Report

of the

Examination of

John Alden Life Insurance Company

Milwaukee, Wisconsin

As of December 31, 2017

TABLE OF CONTENTS

Page

I. INTRODUCTION 1
II. HISTORY AND PLAN OF OPERATION 3
III. MANAGEMENT AND CONTROL 6
IV. AFFILIATED COMPANIES 8
V. REINSURANCE 17
VI. FINANCIAL DATA 19
VII. SUMMARY OF EXAMINATION RESULTS 29
VIII. CONCLUSION 31
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS 32
X. ACKNOWLEDGMENT 33
XI. SUBSEQUENT EVENTS 34

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, *Governor*
Mark V. Afable, *Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

April 15, 2019

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

JOHN ALDEN LIFE INSURANCE COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of John Alden Life Insurance Company (JALIC or the company) was conducted in 2014 as of December 31, 2013. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the Assurant Group. The Delaware Department of Insurance acted in the capacity as the lead state for the coordinated examinations. Work performed by the Delaware Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the “Financial Data” section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, asset adequacy analysis, and deferred life insurance premiums. The actuary’s results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

John Alden Life Insurance Company is a Wisconsin-domiciled stock life insurance company. JALIC was originally incorporated under the laws of Illinois on January 10, 1961, and commenced business on June 1, 1961, under the name John Alden Life Insurance Company. Since that time, the name had changed twice and later was changed back to its original name as John Alden Life Insurance Company on March 31, 1979.

JALIC was acquired by Great Western Financial Corporation in 1983. The holding company, John Alden Financial Corporation (JAFCO) was established in 1987 as a management-led buyout to acquire JALIC and certain JALIC subsidiaries. In 1987, JAFCO purchased Houston National Life Insurance Company (HNLIC), a Texas-domiciled insurer. Subsequently, JAFCO sold 100% ownership interest of JALIC to HNLIC.

Effective August 31, 1998, JAFCO and all of its subsidiaries, including JALIC, were purchased by Interfinancial, Inc., (Interfinancial) a subsidiary of Fortis, Inc. (n/k/a Assurant, Inc.). Fortis, Inc., was a wholly owned U.S. holding company subsidiary of Fortis Insurance N.V., which is a holding company subsidiary of European-based Fortis, an international financial services holding company. The ownership interest of the Fortis enterprise was jointly held by Fortis N.V., a corporation domiciled in the Netherlands, and Fortis S.A./N.V., a corporation domiciled in Belgium. Fortis N.V. and Fortis S.A./N.V. were diversified international insurance, banking, and investment companies that have merged their subsidiary operating companies under the trade name Fortis. Upon the 1998 Fortis acquisition of JALIC, the company's operations were transferred to the Fortis Health business unit located in Milwaukee, Wisconsin.

JALIC re-domiciled from Minnesota to Wisconsin effective July 15, 2002. Effective July 1, 2003, the company executed a statutory merger through which its immediate parent, HNLC merged with and into the company. As part of the merger, all of the issued common and preferred stocks of JALIC were canceled, the issued common stock of HNLIC was canceled, and one share of JALIC' s common stock was issued for each seven shares of the former HNLIC. The transaction was accounted for as a statutory merger, and prior-year financial information for the surviving combined entity was restated to provide comparability.

Effective February 4, 2004, Fortis, Inc., established Assurant, Inc., (Assurant) as a Delaware-based corporation and merged. As a result of the merger, Assurant is the U.S.-based successor holding company to the business operations of Fortis, Inc. Effective February 5, 2004, an initial public offering (IPO) of the common stock of Assurant was transacted on the New York Stock Exchange. Subsequent to the 2004 IPO, the ownership interest of Assurant held by Fortis had decreased to approximately 35% of Assurant's outstanding common capital stock, with the remaining 65% ownership of Assurant held by other diverse investors. On January 21, 2005, Fortis sold another 20% ownership interest in Assurant through a public offering.

On January 28, 2008, Fortis distributed shares of Assurant common stock to the holders of the mandatory exchangeable bonds. The shares of the company's common stock distributed to such holders were not registered at the time Fortis sold the exchangeable bonds but became freely transferable by such holders upon distribution. Following this transaction, Fortis owned 4,147,440 common shares or approximately 3.5% of Assurant's outstanding shares. On August 7, 2008, Assurant purchased one million of its common shares from Fortis. Fortis subsequently sold virtually all remaining shares to other investors.

In 2015, Assurant began the process of exiting the health and employee-benefit lines of business. As a result, JALIC and its direct parent, JAFCO, along with two direct subsidiaries of Interfinancial, NSM Sales Corporation (NSM Sales), and North Star Marketing Corporation (North Star) underwent a reorganization to facilitate the sale of JAFCO, NSM Sales, and North Start to National General Holdings Corp., (National General) a specialty personal lines insurance holding company. As part of the reorganization, Interfinancial contributed NSM Sales and North Star to JAFCO. JAFCO then transferred 100% ownership of JALIC to Interfinancial through a dividend, effective July 1, 2015. JAFCO was then sold to National General, effective October 1, 2015. As a result of the transaction, JALIC is now a direct subsidiary of Interfinancial.

Effective Oct. 17, 2017, Assurant entered into an agreement and plan of merger with TWG Holdings Limited, a Bermuda limited company, and its subsidiaries. On January 9, 2018, Assurant and TWG Holdings Limited, entered into an amended and restated agreement and plan of merger. The transaction is discussed in the "Subsequent Events" section of this examination report.

To summarize, JALIC is a member of a holding company system under Assurant as the ultimate parent. JALIC is wholly owned by Interfinancial, an insurance holding company, which is in turn owned by Assurant. JALIC does not have any employees, and all of its business operations are performed by holding company affiliates pursuant to intercompany services agreements.

