

Report
of the
Examination of
The EPIC Life Insurance Company
Madison, Wisconsin
As of December 31, 2015

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

May 11, 2017

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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:

THE EPIC LIFE INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of The EPIC Life Insurance Company (the company or EPIC) was conducted in 2011-2012 as of December 31, 2010. The current examination covered the intervening period ending December 31, 2015, and included a review of such 2016 and 2017 transactions as deemed necessary to complete the examination.

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 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, aggregate accident and health reserves, and asset adequacy analysis. 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 EPIC Life Insurance Company was organized in 1984 as a wholly owned subsidiary of Wisconsin Physicians Service Insurance Corporation (WPS), a Wisconsin health service insurance corporation. An examination of WPS and another affiliate, WPS Health Plan, Inc., were performed concurrently with this examination.

As of December 31, 2015, the company is licensed in the following states:

Arizona	Maryland	Oregon
Arkansas	Michigan	Pennsylvania
Colorado	Minnesota	South Carolina
Florida	Missouri	South Dakota
Illinois	Nebraska	Tennessee
Indiana	Nevada	Texas
Iowa	North Dakota	Virginia
Kansas	Ohio	West Virginia
Kentucky	Oklahoma	Wisconsin

In 2015, the company collected direct premium in the following states:

Wisconsin	\$22,233,529	87.4%
Indiana	1,933,459	7.6
Illinois	342,433	1.3
Ohio	267,210	1.1
Iowa	226,811	0.9
All others	433,163	1.7
Total	\$25,436,605	100.0%

The major business marketed by the company includes group life, group dental, group vision, and group long- and short-term disability insurance, as well as voluntary coverage for the same policies, and conversion policies to individuals. The company also offers medical policies, which are assumed and administered by its parent. In addition, the company offers Administrative Service Contracts (ASC) to larger employer groups. Business is generated through independent agents and sales staff. The company also provides disability and life insurance services to other members within the WPS holding company group.

The following chart is a summary of premium income as reported by the company in 2015. 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
Group life	\$ 7,129,838	\$2,005,696	\$ 465,017	\$ 8,670,517
Ordinary life	19,269			
Accident and health:				
Group	18,647,546		1,677,916	16,969,630
Other	<u>176,740</u>	<u> </u>	<u>176,740</u>	<u> </u>
Total All Lines	<u>\$25,973,393</u>	<u>\$2,005,696</u>	<u>\$2,319,673</u>	<u>\$25,659,416</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. Four directors are elected annually to serve a one-year term, and the Chief Executive Officer serves ex officio. 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 \$900 per meeting for serving on the board. Employees who are members of the board are not paid meeting fees.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Timothy T. Flaherty, M.D. Neenah, WI	Retired Physician	2017
Craig Campbell Madison, WI	Chief Operating Officer The EPIC Life Insurance Company	2017
Michael Hamerlik Fitchburg, WI	President and Chief Executive Officer Wisconsin Physicians Service Ins. Corp.	Ex Officio
Thomas Nelson Cottage Grove, WI	Chief Financial Officer Wisconsin Physicians Service Ins. Corp.	2017
Dan Schwandt Madison, WI	Chief Legal and Governance Officer Wisconsin Physicians Service Ins. Corp.	2017

Officers of the Company

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

Name	Office	2015 Compensation
Michael Hamerlik	President and CEO	\$1,121,761*
Thomas R. Nelson	Treasurer	554,051*
Kimberly Olson	Secretary	N/A^

* This is total compensation paid by WPS, a portion of which is allocated to subsidiaries.

^ Denotes an officer new to the position after the examination date and had no 2015 compensation.

