Report

of the

Examination of

Madison National Life Insurance Company, Inc.

Madison, Wisconsin

As of December 31, 2017

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, *Governor*
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February 28, 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:

MADISON NATIONAL LIFE INSURANCE COMPANY, INC.
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Madison National Life Insurance Company, Inc. (the company or MNL) was conducted in 2013 as of December 31, 2012. 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 Independence Holding Company (IHC) Group, which is part of the Geneve Group. The New York State Department of Financial Services Life Bureau (New York DFS) acted in the capacity as the lead state for the coordinated examinations. Work performed by the New York DFS 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 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 (OCI). The actuary reviewed the adequacy of aggregate life and annuity reserves, 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 company was organized in 1961 as National Security Life Insurance Company, and the name was subsequently changed to Madison National Life Insurance Company, Inc. The company's ultimate parent is Geneve Holdings, Inc. (GHI), which was wholly owned by Mr. Edward Netter and his family until Mr. Netter's passing in 2011. Mrs. Barbara Netter beneficially owns more than 50.04% of the voting stock of GHI. Other Netter family members beneficially own the balance of the voting stock of GHI but do not have the power to direct or cause the direction of the management and policies of GHI. An organizational chart and additional information on MNL's affiliates are included in the "Affiliated Companies" section of this report.

The company is licensed in the District of Columbia, the U.S. Virgin Islands, American Samoa, Guam, and all states except New York. In 2017, the company collected direct premium in the following states:

Wisconsin	$ 21,412,472	14.8%
Minnesota	20,224,335	14.0
Indiana	14,374,988	9.9
Pennsylvania	10,935,082	7.6
Iowa	10,036,174	6.9
Michigan	9,744,790	6.7
Nebraska	7,232,308	5.0
All others	50,815,944	35.1
Total	$144,776,093	100.0%

Twenty-three states currently have over $1.0 million in premiums; however, Wisconsin, Minnesota, Indiana, Pennsylvania, Iowa, Michigan, and Nebraska account for 65% of direct premiums.

MNL has used a variety of niche life and health products and distribution channels. Historically, the company has established preferred relationships with producers and provided these producers with personalized service and unique rewards programs. More recently, they have focused on captive agencies and direct-to-consumer initiatives.

Prior to 2008, the company focused on acquiring blocks of business from other insurance companies, guaranty associations, and liquidators. MNL's last significant acquisition has an effective date of April 1, 2008, although smaller acquisitions have subsequently occurred.

In 2002, MNL started marketing medical stop-loss primarily through managing general underwriters (MGUs). Medical stop-loss insurance provides coverage to employers that elect to self-insure their employees' medical coverage for losses within specified ranges. MNL's affiliate, Standard Security Life Insurance Company of New York (SSLNY), was the primary carrier of medical stop-loss products. The majority of the stop-loss business was written through IHC-Risk Solutions, LLC (Risk Solutions), which was a full-service direct writer of medical stop-loss insurance for self-insured groups in the middle to larger employer market. In 2014, MNL placed its medical stop-loss business into run-off as SSLNY was to be the group's flagship carrier of medical stop-loss business. Then, in January of 2016, IHC and IAIC entered into a purchase and sale agreement with Swiss Re Corporate Solutions, Ltd. (Swiss Re), to sell the stock of Risk Solutions. The aggregate purchase price was $152.5 million in cash, which resulted in significant gains for IHC and IAIC. MNL reported an unrealized gain of approximately $75 million due to its indirect partial ownership of IAIC.

MNL's current business profile is broken into three segments: specialty health, group, and individual life and annuities. The individual life and annuities segment is currently in run-off. The following is a discussion of the three segments.

Specialty Health Segment

The company's specialty health segment includes ancillary benefits including dental, vision, and supplemental products such as fixed indemnity limited benefit, critical illness, and hospital indemnity.

EBIX Health Administration Exchange administers the majority of MNL's dental business and IHC's own distribution is the primary source of this line of business. The dental portfolio includes indemnity and PPO plans for employer groups of two or more lives and for individuals within affinity groups. Employer plans are offered on both employer-paid and voluntary basis. As part of the distribution of MNL's dental products, they also offer vision benefits. Vision plans provide a flat reimbursement amount for exams and materials.

MNL markets its supplemental products to individuals and families. The product lines included in this supplemental grouping are hospital indemnity plans, fixed indemnity limited benefit plans, critical illness and bundled packages of accident medical coverage, and critical illness and life insurance. These products are marketed as either a supplement to, or in lieu of Essential Health Benefit plans, and are marketed through multiple distribution sources including MNL-owned, direct-to-consumer websites, call centers, career agents, general agents, and online agencies.

MNL's small group major medical business is primarily comprised of group major medical insurance and individual major medical policies, both of which are in run-off. MNL exited the small group major medical market, as they believed that they would not have been able to earn an acceptable profit margin due to the direct and indirect changes brought about by healthcare reform.

In January 2012, the company entered into a reinsurance relationship with a third-party producer of expatriate business which provides employee benefit insurance to expatriate employees of companies based in the United States. Benefits include medical, life, and disability. In 2015, MNL no longer retained any of the risk on this business and it is currently in run-off on a net basis.