In 2017, the company collected direct premium in the following states:

Florida	$ 1,986,804	11.3%
Texas	1,200,934	6.8
Ohio	1,083,184	6.2
California	1,063,748	6.0
All others	12,262,341	69.7
Total	$17,597,011	100.0%

The company is licensed in all states except New York. The company is also licensed in the District of Columbia, Guam, and the U.S. Virgin Islands.

JALIC previously sold individual health products, short-term medical insurance, and self-funded small group products. The company's primary distribution channel was North Star Marketing, a former affiliate that conducted marketing through independent agents. In 2013, JALIC decided to consolidate sales of new health insurance business to an affiliate. In 2015, JALIC and Assurant exited its health insurance and employee benefits blocks of business and also sold its supplemental and self-insured business.

The following chart is a summary of premium income as reported by the company in 2017. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Ordinary life	$ 7,311,538	$	$ 7,443,742	$(132,204)
Group life	11,333			11,333
Individual annuities	489,635		489,635	
Group annuities	3,472		3,472	
Group A & H	125,543			125,543
Other A & H	10,324,910	_	10,403,112	(78,202)
Total all lines	$18,266,431	$0	$18,339,961	$ (73,530)

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. Three directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Each member of the company’s board of directors is an employee within the Assurant enterprise and may also be a member of other boards of directors in the holding company group. The board members currently do not receive specific compensation for serving on the board of JALIC.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Athanasios Bolovinos Jersey City, NJ	Vice President of Finance and Assistant Controller Assurant	2019
Eric M. Kurzrok Ridgewood, NJ	Vice President, Actuary Rating and Capital Assurant	2019
Paula M. SeGuin Chittenango, NY	Director of Compliance Assurant	2019

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2017 Compensation
Paula M. SeGuin	President and CEO	$217,858
Jeannie A. Aragon-Cruz	Secretary	156,657
Athanasios Bolovinos	Treasurer and CFO (2018-current)	0
Tamrha V. Mangelsen	Treasurer and CFO (retired 2018)	268,056
Richard J.Fortwengler	Senior Vice President	756,789
Marilyn M. Piccolo	Chief Information Security Officer	336,336
Andrew A. Minten	Chief Actuary	165,136

Committees of the Board

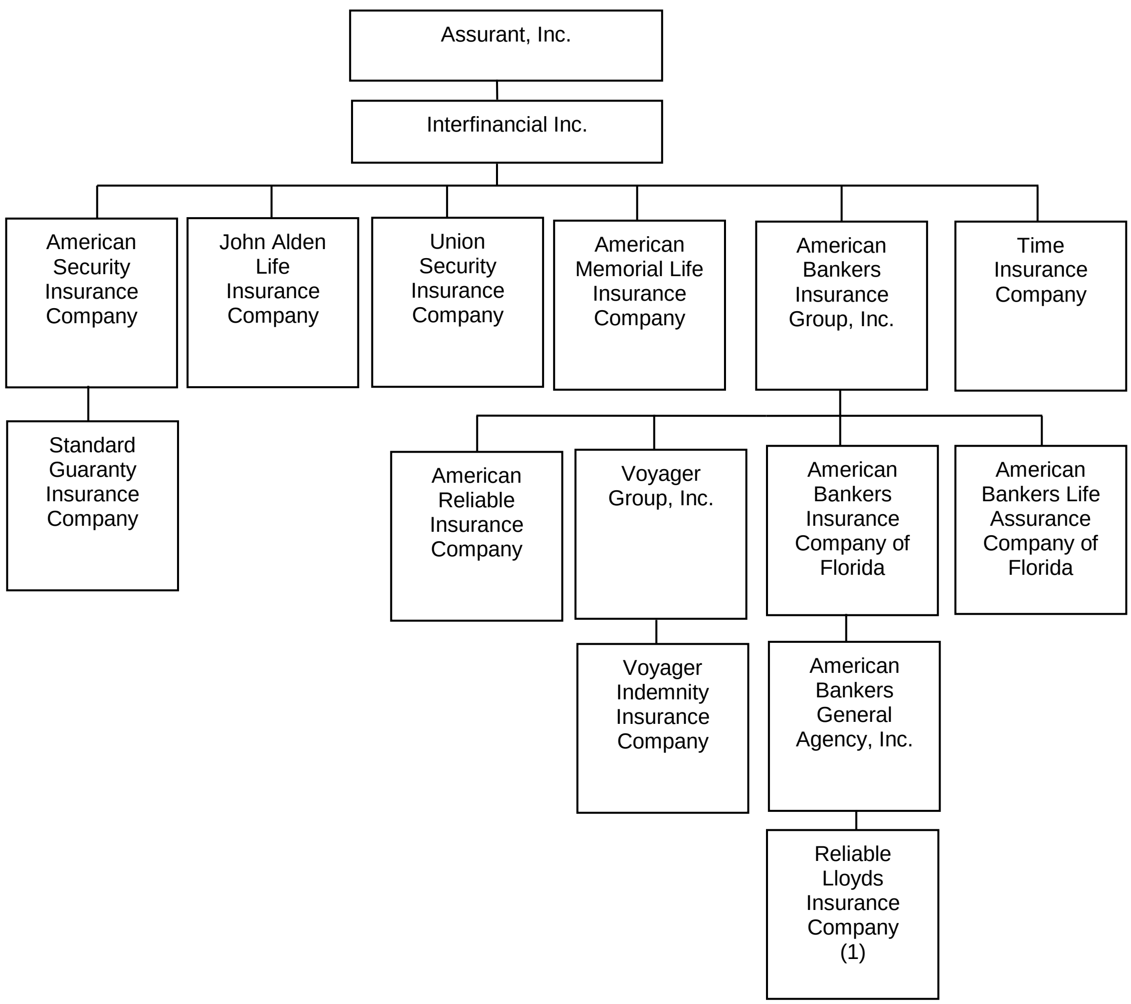
The company's bylaws allow for the formation of certain committees by the board of directors. The company had not established any committees of the board of directors at the time of the examination. The company is a member of the Assurant holding company system. Assurant is a Sarbanes-Oxley (SOX) compliant publicly traded company with its own board-appointed Audit

Committee. Under s. Ins 50.15, Wis. Adm. Code, an insurer that is a direct or indirect wholly owned subsidiary of a SOX-compliant entity is not required to have its own audit committee.

