

Final  
Report on the  
Medical Loss Ratio Examination  
of  
**United American Insurance Company**  
(Omaha, Nebraska)  
for the  
2016 MLR Reporting Year

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Consumer Information & Insurance Oversight  
200 Independence Avenue SW  
Washington, DC 20201



**OVERSIGHT GROUP**

---

February 26, 2025

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by United American Insurance Company (the Company) for the 2016 reporting year, including 2016, 2015, and 2014 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

A handwritten signature in blue ink that reads "Christina A. Whitefield".

Christina A. Whitefield, Director  
Data and Analytics Division  
Oversight Group  
Center for Consumer Information & Insurance Oversight  
Centers for Medicare & Medicaid Services  
U.S. Department of Health & Human Services

## Table of Contents

I.	Executive Summary .....	1
II.	Scope of Examination .....	1
III.	Summary of Findings.....	2
IV.	Company Overview .....	4
	A. Description, Territory, and Plan of Operation .....	4
	B. Management.....	5
	C. Ownership .....	5
	D. Agreements .....	6
	E. Reinsurance.....	6
V.	Accounts and Records.....	6
VI.	Examination Results .....	6
	A. MLR Data .....	7
	B. Credibility-Adjusted MLR and Rebate Amount.....	10
	C. Rebate Disbursement and Notice.....	10
	D. Compliance with Previous Recommendations .....	11
VII.	Subsequent Events .....	11
VIII.	Conclusion, Corrective Actions, Company Responses, and CCIIO Replies.....	11
IX.	Appendix I – Recalculated MLRs and Rebates for the 2016 Reporting Year.....	15

## **I. Executive Summary**

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2016 Medical Loss Ratio (MLR) Annual Reporting Form for United American Insurance Company (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2016 MLR Annual Reporting Form contains some elements that are not compliant with the requirements of 45 CFR Part 158, and that impact consumer rebates.

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report, including: ensuring the accurate calculation and reporting of incurred claims, earned premium, and taxes, licensing, and regulatory fee expenses; ensuring federal income taxes are reasonably allocated; making a good faith effort to follow-up on any unclaimed rebates; and, adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions and the accuracy of the MLR Annual Reporting Form.

The examination findings resulted in net changes to the Company's reported MLRs in the mini-med<sup>1</sup> individual market for 12 of the 40 states and the District of Columbia in which the Company had health insurance coverage subject to 45 CFR Part 158 in effect, increasing the Company's total rebate liability for the 2016 reporting year in six states by \$250,905. In addition, in the mini-med individual market in six states, the examination findings resulted in a total rebate liability that was \$181,654 less than that reported by the Company.

## **II. Scope of Examination**

CCIIO examined the Company's 2016 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (ACA), generally requires health insurance issuers to submit to the Secretary of the U.S. Department of Health & Human Services (HHS) an annual report concerning premium revenue and expenses related to group and individual health insurance coverage issued. The federal MLR is the proportion of earned premium, less certain taxes and regulatory fees, expended by an issuer on clinical services and activities that improve health care quality in a given state and market, after adjustments for the credibility of the experience or other factors, where applicable, and calculated using the average of three consecutive years of data. Section 2718 also requires an issuer to provide rebates to consumers if it does not meet the applicable MLR standard (generally, 80% in the individual and small group markets and 85% in the large group market).

---

<sup>1</sup> The term "mini-med" plan generally refers to policies that often cover the same types of medical services as comprehensive medical plans but have unusually low annual benefit limits, to the extent permitted by law. For MLR reporting and rebate purposes, §158.120(d)(3) directs an issuer with policies that have a total annual limit of \$250,000 or less to report the experience from such policies separately from other policies.