Group Segment

MNL's group segment consists of group long-term disability, short-term disability, and group term life products. Group segment products are sold primarily in the Midwest to school districts, municipalities, and hospital groups through managing general underwriters.

Group long-term disability products cover between 40% and 90% of insurable salary; have elimination periods of between 30 and 730 days; and terminate after two years, five years, ten years, or extend to age 65 or the employee's Social Security normal retirement date. Short-term disability policies provide a weekly benefit to disabled employees until recovery from the disability, eligibility for long-term disability benefits, or the end of the short-term disability benefit period, whichever comes first.

MNL sells group term life products that are marketed primarily to the same customers that purchase its group long-term and short-term disability products. These products include group term life, accidental death and dismemberment, supplemental life, and dependent life. MNL's group term life products are distributed by the same MGUs, independent general agents, and agents that distribute its group disability products.

Individual Life and Annuity Segment

MNL's individual life and annuity segment includes blocks of business that were acquired from other insurance companies, individual life and annuities written through MNL's military and civilian government employee division, and certain miscellaneous insurance products. This segment has been in run-off, in part, due to multiple cessions between 2013 and 2015.

In May of 2013, MNL entered into a Coinsurance Agreement with Guggenheim Life and Annuity Company (Guggenheim) to cede the net-retained risks of most of the company's annuity, universal life, and a portion of the traditional life business with reserves of $226.1 million. The purchase price was $1.0 million and resulted in net transfer to Guggenheim of $214.9 million.

MNL ceased writing any individual life or annuity policies in July of 2015 when they entered into a coinsurance and sale agreement with an unaffiliated reinsurer, National Guardian Life Insurance Company (NGL), as a means to substantially cede all of their individual life and annuity policy blocks currently in run-off. As part of this transaction, MNL also sold the related infrastructure associated with the administration of such policies. The company transferred net reserves of $255.3 million, net policy loans of $9.7 million, and deferred premiums of $4.7 million. Cash of $200.0 million was transferred to NGL, net of the aggregate purchase price of $40.8 million for the coinsurance and sale transaction. As a result of this transaction, approximately $78.0 million of the aforementioned life and annuity reserves were subject to assignment to the reinsurer, contractually relieving the company of the liability with regards to those policies. Assignments to NGL of $14.3 million were completed in 2015, $63.3 million in 2016, and the remaining in 2017.

The chart on the following page 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
Group Segment:				
LTD/STD	$ 65,022,448	$	$15,382,890	$49,639,558
Group Life	29,929,146		13,678,273	16,250,873
International Life & LTD		19,542	1,883	17,659
Other Group Life & Accident & Health	23,739		23,739	
Individual Segment:				
Individual Life	12,209,073	63,281	12,137,640	134,714
Annuities	11,356,026	713,803	12,069,829	
Individual Accident & Health	84,711		84,711	
Long-Term Care	521,179		521,179	
Specialty Health Segment:				
Dental	15,182,845			15,182,845
Fixed Indemnity Limited Benefit	3,112,635		134,915	2,977,721
AD&D	1,452,109			1,452,109
Critical Illness	1,241,117			1,241,117
Vision	323,318			323,318
Small Group Major Medical	(20,000)		(1,954)	(18,046)
International Medical		5,469,042	5,618,928	(149,886)
Other Specialty Health	896,789		13,430	883,359
Total All Lines	$141,335,134	$6,265,669	$59,665,462	$87,935,341

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members who are elected annually by the shareholder. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of the other boards of directors in the holding company group. The board members currently receive no additional compensation for serving on the board.

During the examination the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Larry R. Graber Austin, Texas	President Madison National Life	2019
Steven B. Lapin* Stamford, Connecticut	Chairman, Chief Executive Officer and President Geneve Holdings, Inc.	2018
Roy T. K. Thung* White Plains, New York	Chief Executive Officer, President and Chairman of the Board of Directors Independence Holding Company	2018

* Subsequent to the examination, two of the long-term board of directors, Steven Lapin and Roy Thung, resigned. Diane Schauer, Chief Financial Officer and Treasurer of MNL, and Robert Stubbe, Executive Vice President of MNL were elected in November of 2018 to take their place.

Officers of the Company

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

Name	Office	2017 Compensation
Larry R. Graber	President and Director	$462,604
Diane L. Schauer	Chief Financial Officer and Treasurer	282,430
Loan T. Nisser	Secretary	0**
Susan M. Caldwell	General Counsel and Assistant Secretary	147,971
Robert J. Stubbe	Executive Vice President	330,143

