Report

of the

Examination of

American Medical Security Life Insurance Company

Green Bay, Wisconsin

As of December 31, 2011

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
Theodore K. Nickel, *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

August 28, 2012

Honorable Theodore K. Nickel
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:

AMERICAN MEDICAL SECURITY LIFE INSURANCE COMPANY
Green Bay, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of American Medical Security Life Insurance Company (the company or AMSLIC) was conducted in 2007 as of December 31, 2006. The current examination covered the intervening period ending December 31, 2011, and included a review of such 2012 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management’s compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Affiliated Companies
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of 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, dividends to policyholders, 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

The company was organized in 1982 under the name of United Wisconsin Life Insurance Company (UWLIC). The company was the surviving entity of a merger with Life Insurance Associates, Incorporated, an Arizona-domiciled insurer. Both UWLIC and Life Insurance Associates were subsidiaries of Blue Cross & Blue Shield United of Wisconsin (BCBSUW).

BCBSUW sold 35% of UWLIC's stock in February 1983 to International Financial Services, Inc. (IFS), a holding company domiciled in Miami, Florida.

In April 1983, BCBSUW contributed all of its 65% interest in UWLIC to United Wisconsin Services, Inc. (UWSI), a wholly owned subsidiary of BCBSUW. In December 1985, UWSI acquired the remaining 35% interest in UWLIC from IFS and became the sole shareholder of UWLIC.

Effective December 31, 1996, UWLIC was contributed to American Medical Security Holdings, Inc. (AMSH), a wholly owned subsidiary of UWSI. Effective March 31, 1997, American Medical Security Insurance Company (AMSIC), an Arizona-domiciled insurer, was merged into UWLIC. In September 1998, the UWSI specialty products and health maintenance organization business segment was spun off to a new holding company, which took the UWSI name. The original UWSI, the holding company for the remaining small group insurance segment, was renamed American Medical Security Group, Inc. (AMSG).

On November 30, 2004, American Medical Security, Inc. (AMS), an affiliated third-party administrator, was merged with and into the company and accounted for as a statutory merger. The issued and outstanding common stock of AMS was retired and cancelled and no shares of the company or other consideration were issued in exchange. On the same date, the company changed its name to American Medical Security Life Insurance Company. Also on this date, AMSH, the company's parent, was merged with and into AMSG. This resulted in the company being a wholly owned subsidiary of AMSG at November 30, 2004.

On December 13, 2004, AMSG became a wholly owned subsidiary of PacifiCare Health System, Inc. (PacifiCare). Then on December 20, 2005, PacifiCare was acquired by the

UnitedHealth Group Incorporated (UHG), through a merger of PacifiCare with and into Point Acquisition LLC, a wholly owned subsidiary of UHG, and Point Acquisition LLC changed its name to PacifiCare Health Systems, LLC.

On December 31, 2006, AMSG was merged with and into the company with AMSLIC being the surviving entity. The transaction was accounted for as a statutory merger. In conjunction with the merger, the issued and outstanding common stock of AMSG was retired and cancelled and no shares of the company or other consideration were issued in exchange. Immediately after the merger, the company's direct ownership was transferred to Golden Rule Financial Corporation, a wholly owned subsidiary of UHG. As a result of the above transactions, the company is owned by Golden Rule Financial Corporation at December 31, 2006. UHG, the ultimate controlling parent of AMSLIC, is publicly traded over the New York Stock Exchange under the symbol "UNH."

In 2011, the company collected direct premium in the following states:

Florida	$ 16,657,721	13.8%
Oklahoma	12,101,261	10.0
Texas	11,910,498	9.8
Kansas	10,711,370	8.9
Pennsylvania	9,622,899	7.9
All others	60,052,561	49.6
Total	$121,056,310	100.0%

The company is licensed in the District of Columbia and all states except Alaska, Connecticut, Hawaii, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

In August 2006, the company filed a business plan amendment to exit the employer group market in various states. The purpose of this amendment was to eliminate duplicate coverages with other UHG companies in these states.

