

Examination Warrant Number 16-1324-11995-R1

Report of Examination of

**UPMC For You, Inc.
Pittsburgh, Pennsylvania**

As of December 31, 2016

For Informational Purposes Only

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Harrisburg, Pennsylvania
April 19, 2018

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 16-1324-11995-R1, dated August 4, 2016, an examination was made of

UPMC For You, Inc., NAIC Code: 11995

a Pennsylvania domiciled, single-state Health Maintenance Organization (“HMO”), hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 600 Grant Street, Pittsburgh, Pennsylvania 15219.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Company, which was last examined as of December 31, 2011. This examination covered the five-year period from January 1, 2012 through December 31, 2016.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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, in accordance with 40 P.S. § 323.5(a), and general information about the Company 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 Company.

For each year during the period under examination, the certified public accounting firm of Ernst & Young, LLP (“CPA”) has provided an unmodified audit opinion on the Company’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following Pennsylvania domestic affiliated insurance companies from the University of Pittsburgh Medical Center (“UPMC”) Group were examined at the same time with this examination:

<u>Company</u>	<u>NAIC Code</u>
UPMC Health Network, Inc.	11994
UPMC Health Options, Inc.	15345
UPMC Health Coverage, Inc.	15451
Community Care Behavioral Health Organization	47024
UPMC Health Plan, Inc.	95216
UPMC Health Benefits, Inc.	11018
UPMC Work Alliance, Inc.	14485
Tri-Century Insurance Company	17990

HISTORY

The Company was incorporated on May 6, 2004, licensed by the Department on June 17, 2004 and commenced business on July 1, 2004. UPMC is the Company’s sole member.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 1554 as an HMO.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, December 31, 2016, the Company’s total capital and surplus was \$351,435,199, consisting of \$8,000,000 paid in and contributed surplus and \$343,435,199 unassigned funds (surplus).

The Company’s minimum net worth requirement for the type of business for which it is licensed pursuant to 31 Pa. Code § 301.121(b)(2) is equal to the greater of \$1,000,000 or three months of uncovered health care expenditures for Pennsylvania enrollees. Accordingly, the Company’s required minimum net worth as of December 31, 2016 is \$1,000,000. The Company meets this requirement.