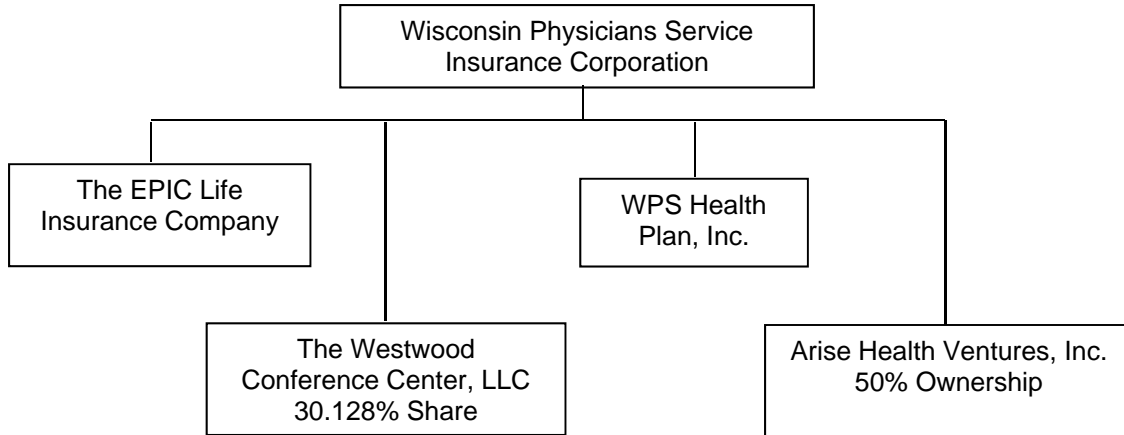
Committees of the Board

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

IV. AFFILIATED COMPANIES

The EPIC 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.

Organizational Chart As of December 31, 2015



Wisconsin Physicians Service Insurance Corporation

WPS owns 100% of The EPIC Life Insurance Company. WPS issues traditional indemnity and managed care health policies and provides claims administration services for self-insured employers and governmental agencies. WPS writes direct premium in Wisconsin, Michigan, and Illinois and assumes business written in other states by EPIC through a quota share reinsurance agreement, and assumes business from Delta Dental of Wisconsin, Inc., an unaffiliated insurance company. As of December 31, 2015, the audited financial statements of WPS reported assets of \$265,511,954, liabilities of \$171,580,141 and capital and surplus of \$93,931,813. Operations for 2015 produced a net loss of \$7,080,351.

WPS Health Plan, Inc. (the Plan or WPS HP)

WPS Health Plan, Inc., is described as a for-profit mixed model health maintenance organization (HMO) insurer. Beginning in June 2005, the Plan has provided group health insurance to employers in Northeastern Wisconsin and began providing individual health insurance to individuals on January 1, 2007. The majority of services provided to plan enrollees

are provided under fee-for-service contracts with various health care providers in the service area. The Plan also has Medicare supplement policies in effect but is not writing new Medicare supplement policies.. Payments made to providers under the supplemental policies are based on Medicare-allowable charges. As of December 31, 2015, the audited financial statements of WPS Health Plan, Inc., reported assets of \$50,159,631, liabilities of \$29,977,726 and capital and surplus of \$20,181,905. Operations for 2015 produced a net loss of \$22,437,592.

The Westwood Conference Center, LLC (Westwood)

Westwood is a Wisconsin limited liability company which operates the Westwood Conference facility in Wausau, Wisconsin. Westwood was established in 2004. WPS' ownership share is 30.128%. As of December 31, 2015, WPS' reported share of the unaudited financial statements of Westwood was total assets of \$1,813,224, total liabilities of \$105,752 and partners' equity of \$1,707,472. WPS' share of operations for 2015 produced net income of \$249,699. Since Westwood did not have audited statements, it was treated as a nonadmitted asset by WPS as of December 31, 2015.

Arise Health Ventures, Inc. (AHV)

Arise Health Ventures, Inc., is a holding company created by WPS in 2015 with its partner, Aspirus Inc., each a 50% owner. The purpose of this holding company is to create and seek a Wisconsin HMO license for Aspirus Arise Health Plan of Wisconsin, Inc.

Agreements with Affiliates

WPS has a Service and Supplies Agreement with EPIC and WPS Health Plan, Inc., under which WPS provides management, investment, administrative, and other services and supplies to each company. Additionally, EPIC may provide services and supplies to WPS. EPIC and WPS Health Plan, Inc., reimburse WPS for the actual cost of the services and supplies provided, including a reasonable allocation of overhead expenses. Settlement is to be made within 20 days after the invoice billing is exchanged but no less often than quarterly.