This is the first examination of the Company’s MLR Annual Reporting Form performed by CCIIO. The examination covered the reporting period of January 1, 2014 through December 31, 2016, including 2014, 2015, and 2016 experience and claims run-out through March 31, 2017. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company’s response to each finding appears after the finding in the Conclusion, Corrective Actions, Company Responses, and CCIIO Replies section of this Report. The Company’s implementation of the corrective actions was not reviewed for proof of implementation or subjected to the procedures applied during the examination. CCIIO’s replies are based solely on a review of the Company’s response. CCIIO reserves the right to review the actual implementation of the Company’s corrective action and proposed action plan for each corrective action in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

### III. Summary of Findings

Page	Key Findings
7	<p><b>Failure to accurately report incurred claims, as required by §158.140</b> – The Company improperly included in its paid claims unsubstantiated adjustments that did not qualify as a clinical claim on its 2014, 2015, and 2016 MLR Annual Reporting Forms. As a result, the Company understated \$67,215 in the mini-med individual market and overstated its incurred claims by \$615 in the mini-med large group market.</p>
8-10	<p><b>Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110</b> –The Company failed to restate its 2014 incurred claims on Part 3, Line 1.2, in the prior year (PY2) column on its 2016 MLR Annual Reporting Form in the Ohio mini-med individual market. As a result, the Company understated its three-year aggregate incurred claims by \$337,801 in the Ohio mini-med individual market.</p> <p>The Company improperly reported its Patient Centered Outcomes Research (PCORI) fees on its 2014, 2015, and 2016 MLR Reporting Forms. As a result, the Company overstated its three-year aggregate PCORI fees by \$43,002 in the mini-med individual market and \$2,314 in the mini-med large group market.</p>
8, 9	<p><b>Failure to accurately report earned premium, as required by §158.130</b> – The Company improperly included in its premium written unsubstantiated</p>

	<p>adjustments that did not meet the definition of premium on its 2014, 2015, and 2016 Annual Reporting Forms. As a result of this error, the Company understated its three-year aggregate earned premiums on its 2016 MLR Annual Reporting Form by \$19,817 in the mini-med individual market and by \$864 in the mini-med large group market.</p> <p>The Company improperly deducted policy acquisition costs from premium written reported on its 2016 MLR Annual Reporting Form in the District of Columbia mini-med large group market. As a result of this error, the Company understated its current year earned premium by \$3,016 in the District of Columbia min-med large group market.</p> <p>The Company failed to properly report state high risk pools on its 2014, 2015, and 2016 MLR Annual Reporting Forms. As a result, the Company overstated its three-year aggregate earned premium on its 2016 MLR Annual Reporting Form by \$12,165 in the mini-med individual market, and understated its three-year aggregate earned premium by \$874 in the mini-med large group market.</p>
9, 10	<p><b>Failure to properly report taxes and regulatory fees, as required by §158.162</b> – The Company improperly included federal taxes on investment income and realized capital gains in its federal income taxes reported on its 2014, 2015, and 2016 MLR Annual Reporting Forms. As a result of this error, the Company overstated its three-year aggregate taxes by \$19,712,671 in all markets.</p> <p>The Company improperly deducted employment taxes from premium on its 2016 MLR Annual Reporting Form. As a result, the Company overstated its current year taxes, licensing, and regulatory fees by \$70,693 in the mini-med individual market and \$2,503 in the mini-med large group market.</p>
9	<p><b>Failure to allocate federal income taxes accurately, as required by §158.170</b> - The Company improperly allocated federal taxes between states and markets, basing it on the pro rata proportion of premium, which did not yield the most accurate results, as required by §158.170. As a result of recalculating the allocation using the underwriting gain/(loss) for each state and market, the Company understated its three-year aggregate taxes, licensing, and regulatory fees on its 2016 MLR Annual Reporting Form by \$2,172,940 in the mini-med individual market and \$294,066 in the mini-med large group market.</p>
10	<p><b>Failure to make a good faith effort to locate and deliver unclaimed rebates to enrollees, as required by §158.244</b> – The Company’s policies and procedures for locating and delivering rebates to enrollees did not include any follow-up with enrollees whose rebates were unclaimed. This error did not impact the MLR calculation.</p>

These findings resulted in net changes to the Company’s reported MLRs in 12 states in the mini-med individual market. The recalculated MLRs in six states continued to be below the MLR

standard of 80%, resulting in a rebate liability of \$250,905 in the mini-med individual market for the 2016 MLR reporting year. In six other states in the mini-med individual market, the recalculated MLRs increased the MLRs reported by the Company, resulting in a rebate amount that is \$181,654 less than the amount the Company determined it owed and paid.