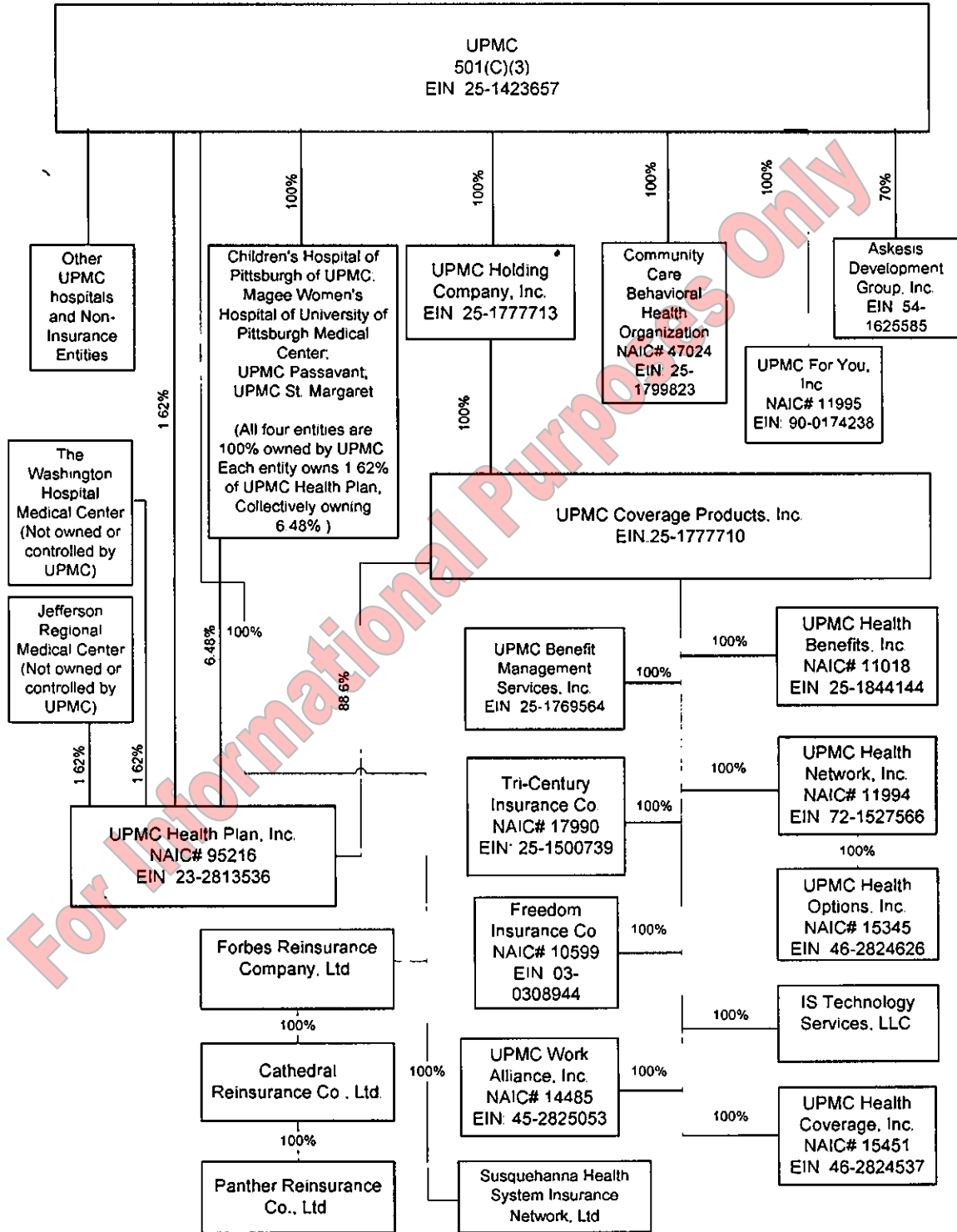
INSURANCE HOLDING COMPANY SYSTEM

The Company meets the requirements for filing an insurance holding company system annual registration statement (“Annual Registration Statement”), in compliance with 40 P.S. § 991.1404. The Company has filed the Annual Registration Statement and various amendments for all years of the examination period.

UPMC, a 501(c)(3) non-profit corporation is named as the ultimate controlling person in the system. The following abridged organizational chart depicts the Company’s relationship within the UPMC holding company system at December 31, 2016:

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UPMC & Subsidiaries Organizational Structure



BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2016:

Name and Address	Principal Occupation
Diane Patricia Holder Pittsburgh, Pennsylvania	Chief Executive Officer UPMC Health Plan
George Alan Huber Venetia, Pennsylvania	Attorney and Professor University of Pittsburgh
John Guy Lovelace Pittsburgh, Pennsylvania	Chief Executive Officer UPMC For You, Inc.
Stephen Perkins, M.D. Pittsburgh, Pennsylvania	Vice President, Medical Affairs UPMC Health Plan
Lori Reynolds Canonsburg, Pennsylvania	Retired

Article IV of the By-Laws of the Company provide that the Board shall consist of no less than three (3) nor more than twenty-one (21) members. At least one-third of the Board shall be Subscriber Directors. At least one-third of the Board shall be Outside Directors. Subscriber Directors may also serve as Outside Directors. The Directors shall be appointed annually by the Member and shall serve until their successors have been duly appointed and qualified or until a Director’s earlier death, resignation, or removal. Directors are to hold office for a one-year term.

The Company has a conflict of interest policy and requires all employees and directors to complete a conflict of interest questionnaire on an annual basis.

COMMITTEES

As of the examination date, December 31, 2016, the following committees were appointed by the Board and serving in accordance with the Company’s By-Laws:

<u>Finance, Audit & Compliance Committee</u>	<u>Outside Director Committee</u>
Mark Laskow, Chairman	George Huber, Chairman
Peter Eisenbrandt	Paula Garafola*
Diane Holder	Lori Reynolds
Scott Lammie	
Gary Weinstein	
George Nicholas Beckwith III	
Richard Hamilton	
George Huber	
Robin Newham	
Susie Shipley	

*Resigned as a member of the outside director committee in June 2016. The Outside Director Committee meets once a year.