Prior to November 2006, the company provided health care benefits and insurance products, i.e., medical, dental, short-term disability and life to employer groups and to individuals and their families. On November 1, 2006, AMSLIC entered into an assumption reinsurance agreement with an affiliate, UnitedHealthcare Insurance Company (UHIC), whereby UHIC assumed AMSLIC's group medical, dental, life and disability insurance business in certain states.

After this date, the company focused on offering health care benefits and insurance products to individuals.

During the first half of 2010, the company made a decision to stop offering individual health insurance products to new customers and discontinue marketing and quoting new business as a result of the passage of federal health care reform legislation and corporate strategies to streamline duplicative product offerings with affiliated entities.

The company contracts with United HealthCare Services, Inc. (UHS), to provide human resources and other administrative functions.

The following chart is a summary of premium income as reported by the company in 2011. 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	$ 1,144	$0	$ 0	$ 1,144
Group term life	1,132,111			1,132,111
Group accident and health:				
Medical	101,242,422		171,388	101,687,019
Dental	439,305		165	439,140
Short-term disability	29,759			29,759
AD&D	58,097			58,097
Billing fees	88,988			88,988
Total group accident and health	101,858,571	0	171,553	101,687,018
Other accident and health				
Medical	16,482,532			16,482,532
Dental	100,573			100,573
Total other accident and health	16,583,105	0	0	16,583,105
Total All Lines	$119,574,931	$0	$171,553	$119,403,378

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Patrick F. Carr Indianapolis, IN	President	2013
Richard A. Collins Indianapolis, IN	Chief Executive Officer	2013
Julie A. Van Straten De Pere, WI	General Counsel	2013

Officers of the Company

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

Name	Office	2011 Compensation
Patrick F. Carr	President	$ 52,257
Richard A. Collins	Chairman/CEO	702,649
Robert W. Oberrender	Treasurer	15,657
Julie A. Van Straten	Vice President/General Counsel/Secretary	127,625
James E. Prochnow	Vice President/CFO/Assistant Treasurer	326,387

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees of the board at the time of the examination.

IV. AFFILIATED COMPANIES

American Medical Security Life Insurance Company (AMSLIC) is a member of a holding company system. Below is a brief description of selected significant affiliates of AMSLIC and affiliated agreements. An abbreviated organizational chart, which depicts the relationships among the affiliates described below, as of December 31, 2011, follows the descriptions.

UnitedHealth Group Incorporated (UHG)

UHG, the ultimate controlling entity in the insurance holding company system, is a diversified health and well-being company. Through its affiliated companies, UHG offers a broad spectrum of health care products and services. As of December 31, 2011, the consolidated audited financial statements of UHG reported assets of $67.9 billion, liabilities of $39.6 billion, and net worth of $28.3 billion. Operations for 2011 produced net income of $5.1 billion.

United HealthCare Services, Inc. (UHS)

UHS provides administrative and other services to various member companies in the holding company group. As of December 31, 2011, the consolidated audited financial statements of UHS reported assets of $43.7 billion, liabilities of $21.3 billion, and net worth of $22.4 billion. Operations for 2011 produced net income of $4.1 billion.

UnitedHealthcare Insurance Company (UHIC)

UHIC is a Connecticut-domiciled insurer licensed to sell life and accident and health insurance in all states (except New York) and U.S. commonwealths and territories, and primarily issues group accident and health insurance contracts to employers and associations. As of December 31, 2011, the audited financial statements of UHIC reported assets of $15.0 billion, liabilities of $10.6 billion, and capital and surplus of $4.4 billion. Operations for 2011 produced net income of $2.4 billion.

PacifiCare Health Plan Administrators, Inc. (PHPA)

PHPA is licensed as a third-party administrator in many states. As of December 31, 2011, the audited financial statements of PHPA reported assets of $8.5 billion, liabilities of $1.2 billion, and net worth of $7.3 billion. Operations for 2011 produced net income of $650 million.