WPS has an intercompany tax allocation agreement with its wholly owned subsidiaries for the purpose of filing consolidated federal income tax and combined Wisconsin franchise and income tax returns. Pursuant to that agreement each subsidiary will either pay to

or receive refunds based on calculations performed by WPS at the end of every month. The determination of any deferred tax benefit or liability for either The EPIC Life Insurance Company or WPS Health Plan, Inc., is also determined at this time. Payments are to be made within 30 days of the financial statement close date, defined in the agreement, or no later than each estimated quarterly due date.

WPS, EPIC, and WPS HP entered into a Line of Credit Agreement in 2015. The agreement allows one party to make a loan to another party for up to \$5 million, at an interest rate of LIBOR plus 150 basis points. All loans are to be repaid within 20 calendar days of the date of the loan. There is additional comment on this agreement in the section of this report captioned "Summary of Examination Results."

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.

Affiliated Ceding Contracts

EPIC has a quota share agreement with WPS effective January 1, 1991, which was last amended on August 1, 2012, in which EPIC cedes 100% of its accident and health coverage administered by WPS and defined as CORE business. CORE business is medical business in the states of Minnesota, Iowa, Illinois (excluding certain zip codes), and Wisconsin. The agreement is continuously in force unless terminated by either party upon 60 days' prior written notice to the other party.

Nonaffiliated Ceding Contracts

The company cedes group life and accidental death and dismemberment (AD&D) business under an automatic excess of loss contract with RGA Reinsurance Company. The group life coverage is \$850,000 in excess of \$150,000 for each insured. The AD&D coverage is \$1,000,000 with retention of \$150,000 for each insured. The retention can be a combination of life and AD&D coverage.

The company has an accidental death carve out quota share agreement with SCOR Global Life USA Reinsurance Company, in which it cedes 100% of the accidental death contractual liability, limited up to \$150,000 per person, arising out of and for all policies combined, in excess of the company's aggregate retention of \$250,000. Policies covered are classified by the company as accidental death exposure in the company's portfolio of ordinary life insurance, including accidental death benefit riders, common carrier benefits, group life, accidental death and dismemberment, and voluntary life insurance. The reinsurer's limit of liability for loss in a single event will not exceed \$75 million in the aggregate per building for employee group business, inclusive of loss expense.

The company has a fully insured medical excess of loss agreement with Axis Insurance Company that covers all health business, including employee group coverage but

excluding Medicare supplement. The contract contains three coverage layers as follows: 1) first layer is 100% of \$1 million in excess of \$1 million for each covered person; 2) second layer covers 100% of \$3 million excess of \$2 million for each covered person; 3) third layer covers 100% of an unlimited amount of ultimate net loss in excess of \$5 million excess for each covered person.

The company currently has a long-term disability quota share agreement with Hartford Life and Health Insurance Company. Under the quota share agreement, EPIC retains 20% and Hartford Life and Health Insurance Company assumes 80% of the net premiums and claims.

Nonaffiliated Assuming Contracts

EPIC participates in a pool which provides catastrophic loss coverage involving group life insurance for Wisconsin public employees, under a contract with Minnesota Mutual Insurance Company. EPIC's 2015 participation percentage in the pool was 2.4%.

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, 2015, 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.

The EPIC Life Insurance Company
Assets
As of December 31, 2015

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$42,800,205	\$	\$42,800,205
Stocks:			
Preferred stocks	10,013		10,013
Common stocks	12,720,326		12,720,326
Cash, cash equivalents, and short-term investments	3,706,925		3,706,925
Investment income due and accrued	398,631		398,631
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,928,320		1,928,320
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	2,149		2,149
Reinsurance:			
Amounts recoverable from reinsurers	110,790		110,790
Funds held by or deposited with reinsured companies	36,700		36,700
Other amounts receivable under reinsurance contracts	37,269		37,269
Amounts receivable relating to uninsured plans	3,814		3,814
Current federal and foreign income tax recoverable and interest thereon	1,567		1,567
Electronic data processing equipment and software	752,886	752,582	304
Furniture and equipment, including health care delivery assets	1,427	1,427	
Health care and other amounts receivable	127	113	14
Write-ins for other than invested assets:			
Prepaid expenses	34,149	34,149	
Negative IMR	<u>24,892</u>	<u>24,892</u>	
Total Assets	<u>\$62,570,190</u>	<u>\$813,163</u>	<u>\$61,757,027</u>