OFFICERS

As of the examination date, December 31, 2016, the following officers were appointed and serving in accordance with the Company's By-Laws:

Name	Title
John Guy Lovelace	Chief Executive Officer
Gordon Gebbens	Treasurer
Sheryl Kashuba, Esq.	Secretary
Diane Patricia Holder	Chairman of the Board

CORPORATE RECORDS

MINUTES

A compliance review of the corporate minutes revealed the following:

- All meetings of the Board held during the period under examination, were held in compliance with the Company's By-Laws, and quorums were established at all such meetings.
- The Company's officers and members of the Board were appointed by the Member in compliance with the By-Laws.
- The Company's investment transactions and policy are approved by the Board or a committee thereof.

ARTICLES OF INCORPORATION

The Company amended the Articles of Incorporation effective June 24, 2013 to change the address of their Statutory Home Office to 600 Grant Street, US Steel Tower, 55th Floor, Pittsburgh, Pennsylvania 15219.

The Company did not report the change in the General Interrogatory section of the 2013 Annual Statement.

BY-LAWS

The Company amended its By-Laws effective December 11, 2012. The Company replaced Article V, Committee, Section 5.01, 5.1.1, and 5.1.2 with Article VII, Committees, Section 7.1, 7.2, and 7.3, respectively, to add a Finance, Audit & Compliance Committee, and to remove the Executive Committee, and to increase the minimum and the maximum number of outside directors from one (1) and six (6) to three (3) and fifteen (15), respectively, of the Outside Directors Committee.

The Company did not submit the By-Laws changes in accordance with Department filing guidelines, nor report the change in the General Interrogatory section of the 2012 Annual Statement.

It is recommended that all changes to the Articles of Incorporation and/or By-Laws are appropriately reported in the General Interrogatory, pursuant to NAIC Annual Statement Instructions.

SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, including several external and intercompany agreements. The following significant agreements were in place during the examination period:

Administrative Services Agreement

The Company has an Administrative Services Agreement with UPMC Health Plan, Inc. ("Health Plan"), under which Health Plan provides services for the administration and management of the Company. Specifically, Health Plan has agreed to provide the following services: sales and marketing; enrollment and eligibility; member services; accounting; finance; claims adjudication and payment; information systems; network development and administration; provider credentialing and re-credentialing; quality improvement; utilization management services; development services; and executive management and administration services. Health Plan is reimbursed for the actual costs of expenses that are directly attributable to the Company. For those costs that are attributable to all health plans for which Health Plan provides administration and management services, Health Plan receives reimbursement based upon the respective revenues of the companies.

Vision Administrative Services Agreement

The Company, Health Plan and UPMC Health Network Inc. ("Health Network") are parties to a vision administrative services agreement ("Agreement") with UPMC Health Benefits, Inc. ("Health Benefits"). Under the terms of the Agreement, Health Benefits shall provide certain vision benefits and services to the members of the Company, Health Plan and Health Network. Specifically, Health Benefits has agreed to provide the following services: Member Services, Claims Adjudication and Payment, Network Development and Administration, Provider Credentialing and Recredentialing, Quality Improvement, Utilization Management Services, Development Services, Retained Responsibilities. Health Benefits shall be reimbursed for all costs incurred directly attributable to the Company, Health Plan and Health Network.

Behavioral Health Provider Agreement

The Company and Health Plan are parties to a Special Needs Behavioral Health Services Agreement ("Agreement") with Community Care Behavioral Health Organization ("CCBH"). Under terms of the Agreement, CCBH provides behavioral health services to members of the Company and Health Plan on an Administrative Service Only ("ASO") basis. The ASO fee is paid to CCBH on per member / per month basis. The Agreement was originally effective on January 1, 2006, and was amended on January 1, 2007, January 1, 2013 and January 1, 2015.

REINSURANCE

CEDED

The Company did not have any significant ceded business during the period covered under this examination.

ASSUMED

The Company assumed no business during the period covered under this examination.

TERRITORY AND PLAN OF OPERATIONS

The Company is a Pennsylvania HMO which offers health care services to Medical Assistance beneficiaries and Dual-Eligible Special Needs Plans beneficiaries. The Company contracts with the Pennsylvania Department of Human Services ("DHS") on a capitation basis to offer these services. The Company offers health insurance, healthy-living education, and preventive care services.

Medical Assistance premiums represent the majority of the Company's enrollment revenue. The Company's revenue is based on capitation amounts as contracted with the DHS and is recognized in the period in which subscribers are entitled to benefits. The contract with DHS also provides for reimbursement of maternity and certain other services that are in addition to the monthly capitation payment.