The three-year aggregated incurred claims and earned premium amounts, combined for all 40 states and the District of Columbia in which the Company had health insurance coverage in effect, along with the additional rebates owed for 2016, are shown in the following tables. The differences between the amounts in the “As Filed” and “As Recalculated” rows reflect the net impact of the adjustments made to correctly restate incurred claims and earned premium.

**Recalculated Aggregate<sup>2</sup> Mini-Med Individual and Mini-Med Large Group Market Incurred Claims, Earned Premium, and Rebates for the 2016 Reporting Year**

	Mini-Med Individual Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	\$20,599,631	\$53,739,481	\$3,200,264
As Recalculated	\$21,004,647	\$53,747,133	\$3,451,169
Difference	\$405,016	\$7,652	\$250,905 <sup>3</sup>

	Mini-Med Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	\$1,007,734	\$2,019,607	\$0
As Recalculated	\$1,007,119	\$2,024,361	\$0
Difference	\$(615)	\$4,754	\$0

#### **IV. Company Overview**

##### **A. Description, Territory, and Plan of Operation**

The Company is a for-profit life insurer domiciled in Nebraska. The Company sells mini-med individual and mini-med large group health insurance policies in 40 states and the District of Columbia.

During the 2014, 2015, and 2016 MLR reporting years, the Company operated in the mini-med individual and mini-med large group markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2016, the Company reported a total of 8,478 covered lives and \$13,467,848 in direct earned premium for policies subject to the MLR

<sup>2</sup> See Appendix I for the three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates, for the 2016 reporting year for the states and markets in which the Company’s MLRs changed as a result of the examination findings.

<sup>3</sup> This amount reflects the Company’s aggregate rebate liability due in six states as a result of the examination findings. It does not include recalculated rebates for the six states where the recalculated MLRs increased the MLRs reported by the Company and resulted in a rebate amount that is \$181,654 less than the amount the Company determined it owed and paid.

reporting and rebate requirements under 45 CFR Part 158, and a total of 427,474 covered lives and \$580,210,153 in direct earned premium from all health lines of business. The Company's lines of business not subject to the MLR regulations at 45 CFR Part 158 include life insurance, annuity products, Medicare Part D plans, Medicare supplemental plans, long term care insurance, and limited benefit supplemental health insurance.

## **B. Management**

The corporate officers and board of directors of the Company as of December 31, 2016 were:

### **Officers**

<b><u>Name</u></b>	<b><u>Title</u></b>
Michael C. Majors	President
Joel P. Scarborough	Secretary
Michael S. Henrie	Treasurer
Jiangping Han	Actuary

### **Directors**

<b><u>Name</u></b>
Francis J. Barrett
Michael S. Henrie
Ben W. Lutek
Michael C. Majors
Joel P. Scarborough

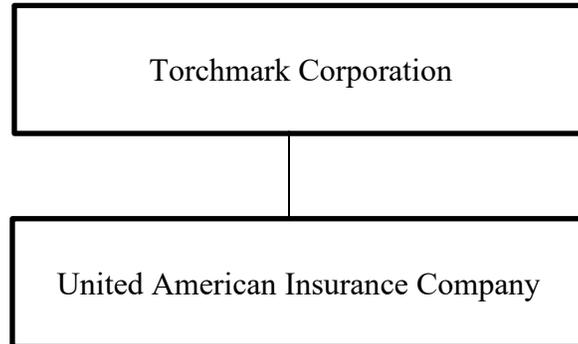
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2016 MLR Annual Reporting Form were:

<b><u>Name</u></b>	<b><u>Title</u></b>
Ben W. Lutek	CEO Attester
Michael S. Henrie	CFO Attester

## **C. Ownership**

The Company is a member of an insurance holding group system.