The EPIC Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2015

Aggregate reserve for life contracts	\$ 2,372,446
Aggregate reserve for accident and health contracts	2,429,995
Contract claims:	
Life	1,132,372
Accident and health	1,944,077
Premiums and annuity considerations received in advance	483,881
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	17,479,294
Other amounts payable on reinsurance	1,505,616
Commissions to agents due or accrued	90,132
Commissions and expense allowances payable on reinsurance assumed	125,544
General expenses due or accrued	1,058,930
Taxes, licenses, and fees due or accrued, excluding federal income taxes	(80,431)
Net deferred tax liability	174,137
Amounts withheld or retained by company as agent or trustee	15,319
Remittances and items not allocated	466,194
Asset valuation reserve	1,735,651
Payable to parent, subsidiaries and affiliates	190,871
Liability for amounts held under uninsured accident and health plans	5,164
Write-ins for liabilities:	
Reserve for escheatable items	<u>27,365</u>
Total liabilities	<u>31,156,557</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	11,000,000
Write-ins for special surplus funds:	
ACA Section 9010 fee	110,000
Unassigned funds (surplus)	<u>17,490,470</u>
Total capital and surplus	<u>30,600,470</u>
Total Liabilities, Capital and Surplus	<u>\$61,757,027</u>

**The EPIC Life Insurance Company
Summary of Operations
For the Year 2015**

Premiums and annuity considerations for life and accident and health contracts		\$25,659,416
Net investment income		1,284,620
Amortization of interest maintenance reserve		33,182
Commissions and expense allowances on reinsurance ceded		197,935
Miscellaneous income		<u>5,096</u>
Total income items		27,180,249
Death benefits	\$ 6,367,211	
Disability benefits and benefits under accident and health contracts	12,268,065	
Surrender benefits and withdrawals for life contracts	11,467	
Increase in aggregate reserves for life and accident and health contracts	<u>287,412</u>	
Subtotal	18,934,155	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	885,621	
Commissions and expense allowances on reinsurance assumed	180,239	
General insurance expenses	6,898,646	
Insurance taxes, licenses, and fees excluding federal income taxes	269,058	
Increase in loading on deferred and uncollected premiums	20	
Write-in for deductions:		
Loss on disposal of EDP equipment	<u>2,548,894</u>	
Total deductions		<u>29,716,633</u>
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		(2,536,384)
Federal and foreign income taxes incurred (excluding tax on capital gains)		<u>(863,021)</u>
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		(1,673,363)
Net realized capital gains or (losses)		<u>75,251</u>
Net Loss		<u><u>\$(1,598,112)</u></u>

The EPIC Life Insurance Company
Cash Flow
For the Year 2015

Premiums collected net of reinsurance		\$25,251,476
Net investment income		1,663,632
Miscellaneous income		<u>203,031</u>
Total		27,118,139
Benefit- and loss-related payments	\$17,747,580	
Commissions, expenses paid, and aggregate write-ins for deductions	11,186,594	
Federal and foreign income taxes paid (recovered)	<u>(463,181)</u>	
Total deductions		<u>28,470,993</u>
Net cash from operations		(1,352,854)
Proceeds from investments sold, matured, or repaid:		
Bonds	\$14,904,143	
Stocks	<u>263,358</u>	
Total investment proceeds		15,167,501
Cost of investments acquired (long-term only):		
Bonds	13,284,295	
Stocks	<u>329,926</u>	
Total investments acquired		<u>13,614,222</u>
Net cash from investments		1,553,279
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>1,853,424</u>	
Net cash from financing and miscellaneous sources		<u>1,853,424</u>
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		2,053,849
Beginning of year		<u>1,653,076</u>
End of Year		<u>\$ 3,706,925</u>

**The EPIC Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2015**

Assets		\$61,757,027
Less liabilities		<u>31,156,557</u>
Adjusted surplus		30,600,470
Annual premium:		
Individual life and health	\$ 21,479	
Factor	<u>15%</u>	
Total		\$ 3,221
Group life and health	24,755,551	
Factor	<u>10%</u>	
Total		2,475,555
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>2,478,776</u>
Compulsory Surplus Excess or (Deficit)		<u>\$28,121,694</u>
Adjusted surplus (from above)		\$30,600,470
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%)		<u>3,470,286</u>
Security Surplus Excess or (Deficit)		<u>\$27,130,184</u>