The following chart summarizes the Company's direct and assumed, ceded and net written premiums for the year 2016:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
Title XVIII - Medicare	\$ 316,334,436	\$ 62,878	\$ 316,271,558	13.96 %
Title XIX - Medicaid	1,950,769,620	1,362,237	1,949,407,383	86.04 %
Health subtotal	<u>2,267,104,056</u>	<u>1,425,115</u>	<u>2,265,678,941</u>	<u>100.0 %</u>
Totals	<u>\$ 2,267,104,056</u>	<u>\$ 1,425,115</u>	<u>\$ 2,265,678,941</u>	<u>100.0 %</u>

SIGNIFICANT OPERATING TRENDS

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2016	2015	2014	2013	2012
Admitted Assets	\$ 750,630,858	\$ 527,847,474	\$ 428,121,296	\$ 338,759,115	\$ 303,334,940
Liabilities	\$ 399,195,659	\$ 280,269,804	\$ 199,939,033	\$ 166,088,039	\$ 128,557,343
Capital and Surplus Funds	\$ 351,435,199	\$ 247,577,670	\$ 228,182,263	\$ 172,671,075	\$ 174,777,597
Net Premium Income	\$2,265,678,941	\$1,995,158,331	\$1,629,613,420	\$1,497,231,978	\$ 986,841,565
Benefits to Members	\$2,077,614,699	\$1,746,013,521	\$1,432,066,113	\$1,340,220,186	\$ 892,621,809
Net Investment Income	\$ 1,946,862	\$ (734,410)	\$ (149,159)	\$ 303,404	\$ 619,796
Net Income	\$ 105,580,594	\$ 66,378,294	\$ 59,029,082	\$ 29,981,149	\$ 32,432,945

PENDING LITIGATION

The Company and certain of the UPMC insurance companies are subject to litigation and arbitration arising in the normal course of business. A review of the legal representation letters from the Company's legal counsel, and outside attorneys, explaining all current litigation to which the Company is a party indicated that the Company is not a party to any material litigation or arbitration, and none of which will, in the opinion of management that the ultimate liability, if any, associated with the outcome of these matters have a material adverse effect on the Company's financial condition.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2016, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus;
- Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2016	2015	2014	2013	2012
Bonds	\$ 113,221,259	\$ 98,805,932	\$ 87,853,014	\$ 85,557,501	\$ 85,185,348
Cash, cash equivalents and short-term investments	598,203,391	150,693,041	145,682,852	33,265,354	28,658,871
Other invested assets	5,932,943	6,318,954	5,056,411	6,860,495	8,947,664
Receivable for securities	500,628	3,439,531	0	0	0
Subtotal cash and invested assets	<u>655,858,219</u>	<u>259,657,458</u>	<u>238,602,276</u>	<u>125,683,350</u>	<u>122,791,883</u>
Investment income due and accrued	459,962	280,613	310,242	330,946	277,240
Premiums and considerations	15,448,198	185,374,755	134,959,638	114,137,067	134,123,766
Amounts recoverable from reinsurers	85,092	0	1,636	5,448	537,629
Other amounts receivable under reinsurance contracts	244,819	126,429	0	0	381,956
Amounts receivable relating to uninsured plans	1,853,742	10,713,657	7,453,844	9,029,880	1,713,159
Receivable from parent, subsidiaries and affiliates	40,860,000	38,562,000	25,767,000	52,623,642	29,432,168
Health care and other amounts receivable	32,975,975	25,030,880	14,493,850	9,980,383	9,568,588
Aggregate write-ins for other than invested assets	2,864,851	10,171,682	6,532,810	26,969,619	4,508,543
Total	<u>\$ 750,630,858</u>	<u>\$ 527,847,474</u>	<u>\$ 428,121,296</u>	<u>\$ 338,759,115</u>	<u>\$ 303,334,940</u>
Claims unpaid	\$ 102,363,623	\$ 105,148,236	\$ 79,240,490	\$ 82,844,250	\$ 69,080,034
Unpaid claims adjustment expenses	1,097,678	1,237,068	778,181	912,030	797,124
Aggregate health policy reserves	84,788,171	46,418,431	357,034	0	309,250
Premiums received in advance	937	117	6	149	172
General expenses due or accrued	0	0	317,794	579,045	216,393
Amounts due to parent, subsidiaries and affiliates	77,508,246	6,558,516	25,195,048	0	0
Payable for securities	1,067,552	4,002,059	1,165,568	778,254	636,123
Liability for amounts held under uninsured plans	1,192,287	0	1,319,437	0	1,672,931
Aggregate write-ins for other liabilities	131,181,287	116,905,377	91,565,477	80,876,312	65,645,316
Total liabilities	<u>399,195,659</u>	<u>280,269,804</u>	<u>199,939,033</u>	<u>168,088,040</u>	<u>128,557,343</u>
Gross paid in and contributed surplus	8,000,000	8,000,000	8,000,000	8,000,000	38,000,000
Unassigned funds (surplus)	343,435,199	239,577,670	220,182,263	164,671,075	136,777,597
Total capital and surplus	<u>351,435,199</u>	<u>247,577,670</u>	<u>228,182,263</u>	<u>172,671,075</u>	<u>174,777,597</u>
Totals	<u>\$ 750,630,858</u>	<u>\$ 527,847,474</u>	<u>\$ 428,121,296</u>	<u>\$ 338,759,115</u>	<u>\$ 303,334,940</u>