** Compensation is paid by IHC.

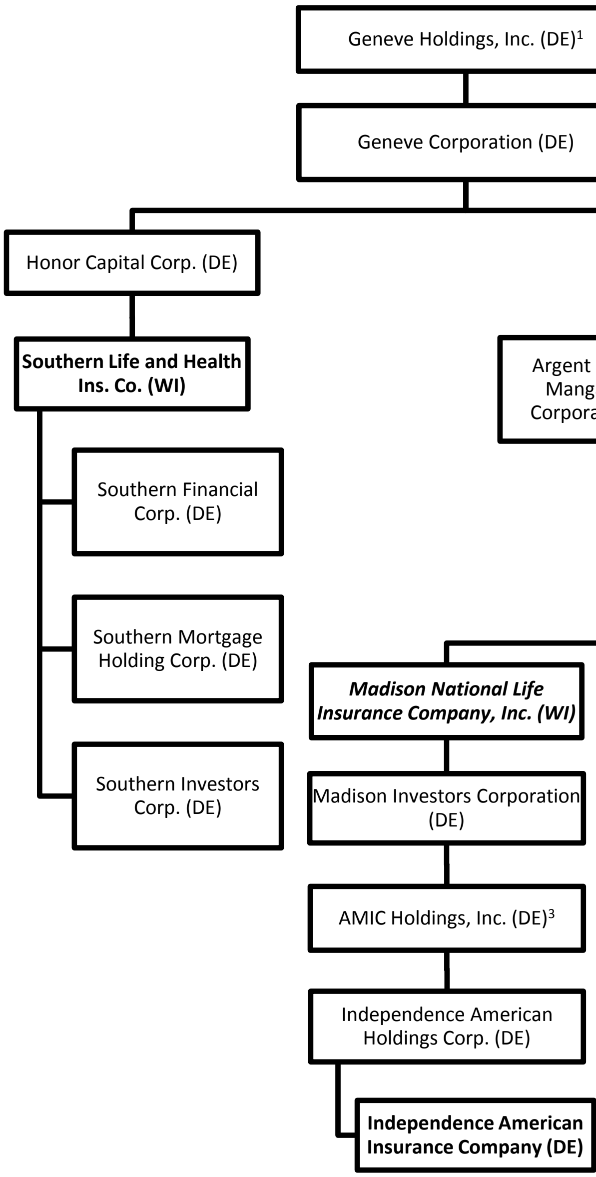
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company had no committees at the time of this examination. The audit committee resides with the company's parent, IHC.

IV. AFFILIATED COMPANIES

MNL is a member of a holding company system. The abbreviated organizational chart on the next page depicts the relationships between the company and affiliates within the group. A brief description of affiliates deemed significant follows the organizational chart.

Organizational Chart
As of December 31, 2017



1 Mrs. Barbara Netter beneficially owns more than 50.04% of the voting stock of GHI. Other Netter family members beneficially own the balance of the voting stock of GHI, but do not have the power to direct or cause the direction of the management and policies of GHI.
2 Independence Holding Company is a public company; Geneve and its affiliates collectively own more than 50% of IHC.
3 Madison Investors Corporation owns 62.3% of AMIC Holdings, Inc., and IHC owns the other 37.7%.

Geneve Holdings, Inc.

Geneve Holdings, Inc., the ultimate parent of MNL, owns Geneve Corporation, a diversified holding company which, through its subsidiaries, is engaged primarily in the life and health insurance business. GHI is owned 100% by the Netter Family. Mrs.Barbara Netter beneficially owns more than 50.04% of the voting stock of GHI. Other Netter family members beneficially own the balance of the voting stock of GHI but do not have the power to direct or cause the direction of the management and policies of GHI. As of December 31, 2017, GHI's audited consolidated financial statement reported assets of $1,300.3 million, liabilities of $659.9 million, and stockholders' equity attributable to GHI of $469.1million. Operations for 2017 produced net income of $25.6 million available to GHI common stockholders.

Independence Holding Company

Independence Holding Company, a Delaware corporation, is a holding company engaged primarily in life and health insurance activities through its subsidiaries, MNL and SSLNY. As of December 31, 2017, IHC's audited consolidated financial statement reported assets of $1,040.6 million, liabilities of $604.3 million, and stockholder's equity attributable to IHC of $431.5 million. Operations for 2017 produced a net income of $42.0 million.

Southern Life and Health Insurance Company

Southern Life and Health Insurance Company (SLH), a wholly owned subsidiary of Honor Capital Corp., is a Wisconsin-domiciled insurance company located in Birmingham, Alabama. The company currently does not write any new direct business. SLH's current business consists mostly of direct life policies that have become paid-up or extended-term through nonforfeiture election, and assumed closed block annuity policies. Although the operations are separate, Mr. Graber is the president for both SLH and MNL. The companies also shared directors until two directors resigned from MNL's board in late 2018. As of December 31, 2017, SLH's audited financial statement reported assets of $73.9 million, liabilities of $41.7 million, and capital and surplus of $32.2 million. Operations for 2017 produced a net income of $3.8 million.

Madison Investors Corporation

Madison Investors Corporation (MIC), a Delaware corporation, was formed by MNL in 1992 to hold investment assets, primarily partnerships and private placements. As of December 31, 2017, MIC's primary asset was its 62.3% ownership of AMIC Holdings, Inc. (AMIC). AMIC is an insurance holding company comprised of IAIC and several wholly owned managing general underwriters. As of December 31, 2017, MIC's audited consolidated financial statement reported assets of $265.0 million, liabilities of $50.7 million, and stockholder's equity, net of redeemable non-controlling interest, of $212.2 million. Operations for 2017 produced a net income of $16.7 million.

