disability benefits for sickness or accidental injury caused in whole or in part by the act or omission of another party that PLHIC paid for PLHIC's members or dependents. The INDOI did not disapprove the agreement on November 18, 2008. The fees associated with the agreement during the 2014 calendar year were \$434.

Prescription Drug Benefit Administration Agreement - OptumRx, Inc.

Effective June 1, 2009, and as amended May 1, 2010, PLHIC entered into a Participating Plan Addendum to the Prescription Drug Benefit Administration Agreement between OptumRx, Inc. (OptumRx), and PHPA. Pursuant to the agreement, OptumRx is providing pharmacy benefit management (PBM) services as well as access to OptumRx Mail order and specialty pharmacies to PHPA. PBM services include access to OptumRx network of retail pharmacies, pharmacy claims process, formulary development and support, rebate administration, and clinical services. The fees associated with the agreement during the 2014 calendar year were \$63,197.

Management and Administrative Services Agreement – United HealthCare Services, Inc.

Effective January 1, 1999, and as amended January 1, 2001, and September 1, 2002, PLHIC entered into a Management and Administrative Services Agreement and the First and Second Amendments to the agreement with PHPA. Pursuant to the agreement, UHS provides comprehensive management and administrative services to PLHIC operations, subject to the ultimate control and direction of PLHIC Board. The INDOI did not disapprove the agreements on January 8, 1999, the First Amendment on April 17, 2001, and the Second Amendment on November 15, 2003. The fees associated with the agreement during the 2014 calendar year were \$749,169.

Facility Participation Agreement - Wellness, Inc.

Effective April 1, 2012, PLHIC entered into the Facility Participation Agreement with Wellness, Inc. (Wellness). Pursuant to the agreement, Wellness is providing influenza and pneumococcal vaccination services to PLHIC's commercial members. The INDOI did not disapprove the agreement on September 23, 2010. The fees associated with the agreement during the 2014 calendar year were \$10,148.

Quota Share Coinsurance Agreement - UnitedHealthcare Life Insurance Company

Effective April 27, 2005, PLHIC entered into a Quota Share Coinsurance Agreement with UnitedHealthcare Life Insurance Company (UHLIC). Pursuant to the agreement, PLHIC retroceded to UHLIC a fifty-five percent (55%) quota share of PLHIC's liabilities and obligations related to certain group life and accident and health insurance business reinsured by PLHIC under a Coinsurance Agreement with Pacific Life and Annuity Company and Pacific Life Insurance Company. The INDOI did not disapprove the agreement on April 22, 2005. The reserve for future payments is \$142 associated with the agreement during the 2014 calendar year.

Complex Medical Services Agreement – United HealthCare Services, Inc.

Effective April 1, 2012, PLHIC entered into the Complex Medical Services Agreement with United HealthCare Services, Inc., to be administered by its OptumHealth division (OptumHealth). Pursuant to the agreement, OptumHealth is providing PLHIC with specialized solutions for certain complex medical conditions. OptumHealth is also providing re-pricing of the provider claims, case management services, and reports. These reports are to be provided to PLHIC's commercial members. The INDOI did not disapprove the agreement on January 27, 2009. Effective April 1, 2012, PLHIC entered into the First Amendment to the agreement and the INDOI did not disapprove the First Amendment on June 8, 2010. The CADOI approved the agreement and the First Amendment on March 13, 2012, and they were made effective April 1, 2012. The fees associated with the agreement during the 2014 calendar year were \$13,425.

Healthcare Decision Support Services Agreement - UnitedHealthcare Services, Inc.