**The EPIC Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2015**

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:

	2015	2014	2013	2012	2011
Capital and surplus, beginning of year	\$31,356,890	\$31,640,677	\$28,246,729	\$26,642,500	\$25,868,323
Net income	(1,598,112)	362,489	1,406,743	2,363,524	2,165,981
Change in net unrealized capital gains/losses	(145,077)	742,405	1,886,975	(461,178)	(1,165,238)
Change in net deferred income tax	(414,110)	722,309	106,375	(83,460)	95,693
Change in nonadmitted assets and related items	1,343,946	(2,018,655)	132,243	272,583	(618,280)
Change in asset valuation reserve	56,933	(92,335)	(138,388)	(593,480)	296,021
Cumulative effect of changes in accounting principles	_____	_____	_____	106,240	_____
Capital and Surplus, End of Year	<u>\$30,600,470</u>	<u>\$31,356,890</u>	<u>\$31,640,677</u>	<u>\$28,246,729</u>	<u>\$26,642,500</u>

**The EPIC Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2015**

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	2015	2014	2013	2012	2011
#1 Net change in capital and surplus	(2)%	(1)%	12%	6%	3%
#2 Gross change in capital and surplus	(2)	(1)	12	6	3
#3 Net income to total income	(6)*	1	5	9	9
#4 Adequacy of investment income	997*	1,034*	1,257*	2,501*	2,448*
#5 Nonadmitted to admitted assets	1	4	0	0	1
#6 Total real estate and mortgage loans to cash and invested assets	0	0	0	0	0
#7 Total affiliated investments to capital and surplus	0	0	0	2	1
#8 Surplus relief	0	0	0	0	1
#9 Change in premium	(4)	(0)	4	18	15
#10 Change in product mix	0.1	0.1	0.6	0.0	1.6
#11 Change in asset mix	0.4	0.2	0.3	0.4	0.2
#12 Change in reserving	11	(220)*	101*	119*	(71)*

Ratio No. 3 compares net income to total income. The exceptional result for Ratio No. 3 was primarily due to the company writing off a \$2.5 million administrative system in September 2015. At the beginning of 2015, after a change in the company leadership, it was determined that the new system design was not going to meet the needs of the company as intended and, rather than continue to incur more costs for a non-viable system, the decision was made to revert back to the legacy system and write off the development of the new system.

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. Because the company's business is not written on a level premium basis like individual life insurance, there are no tabular reserves. Due to the nature of the company's business, the exceptional results are not an indication of insufficient reserves.

Ratio No. 12 measures the increase in aggregate reserves to net single and renewal premiums. The exceptions can be attributed to the small volume of individual life policies the company writes, causing small reserve changes to result in high percentages.

Growth of The EPIC Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2015	\$61,757,027	\$31,156,557	\$30,600,470
2014	61,444,182	30,087,292	31,356,890
2013	61,822,495	30,181,818	31,640,677
2012	56,919,394	28,672,665	28,246,729
2011	54,474,806	27,832,306	26,642,500
2010	51,534,641	25,666,318	25,868,323

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2015	\$8,334,240	\$0	\$0
2014	8,566,878	0	0
2013	8,758,453	0	0
2012	8,796,126	0	0
2011	7,878,578	0	0
2010	8,156,379	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2015	\$2,269	\$100	\$2,169
2014	2,368	107	2,261
2013	2,353	105	2,247
2012	2,809	112	2,697
2011	2,968	98	2,870
2010	2,449	66	2,382

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2015	\$16,952,985	\$12,562,290	\$428,781	\$4,926,965	105.7%
2014	17,139,454	10,938,640	481,322	5,150,068	96.7
2013	16,828,022	11,295,511	480,109	4,553,351	97.0
2012	15,615,049	11,265,622	419,826	4,227,058	101.9
2011	13,802,066	9,879,193	380,983	3,769,182	101.7
2010	10,379,858	6,983,066	327,035	3,041,024	99.7

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

Over the examination period the company's surplus increased nearly \$5 million to \$30.6 million at year-end 2015, from \$25.9 million at year-end 2010. Admitted assets have remained consistent over the past three years at nearly \$62 million. The company reported a net income in four of the five years under examination, except in 2015 when it reported a \$1.6 million net loss, attributable to a \$2.5 million write-off of an administrative system that was under development.