Standard Security Life Insurance Company of New York

Standard Security Life Insurance Company of New York is a New York-domiciled stock life insurer licensed in all 50 states, the District of Columbia, U.S. Virgin Islands, and Puerto Rico. It was incorporated on June 28, 1957, and commenced business on December 22, 1958. SSLNY is 100% owned by Independence Capital Corp. (ICC), which is a wholly owned subsidiary of IHC. The company primarily sells specialty health insurance products and short-term statutory disability benefit product in New York through general agents, agents, and brokers. SSLNY wrote medical stop-loss but ceased doing so during 2016. On March 31, 2016, IHC and its subsidiary Independence American Holding Corporation (IAHC) sold to a division of Swiss Re all of the membership interests of Risk Solutions. In addition, SSLNY and IAIC stop-loss business produced by Risk Solutions was co-insured to Swiss Re's largest U.S. carrier, Westport Insurance Corporation, as of January 1, 2016. As a result, IHC's medical stop-loss line of business is in run-off. As of December 31, 2017, the company reported assets of $131.5 million, liabilities of $65.9 million, and surplus of $65.6 million. Operations for 2017 produced a net income of $3.6 million.

Independence American Insurance Company

Independence American Insurance Company is a property and casualty company domiciled in Delaware. IAIC is 100% owned by IAHC, which is, in turn, 100% owned by AMIC. AMIC is 62.3% owned by MIC. The remaining 37.7% is owned by IHC. IAIC is licensed in 50 states and the District of Columbia. IAIC provides specialty health and pet insurance coverage to commercial customers and individuals through independent agents and controlled distribution channels in the U.S. The company retains most of the risk that it underwrites on the following: pet insurance, occupational accident, hospital indemnity, short-term medical, fixed indemnity medical, limited medical, gap plans, and dental. The company also reinsures short-term statutory disability benefit business in New York. In 2015 the company ceased writing major medical plans and medical stop-loss, and curtailed writing occupational accident. As of December 31, 2017, the company reported assets of $112.9 million, liabilities of $40.8 million, and surplus of $72.1 million. Operations in 2017 produced a net income of $8.7 million.

IHC Carrier Solutions, Inc.

IHC Carrier Solutions, Inc. (IHC-CS) is a program management, actuarial and regulatory compliance company providing product development and valuation services for IHC's specialty health segment. IHC-CS was one of two principal administrative companies for MNL's specialty health segment during 2017. As of December 31, 2017, IHC-CS' unaudited financial statements reported assets of $7.4 million, liabilities of $2.6 million, and capital of $4.8 million. Operations in 2017 produced a net loss of $0.3 million.

Agreements with Affiliates

MNL has an Investment Advisory Agreement with IHC, effective January 1, 2002, under which IHC provides investment management and counsel. Fees under this agreement are three-tenths of 1% of the mean value of the investment portfolio assets administered as determined following the close of the preceding year as shown in the annual statements filed with OCI, payable quarterly within 30 days of the close of each calendar quarter.

MNL has a Tax Allocation Agreement with IHC, effective July 30, 1993, under which IHC provides tax management and counsel. Under this agreement, MNL is to pay to IHC the amount of income taxes which MNL would otherwise be required to pay if MNL filed its own income tax return on a separate return basis annually.

MNL has a Cost Allocation Agreement with IHC, effective January 1, 1991, under which IHC provides administrative services in the areas of investments, legal, financial, and tax matters. MNL pays allocable costs to IHC under this agreement without profit, billable quarterly within a reasonable time period.

MNL also has a reciprocating Service Agreement with Madison Standard Corporation (MSC), a subsidiary of IHC, effective January 1, 1991. MNL provides policy administrative services to MSC that include claim file maintenance, complaint logs, billing, collections, and claim payment. Additionally, the agreement provides for accounting services which include assistance in financial reporting, book and record keeping, and dealings with outside auditors on tax matters. Periodic executive functions are performed. The services provided by MSC to MNL include marketing services and management consulting. All services are provided at cost without profit.

MNL has an Amended and Restated Service Agreement, effective January 1, 2017, with SSLNY, IHC, IAIC, and AMIC. Upon request from SSLNY, IHC, MNL, and AMIC provide accounting and tax, audit, payroll, management, legal and compliance, IT, and administrative services. Upon request from MNL, SSLNY provides legal and compliance, tax, financial statement preparation, accounting and actuarial, and audit services. All services are provided at cost and contain no profit. Cost is defined as an employee's hourly rate of pay, increased by an overhead factor for general expenses. The overhead factor is calculated annually. For all services, reimbursement is provided based on allocating expenses or charges of services provided.

MNL has a Service Agreement with IHC-CS, effective September 1, 2008. The agreement with IHC-CS is for professional services on several ancillary insurance programs, which include actuarial development, management, certifications, benefit design, underwriting review, monitoring, reporting, reserve analysis, case renewal pricing, strategic, and tactical services. In this agreement, MNL pays IHC-CS a provisional fee of up to 6% of gross original net premium written without profit for services rendered and payable within 30 days of the end of each month.