IV. AFFILIATED COMPANIES

John Alden Life Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant follows the organizational chart. Note that the organizational chart is a simplified version of the complete organizational chart due to the size and complexity of the holding company system.

Organizational Chart
As of December 31, 2017



(1) American Bankers General Agency, Inc., controls Reliable Lloyds Insurance Company through a management agreement

Assurant, Inc.

Assurant, Inc., is a Delaware-domiciled holding company and is the ultimate parent of JALIC. Assurant is an insurance and financial services holding company that through its subsidiaries operates in four decentralized business segments, including global housing, global lifestyle, global preneed, and corporate. Assurant, Inc. is a publicly traded company, trading on the New York Stock Exchange under the symbol AIZ.

As of December 31, 2017, the audited generally accepted accounting principles (GAAP) consolidated financial statements of Assurant reported assets of $31.8 billion, liabilities of $27.6 billion, and stockholder equity of $4.2 billion. Operations for 2017 produced net income of $519.6 million.

Interfinancial, Inc.

Interfinancial, Inc., is incorporated under the laws of the State of Georgia and is the direct parent of American Memorial Life Insurance Company (AMLIC), American Security Insurance Company (ASIC), Time Insurance Company (TIC), JALIC, and Union Security Insurance Company (USIC). Interfinancial is a wholly owned intermediate holding company within the Assurant organization and does not have profit or loss activity.

Time Insurance Company

Time Insurance Company is a life insurer whose primary business was individual medical, short-term medical, and small employer group health insurance. In June of 2015, Assurant exited its health business segment and, as a result, TIC's health business was placed into runoff.

As of December 31, 2017, the statutory basis audited financial statements of TIC reported admitted assets of $82.3 million, liabilities of $39.7 million, and policyholders' surplus of $40.0 million. Operations for 2017 produced net income of $44.4 million.

On December 3, 2018, Haven Holdings Inc. (HHI), an unaffiliated Insurance Holding Company, purchased all the issued and outstanding common stock of TIC. Then, on December 5, 2018, HHI merged its wholly owned insurance subsidiary, Haven Insurance Company II, into TIC. As part of the merger, TIC redomiciled from Wisconsin to Puerto Rico and was renamed to Time Insurance Company II.

American Bankers Insurance Company of Florida

American Bankers Insurance Company of Florida (ABIC), a wholly owned subsidiary of American Bankers Insurance Group, Inc., is a Florida-domiciled property and casualty insurance company. ABIC's most significant lines of business are homeowners, mobile home physical damage, retail and auto warranty, credit insurance programs (unemployment, property, and accident and health), and mobile devices coverage throughout the United States and Canada. ABIC is licensed in the District of Columbia, all state jurisdictions, Puerto Rico, the U.S. Virgin Islands, and Canada.

As of December 31, 2017, the statutory basis audited financial statements of ABIC reported admitted assets of $2.4 billion, liabilities of $1.8 billion, and policyholders' surplus of $560.7 million. Operations for 2017 produced net income of $136.2 million.

American Bankers Life Assurance Company of Florida

American Bankers Life Assurance Company of Florida (ABLAC), a wholly owned subsidiary of the American Bankers Insurance Group, is a Florida-domiciled life insurance company. ABLAC provides credit-related insurance programs in the United States, Canada, and the Caribbean. The company operates in various life, accident and health, and annuity lines – the most significant of which are credit life, accident and health, group life, and group accident and health. ABLAC, as an international wholesaler and marketer of insurance products, services, and programs, concentrates on marketing through financial institutions, retailers, and other entities that provide consumer financing as a regular part of their business. ABLAC is licensed in the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, Canada, and all state jurisdictions except New York.

As of December 31, 2017, the statutory basis audited financial statements of ABLAC reported admitted assets of $364.0 million, liabilities of $311.0 million, and policyholders' surplus of $53.0 million. Operations for 2017 produced net income of $23.8 million.

Reliable Lloyds Insurance Company

Reliable Lloyds Insurance Company (RLIC) is comprised of individual underwriters who by Articles of Association and Agreement act as financial guarantors. RLIC is controlled by American Bankers General Agency (ABGA), the attorney-in-fact, through powers of attorney between the underwriters and ABGA. For the year ending December 31, 2017, RLIC wrote commercial multiple peril and inland marine business. RLIC underwrites predominantly credit-related insurance programs in the State of Texas. The company also writes surplus lines in the State of Georgia. All business written by RLIC is 100% reinsured to affiliates.

As of December 31, 2017, the statutory basis audited financial statements of RLIC reported admitted assets of $26.7 million, liabilities of $13.6 million, and a policyholder surplus of $13.1 million. Operations for 2017 produced net income of $892 thousand.