PacifiCare Life and Health Insurance Company (PLHIC)

PLHIC is an Indiana-domiciled insurer licensed to sell life and accident and health insurance in all states (except New York), the District of Columbia, and the Virgin Islands, and primarily issues accident and health contracts. As of December 31, 2011, the annual statement of PLHIC reported assets of $695 million, liabilities of $45 million, and capital and surplus of $650 million. Operations for 2011 produced net income of $87 million.

OptumRx, Inc. (Rx)

Rx provides pharmacy benefit management services. As of December 31, 2011, the unaudited financial statements of Rx reported assets of $3.1 billion, liabilities of $1.2 billion, and net worth of $1.9 billion. Operations for 2011 produced net income of $285 million.

Agreements with Affiliates

UHS provides certain administrative and management services necessary for AMSLIC. Such services are provided under a cost reimbursement agreement, the most recent version of which was effective December 10, 2006. These services include, but are not limited to, legal, financial, actuarial, consulting, administrative, and insurance administrative services. Under the agreement, UHS also provides AMSLIC with employees, investment management, provider network access and management, liability insurance and other services. For its services, the agreement calls for UHS to be reimbursed based on actual costs.

UHG and its affiliates are parties to a Tax Sharing Agreement. AMSLIC became a party to this agreement effective January 1, 2006. The agreement provides that the group should file a consolidated tax return, in which UHG is defined as the parent. Each subsidiary agrees to pay the amount of the consolidated federal income tax liability attributable to each subsidiary. Quarterly estimated tax payments are to be made to the parent on the given date in the contract.

AMSLIC has entered into a Pharmaceutical Services Agreement with Rx, effective July 1, 2005. Rx is to provide pharmacy benefit management services including calculating the company’s pharmaceutical rebate with drug companies, which is retained by the company. AMSLIC is to reimburse Rx based on a fee schedule for these services.

AMSLIC has entered into two Assignment and Assumption Agreements of Management and Administrative Services Agreements with PHPA, effective September 1, 2006. Under these agreements, PHPA assigned the management and administration of PLHIC and PacifiCare Life Assurance Company (PLAC) individual (non-Medicare) insurance operations to AMSLIC with the consent of PLHIC and PLAC. AMSLIC is to be reimbursed for its services based on actual costs. The underlying management and administrative services agreement between PHPA and PLAC automatically renewed on January 1, 2009, for an additional ten-year term.

AMSLIC has also entered into a Management and Administrative Service Agreement with PHPA effective June 1, 2005. Under this agreement PHPA is to administer certain insurance coverage and policies underwritten by AMSLIC and may provide AMSLIC with certain medical management and other operation services to support AMSLIC's operations. On September 1, 2006, this agreement was amended to change the reimbursement language from being based on a percentage of earned premium to actual cost.

On November 1, 2006, in conjunction with the company's change in business plan discussed in the "History of Operations" section of this report, AMSLIC and UHIC entered into an Assumption Reinsurance Agreement to transfer certain business to UHIC.