MNL has a Service Agreement with IHC-CS, effective January 1, 2005. The agreement has been amended several times, with the most recent amendment effective January 1, 2017. Services provided to MNL by IHC-CS include actuarial, business development and implementation, legal and compliance, information technology, human resources, and sales and marketing. For services provided, MNL reimburses IHC-CS on an actual cost basis without a profit factor built into the cost.

V. REINSURANCE

Included in this section is a summary of the company's major reinsurance treaties in force at the time of the examination, significant changes made since the prior examination, and a description of significant acquisitions made by the company since the prior examination. The summary of reinsurance contracts is divided into three segments of business which include specialty health, group, and individual life and annuities. All contracts contained proper insolvency provisions.

Specialty Health Segment

The company retains nearly all risk for its specialty health segment, with the exception of International Medical.

International Medical

On January 1, 2012, MNL entered into a quota share reinsurance contract with GBG Insurance Ltd. (GBG), in which MNL assumed 15% of the loss and loss adjustment expense of GBG's International Expatriate Group and Individual Medical business. Polices were limited to $2 million, per insured, resulting in MNL assuming a maximum of $150,000 per policy. Then, effective August 1, 2012, MNL would retrocede 50% of the policy (7.5% of what was assumed) to its affiliate, IAIC. Effective January 1, 2015, MNL changed its quota share participation with GBG from 15% to 10%. It also changed its quota share retrocession with IAIC from 50% to 100%, resulting in MNL holding no net risk. The retroceding ceding commission paid to MNL from IAIC was based on the quota share percentage of the reinsurance contract in effect. As of 2017, MNL no longer assumes GBG International Medical business and the contract is in run-off.

Individual Life and Annuity

On a net basis, MNL's individual life and annuity segment retains an immaterial amount of risk. This is due to two significant reinsurance cessions that were made to Guggenheim and NGL. In addition, MNL cedes 100% of long term care business to Munich American Reassurance Company.

Guggenheim Life and Annuity Company

MNL entered into a Coinsurance Agreement with Guggenheim Life and Annuity Company, effective May 31, 2013, to cede the net-retained risks of most of the company's annuity, universal life, and a portion of the traditional life business with reserves of $226.1 million. The purchase price was $1.0

million and resulted in net transfer to Guggenheim of $214.9 million. In 2014, assumption certificates were issued for policies reinsured 100% with Guggenheim as they were approved by the applicable state or policyholder. As of December 31, 2017, approximately 57% of the business sold to Guggenheim has been novated. MNL will continue with working on novating all eligible policies ceded to Guggenheim.

National Guardian Life Insurance Company

On July 31, 2015, the company entered into a Coinsurance and Sale Agreement with National Guardian Life Insurance Company to substantially cede all of their individual life and annuity policy blocks currently in run-off, and to sell the related infrastructure associated with the administration of such policies. The company transferred net reserves of approximately $255.3 million, net policy loans of $9.7 million, and deferred premiums of $4.7 million. Cash of $200.0 million was transferred to NGL, net of the aggregate purchase price of $40.8 million for the coinsurance and sale transaction. Subsequent to the transaction, MNL worked with NGL to novate business that was previously assumed by MNL and one significant reinsurance agreement, to extinguish MNL's liability.

Long-Term Care

Effective May 1, 2002, MNL entered into a 100% coinsurance quota share with Munich American Reassurance Company to cede its long-term care business. MNL's long-term care business has been in run-off since 2011; as such, no new policies are currently being underwritten. For renewal policies, MNL receives a ceding commission of 24% of premiums plus 5% of paid claims. In 2017, the ceded long term care premiums were $521,179 and reported reserve credit was $3.7 million.

Group Segment

Group Life and Accident Death and Dismemberment

MNL currently cedes its group term life and accidental death and dismemberment to RGA Reinsurance Company (RGA). Generally, MNL retains 50% of the group term life business for claims under $125,000; however, there are a few exceptions depending on which block of business the policy originated under. The only exception is that the company retains 100% of the group term life business for claims under $125,000 produced by North American Benefits Company (NABCO).

MNL also has an Excess of Loss Agreement with The TOA Reinsurance Company Limited (TOA). The agreement is effective July 1, 2014, and covers group life and accidental death and dismemberment business produced by NABCO. Under the terms of the agreement, TOA indemnifies MNL for losses up to $2 million per policy, subject to $125,000 retention. The agreement was terminated effective December 31, 2017.

MNL has a separate Excess of Loss Agreement with RGA to cover business produced by NIS. The agreement is effective January 1, 2014, and covers group life and accidental death and dismemberment business produced by NIS. Under the terms of the agreement, RGA indemnifies MNL for losses up to $500,000 per individual policy, subject to retention of $250,000. Effective January 1, 2018, when the RGA contract began covering losses produced by NABCO, the contract provided $2 million of coverage in excess of $125,000 retention.