Voyager Indemnity Insurance Company

Voyager Indemnity Insurance Company (VIIC), a wholly owned subsidiary of Voyager Group, Inc., is a Georgia-domiciled property and casualty insurance company. VIIC is licensed in Georgia and operates on surplus lines or non-admitted basis in all other states and Puerto Rico. VIIC's principal products insure financial institutions and their revolving credit, installment and mortgage loan customers from property and casualty losses arising from fire, windstorm, loss of income, contractual liability, and auto physical damage. VIIC's products are primarily produced through financial institutions.

As of December 31, 2017, the statutory basis audited financial statements of VIIC reported admitted assets of $109.8 million, liabilities of $59.9 million, and a policyholder surplus of $49.9 million. Operations for 2017 produced net income of $33.4 million.

American Memorial Life Insurance Company

American Memorial Life Insurance Company is a South Dakota-domiciled life insurer within the Global Preneed business segment. AMLIC' s primary business is the sale of pre-need life insurance products designed to pre-fund funeral arrangements along with the sale of final need insurance policies to pay final expenses. AMLIC is licensed in the District of Columbia, U.S. Virgin Islands, and all state jurisdictions except New York.

As of December 31, 2017, the statutory basis audited financial statements of AMLIC reported admitted assets of $3.2billion, liabilities of $3.0 billion, and policyholders' surplus of $128.5 million. Operations for 2017 produced net income of $32.0 million.

American Security Insurance Company

American Security Insurance Company is a Delaware-domiciled property and casualty insurer within the Global Housing segment. ASIC's principal products protect the collateral of financial institution loans and their revolving credit or the institution loan customer from property and casualty losses arising from fire, windstorm, loss of income, contractual liability, and auto physical damage. ASIC is licensed in the District of Columbia and all state jurisdictions except New Hampshire.

As of December 31, 2017, the statutory basis audited financial statements of ASIC reported admitted assets of $1.4 billion, liabilities of $0.9 billion, and total policyholders' surplus of $506.3 million. Operations for 2017 produced net income of $91.8 million.

Standard Guaranty Insurance Company

Standard Guaranty Insurance Company (SGIC), a wholly owned subsidiary of ASIC, is a Delaware-domiciled property and casualty insurer within the global housing business segment. SGIC' s principal products insure financial institutions and their revolving credit, installment, and mortgage loan customers against property and casualty losses arising from fire, windstorm, loss of income, contractual liability, and auto physical damage. SGIC is licensed in all state jurisdictions except Alaska, Connecticut, Maine, Massachusetts, New York, Pennsylvania, and Wyoming. SGIC is also authorized as an excess and surplus lines carrier in the State of Texas.

As of December 31, 2017, the statutory basis audited financial statements of SGIC reported admitted assets of $314.4 million, liabilities of $184.7 million, and policyholders' surplus of $129.7 million. Operations for 2017 produced net income of $28.5 million.

Union Security Insurance Company

Union Security Insurance Company is a Kansas-domiciled life insurance company. USIC is a provider of life and health insurance products, including individual life and annuity, group disability insurance, group dental insurance, group life insurance, group vision, small employer group health insurance, supplemental worksite products, long-term care, mortgage, accidental death and dismemberment ("mortgage AD"), and pre-funded funeral insurance ("preneed"). With the exception of preneed and mortgage AD, USIC has sold, via reinsurance, and cedes all of its business to, non-affiliated insurance companies. Preneed business is currently in runoff. The mortgage AD business is

100% ceded to affiliates. USIC distributes its products in the District of Columbia and all states except New York.

As of December 31, 2017, the statutory basis audited financial statements of USIC reported admitted assets of $2.7 billion, liabilities of $2.6 billion, and policyholders' surplus of $113.9 million. Operations for 2017 produced net income of $106.2 million.

Agreements with Affiliates

The company has entered into various intercompany agreements for the provision of investment management services, business operations services, and income tax allocation. The intercompany agreements of the company are described below.

<u>Federal Income Tax Allocation Agreement</u>

The company participates in a federal income tax allocation agreement between and among Assurant and its affiliates. The agreement provides for the allocation of federal income taxes in accordance with provisions of Treasury Regulations s. 1.1552-1 and s. 1.1502-33 whereby the aggregate tax liability of the Assurant group is allocated to the member companies on a separate company income tax return basis. Settlements for tax liability under the allocation agreement are to be made within 30 days of the Assurant filing of the actual consolidated federal corporate income tax return with the Internal Revenue Service. In the event that a refund is due to the combined group, Assurant may defer payment to the other members of the group for a period not to exceed 30 days from Assurant's receipt of such refund.

<u>Investment Management Agreement</u>

The company and Assurant maintain an agreement under which Assurant provides to the company investment management services for the maintenance and administration of the company's investment portfolio. Services provided by Assurant include the following:

a. General investment advice,
b. Investment accounting,
c. Establishment of company brokerage and custodial accounts and other arrangements for trading and safekeeping, and
d. Performance of all other functions necessary to manage the investment portfolio and to assist the company in its development of investment strategy.

The agreement provides that investment management services performed by Assurant must conform to the company's investment guidelines and to applicable regulatory guidelines. The company pays an annual fee for services based on the market value of the investment portfolio as of June 30 of the immediately preceding year. All expenses related to Assurant's management of the company's investment portfolio, including brokerage fees and commissions, custodian charges, interest expense, taxes, and auditing and legal expenses are allocated to and paid by the company.