**United American Insurance Company  
Organizational Chart as of December 31, 2016<sup>4</sup>**



**D. Agreements**

As of December 31, 2016, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Services Agreement with Torchmark Corporation, the Company's parent, and other affiliated insurance entities.
2. A Consolidated Tax Allocation Agreement with Torchmark Corporation, and various other affiliated entities.

**E. Reinsurance**

During 2014, 2015, and 2016, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

**V. Accounts and Records**

The Company's main administrative and financial reporting office is located at 10306 Regency Parkway Drive, Omaha, Nebraska 68114. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

**VI. Examination Results**

Except as noted in this report, based on the procedures performed, nothing additional came to our attention that would indicate that the Company's 2014, 2015, and 2016 MLR Annual

---

<sup>4</sup> This is an excerpt from the organization chart provided by the Company and includes only those entities whose relationship to the Company impacted the MLR examination.

Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2014, 2015, and 2016 MLR Annual Reporting Forms were filed by the due date.

The Company reported that it met the applicable MLR standards in the mini-med individual market in 28 states, and in the mini-med large group market in the District of Columbia, in 2016, and thus was not required to pay rebates to its enrollees in these states and markets. The Company reported that it did not meet the MLR standard of 80% in the mini-med individual market in 12 states in 2016, and paid rebates of \$3,200,264 in those states. Based on the errors found during the examination, the Company's MLRs for the 2016 reporting year were recalculated and resulted in an additional rebate liability of \$250,905 in the mini-med individual market in six states.

## **A. MLR Data**

### **Market Classification**

The Company adopted policies and procedures for determining group size and market classification that are consistent with the definitions in §158.103 applicable to the 2014-2016 reporting years. The samples of policies tested during the examination were assigned to the correct market classification.

### **Aggregation**

Based upon the procedures performed, nothing came to our attention that would indicate that the samples of policies, claims and other items tested during the examination were not correctly assigned to the appropriate states, markets, and lines of business in accordance with §158.120.

### **Incurred Claims**

#### *Improper Reporting of Incurred Claims*

The Company improperly included unsubstantiated adjustments in its paid claims reported on Part 2, Line 2.1b on its 2014, 2015, and 2016 Annual Reporting Forms. Each year, the Company reconciles the reimbursement for clinical service paid claims that are reported in its general ledger to the amounts that are reported in its corresponding subsidiary ledgers. The Company then allocates the difference, on a pro-rata basis, to the states and markets in which it writes health insurance coverage. However, the Company was unable to provide supporting documentation to substantiate the adjustments that it made to all active policies, or how the adjustments qualify as clinical claims in accordance with §158.140. Therefore, the adjustments could not be accepted for purposes of the MLR calculation. As a result, the Company understated its three-year aggregate incurred claims on its 2016 MLR Annual Reporting Form by \$67,215 in the mini-med individual market, and overstated its incurred claims by \$615 in the mini-med large group market.

#### *Improper Reporting of Prior Year Incurred Claims*

The Company failed to restate its 2014 incurred claims on Part 3, Line 1.2, PY2 column, on its 2016 MLR Annual Reporting Form for the Ohio mini-med individual market. The Company failed to adjust its 2014 incurred claims for subsequent development. According to the 2016 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2, PY2

and PY1 columns, must include incurred claims restated as of 3/31 of the year following the MLR reporting year. Incurred claims initially reported for 2014 should have been restated on Line 1.2, PY2 column, for all applicable elements of adjusted incurred claims reflecting run-out through March 31, 2017. As a result, the Company understated its three-year aggregate incurred claims on its 2016 MLR Annual Reporting Form by \$337,801 in the Ohio mini-med individual market.