Long- and Short-Term Disability

MNL currently has a quota share Reinsurance Agreement in place with RGA Reinsurance Company to cede its long- and short-term group disability. The current contract in place with RGA is effective January 1, 2012, and has had several subsequent amendments to change the quota share percentage as well as the ceding commission. Business covered by the agreement includes policies produced by NIS and business previously written by Lafayette Life Insurance Company but acquired by MNL through a separate quota share agreement. Currently, MNL cedes 25% of its long- and short-term disability to RGA with the exception of short-term disability not produced by NIS. Such business is fully retained by MNL. Ceding commissions have varied since 2012, but as of December 31, 2017, the ceding commission is 13% plus the actual sales commissions paid to non-MNL firms on bound policies.

2013 Acquisition — Long-Term Disability

On May 13, 2013, MNL acquired a block of Long-Term Disability policies from National Organization of Life and Health Insurance Guaranty Associations, the business was originally written by Lumberman's Mutual Casualty Company (Lumberman), which had gone into liquidation on May 10, 2013. The transaction was accounted for as assumption reinsurance and resulted in an increase in reserves of $15.4 million. MNL received consideration of $15.2 million for the business. Company retains all risk on the Lumberman's policies.

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.

Madison National Life Insurance Company, Inc.
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$176,673,601	$	$176,673,601
Stocks:			
Preferred stocks	10,580,323		10,580,323
Common stocks	115,470,094		115,470,094
Cash, cash equivalents, and short-term investments	5,960,949		5,960,949
Receivables for securities	430,101		430,101
Investment income due and accrued	1,617,642		1,617,642
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	4,107,756	14,748	4,093,008
Reinsurance:			
Amounts recoverable from reinsurers	4,124,391		4,124,391
Funds held by or deposited with reinsured companies	1,920,398		1,920,398
Other amounts receivable under reinsurance contracts	3,864,562		3,864,562
Electronic data processing equipment and software	342,897	152,818	190,079
Furniture and equipment, including health care delivery assets	265,112	265,112	
Receivable from parent, subsidiaries, and affiliates	32,208		32,208
Health care and other amounts receivable	1,679,176	328,270	1,350,906
Write-ins for other than invested assets:			
Prepaid Expenses	547,876	547,876	0
Total Assets	$327,617,086	$1,308,824	$326,308,262

Madison National Life Insurance Company, Inc.
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Aggregate reserve for life contracts		$ 18,135,124
Aggregate reserve for accident and health contracts		65,565,990
Liability for deposit-type contracts		146,654
Contract claims:		
Life		4,414,073
Accident and health		11,405,005
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance		8,002,372
Interest maintenance reserve		3,371,457
Commissions to agents due or accrued		2,805,671
Commissions and expense allowances payable on reinsurance assumed		1,584,299
General expenses due or accrued		4,212,943
Taxes, licenses, and fees due or accrued, excluding federal income taxes		2,045,720
Current federal and foreign income taxes		3,998,335
Net deferred tax liability		280,485
Amounts withheld or retained by company as agent or trustee		2,165,621
Remittances and items not allocated		914,375
Miscellaneous liabilities:		
Asset valuation reserve		15,551,334
Reinsurance in unauthorized and certified companies		1,107
Payable to parent, subsidiaries and affiliates		53,833
Funds held under coinsurance		1,405,171
Write-ins for liabilities:		
Deferred Lease Credit		347,594
Deferred Admin Credit		253,008
Total Liabilities		146,660,171
Common capital stock	$ 3,600,000	
Write-ins for other than special surplus funds:		
Gain on Coinsurance Treaty	20,972,671	
Gross paid in and contributed surplus	69,688,009	
Unassigned funds (surplus)	85,387,411	
Total Capital and Surplus		179,648,091
Total Liabilities, Capital and Surplus		$326,308,262

Madison National Life Insurance Company, Inc.
Summary of Operations
For the Year 2017

Premiums and annuity considerations for life and accident and health contracts		$ 87,935,342
Net investment income		5,356,954
Amortization of interest maintenance reserve		316,288
Commissions and expense allowances on reinsurance ceded		13,262,283
Miscellaneous income:		
Write-ins for miscellaneous income:		
Administration Fees		239,939
Other Fees & Miscellaneous Income		69,074
Total income items		107,179,880
Death benefits	$ 9,032,802	
Annuity benefits	(84,255)	
Disability benefits and benefits under accident and health contracts	37,119,431	
Surrender benefits and withdrawals for life contracts	(865)	
Interest and adjustments on contract or deposit-type contract funds	3,179	
Increase in aggregate reserves for life and accident and health contracts	(2,321,177)	
Subtotal	43,749,115	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	22,179,403	
Commissions and expense allowances on reinsurance assumed	2,585,890	
General insurance expenses	18,154,452	
Insurance taxes, licenses, and fees excluding federal income taxes	3,146,767	
Total deductions		89,815,627
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		17,364,253
Federal and foreign income taxes incurred (excluding tax on capital gains)		5,328,945
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		12,035,308
Net realized capital gains or (losses)		758,444
Net Income		$ 12,793,752