Effective April 1, 2012, PLHIC entered into the Healthcare Decision Support Services Agreement with UHS to be administered by OptumHealth. Pursuant to the agreement, OptumHealth delivers integrated, cohesive personal health management solutions, including such things as case management, disease management, decision support, and wellness services, to help individual members of PLHIC manage their health. The INDOI did not disapprove the agreement on January 27, 2009. On February 1, 2010, PLHIC entered into the First Amendment to the agreement. The INDOI did not disapprove the First Amendment on January 19, 2010. The fees associated with the agreement during the 2014 calendar year were \$1,096.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employee through a fidelity bond issued by Old Republic Insurance Company. The Company is insured for losses up to \$10 million with a \$0 deductible. The fidelity bond coverage limit was adequate to meet the prescribed minimum coverage specified by NAIC. The Company had additional types of coverage in-force at December 31, 2014 including, but not limited to automotive liability, corporate crime, and property.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no compensated absence plans, consolidated holding company plans, defined benefit plans, defined contribution plans, multiemployer plans, or postemployment benefits, and is not impacted by the Medicare Modernization Act on postretirement benefits.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits, at December 31, 2014:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For the Benefit of All Policyholders:		
Georgia	\$ 36,661	\$ 37,070
Indiana	1,088,157	1,090,940
North Carolina	418,862	420,812
South Carolina	108,206	108,188
Virginia	407,435	407,198
All Other Special Deposits:		
Florida	200,000	200,000
Massachusetts	512,477	518,320
Nevada	200,000	200,000
New Hampshire	1,005,242	1,014,770
Total Special Deposits	<u>\$ 3,977,040</u>	<u>\$ 3,997,298</u>

REINSURANCE

The Company cedes a closed block of long term disability claims related to the Company's employees to Hartford Life & Accident Insurance Company. Under the terms of the agreement, the Company cedes sixty-five percent (65%) of the first \$3,000 and one hundred percent (100%) after \$3,000 on a per risk basis. The agreement was effective October 1, 1995, and as of the examination date, ceded reserves were \$267,962.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2013 and December 31, 2014, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2014, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

PACIFICARE LIFE AND HEALTH INSURANCE COMPANY

Assets

As of December 31, 2014

	<u>Per Examination*</u>
Bonds	\$ 142,231,079
Cash, cash equivalents and short-term investments	50,315,791
Receivables for securities	<u>5,797</u>
Subtotals, cash and invested assets	192,552,667
Investment income due and accrued	943,548
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	363,657
Reinsurance:	
Amounts recoverable from reinsurers	9,837
Net deferred tax asset	12,074
Guaranty funds receivable or on deposit	92,545
Receivables from parent, subsidiaries and affiliates	9,330,895
Health care and other amounts receivable	91,766
Aggregate write-ins for other than invested assets	<u>1,430,938</u>
Total	<u>\$ 204,827,926</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts. Totals and sub-totals may not foot due to rounding.

PACIFICARE LIFE AND HEALTH INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2014

	Per Examination*
Aggregate reserve for life contracts	\$ 316,321
Aggregate reserve for accident and health contracts	336,479
Contract claims:	
Accident and health	2,790,393
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	2,872
Contract liabilities not included elsewhere:	
Provision for experience rating refunds, including the liability of accident and health experience rating refunds	144,258
Interest maintenance reserve	4,762,791
Commissions to agents due or accrued	51,030
General expenses due or accrued	373,111
Taxes, licenses and fees due or accrued, excluding federal income taxes	405,710
Current federal and foreign income taxes	895,973
Remittances and items not allocated	339,695
Miscellaneous liabilities:	
Asset valuation reserve	459,633
Aggregate write-ins for liabilities	679,023
Total liabilities	11,557,289
Common capital stock	3,000,000
Gross paid in and contributed surplus	18,057,274
Aggregate write-ins for special surplus funds	439,030
Unassigned funds (surplus)	171,774,333
Surplus	190,270,637
Total surplus and other funds	193,270,637
Total liabilities, surplus and other funds	\$ 204,827,926

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts. Totals and sub-totals may not foot due to rounding.