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Comparative Statement of Income For the Year Ended December 31,

	2016	2015	2014	2013	2012
Net premium income	\$ 2,265,678,941	\$ 1,895,158,331	\$ 1,629,613,420	\$ 1,497,231,978	\$ 996,841,565
Aggregate write-ins for other health care related revenues	117,558,677	66,715,866	57,916,703	56,087,045	55,691,427
Aggregate write-ins for other non-health revenues	(168)	(28,117)	(80,000)	1,863	0
Total revenues	2,383,235,450	2,061,846,180	1,687,470,123	1,553,320,886	1,052,532,992
Hospital/medical benefits	1,066,582,740	936,245,595	759,589,629	723,738,095	464,242,584
Other professional services	254,231,410	222,181,967	178,697,357	168,036,614	105,000,900
Emergency room and out-of-area	98,116,053	87,498,381	67,404,464	69,366,020	45,605,967
Prescription drugs	548,063,741	437,328,169	371,992,788	326,442,574	225,645,551
Aggregate write-ins for other hospital and medical	110,620,755	62,759,409	54,391,875	52,616,883	52,228,807
Subtotal (hospital and medical)	2,077,614,699	1,746,013,521	1,432,066,113	1,340,220,186	892,621,809
Net reinsurance recoveries	798,535	68,299	1,208,057	373,317	636,168
Total hospital and medical	2,078,413,234	1,745,945,222	1,430,858,056	1,339,846,869	891,985,641
Claims adjustment expenses, including cost containment expenses	36,729,859	29,463,142	28,307,350	24,680,841	17,691,992
General administrative expenses	167,972,135	219,379,534	171,341,641	159,385,495	112,142,238
Total underwriting deductions	2,281,518,158	1,994,807,898	1,628,507,047	1,523,913,305	1,021,819,871
Net underwriting gain or (loss)	101,717,293	67,038,283	58,983,076	29,407,580	30,713,122
Net investment income earned	1,946,862	(734,410)	(149,159)	303,404	619,796
Net realized capital gains or (losses)	1,916,439	74,422	215,165	250,165	1,100,027
Net investment gains or (losses)	3,863,301	(659,988)	66,006	553,569	1,719,823
Net income (loss)	\$ 105,580,594	\$ 66,378,294	\$ 59,029,082	\$ 29,961,149	\$ 32,432,945

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**Comparative Statement of Capital and Surplus
For the Year Ended December 31,**

	2016	2015	2014	2013	2012
Capital and surplus, December 31, previous year	\$ 247,577,670	\$ 228,182,283	\$ 172,671,075	\$ 174,777,597	\$ 142,550,818
Net income or (loss)	105,560,694	66,376,294	59,029,082	29,981,149	32,432,945
Change in net unrealized capital gains and (losses)	(348,038)	(868)	348,906	19,498	(7,134)
Change in nonadmitted assets	(1,375,027)	3,017,981	(3,686,800)	(2,087,169)	(199,032)
Surplus adjustments:					
Paid in	0	0	0	(30,000,000)	0
Aggregate write-ins for gains or (losses) in surplus	0	(50,000,000)	0	0	0
Net change in capital and surplus	103,857,529	19,395,407	55,511,188	(2,106,521)	32,226,779
Capital and surplus, December 31, current year	<u>\$ 351,435,199</u>	<u>\$ 247,577,670</u>	<u>\$ 228,182,283</u>	<u>\$ 172,671,075</u>	<u>\$ 174,777,597</u>