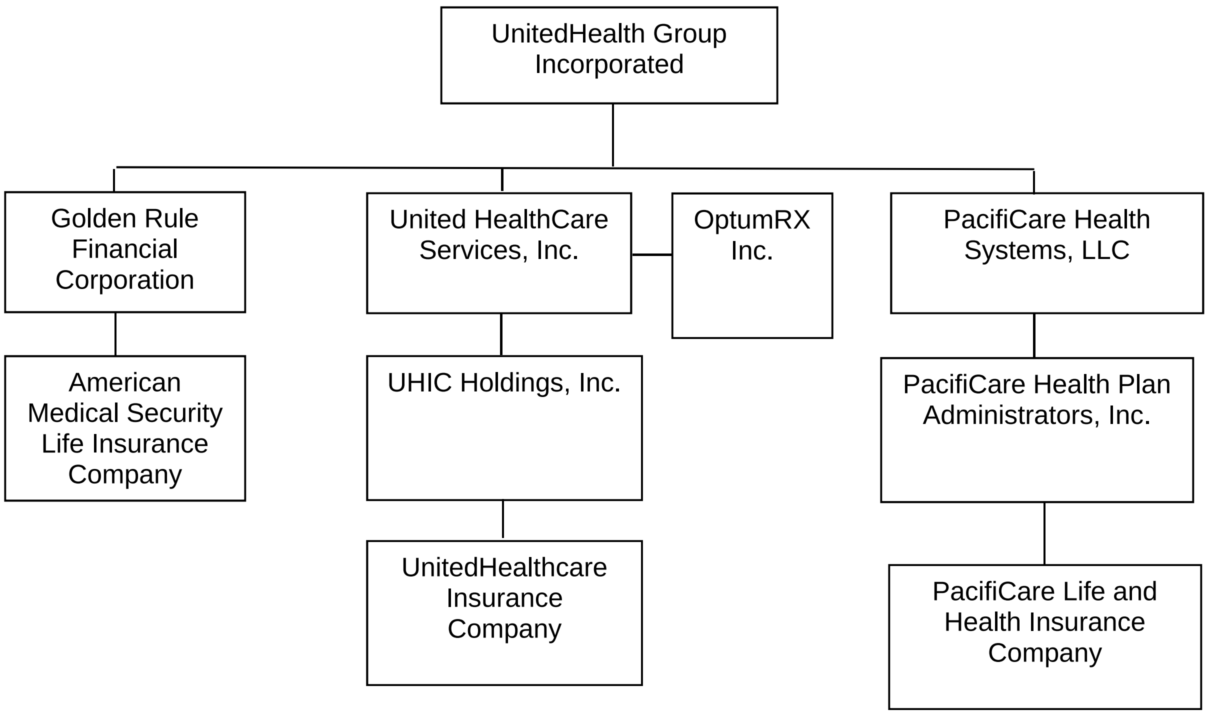
On January 1, 2009, AMSLIC entered into a Services Agreement with UHS to be administered by its OptumHealth division. Pursuant to the agreement, OptumHealth provides AMSLIC with access to network and specialty health services from providers for organ and tissue transplants as set forth in the Transplant Participating Provider Network Services and Transplant Extended Provider Network Services Appendix. AMSLIC pays a monthly fee on a per covered person per month basis for the services.

On January 1, 2009, AMSLIC entered into an Administrative Services Agreement with UHS to be administered by its OptumHealth division. Pursuant to the agreement, OptumHealth provides Connect24 services for AMSLIC's members, which includes toll-free telephone number access to OptumHealth staff, Web access to connect members to health management initiatives and resources, and referrals to other resources provided by OptumHealth or AMSLIC's health partners. AMSLIC pays a monthly fee on a per member per month basis for the Connect24 services.

On June 19, 2009, AMSLIC entered into a Cost Reimbursement Agreement with UHS, All Savers Insurance Company (ASIC), Golden Rule Financial Corporation (GRFC), and Golden Rule Insurance Company (GRIC). Pursuant to the agreement, UHS or affiliates of UHS, including AMSLIC, GRFC, and GRIC, may provide certain administrative and other services to ASIC on a cost reimbursement basis. AMSLIC provides certain insurance administrative services to ASIC for ASIC's health insurance policies and certificates. ASIC reimburses AMSLIC and the other parties for all costs and expenses incurred for services provided to ASIC.

On February 11, 2012, GRIC, AMSLIC, and ASIC entered into an Utilization Review Delegation Agreement under which AMSLIC provides GRIC and ASIC with utilization review services.

Organizational Chart
As of December 31, 2011



Note: Not all subsidiaries of UHG have been included in this organizational chart.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Prior to 2007, the company used reinsurance to mitigate large claim exposure. Currently, AMSLIC has determined that the large claim exposure for individual life and health business is a manageable risk and has elected to not use reinsurance for these types of contracts.