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, 2015, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were 10 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 properly include all compensation amounts when completing the Report on Executive Compensation form in accordance with s. 611.63, Wis. Stat.

Action—Compliance.

2. Asset Adequacy Analysis—It is recommended that the company submit with their annual statements a Statement of Actuarial Opinion that is in compliance with s. Ins. 50.78, Wis. Adm. Code, and that the opinion be based upon an appropriate asset adequacy analysis.

Action—Compliance.

3. Asset Adequacy Analysis—It is recommended that the company's appointed actuary prepare an Actuarial Memorandum documenting the asset adequacy analysis and that the company annually submits a regulatory asset adequacy issues summary that is in compliance with s. Ins 50.79 (3), Wis. Adm. Code.

Action—Compliance.

4. Aggregate Policy Reserves Ordinary Life—It is recommended that the company utilize the appropriate valuation interest rate to determine the formula reserves for traditional ordinary life policies issued after 2005.

Action—Compliance.

5. Aggregate Policy Reserves Ordinary Life—It is recommended that, for the group term life insurance conversions, the company issue an ordinary life insurance policy that utilizes the 2001 CSO mortality table to determine minimum standards for reserves and nonforfeiture values in compliance with s. Ins 2.81, Wis. Adm. Code.

Action—Compliance.

6. Contract Claims Liability – Accident and Health—It is recommended that the company estimate and report direct and reinsurance ceded long-term disability IBNR claims on Exhibit 8.

Action—Compliance.

7. Contract Claims Liability – Accident and Health—It is recommended that the company report the unaccrued portion of the long-term disability IBNR Claims in Exhibit 6 rather than including it as part of Exhibit 8.

Action—Compliance.

8. Aggregate Policy Reserves – Disabled Lives—It is recommended that the company properly report reserves (including IBNR) for disability-disabled lives on Exhibit 5 in accordance with the NAIC Life Annual Statement blank and NAIC Life Annual Statement Instructions.

Action—Compliance.

9. Accounts and Records—It is recommended that the company, at least annually, validate the data used for Exhibit 5 reserve calculations to the policy file documentation.

Action—Compliance.

10. Accounts and Records—It is recommended that the company maintain claim records in compliance with s. Ins 6.80 (4), Wis. Adm. Code, and be able to produce such records in accordance with s. 601.43 (1) (c), Wis. Stat.

Action—Compliance.

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.

Affiliated Agreements

During the examination, WPS and affiliates established a Line of Credit Agreement among WPS, WPS HP, and EPIC for \$5 million, effective June 25, 2015. In accordance with s. Ins 40.04 (2) (b) and (d), Wis. Adm. Code, the company is required to report affiliated agreements in writing to this office at least 30 days before entering into the transaction, which is subject to disapproval. However, the agreement was not filed with this office. It is recommended that the company report any affiliated transaction in writing to the commissioner at least 30 days before entering into the transaction, which includes amendments or modification of transactions previously filed, in compliance with s. Ins 40.04 (2), Wis. Adm. Code.

VIII. CONCLUSION

The EPIC Life Insurance Company is part of a holding company system in which the ultimate parent is Wisconsin Physicians Service Insurance Corporation. The three insurance companies in the group were examined concurrently.

Over the examination period the company's surplus increased nearly \$5 million to \$30.6 million at year-end 2015 from \$25.9 million at year-end 2010. Admitted assets have remained consistent over the past three years at nearly \$62 million. The company reported a net income in four of the five years under examination with the lone exception being 2015 when the company reported a \$1.6 million net loss.

The examination resulted in one recommendation, no adjustments to surplus and found that the company was in compliance with all of the recommendations in the previous examination report.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 - Affiliated Agreements—It is recommended that the company report any affiliated transaction in writing to the commissioner at least 30 days before entering into the transaction, which includes amendments or modification of transactions previously filed, in compliance with s. Ins 40.04 (2), Wis. Adm. Code.

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
Nick Hartwig	Insurance Financial Examiner
Shelly Bueno	Insurance Financial Examiner
Greg Mielke	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Terry Lorenz
Examiner-in-Charge