Based upon the procedures performed, including validating a sample of incurred claims (as defined by §158.140), other than the reporting errors noted above, nothing additional came to our attention that would indicate that the Company did not properly report the reconciled amount of cost sharing reductions received from HHS, in compliance with §158.140(b)(1)(iii), or that the company did not accurately report incurred claims.

### **Claims Recovered Through Fraud Reduction Efforts**

The Company did not report any recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

### **Quality Improvement Activities (QIA)**

The Company did not report any expenditures for activities that improve health care quality, which §158.221(b) allows in the MLR numerator.

### **Earned Premium**

#### *Improper Reporting of Earned Premium*

The Company improperly included unsubstantiated adjustments in its premium written reported on Part 2, Line 1.1, on its 2014, 2015, and 2016 Annual Reporting Forms. Each year, the Company reconciles the premium amounts billed and collected from subscribers that are reported in the general ledger to amounts that are reported in its corresponding subsidiary ledgers. The Company then allocates any difference, on a pro-rata basis, to the states and markets in which it writes health insurance coverage. However, the Company was unable to provide supporting documentation explaining the differences or to substantiate that the adjustments it made to the premiums met the definition of earned premium at §158.130. Therefore, we rejected the adjustments. As a result, the Company understated the three-year aggregate earned premium on Part 3, Line 1.1, on its 2016 MLR Annual Reporting Form by \$19,817 in the mini-med individual market and \$864 in the mini-med large group market.

Additionally, the Company improperly deducted its “policy acquisition costs” from premium written reported on Part 2, Line 1.1, on its 2016 MLR Annual Reporting Form in the District of Columbia mini-med large group market. The amount reflect a payment the Company made to a group policyholder that was calculated based on the volume of individual subscribers enrolled in that group’s health insurance coverage, which is not consistent with the definition of earned premium at §158.130, or an allowable premium adjustment as defined at §158.130(b). According to §158.130(a), earned premium includes all monies paid by a policyholder or subscriber as a condition of receiving coverage from the issuer. In addition, §158.160(b) requires that administrative expenses such as this be classified and reported as non-claims costs. As a result of this error, the Company understated its current year earned premium on Part 3, Line 1.1, on its

2016 MLR Annual Reporting Form by \$3,016 in the District of Columbia mini-med large group market.

The Company failed to properly report amounts related to state high risk pools on Part 1, Line 1.3, on its 2014, 2015, and 2016 MLR Annual Reporting Forms in 15 states in the mini-med individual market and in the District of Columbia mini-med large group market. According to §158.130(b), earned premium must be adjusted to account for assessments paid to, or subsidies received from, state high risk pools. As a result of this error, the Company overstated its three-year aggregate earned premium on Part 3, Line 1.1, on its 2016 MLR Annual Reporting Form by \$12,165 in the mini-med individual market, and understated its three-year aggregate earned premium by \$874 in the mini-med large group market.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis and the data elements underlying the 2014, 2015, and 2016 premium reported on the Company's 2016 MLR Annual Reporting Form were not compliant with §158.130.

## **Taxes**

### *Improper Reporting of Investment Income and Capital Gains Tax*

The Company improperly included its federal income taxes on investment income and capital gains in its federal income taxes reported on Part 1, Line 3.1a, on its 2014, 2015, and 2016 MLR Annual Reporting Forms. According to §158.162(a)(2), federal taxes on investment income and capital gains must not be excluded from premium in the MLR calculation. As a result of this error, the Company overstated its three-year aggregate federal income taxes by \$19,712,671 in all states and markets.

### *Improper Allocation of Federal Income Taxes*

The Company's methodology for allocating its 2014, 2015, and 2016 federal income taxes did not comply with §158.170(b)(1), which requires allocations to be based on generally accepted accounting methods that are expected to yield the most accurate results. According to the 2016 MLR Annual Reporting Form Filing Instructions, Part 1, Section 3, pre-tax underwriting gain/(loss) is the most appropriate basis for allocating income taxes. The Company indicated that it allocated federal income taxes between its states and markets based on premium, rather than pre-tax underwriting gain or loss. As a result of re-allocating the Company's federal income tax using the underwriting gain/(loss) for each state and market, and correcting the amount by excluding taxes on investment income and capital gains, the Company understated its three-year aggregate taxes, licensing, and regulatory fees by \$2,172,940 in the mini-med individual market and \$294,066 in the mini-med large group market.