Ceding Contracts

The company cedes certain riders covering policies, contracts and certificate and other obligations of insurance for vision care benefits to Wisconsin Vision Service Plan, Inc., a non-affiliated entity.

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, 2011, annual statement. Also included in this section are schedules which 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. 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."

American Medical Security Life Insurance Company
Assets
As of December 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$39,741,959	$	$39,741,959
Cash, cash equivalents, and short-term investments	21,590,273		21,590,273
Investment income due and accrued	342,882		342,882
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	68,779		68,779
Current federal and foreign income tax recoverable and interest thereon	2,429,184		2,429,184
Net deferred tax asset	893,607		893,607
Guaranty funds receivable or on deposit	36,671		36,671
Electronic data processing equipment and software	50,358	50,358	
Furniture and equipment, including health care delivery assets	9,352	9,352	
Receivable from parent, subsidiaries and affiliates	145		145
Health care and other amounts receivable	582,022	149,761	432,261
Write-ins for other than invested assets:	440,295	227,627	212,668
Total Assets	$66,185,527	$437,099	$65,748,428

American Medical Security Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2011

Aggregate reserve for life contracts		$ 179,446
Aggregate reserve for accident and health contracts		452,916
Contract claims:		
Life		105,058
Accident and health		18,625,068
Premiums and annuity considerations received in advance		3,146,039
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		1,852,824
Interest maintenance reserve		202,066
Commissions to agents due or accrued		100,910
General expenses due or accrued		652,861
Taxes, licenses, and fees due or accrued, excluding federal income taxes		104,144
Remittances and items not allocated		286,108
Miscellaneous liabilities:		
Asset valuation reserve		239,770
Payable to parent, subsidiaries and affiliates		7,336,646
Liability for amounts held under uninsured accident and health plans		55
Write-ins for liabilities:		122,521
Total liabilities		33,406,431
Common capital stock	$ 6,000,000	
Gross paid in and contributed surplus	96,732,982	
Unassigned funds (surplus)	(70,390,985)	
Total capital and surplus		32,341,997
Total Liabilities, Capital and Surplus		$65,748,428

American Medical Security Life Insurance Company
Summary of Operations
For the Year 2011

Premiums and annuity considerations for life and accident and health contracts		$119,403,378
Net investment income		948,766
Amortization of interest maintenance reserve		444,789
Miscellaneous income:		
Write-ins for miscellaneous income		601,965
Total income items		121,398,898
Death benefits	$ 424,808	
Disability benefits and benefits under accident and health contracts	88,387,722	
Increase in aggregate reserves for life and accident and health contracts	(36,115)	
Subtotal	88,776,415	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	5,477,540	
General insurance expenses	9,364,754	
Insurance taxes, licenses, and fees excluding federal income taxes	3,214,928	
Write-in for deductions	119	
Total deductions		106,833,756
Net gain (loss) from operations before dividends to policyholders and federal income taxes		14,565,142
Federal and foreign income taxes incurred (excluding tax on capital gains)		4,272,159
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		10,292,983
Net realized capital gains or (losses)		(9,813)
Net Income		$ 10,283,170

American Medical Security Life Insurance Company
Cash Flow
For the Year 2011

Premiums collected net of reinsurance		$120,884,756
Net investment income		1,659,773
Miscellaneous income		601,965
Total		123,146,494
Benefit- and loss-related payments	$87,004,280	
Commissions, expenses paid, and aggregate write-ins for deductions	17,993,420	
Federal and foreign income taxes paid (recovered)	(1,195,539)	
Total deductions		103,802,161
Net cash from operations		19,344,333
Proceeds from investments sold, matured, or repaid:		
Bonds	15,265,900	
Cost of investments acquired (long-term only):		
Bonds	11,893,751	
Net cash from investments		3,372,149
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	(20,000,000)	
Other cash provided (applied)	4,359,347	
Net cash from financing and miscellaneous sources		(15,640,653)
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		7,075,830
Cash, cash equivalents, and short-term investments:		
Beginning of year		14,514,442
End of Year		$ 21,590,273