Management Services Agreement

The company and Assurant maintain a management services agreement whereby Assurant and its subsidiary companies provide various management services to the company. The services provided for under the agreement include the following:

a. Risk management and the provision of certain liability insurance coverages;
b. Administration of employee benefit plans in which company personnel participate, including all monitoring, accounting, plan development, certain plan contributions, and servicing;
c. Design, development, and administration of executive compensation programs and plan contributions;
d. Centralized staff and support services, including internal and external audit, accounting, financial reporting, tax advice, preparation and review of tax returns, legal, human resources recruitment, employee training and development, special or unique actuarial, and management consulting;
e. Advice regarding strategic and operational matters, assistance in developing business plans and budgets, general asset and liability management, and advice regarding risk-based and other capital systems;
f. Advertising, marketing, public relations, and government affairs services; and
g. Rating agency coordination.

The company pays an annual fee for services equal to the company's allocated portion of Assurant's net allocable operating expenses for the year, determined by Assurant based on appropriate and rational allocation methods that are in conformity with customary insurance accounting practices.

Administrative Services Agreement

The company is a party to a services agreement with USIC for the provision of administrative and other services relating to JALIC group dental insurance coverages. Services performed by USIC include claim processing and payment, policyholder services, maintenance of records, daily preparation of claim disbursements, and maintenance of a toll-free 800 telephone number for customer calls. The agreement requires JALIC pay USIC a monthly capitation fee plus an hourly consulting fee at scheduled rates if USIC performs certain types of consultant services upon the prior written request of the company. Settlement of balances due under the services agreement is performed monthly.

Intercompany Services and Payment Intermediary Agreement

The company is a party to an intercompany services and payment intermediary agreement with ABIC for the performance of services benefiting JALIC. The services provided for under the agreement include, but are not limited to, the following:

a. Forms and filing administration;
b. Claims processing, premium processing, collections, and claims payment;
c. General corporate services;
d. Centralized staff and support services, including accounting, legal, human resources recruitment, employee training and development, special or unique actuarial, and management consulting;
e. Data processing services;
f. Advertising, marketing, travel services, public relations, and government affairs services; and
g. Tax assistance.

Settlement of balances due under the services agreement is performed monthly unless the net balance is less than $5,000, in which case settlement is quarterly. The parties agree to allocate charges for services performed based on the actual cost of the services performed.

Intercompany Services and Payment Intermediary Agreement

The company is a party to an intercompany services and payment intermediary agreement with ABLAC for the performance of services benefiting JALIC. The services provided for under the agreement include, but are not limited to, the following:

a. Forms and filing administration;
b. Claims processing, premium processing, collections, and claims payment;
c. General corporate services;
d. Centralized staff and support services, including accounting, legal, human resources recruitment, employee training and development, special or unique actuarial, and management consulting;
e. Data processing services.
f. Advertising, marketing, travel services, public relations, and government affairs services.
g. Tax assistance.

Settlement of balances due under the services agreement is performed monthly unless the net balance is less than $5,000, in which case, the settlement is quarterly. The parties agree to allocate charges for services performed based on the actual cost of the services performed.

Master Sales Agreement

John Alden Life Insurance Company entered into a master sales agreement with United Service Protection Corporation, effective July 24, 2015. ASIC, ABIC, and SGIC were also later added to the agreement. The agreement provided for the sale of certain investments, in JALIC's investment portfolio. Assets sold under the agreement were to be valued at a fair market price. The term of the agreement was from July 24, 2015, to June 30, 2017, and is no longer in effect.

Affiliated Services Agreement

Several of the affiliated insurance companies within the Assurant Group have entered into an affiliated services agreement for the provision of payments for vendor services, collection of premiums, claim payments, and any other service requested by one party of another member in the group. Parties to this agreement include the following entities:

- John Alden Life Insurance Company,
- Voyager Indemnity Insurance Company,
- American Security Insurance Company,
- Standard Guaranty Insurance Company,
- American Memorial Life Insurance Company,
- Reliable Lloyds Insurance Company, and
- Time Insurance Company.

The parties agree to allocate charges for services performed based on the actual cost of the service without a profit factor built into the allocation.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below as it relates to significant reinsurance policies in force at the time of the examination. The contracts contain proper insolvency provisions.

Ceding Contracts

<u>100% Ceded Coinsurance – Individual Life and Annuity Insurance</u>

Effective April 1, 2001, JALIC entered into a reinsurance agreement with Hartford Life Insurance and Annuity Company (Hartford) for the transfer to Hartford of business comprised of certain individual life insurance policies and annuity business written by the company. The agreement, which is structured as a sale of the business line, provides for JALIC cession of risks to Hartford on a 100% modified coinsurance basis. Concurrently, Houston National Life Insurance Company (HNLIC) which is now merged into the company, also entered into a comparable reinsurance agreement with Hartford. Hartford is the administrator of the business. The 2001 cessions by JALIC and HNLIC resulted in a statutory basis gain of $8.1 million to the company, which was deferred and recorded as unrealized gain. The unrealized gain is amortized into income in future accounting periods as maturing policies terminate and are removed from the book of business, thereby releasing JALIC' s contingent liability as the original issuer of the business. In 2017, JALIC recognized amortized gains of $143 thousand and ceded $3.2 million of reserves to Hartford pursuant to the HNLIC reinsurance agreement. Under the modified coinsurance agreement JALIC retained $167.5 million of reserves on their balance sheet, as of December 31, 2017.

<u>100% Ceded Coinsurance – Supplemental and Self-insured Insurance</u>

Effective October 1, 2015, JALIC entered into a reinsurance agreement with Integon National Insurance Company (Integon) for the transfer to Integon of business comprised of supplemental and self-insured business written by JALIC. The agreement provides for JALIC cession of risks to Integon on a 100% indemnity coinsurance agreement. JALIC also appointed Integon to provide administrative and other services with respect to the reinsured risks.