### *Improper Reporting of PCORI Fees*

The Company improperly reported its PCORI fees on Part 1, Line 3.1b, on its 2014, 2015, and 2016 MLR Annual Reporting Forms. The Company reported the PCORI fees attributable to the policies in effect in 2013, 2014, and 2015, but which were paid in 2014, 2015, and 2016, respectively. According to the 2016 MLR Annual Reporting Form Filing Instructions, Part 1,

Line 3.1b should include PCORI fees attributable to those policies that were in effect during the applicable MLR reporting year. As a result of this error, the Company overstated its three-year aggregate taxes, licensing, and regulatory fees on Part 3, Line 2.2, on its 2016 MLR Annual Reporting Form by \$43,002 in the mini-med individual market and \$2,314 in the mini-med large group market.

#### *Improper Reporting of Other Federal Taxes and Assessments*

The Company improperly included employment taxes in the federal taxes it reported on Part 1, Line 3.1d of its 2016 MLR Annual Reporting Form. According to §158.162(a)(2), federal employment taxes are not excluded from premium as part of the MLR calculation and must be reported separately from the taxes that are excluded from premium. According to the 2016 MLR Annual Reporting Form Filing Instructions, federal employment and other similar taxes should be reported on Part 1, Line 5.5a, and not deducted from premium in the MLR calculation. As a result, the Company overstated its current year taxes, licensing, and regulatory fees on Part 3, Line 2.2, on its 2016 MLR Annual Reporting Form by \$70,693 in the mini-med individual market and \$2,503 in the mini-med large group market.

Based upon the procedures performed, other than the reporting and allocation errors noted above, nothing additional came to our attention that would indicate that the taxes, licensing, and regulatory fees excluded from 2014, 2015, and 2016 earned premium reported on the Company's 2016 MLR Annual Reporting Form did not comply with §158.161 and §158.162, and were not accurately reported and reasonably allocated among the Company's states and markets, as required by §158.170 and in accordance with its consolidated tax allocation agreement.

### **B. Credibility-Adjusted MLR and Rebate Amount**

Based upon the procedures performed, the Company correctly applied the credibility adjustment, in accordance with §158.230-§158.232, when it calculated and reported its MLRs. The Company's credibility-adjusted MLRs were calculated using the correct formula in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions.

The Company reported that it did not meet the MLR standard of 80% in the mini-med individual market in 12 states in 2016. The Company used the correct procedures to calculate mini-med individual market rebates of \$3,200,264 for 2016. Based on its reported, final MLRs in all other states and markets, which exceeded the applicable MLR standards for 2016, the Company used the correct procedures to determine that no rebates were due in those states and markets. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in changes to the Company's 2016 MLRs and rebate amounts.

### **C. Rebate Disbursement and Notice**

#### *Lack of Good Faith Effort to Locate Enrollees for Unclaimed Rebates*

The Company has not adopted policies and procedures for locating and delivering unclaimed rebates as required §158.244. Section 158.244 requires an issuer to make a good faith effort to locate and deliver unclaimed rebates to enrollees. The Company indicated that other than

submitting unclaimed rebates to states based on respective escheatment laws and timelines, it has not implemented a process to locate and deliver unclaimed rebates consistent with the requirements of §158.244.

According to its 2016 MLR Annual Reporting Form, the Company reported that it owed rebates in 12 states in the mini-med individual market. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-243 and Rebates Notices in accordance with §158.250.

#### **D. Compliance with Previous Recommendations**

The Company indicated that neither CCIIO nor any state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The Nebraska Department of Insurance performed a financial examination of the Company in 2016 covering January 1, 2012 through December 31, 2015. There were no findings as a result of the financial examination.