American Medical Security Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2011

Assets			$65,748,428
Less liabilities			33,406,431
Adjusted surplus			32,341,996
Annual premium:			
Individual life and health	$ 16,551,552		
Factor	15%		
Total		$ 2,482,732	
Group life and health	104,333,204		
Factor	10%		
Total		10,433,320	
Compulsory surplus (subject to a $2,000,000 minimum)			12,916,052
Compulsory Surplus Excess or (Deficit)			$19,425,944
Adjusted surplus (from above)			$32,341,996
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%)			17,694,991
Security Surplus Excess or (Deficit)			$14,647,005

American Medical Security Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2011

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:

	2011	**2010**	**2009**	**2008**	**2007**
Capital and surplus, beginning of year	$ 41,904,173	$ 39,919,013	$ 70,516,870	$ 153,420,050	$ 258,842,807
Net income	10,283,170	24,431,084	18,270,909	56,284,430	57,713,474
Change in net deferred income tax	(26,134)	(7,686,491)	(2,373,590)	(2,929,088)	(900,125)
Change in nonadmitted assets and related items	185,543	8,229,879	3,268,275	2,835,034	1,948,077
Change in asset valuation reserve	(4,755)	10,688	236,549	2,025,925	146,859
Surplus adjustments:					
Paid in	(20,000,000)	(23,000,000)	(50,000,000)		5,668,958
Dividends to stockholders				(140,000,000)	(170,000,000)
Write-ins for gains and (losses) in surplus:				(1,119,481)	
Capital and Surplus, End of Year	$ 32,341,997	$ 41,904,173	$ 39,919,013	$ 70,516,870	$ 153,420,050

American Medical Security Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2011

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	2011	2010	2009	2008	2007
#1	Net change in capital and surplus	25%	63%*	28%	-54*%	-43*%
#2	Gross change in capital and surplus	-23*	5	-43*	-54*	-41*
#3	Net income to total income	8	17	11	24	19
#4	Adequacy of investment income	17,253*	17,618*	29,145*	79,498*	999*
#5	Nonadmitted to admitted assets	1	1	11*	9	6
#6	Total real estate and mortgage loans to cash and invested assets	0	0	0	0	8
#7	Total affiliated investments to capital and surplus	0	4	1	2	3
#8	Surplus relief	0	0	0	0	0
#9	Change in premium	-15*	-14*	-16*	-29*	-55*
#10	Change in product mix	0.2	0.1	0.1	0.5	1.2
#11	Change in asset mix	1.3	1.4	3.9	7.2*	2.2
#12	Change in reserving	-99*	0	-1	8	708*

The unusual results in Ratios No. 1 and 2 analyze the change in net and gross capital and surplus for the year. The exceptional ratio results are from the payment of dividends of $140 million in 2008 and $170 million in 2007 and the payment of dividends recorded as a return of capital of $20 million in 2011, $23 million in 2010, and $50 million in 2009.

Ratio No. 4 compares the net investment income to the increase in reserves from tabular interest. The exceptional results for Ratio No. 4 were due to the company being primarily a group health insurer. Since the company's business is not written on a level-premium basis like individual life insurance, there are no tabular reserves. Because of the nature of the company's business, the exceptional results are not an indication of insufficient reserves.

Ratio No. 5 is the company's percentage of nonadmitted assets to admitted assets. The unusual result in Ratio No. 5 in 2009 is due to the company having an $8.6 million net deferred tax asset with $7.5 million being nonadmitted.

Ratio No. 9 represents the percentage change in premium from the prior year to the current year. The exceptional results for Ratio No. 9 are reflective of the company's business plan changes over the examination period noted earlier in this report.

The unusual result in Ratio No. 11 in 2009 is due to declining assets from the above-mentioned dividend payments and the company holding a large amount of short-term investments rather than bonds at year-end 2009.