PACIFICARE LIFE AND HEALTH INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2014

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 36,280,291
Net investment income	6,127,626
Amortization of Interest Maintenance Reserve	1,465,660
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	300
Total	43,873,877
Death benefits	10,000
Disability benefits and benefits under accident and health contracts	25,567,538
Interest and adjustments on contract or deposit-type contract funds	23
Increase in aggregate reserves for life and accident and health contracts	(710,610)
Totals	24,866,951
Commissions on premiums, annuity considerations, and deposit-type contract funds	2,105,543
General insurance expenses	3,069,231
Insurance taxes, licenses and fees, excluding federal income taxes	2,535,959
Aggregate write-ins for deductions	1,519
Totals	32,579,203
Net gain from operations before dividends to policyholders and federal income taxes	11,294,674
Net gain from operations after dividends to policyholders and before federal income taxes	11,294,674
Federal and foreign income taxes incurred	3,322,195
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	7,972,479
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$58,278	(58,278)
Net income	\$ 7,914,200

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts. Totals and sub-totals may not foot due to rounding.

PACIFICARE LIFE AND HEALTH INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2014	2013	2012	2011	2010
Capital and surplus, December 31, prior year*	\$ 592,564,431	\$ 581,988,204	\$ 650,635,199	\$ 677,629,292	\$ 680,456,689
Net income	7,914,200	13,179,199	18,744,163	87,413,771	117,600,658
Change in net deferred income tax	(248,131)	(2,705,251)	(654,688)	2,573,602	(1,162,854)
Change in nonadmitted assets	674,392	145,271	353,425	129,870	911,934
Change in asset valuation reserve	1,365,747	(42,991)	(89,896)	(152,178)	(248,332)
Dividends to stockholders	(409,000,000)	-	(87,000,000)	(117,000,000)	(120,000,000)
Aggregate write-ins for gains and losses in surplus	-	-	-	40,843	71,197
Net change in capital and surplus for the year*	(399,293,792)	10,576,227	(68,646,996)	(26,994,093)	(2,827,397)
Capital and surplus, December 31, current year*	\$ 193,270,639	\$ 592,564,431	\$ 581,988,203	\$ 650,635,199	\$ 677,629,292

*Immaterial differences are due to rounding.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. The Company could not provide current Oath of Office statements for each director. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the corporation and at such time within that period as the bylaws may provide. There were no Board or shareholder meetings held in 2014 and therefore the Company is not in compliance with IC 27-1-7-7(b) or its Bylaws. It is recommended that the Company hold an annual meeting of shareholders within five months after the close of each fiscal year.

IC 27-1-12-2(b)(24) states no investment, other than commercial bank deposits and loans on life insurance policies, shall be made unless authorized by the life insurance company's board of directors or a committee designated by the board of directors and charged with the duty of supervising loans or investments. The Company could not provide Board of Directors meeting minutes notes for 2014. Therefore approval of investment transactions could not be confirmed and the Company is not in compliance with IC 27-1-12-2(b)(24). It is recommended that the Board or designated committee thereof approve the investment transactions.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Lewis & Ellis hereinafter collectively referred to as the "Examiners", performed an examination of PacifiCare Life and Health Insurance Company as of December 31, 2014.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of PacifiCare Life and Health Insurance Company as of December 31, 2014, as determined by the undersigned.



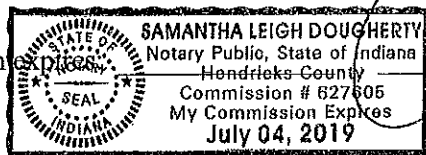
Nadine Treon, CFE
Noble Consulting Services, Inc.

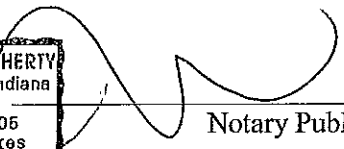
State of: Indiana
County of: Marion

On this 8 day of April, 2016, before me personally appeared, Nadine Treon, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires




Notary Public

2019年12月31日
资产负债表
编制单位：XXX有限公司
单位：人民币元

资产	负债及所有者权益
流动资产	流动负债
货币资金	应付账款
应收账款	预收账款
其他应收款	应付职工薪酬
存货	应交税费
非流动资产	长期负债
固定资产	长期借款
无形资产	所有者权益
其他非流动资产	实收资本
	资本公积
	盈余公积
	未分配利润