### **VII. Subsequent Events**

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2016 MLR Annual Reporting Form. No post-December 31, 2016 significant events were brought to CCIIO's attention.

### **VIII. Conclusion, Corrective Actions, Company Responses, and CCIIO Replies**

CCIIO examined United American Insurance Company's 2016 MLR Annual Reporting Form to assess compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2016 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158. Based on the adjustments made as a result of the examination findings, the Company owes additional rebates totaling \$250,905 in the mini-med individual market in six states.

As a result of this examination, consistent with §158.402(e), CCIIO directs the Company to implement the following corrective actions:

#### **Corrective Action #1**

The Company must adopt and implement policies and procedures to ensure the accurate reporting of incurred claims in accordance with §158.140, including ensuring that any adjustments to incurred claims qualify as such.

#### **Company Response**

The Company has reviewed the exam findings and has adopted and implemented process changes to ensure incurred claims are reported accurately, including reporting any adjustments to incurred claims on the appropriate line.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**Corrective Action #2**

The Company should adopt and implement procedures to ensure it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including ensuring the proper reporting of prior year adjusted incurred claims and PCORI fees.

Company Response

The Company has reviewed the exam findings and has adopted and implemented process changes to ensure the MLR Annual Reporting Form is completed in accordance with the applicable instructions, including the proper reporting of prior year adjusted incurred claims and PCORI fees.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**Corrective Action #3**

The Company must adopt and implement procedures to ensure that it properly reports earned premium in an accurate manner in accordance with §158.130, including ensuring any adjustments to premium written are correct and that premium is not adjusted to account for policy acquisition costs and properly reporting state high risk pool assessments.

Company Response

The Company has reviewed the exam findings and has adopted and implemented process changes to ensure earned premiums are reported in an accurate manner, including reporting any adjustments to earned premiums on the appropriate line, properly reporting any state high risk pool assessments, and excluding any adjustments for policy acquisition costs.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**Corrective Action #4**

The Company must adopt and implement procedures to ensure that amounts reported as taxes, licensing, and regulatory fees are calculated accurately and meet the requirements of §158.162 and the MLR Annual Reporting Form Filing Instructions, including properly excluding federal income taxes on investment income or capital gains, and employment taxes, from the MLR calculation.

Company Response

The Company has reviewed the exam findings and has adopted and implemented process changes to ensure the accurate calculation of taxes, licensing, and regulatory fees, including properly excluding federal income taxes on investment income or capital gains, and employment taxes.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**Corrective Action #5**

The Company must adopt and implement procedures to ensure that federal income taxes are reasonably allocated to the states and markets in accordance with §158.170, including ensuring the tax allocation method used yields the most accurate results.

Company Response

The Company has reviewed the exam findings and has adopted and implemented process changes to ensure federal income taxes are allocated to the states and markets using a reasonable method that yields the most accurate results.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**Corrective Action #6**

The Company must adopt and implement procedures to ensure a good faith effort is made to locate and deliver all unclaimed rebates to enrollees in accordance with the requirements of §158.244.

Company Response

The Company has reviewed the exam findings and has adopted and implemented process changes to ensure a good faith effort is made to locate and deliver all unclaimed rebates to enrollees, in accordance with all applicable requirements.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**Corrective Action #7**

The Company must re-file its 2016 MLR Annual Reporting Form to rectify the errors and reflect the findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including calculating any additional rebate amounts due to its enrollees. Any (additional) rebates due as a result of the findings herein should be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Company Response

The Company has reviewed the exam findings and will complete a re-filing of the 2016 MLR Annual Reporting Form that incorporates the process changes and adjustments referenced in this report. The Company agrees to process additional rebates within 60 days of the final report.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

**The corrective actions provided in this report should be shared with, and adopted by, as applicable, any affiliated entities of the Company, such as its parent or subsidiaries, if any, that are similarly subject to the MLR reporting and rebate requirements of 45 CFR Part 158.**

CCIIO thanks the Company and its staff for its cooperation with this examination.