Effective October 1, 2015, JALIC entered into a reinsurance agreement with National Health Insurance Company (NHIC) for the transfer to NHIC of business comprised of supplemental and self-insured business written by JALIC. The agreement provides for JALIC cession of risks to NHIC on a 100% indemnity coinsurance agreement. JALIC also appointed NHIC to provide administrative and other services with respect to the reinsured risks.

100% Long-Term Nursing Care Reinsurance

Effective February 1, 1989, JALIC entered into a reinsurance agreement with Employers Reassurance Corp. for the transfer of the long-term care risk under the following specified policy form coverage schedules:

- Policy Form A – Nursing Care = 100%

  Other = 100%

- Policy Form B – Nursing Care = 100% of costs prior to eligibility for guaranteed assistance care benefit and 100% of costs remaining after the guaranteed assistance care benefit is applied

  Other = 0%

- Policy Form C – Nursing Care = 100%

  Other = 100%

JALIC is required to pay the reinsurer a premium equal to the same percentage of direct premium as specified in the above coverage schedules, subject to a ceding commission which varies by policy form. The reinsurer has the authority to increase the above percentage of premium payable on the subject policies if the inception to date loss ratio exceeds 70%. JALIC has the right to terminate the contract upon objection to the above premium requirement changes. The agreement also provides for a profit commission in accordance with contract-specified calculations.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2017, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

John Alden Life Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$172,200,361	$	$172,200,361
Stocks:			
Preferred stocks	3,479,057		3,479,057
Cash, cash equivalents, and short-term investments	8,696,792		8,696,792
Contract loans	15,821,425	281	15,821,144
Derivatives			
Other invested assets	141,343		141,343
Receivables for securities	3,333		3,333
Investment income due and accrued	2,105,076		2,105,076
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	858		858
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	103,686		103,686
Reinsurance:			
Amounts recoverable from reinsurers	3,400,346		3,400,346
Other amounts receivable under reinsurance contracts	240,272		240,272
Current federal and foreign income tax recoverable and interest thereon	2,060,572		2,060,572
Net deferred tax asset	4,270,734	2,359,409	1,911,325
Guaranty funds receivable or on deposit	1,084,710		1,084,710
Receivable from parent, subsidiaries and affiliates	38		38
Health care and other amounts receivable	9,810	9,810	
Write-ins for other than invested assets:			
Premium tax recoverable	464,579		464,579
Other assets	18,099	18,099	
Total Assets	$214,101,091	$2,387,599	$211,713,492

John Alden Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Aggregate reserve for life contracts		$168,462,302
Aggregate reserve for accident and health contracts		1,057,780
Contract claims:		
Life		4,489,340
Accident and health		99,255
Premiums and annuity considerations received in advance		25,735
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance		12,113,816
Interest maintenance reserve		933,353
Commissions to agents due or accrued		425
General expenses due or accrued		3,467,210
Taxes, licenses, and fees due or accrued, excluding federal income taxes		3,064,635
Amounts withheld or retained by company as agent or trustee		18,099
Miscellaneous liabilities:		
Asset valuation reserve		953,477
Payable to parent, subsidiaries and affiliates		161,398
Write-ins for liabilities:		
Unclaimed funds to be escheated		311,304
Total Liabilities		195,158,129
Common capital stock	$ 2,600,000	
Gross paid in and contributed surplus	12,987,737	
Write-ins for special surplus funds:		
Surplus appropriated for CY ACA Section 9010 Fee	2,998	
Unassigned funds (surplus)	964,628	
Total capital and surplus		16,555,363
Total liabilities, capital and surplus		$211,713,492

John Alden Life Insurance Company
Summary of Operations
For the Year 2017

Premiums and annuity considerations for life and accident and health contracts		$ (73,530)
Net investment income		9,065,142
Amortization of interest maintenance reserve		777,845
Commissions and expense allowances on reinsurance ceded		2,328,252
Reserve adjustments on reinsurance ceded		(15,934,144)
Miscellaneous income:		
Write-ins for miscellaneous income:		
Miscellaneous income		15,408
Total income items		(3,821,027)
Death benefits	$ (70,392)	
Disability benefits and benefits under accident and health contracts	(1,027,613)	
Interest and adjustments on contract or deposit-type contract funds	4,361	
Increase in aggregate reserves for life and accident and health contracts	(7,197,932)	
Subtotal	(8,291,576)	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	445,384	
General insurance expenses	1,809,424	
Insurance taxes, licenses, and fees excluding federal income taxes	421,550	
Write-in for deductions:		
Fines and penalties	27,454	
Total deductions		(5,587,764)
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		1,766,737
Federal and foreign income taxes incurred (excluding tax on capital gains)		768,786
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		997,951
Net realized capital gains or (losses)		243,472
Net Income		$ 1,241,423

John Alden Life Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance			$ (714,403)
Net investment income			9,347,172
Miscellaneous income			2,242,850
Total			10,875,619
Benefit- and loss-related payments		$22,292,443	
Commissions, expenses paid, and aggregate write-ins for deductions		2,643,242	
Federal and foreign income taxes paid (recovered)		847,492	
Total deductions			25,783,177
Net cash from operations			(14,907,558)
Proceeds from investments sold, matured, or repaid:			
Bonds	$43,716,701		
Stocks	96,000		
Miscellaneous proceeds	11,141		
Total investment proceeds		43,823,842	
Cost of investments acquired (long-term only):			
Bonds	43,498,328		
Miscellaneous applications	3,333		
Total investments acquired		43,501,661	
Net increase (or decrease) in contract loans and premium notes		(1,323,803)	
Net cash from investments			1,645,984
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(1,205,889)	
Net cash from financing and miscellaneous sources			(1,205,889)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(14,467,463)
Cash, cash equivalents, and short-term investments:			
Beginning of year			23,164,255
End of year			$ 8,696,792