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Comparative Statement of Cash Flow For the Year Ended December 31,

	2016	2015	2014	2013	2012
Cash from Operations					
Premiums collected net of reinsurance	\$ 2,473,655,669	\$ 1,990,678,293	\$ 1,609,147,740	\$ 1,517,291,359	\$ 936,471,175
Net investment income	2,253,507	72,690	585,073	501,328	1,153,485
Miscellaneous income	117,556,509	66,667,849	57,856,704	56,088,907	55,891,428
Total	2,593,665,685	2,057,438,832	1,667,589,517	1,573,881,594	993,316,088
Benefit and loss related payments	2,079,665,870	1,720,035,641	1,424,477,841	1,315,962,237	870,554,608
Commissions, expenses paid and aggregate write-ins for deductions	194,789,304	253,301,033	195,148,418	192,578,530	129,464,014
Total deductions	2,274,455,174	1,973,336,674	1,619,626,259	1,508,540,767	1,000,018,622
Net cash from operations	319,210,511	84,102,159	47,963,258	65,340,827	(6,702,534)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	258,655,875	255,909,224	130,770,012	133,805,222	162,600,978
Net gain or (loss) on cash, cash equivalents and short term investments	0	0	0	162,079	192,362
Miscellaneous proceeds	1,240,496	207,493	502,290	19,902	0
Total investment proceeds	259,896,371	256,116,717	131,272,302	134,007,203	162,893,340
Cost of investments acquired (long-term only):					
Bonds	273,224,893	267,773,552	133,327,958	134,361,322	167,623,133
Miscellaneous applications	0	603,039	0	59,869	5,754,865
Total investments acquired	273,224,893	268,376,591	133,327,958	134,421,191	173,377,998
Net cash from investments	(13,328,522)	(12,259,874)	(2,055,656)	(413,988)	(10,384,656)
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Capital and paid in surplus, less treasury stock	0	0	0	(30,000,000)	0
Other cash provided or (applied)	79,328,360	(66,532,095)	66,509,896	(30,320,356)	11,971,994
Net cash from financing and miscellaneous sources	79,328,360	(66,532,095)	66,509,896	(60,320,356)	11,971,994
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	365,210,350	5,310,189	112,417,498	4,606,483	(5,115,197)
Cash and short-term investments:					
Beginning of the year	150,983,041	145,662,852	33,265,354	28,658,871	33,774,068
End of the year	\$ 536,203,391	\$ 150,983,041	\$ 145,662,852	\$ 33,265,354	\$ 28,658,871

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SUMMARY OF EXAMINATION CHANGES

There were no changes made to the Company's financial statements as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

ASSETS

INVESTMENTS

As of December 31, 2016, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 113,221,259	17.3 %
Cash	407,031,304	61.9 %
Short-term investments	129,172,087	19.7 %
Other invested assets	5,932,943	0.9 %
Receivable for securities	500,626	0.1 %
Securities lending reinvested collateral assets	0	0.1 %
Totals	<u>\$ 655,858,219</u>	<u>100.0 %</u>

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 231,568,762	96.1 %
2 - high quality	9,293,619	3.9 %
Totals	<u>\$ 240,862,381</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 146,175,088	60.8 %
2 to 5 years	84,900,876	35.1 %
6 to 10 years	4,503,291	1.9 %
11 to 20 years	3,974,054	1.7 %
over 20 years	1,309,070	0.5 %
Totals	<u>\$ 240,862,381</u>	<u>100.0 %</u>

The Company's investment portfolio is primarily comprised of bonds, cash and short-term investments, which collectively represent 98.9% of the invested assets.

The quality of the Company's bond portfolio is 100.0% investment grade, with 96.1% having an NAIC designation of "1" highest quality and 3.9% having an NAIC designation of "2" high quality.

The Company has a written investment policy as required by 40 P.S. § 504.1(c). The investment policy is reviewed and approved on at least an annual basis by the Board. The Company was following its investment policy at December 31, 2016.