**IX. Appendix I – Recalculated MLRs<sup>5</sup> and Rebates for the 2016 Reporting Year**

The three-year adjusted, aggregate numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2016, for states and markets in which the MLRs changed as a result of the examination, are shown in the following tables. The differences between the amounts in the “As Filed” and “As Recalculated” rows reflect the net impact of the adjustments made to correctly restate incurred claims, earned premium, taxes and, to properly re-allocate federal income taxes.

**Arkansas**

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$1,316,491	\$2,274,347	64.9%	\$81,591
As Recalculated	\$1,316,419	\$2,063,770	70.8%	\$53,113
Difference	(\$72)	(\$210,577)	5.9%	(\$28,478)

**Florida**

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$4,236,859	\$7,498,052	56.5%	\$422,495
As Recalculated	\$4,236,768	\$7,083,617	59.8%	\$398,705
Difference	(\$91)	(\$414,435)	3.3%	(\$23,790)

**Georgia**

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$1,036,336	\$1,904,748	61.9%	\$87,335
As Recalculated	\$1,036,259	\$1,786,170	65.5%	\$72,606
Difference	(\$77)	(\$118,578)	3.6%	(\$14,729)

**Kansas**

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$532,692	\$1,441,276	44.4%	\$131,808
As Recalculated	\$558,089	\$1,445,358	46.0%	\$133,921
Difference	\$25,397	\$4,082	1.6%	\$2,113

**Louisiana**

	Mini-Med Individual Market			
--	----------------------------	--	--	--

<sup>5</sup> The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230. In instances where both the Company’s adjusted MLR and rebates increased as a result of the examination adjustments, the increase in rebates is due to the cumulative effect of a change in the MLR, as well as an increase in the adjusted premium for the current year, that occurred as a result of correcting for the errors found during the examination.

	Numerator	Denominator	MLR	Rebate
As Filed	\$761,793	\$1,829,705	49.8%	\$139,755
As Recalculated	\$761,842	\$1,930,959	47.6%	\$167,392
Difference	\$49	\$101,254	(2.2%)	\$27,637

### Mississippi

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$2,048,539	\$3,363,752	67.3%	\$108,129
As Recalculated	\$2,042,005	\$3,287,535	68.5%	\$96,142
Difference	(\$6,534)	(\$76,217)	1.2%	(\$11,987)

### Missouri

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$939,524	\$1,933,061	56.3%	\$114,833
As Recalculated	\$939,654	\$1,961,689	55.6%	\$129,532
Difference	\$130	\$28,628	(0.7%)	\$14,699

### Ohio

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$492,672	\$2,634,205	25.8%	\$364,674
As Recalculated	\$871,270	\$2,367,953	43.9%	\$264,250
Difference	\$378,598	(\$266,252)	18.1%	(\$100,424)

### Oklahoma

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$704,043	\$1,937,275	44.1%	\$171,974
As Recalculated	\$705,082	\$2,065,733	41.8%	\$195,664
Difference	\$1,039	\$128,458	(2.3%)	\$23,690

### South Carolina

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$458,936	\$2,067,033	30.4%	\$250,560
As Recalculated	\$459,004	\$1,926,948	32.0%	\$258,718
Difference	\$68	(\$140,085)	1.6%	\$8,158

### Tennessee

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$467,363	\$1,497,183	39.4%	\$133,917
As Recalculated	\$467,404	\$1,381,858	42.0%	\$131,671

	Numerator	Denominator	MLR	Rebate
Difference	\$41	(\$115,325)	2.6%	(\$2,246)

**Texas**

	Mini-Med Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$2,883,535	\$9,472,022	30.4%	\$1,193,193
As Recalculated	\$2,904,615	\$9,463,296	30.7%	\$1,367,802
Difference	\$21,080	(\$8,726)	0.3%	\$174,609