John Alden Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017

Assets			$211,713,492
Less liabilities			195,158,129
Adjusted surplus			16,555,363
Annual premium:			
Individual life and health	$7,296,267		
Factor	15%		
Total		$1,094,440	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		150,388	
Compulsory surplus (subject to a $2,000,000 minimum)			2,000,000
Compulsory surplus excess (deficit)			$14,555,363
Adjusted surplus (from above)			$16,555,363
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum of 110%)			2,800,000
Security surplus excess (deficit)			$13,755,363

John Alden Life Insurance Company
Analysis of Surplus
For the Four-Year Period Ending December 31, 2017

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2017	**2016**	**2015**	**2014**
Capital and surplus, beginning of year	$15,587,734	$29,837,182	$35,618,891	$68,384,379
Net income	1,241,423	2,386,793	(1,737,829)	13,172,192
Change in net unrealized capital gains/losses			18,200	(18,196)
Change in net deferred income tax	(2,430,709)	(4,525,143)	55,872	342,085
Change in nonadmitted assets and related items	2,302,303	700,215	307,230	85,825
Change in asset valuation reserve	3,059	344,505	744,066	638,246
Cumulative effect of changes in accounting principles	(5,000)			
Surplus adjustments:				
Change in surplus as a result of reinsurance	(143,447)	(155,819)	(169,248)	14,360
Dividends to stockholders		(13,000,000)	(5,000,000)	(47,000,000)
Capital and surplus, end of year	$16,555,363	$15,587,734	$29,837,182	$35,618,891

John Alden Life Insurance Company
Insurance Regulatory Information System
For the Four-Year Period Ending December 31, 2017

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2017	2016	2015	2014
#1	Net change in capital & surplus	6%	-48%*	-16%*	-48%*
#2	Gross change in capital & surplus	6	-48*	-16*	-48*
#3	Net income to total income	NR	23	-2*	7
#4	Adequacy of investment income	100*	107*	121*	156
#5	Non-admitted to admitted assets	1	2	2	2
#6	Total real estate & mortgage loans to cash & invested assets	0	0	0	6
#7	Total affiliated investments to capital & surplus	0	0	0	0
#8	Surplus relief	13	15	8	8
#9	Change in premium	-107*	-90*	-38*	-46*
#10	Change in product mix	NR	1.2	.1	.1
#11	Change in asset mix	.8	.2	.8	.3
#12	Change in reserving	0	9,056*	-9,156*	8,972*

IRIS ratios No. 1 and No. 2 analyze, respectively, the percentage change year-to-year in net and gross capital and surplus. The unusual results for ratios No. 1 and No. 2 in 2016, 2015, and 2014 were due to dividends paid to its sole shareholder of $13 million, $5 million, and $47 million, respectively.

Net income to total income, ratio No. 3, is a measure of the insurer's profitability. The usual range includes all results greater than zero. The unusual results for ratio No. 3 in 2015 was due to a small net loss, which was the result of a significant decrease in premium received, as the company exited its health insurance and employee benefits blocks of business.

Adequacy of investment income, ratio No. 4, indicates whether an insurer's investment income is adequate to meet the interest requirements of its reserves. The usual range includes results greater than 125%. The unusual results in 2017, 2016, and 2015 were due to steadily declining net investment income, as well as slight increases in calculated tabular interest requirements for increases in reserves. Overall investment returns have been depressed in part because of the low-interest rate environment.

Change in premium, ratio No. 9, represents the percentage change in premium from the prior to the current year. The usual range includes all results of less than 50% and greater than -10%. The company reported an unusual ratio each year during the examination period. The company had been experiencing declining membership in its major medical insurance products through 2015, at which point it exited the line of business. As a result, all lines of business are now in runoff and the company's premium receipts have continued to decline substantially.

For the change in reserving, ratio No. 12, positive results indicate an increase from the prior year, and negative results indicate a decrease from the prior year. The usual range includes a change from the current and prior year of less than 20% and greater than -20%. The unusual results for ratio No. 12 in 2016, 2015, and 2014 were due to the runoff of the company's life insurance business.

Growth of John Alden Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2017	$211,713,492	$195,158,129	$16,555,363
2016	227,574,931	211,987,197	15,587,734
2015	283,958,919	254,121,737	29,837,182
2014	313,837,975	278,219,084	35,618,891
2013	362,816,665	294,432,286	68,384,379

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2017	$ 31,501	$0	$0
2016	92,654	0	0
2015	657,945	0	0
2014	1,000,877	0	0
2013	1,696,508	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2017	$ 984,756	$ 982,695	$ 2,061
2016	1,050,265	1,049,266	999
2015	1,282,726	1,159,947	122,779
2014	1,459,634	1,251,859	207,775
2013	1,645,492	1,301,720	343,772

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2017	$ 51,505	$ (777,878)	$ (1,739,416)	$ 2,294,311	-432.9%
2016	13,619,171	(12,148,691)	(1,299,014)	13,576,980	133.0
2015	106,623,281	84,005,314	2,314,720	26,126,981	105.5
2014	173,224,643	119,229,324	5,632,993	30,346,037	89.6
2013	314,150,552	234,645,358	13,662,651	49,770,914	94.9

* Includes increase in contract reserves
** Includes taxes, licenses, and fees

Over the examination period, the surplus decreased by 75.8% primarily due to stockholder dividends paid over the period of $65 million. During the same time period, JALIC reported an almost 100% decline in net earned premiums due to management's decision to consolidate small employer group health insurance with affiliates and sell its supplemental and self-insured business, and the decision in 1989 to cede its long-term care insurance business.