Madison National Life Insurance Company, Inc.
Cash Flow
For the Year 2017

Premiums collected net of reinsurance			$ 92,675,589
Net investment income			6,468,032
Miscellaneous income			12,339,654
Total			111,483,275
Benefit- and loss-related payments		$45,648,868	
Commissions, expenses paid, and aggregate write-ins for deductions		48,177,468	
Federal and foreign income taxes paid (recovered)		3,786,750	
Total deductions			97,613,086
Net cash from operations			13,870,189
Proceeds from investments sold, matured, or repaid:			
Bonds	$58,734,449		
Net gains (losses) on cash, cash equivalents, and short-term investments	(1)		
Miscellaneous proceeds	194,798		
Total investment proceeds		58,929,246	
Cost of investments acquired (long-term only):			
Bonds		77,909,661	
Net cash from investments			(18,980,415)
Cash from financing and miscellaneous sources:			
Net deposits on deposit-type contracts and other insurance liabilities		146,654	
Dividends to stockholders		11,000,000	
Other cash provided (applied)		(2,369,449)	
Net cash from financing and miscellaneous sources			(13,222,795)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(18,333,021)
Cash, cash equivalents, and short-term investments:			
Beginning of year			24,293,973
End of year			$ 5,960,952

Madison National Life Insurance Company, Inc.
Compulsory and Security Surplus Calculation
December 31, 2017

Assets			$326,308,262
Less security surplus of insurance subsidiaries			13,236,401
Less liabilities			146,660,171
Adjusted surplus			166,411,690
Annual premium:			
Individual life and health	$ 41,560		
Factor	15%		
Total		$ 6,234	
Group life and health	92,074,648		
Factor	10%		
Total		9,207,464	
Compulsory surplus (subject to a $2,000,000 minimum)			9,213,698
Compulsory Surplus Excess (Deficit)			$157,197,992
Adjusted surplus (from above)			$166,411,690
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%)			12,714,903
Security Surplus Excess (Deficit)			$153,696,787

Madison National Life Insurance Company, Inc.
Analysis of Surplus
For the Five-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	2013
Capital and surplus, beginning of year	$178,978,496	$116,652,396	$ 81,534,081	$77,968,622	$72,304,357
Net income	12,793,752	(1,614,561)	20,325,503	9,875,580	11,703,923
Change in net unrealized capital gains/losses	1,014	91,620,018	(4,184,742)	2,010,313	2,574,883
Change in net deferred income tax	909,770	30,641	(2,880,439)	(3,904,036)	(3,503,446)
Change in nonadmitted assets and related items	223,883	472,281	2,527,465	249,613	1,651,401
Change in liability for reinsurance in unauthorized and certified companies	(1,107)				49
Change in reserve on account of change in valuation bases		477,586			
Change in asset valuation reserve	(342,133)	(10,714,370)	3,710,154	112,032	(2,058,475)
Dividends to stockholders	(11,000,000)	(15,836,119)	(4,600,000)	(4,000,000)	(3,950,000)
Write-ins for gains and (losses) in surplus:					
Gain on Coinsurance Treaty	(1,915,584)	(1,908,629)	20,220,374	(778,043)	(754,069)
Sale of IHCFG		(200,747)			
Capital and Surplus, End of Year	$179,648,091	$178,978,496	$116,652,396	$81,534,081	$77,968,623

Madison National Life Insurance Company, Inc.
Insurance Regulatory Information System
For the Five-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**	**2013**
#1	Net change in capital & surplus	0%	53%*	43%	5%	8%
#2	Gross change in capital & surplus	0	53*	43	5	8
#3	Net income to total income	12	(2)*	12	5	5
#4	Adequacy of investment income	468	476	135	118*	113*
#5	Non-admitted to admitted assets	0	0	1	1	1
#6	Total real estate & mortgage loans to cash & invested assets	0	0	0	0	0
#7	Total affiliated investments to capital & surplus	68	68	46	70	72
#8	Surplus relief	6	6	19	13	13
#9	Change in premium	5	(31)*	(13)*	(13)*	23
#10	Change in product mix	0.1	3.4	1.2	0.7	1.7
#11	Change in asset mix	0.8	2.7	1.5	0.1	0.6
#12	Change in reserving	(4)	1,900*	(1,882)*	674*	(659)*

Ratio No. 1 and Ratio No. 2 measures the improvement or deterioration in an insurer's financial condition during the year. Ratio No. 2 measures the gross change in surplus, and takes operational results and paid-in or transferred capital into account; while Ratio No. 1 only takes operational results into account. The usual range for both ratios includes all results greater than -10% and less than 50%. Both ratios were the same each year during the period under examination as there were no changes to MNL's capital structure. The company reported an exceptional ratio in 2016 in part because of a $79.6 million increase in the value of MNL's wholly-owned subsidiary, MIC. The valuation increase in MIC was due to the sale of Risk Solutions to Swiss Re.