Ratio No. 12 represents the number of percentage points of difference between the reserving ratio for current and prior years. The exceptional results for Ratio No. 12 in 2007 and 2011 are due to the company's business plan changes over the examination period as discussed in the "History and Plan of Operation" section of the examination report.

Growth of American Medical Security Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2011	$ 65,748,428	$ 33,406,431	$ 32,341,997
2010	69,961,613	28,057,440	41,904,173
2009	79,637,761	39,718,748	39,919,013
2008	129,773,149	59,256,279	70,516,870
2007	237,915,974	84,495,924	153,420,050
2006	406,874,690	148,031,884	258,842,807

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2011	$ 1,123,797	$0	$0
2010	1,456,671	0	0
2009	1,775,306	0	0
2008	1,962,404	0	0
2007	2,919,903	0	0
2006	20,847,180	0	0

Life Insurance In Force (in thousands)

Year	Gross Risk In Force	Ceded	Net
2011	$ 105,028	$ 0	$ 105,028
2010	144,237	0	144,237
2009	193,986	0	193,986
2008	252,594	120	252,474
2007	339,541	394	339,147
2006	1,025,143	14,448	1,010,695

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2011	$118,270,124	$ 89,431,980	$ 5,341,457	$11,348,406	89.7%
2010	140,870,925	89,498,978	7,197,058	13,604,608	78.3
2009	164,559,903	115,308,065	9,423,969	19,597,199	87.7
2008	196,491,307	121,825,567	12,761,655	24,699,710	81.1
2007	279,517,171	161,438,001	21,475,550	31,501,994	76.7
2006	610,507,761	431,114,124	65,504,472	51,344,983	89.7

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

As noted in the “History and Plan of Operation” section in 2006 the company amended their business plan to exit the group market in various states in eliminate duplicate coverages with other UHG companies in these states and in 2010 stopped offering individual health insurance products to new customers and discontinued marketing and quoting new business. As a result of these changes, the company, as expected, has experienced an 81% decrease in premiums earned and an 84% decrease in assets over the examination period.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2011, is accepted**.**

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three 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 board of directors meet or take unanimous written action on a quarterly basis, actively manage the affairs of the corporation, and maintain meeting minutes to document the board's active governance in accordance with s. 611.51 (6), Wis. Stat.

   Action—Compliance.

2. Executive Compensation—It is recommended that the company properly report all compensation on the Report on Executive Compensation (form OCI 22-040).

   Action—Compliance.

3. Unclaimed Property—It is recommended that the company properly file abandoned property with the Wisconsin State Treasurer's Office in accordance to ch. 177, Wis. Stat., and with other State Treasurer's Offices in accordance with the appropriate state's unclaimed property laws.

   Action—Compliance.

Summary of Current Examination Results

There were no recommendations or adjustments to surplus made as a result of the examination.

VIII. CONCLUSION

In August 2006, the company filed a business plan amendment to exit the employer group market in various states. The company's business plan was amended to eliminate duplicate coverages with other UHG companies in these states.

During the first half of 2010, the company made a decision to stop offering individual health insurance products to new customers and discontinue marketing and quoting new business as a result of the passage of federal health care reform legislation and corporate strategies to streamline duplicative product offerings with affiliated entities.

As a result of the above-mentioned business plan changes, the company, as expected, has experienced an 81% decrease in premiums earned and an 84% decrease in assets over the examination period. As of December 31, 2011, the company reported assets of $65.8 million and liabilities of $33.6 million. The company reported a net income of $10.3 million for 2011.

The company has complied with all three prior examination recommendations and the current examination did not result in any recommendations. Additionally, the examination did not result in any adjustments to surplus as reported by the company.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

No recommendations were made as a result of the examination.

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
Rachel Liu	Insurance Financial Examiner
Rich Janosik	Insurance Financial Examiner
Rick Onasch	Insurance Financial Examiner
Victoria Chi	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Terry Lorenz
Examiner-in-Charge