National Association of Insurance Commissioners
& The Center for Insurance Policy and Research

November 2, 2018

Mr. David Wichmann
Chief Executive Officer
P.O. Box 1459
Minneapolis, MN 55440-1459
UnitedHealth Group

Dear Mr. Wichmann,

State insurance regulators take seriously their responsibility and obligation to consumers to assess and ensure the overall health and wellness of the U.S. insurance industry. As with any patient, one must take a holistic approach, looking not just at distinct components or discrete issues in isolation, but also at the sum of the parts and how they interact. This approach is at the heart of our group supervisory reforms including ongoing development of our group capital calculation (GCC). We are disappointed that unlike virtually every other U.S. insurance company, including your health insurer competitors, United HealthCare continues to use political obstruction as its primary strategy to derail the GCC, rather than engaging consistently and constructively to address your concerns and inform our efforts. Essentially, you seem intent on blocking regulators from utilizing this diagnostic lens on United HealthCare alone – which in turn causes us as regulators to ask the question "what are you hiding?"

United HealthCare has suggested that it should not be subject to the GCC because health insurers did not cause the last financial crisis. By that flawed logic, no insurer would be subject to the GCC as traditional insurance businesses had no part in the root causes of the crisis, but surely United Healthcare is not arguing that state insurance regulation should remain static to pre-2008 levels of insight. Insurers are often affiliated with entities and activities that did play a role in the crisis, so understanding how those affiliations, entities, and interrelated risks could ultimately impact policyholders is a core obligation of insurance regulators.

As an example, according to United HealthCare's Schedule Y (Organizational Chart) included in its most recent statutory financial statements, it has 1,056 entities in its holding company structure. This type of organizational complexity was a contributor for many of the companies impacted in the last financial crisis. In response, state regulators have developed new authorities over holding companies, but we lack a consistent analytical tool to fully assess risk exposures and the location of capital across such a significant number of operations. The GCC will fill this need, and exempting health insurers from this insight would be willfully turning a blind eye to this complex and critical industry.

United HealthCare has also suggested that health insurers are different, with different financial and operating characteristics, and therefore should receive a blanket exemption from the GCC. The implication is that your primary prudential regulators either do not understand your business or are incapable of building a calculation that contemplates its features. We take exception on either count,

and thus far United HealthCare has spent a disproportionate amount of its energy attempting to derail or obstruct the GCC rather than improve it. We question why, in stark contrast to your competitors, United HealthCare is so hard pressed to avoid providing this insight to your regulators.

United HealthCare has further proffered that the GCC's development and application to health insurers is a result of international pressure, either through the International Association of Insurance Supervisors' (IAIS) International Capital Standard (ICS) project or the US/EU covered agreement. NAIC explored development of the GCC starting in 2015 before either the ICS or the covered agreement took shape. The covered agreement does recognize the GCC, but it contains no obligation to apply the GCC to health insurers. The ICS, a non-binding standard, would only apply to internationally active insurance groups, and therefore not United HealthCare. While we hope our work on the GCC informs our contributions to the ICS project and impacts the final product, they are distinct efforts, and we are moving forward ahead of and regardless of the outcome and contours of the ICS. Put simply, we are developing the GCC and including its application to health insurers to meet the domestic needs of state regulators, not in response to international standards or federal obligations that wouldn't apply to United HealthCare in any case.

United HealthCare is concerned that ratings agencies may interpret the GCC as a cap on leverage, potentially forcing health insurers to de-leverage to maintain their financial strength rating. We are communicating directly with the ratings agencies about the GCC and how it will be utilized, and thus far, we have not seen evidence of this interpretation. In actuality we are increasing, not decreasing, available capital by treating a portion of debt as additional available capital. The exact percentage will be considered as a part of our field testing exercise, and given United HealthCare's concerns with this provision, we assume you will participate.

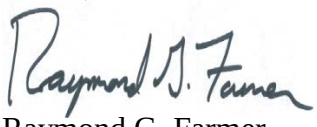
We have provided ample opportunities for United HealthCare to explore its concerns with our working group and with signatories to this letter and will continue to do so as this is an ongoing project – nothing is set in stone and the results of field testing will be instructive. We expect United HealthCare will participate in field testing to ensure its concerns are supported by data and analysis. In this same spirit and given the energy and resources United HealthCare has already dedicated to highlighting these concerns, we ask that you personally attend our upcoming national meeting in San Francisco to share your concerns directly with commissioners. We intend to invite other health insurer executives as well to ensure we have a clear picture of the issues.

While we believe that the vast majority of health insurers are well-capitalized and the GCC will reflect that, there is obviously a chance that the tool may reveal concerns at a specific insurer. That's the very purpose of the tool, to be an early warning signal to regulators so they can begin working with the company to resolve the concerns in a manner that will ensure that health insurance policyholders can be protected. No regulator wants to see a health company fail, claims not be paid, or policyholders be subjected to significant and surprising rate increases. This tool will help regulators prevent those situations from materializing and we hope you will stop using misinformation to derail our efforts and support the GCC's ongoing development and adoption.

Most sincerely,

Julie Mix McPeak
NAIC President
Commissioner
Tennessee Department of Commerce & Insurance

Eric A. Cioppa
NAIC President-Elect
Superintendent
Maine Bureau of Insurance



Raymond G. Farmer
NAIC Vice President
Director
South Carolina Department of Insurance

Gordon I. Ito
NAIC Secretary-Treasurer
Commissioner
Insurance Division
Hawaii Department of Commerce
and Consumer Affairs

Michael F. Consedine
Chief Executive Officer
National Association of Insurance
Commissioners