The Company holds its investment portfolio under a non-discretionary custodial agreement with The Bank of New York Mellon, N.A. The examiners reviewed the Custodial Agreement and found it to be compliant with 31 Pa. Code § 148a.3.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

The Company reported reserves for Claims Unpaid of \$102,363,623, Unpaid Claims Adjustment Expenses of \$1,097,576 and Aggregate Health Policy Reserves of \$84,786,171 in its December 31, 2016 Annual Statement.

Timothy J. Feeser, FSA, MAAA, Vice President, Actuarial Consulting, of the firm of Optum, has served as the Company's appointed actuary for all years in the examination period. Mr. Feeser concluded the December 31, 2016 reserves make an adequate provision for the anticipated cash flows required by the contractual obligations and related expenses of the Company; the appointed actuary also opined that the December 31, 2016 reserves and related actuarial values:

- (a) Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) Meet the requirements of the Insurance Laws and regulations of the Commonwealth of Pennsylvania and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed,
- (d) Make good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements,
- (e) Are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- (f) Include appropriate provision for all actuarial items that ought to be established.

Ernst & Young, LLP, the Company's independent auditor, performed separate, independent actuarial analyses of reserves as of December 31, 2016. Their analyses concluded that reserves were within acceptable ranges, and therefore, were fairly stated.

In conjunction with the examination, the Department utilized the actuarial services of Lewis & Ellis, Inc., who subcontracted through Cerebres, LLC, to assist in the review of the Company's actuarial reserving process, assumptions, methodologies, calculations and reserve adequacy as of the examination date. Based upon procedures performed and results obtained, no

material deficiencies were identified in the reported actuarial reserves and related actuarial values.

The examination staff obtained sufficient evidence to support the conclusion that the Company's policyholder and claim reserves are reasonably stated as of December 31, 2016.

SUBSEQUENT EVENTS

On December 14, 2017, Michael L. Rasmussen, FSA, MAAA, Senior Director, Actuarial Consulting, of the firm of Optum, was appointed by the Board to serve as the appointed actuary, replacing Mr. Feeser, for several UPMC companies, including UPMC For You, Inc.

On January 5, 2017, Dr. Gwendolyn Sowa and Dr. James Schuster were elected as the members of the Board, replacing Diane Holder and Dr. Stephen Perkins, respectively. On November 17, 2017, Richelle DeBlasio was elected as a new member of the Board.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained the following recommendations:

1. It is recommended that the Company document the election of board members conducted at annual members' meetings as stipulated in Article III of the Company's By-Laws.

The Company has complied with this recommendation.

2. It is recommended that the Company establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by or under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the insurer or any such entity in compliance with 40 P.S. § 991.1405(c)(4).

The Company has complied with this recommendation.

3. It is recommended that the Company amend the applicable Administrative Services Agreement to specify a due date to comply with SSAP Number 25, Paragraph 6.

The Company has complied with this recommendation.

4. It is recommended that the Company's Board of Directors document review and approval of its Investment Policy on an annual basis as required by 40 P.S. § 504.1(c).

The Company has complied with this recommendation.

CURRENT EXAMINATION

As a result of the current examination, the following recommendation is being made:

1. It is recommended that all changes to the Articles of Incorporation and/or By-Laws are appropriately reported in the General Interrogatory, pursuant to NAIC Annual Statement Instructions. (See "Corporate Records" at page 7).

CONCLUSION

As a result of this examination, the financial condition of UPMC For You, Inc., as of December 31, 2016, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 750,630,858	100.0 %
Liabilities	\$ 399,195,659	53.2 %
Capital and Surplus	351,435,199	46.8 %
Total liabilities, capital and surplus	\$ 750,630,858	100.0 %

Since the previous examination, made as of December 31, 2011, the Company's assets increased by \$500,085,270, its liabilities increased by \$291,200,889, and its capital and surplus increased by \$208,884,381.

This examination was conducted by examination staff from Cerebres, LLC, actuaries from Lewis & Ellis, Inc., Cornelius McConville, Ellamarie Durant, George Horey, CFE, Robert Smith, CFE, and David Jia, CFE, with the latter in charge.

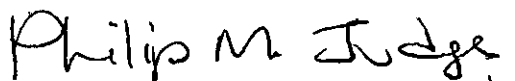
Respectfully,



Melissa L. Greiner

Director

Bureau of Financial Examinations



Philip M. Judge, CFE

Examination Manager



David W. Jia, CFE

Examiner-in-Charge