Reconciliation of Surplus per Examination

No adjustment or reclassification resulted from the examination. The capital and surplus reported at December 31, 2017, of $16,555,363 is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Management and Control—It is recommended that the company complete the Report on Executive Compensation in accordance with its instructions.

   Action—Non-compliance; see comments in the "Summary of Current Examination Results."

2. Active Life Reserve—Premium Deficiency Reserve—It is recommended that the company apply the total forecast general expense percentage to the projected revenue included in the analysis to determine the premium adequacy.

   Action—No longer relevant; see comments in the "Summary of Current Examination Results."

3. Active Life Reserve—Premium Deficiency Reserve—It is recommended that the company revise the projections going forward to incorporate the quality improvement expenses

   Action—No longer relevant; see comments in the "Summary of Current Examination Results."

4. Active Life Reserve—Premium Deficiency Reserve—It is recommended that the company include new business effective January 1 or later, which was accepted by the company prior to the valuation date.

   Action—No longer relevant; see comments in the "Summary of Current Examination Results."

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Management and Control

The examination's review of the company's Report on Executive Compensation (Form OCI 22-010) for 2017 noted that the form is not being completed correctly. According to instructions in the Report on Executive Compensation "compensation shall consist of any and all gross direct and indirect remuneration paid and accrued during the reporting year for the benefit of an individual director, officer, or employee." The total amount of compensation reported for each individual did not include employer-paid insurance coverage and certain types of deferred compensation made by Assurant on behalf of JALIC' s executive officers. It is again recommended that the company complete the Report on Executive Compensation in accordance with its instructions.

Active Life Reserve—Premium Deficiency Reserve

In 2015, JALIC exited its health insurance and employee benefits blocks of business and also sold its supplemental and self-insured business. As a result of these decisions, the three prior recommendations related to premium deficiency reserves are no longer relevant to current business operations at JALIC.

VIII. CONCLUSION

The John Alden Life Insurance Company is a stock life insurance company. In 2013 JALIC reported on a management decision to consolidate sales of new health insurance business over to an affiliate. In 2015, JALIC exited its health insurance blocks of business and also sold its supplemental and self-insured business. The payment of dividends has also resulted in declines in surplus. As of December 31, 2017, JALIC had total assets of $211.7 million, total liabilities of $195.2 million, and capital and surplus of $16.6 million.

Management's decisions to consolidate small employer group health insurance with affiliates, to sell its supplemental and self-insured business, and the decision in 1989 to cede its long-term care insurance business have resulted in declines in net premiums.

The previous examination of John Alden Life Insurance Company resulted in four recommendations. The company was found to be in non-compliance with one of the prior exam recommendations. The other three prior exam recommendations are no longer relevant to the current operations of John Alden Life Insurance Company. The current examination resulted in one recommendation. No adjustments were made to surplus as a result of the examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 30 - Management and Control—It is again recommended that the company complete the Report on Executive Compensation in accordance with its instructions.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
John Pollock	Insurance Financial Examiner-Journey
Jerry DeArmond, CFE	Insurance Financial Examiner-Advanced, Loss Reserve Specialist
Terry Lorenz	Insurance Financial Examiner-Advanced, Exam Planning and Quality Control Specialist
David Jensen, CFE	Insurance Financial Examiner-Advanced, Information Systems Audit Specialist

Respectfully submitted,

James Lindell
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On October 17, 2017, Assurant entered into an Agreement and Plan of Merger (the "Original Merger Agreement") with TWG Holdings Limited, ("TWG Holdings," and together with its subsidiaries, including The Warranty Group, "TWG"), TWG Re, Ltd., a corporation incorporated in the Cayman Islands (TWG Re), and Arbor Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of TWG Holdings (TWG Merger Sub). The Warranty Group is a global provider of protection plans and related programs and a portfolio company of TPG Capital, a private equity company. Under the terms of the Original Merger Agreement and subject to the satisfaction or waiver of the conditions therein, Assurant and TWG would have combined their businesses through a transaction in which TWG Merger Sub would have merged with and into Assurant, with Assurant continuing as the surviving corporation and a wholly owned subsidiary of TWG Holdings.

On January 8, 2018, Assurant entered into an Amended and Restated Agreement and Plan of Merger (the "A&R Merger Agreement") with TWG Holdings, TWG Re, TWG Merger Sub and Spartan Merger Sub, Ltd., a Bermuda exempted limited company and direct wholly owned subsidiary of Assurant (Merger Sub), which amended and restated in its entirety the Original Merger Agreement. Under the terms of the A&R Merger Agreement and subject to the satisfaction or waiver of the conditions therein, in lieu of the transactions contemplated by the Original Merger Agreement, Assurant would acquire TWG Holdings through a transaction in which Merger Sub would merge with and into TWG Holdings, with TWG Holdings continuing as the surviving corporation and a wholly owned subsidiary of Assurant.

On May 31, 2018, pursuant to the terms of the A&R Merger Agreement, Assurant completed its acquisition of TWG from TPG Capital for a total enterprise value of approximately $2.5 billion. This amount included $894.9 million in cash, $595.9 million of TWG's preexisting debt, and issuance of $975.5 million of Assurant common stock. As a result of the stock issuance, the equity holders of TWG, including TPG Capital, held approximately 16% of Assurant's outstanding common stock.

On March 18, 2019, Assurant announced the pricing of an underwritten secondary public offering of all the remaining shares of its common stock held by TPG Funds. The offering closed on

March 21, 2019. As a result, TPG Funds no longer hold common stock of Assurant, and in turn, TPG Capital no longer maintains a controlling interest in Assurant or JALIC.