Ratio No. 3 compares net income to total income to measure the insurer's profitability. The usual range for this ratio includes all results greater than zero. In 2016, the company experienced a net loss that stemmed from a large net realized capital loss of $12.7 million. The realized loss was mostly a result of a reclassification from unrealized losses to realized losses of $12.3 million due to a dividend paid from IHC

Health Holdings Corp. to ICC. Outside of 2016's result, MNL's net income remained relatively stable over the examination period.

Ratio No. 4 indicates whether an insurer's investment income is adequate to meet the interest requirements of its reserves. The adequacy of investment income in meeting an insurer's interest obligations is a key element in an insurer's profitability. The usual range for the ratio is between 125% and 900%. During 2014 and 2013, the ratio was below the threshold of 125% which was indicative of the company's investment income being less than adequate to meet its cash flow requirement. The exceptional values were primarily due to the low interest rate environment. It should be noted that the ratio steadily improved during the examination period, largely because of the company's exit from individual annuity and life business. In 2013, the company ceded most of its annuity and universal life products to Guggenheim and in 2015 the remaining individual life and individual annuity products were ceded to NGL. These cessions significantly lowered the company's tabular interest reserves which resulted in the significant improvement in the ratio during 2016 and 2017.

Ratio No. 9 represents the percentage change in premium from the prior to the current year. The usual range includes all results less than 50% and greater than -10% percent. Unusual results were noted in 2016, 2015, and 2014. In 2014, premium written in the company's fully insured small group medical line decreased $31.6 million. In 2015, premium from the company's fully insured small group medical continued to decrease and was placed in run-off. Also, in August 2015, the company began ceding 100% of its remaining individual life and annuity products to NGL. In 2016, premium continued to decrease as the remaining individual life and annuity business was ceded to NGL.

Ratio No. 12 compares the current year reserving ratio to the prior year's ratio. The reserving ratio is the ratio of increase in aggregate reserves for life business to premiums for life business to the prior year's ratio. Positive ratio results indicate an increase in the ratio from the prior year with negative results indicating a decrease. The usual range of the number of percentage points of difference between the reserving ratios for current and prior years includes all results less than 20% but greater than -20%. The unusual values in 2013 and 2014 stemmed from the Guggenheim reinsurance cession and the unusual values in 2015 and 2016 stemmed from the NGL reinsurance cession.

Growth of Madison National Life Insurance Company, Inc.

Year	Admitted Assets	Liabilities	Capital and Surplus
2017	$326,308,262	$146,660,171	$179,648,091
2016	329,743,532	150,765,036	178,978,496
2015	256,860,233	140,207,837	116,652,396
2014	496,738,368	415,204,287	81,534,081
2013	488,614,473	410,645,851	77,968,622
2012	689,695,023	617,390,666	72,304,357

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2017	$16,399,399	$ 0	$0
2016	15,861,005	0	0
2015	26,745,852	6,780,448	0
2014	29,054,362	11,019,498	0
2013	30,916,660	12,255,165	0
2012	32,561,717	12,568,035	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2017	$13,391,344	$6,825,940	$6,565,404
2016	12,074,573	6,246,592	5,827,981
2015	11,792,302	6,264,405	5,527,897
2014	11,076,146	6,030,523	5,045,623
2013	11,580,815	6,445,731	5,135,084
2012	11,322,179	5,977,226	5,344,953

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2017	$ 71,256,552	$ 36,398,181	$11,823,970	$14,656,489	88.3%
2016	71,668,448	35,802,688	11,920,092	15,153,321	87.8
2015	93,591,245	64,040,382	12,130,689	17,255,150	99.8
2014	107,371,111	72,219,198	10,723,761	19,652,713	95.6
2013	124,567,093	106,224,346	14,546,288	21,138,046	113.9
2012	91,279,501	59,923,530	8,240,172	18,151,767	94.5

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

During the examination period, the company entered into two reinsurance transactions that impacted MNL's financials significantly. Life insurance premiums decreased by 49.6%, annuity considerations decreased from $12.6 million to $0, and accident and health net premiums earned decreased by 21.9%. Premiums earned for accident and health business increased significantly in 2013, as the company increased writings for small group major medical business. Accident and health premium then decreased as the company exited the major medical business. Admitted assets and liabilities decreased by 52.7% and 76.2%, respectively, due to the cession of reserves to both reinsurers as well as the transfer of cash and securities. Capital and surplus grew steadily over the examination period, growing 148.5% from 2012 to 2017.

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, 2017, is accepted.

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were eight 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. Internal Controls – Suspense Accounts—It is recommended that suspense accounts be reconciled and reviewed in a timely manner.

   Action—Compliance.

2. Holding Company Transactions—It is again recommended that the company report all substantial transactions with affiliates under ch. Ins 40, Wis. Adm. Code.

   Action—Compliance.

3. Holding Company Reporting – Organizational Charts—It is recommended the company report the current organizational chart on both the Schedule Y and the annual Holding Company filing consistently in accordance with the NAIC Annual Statement Instruction – Life, Accident & Health and ch. Ins 40, Wis. Adm. Code.

   Action—Compliance.

4. Affiliated Reinsurance Agreements—It is recommended that the company amend its affiliated reinsurance agreements to replace coinsurance percentage, commission and fee ranges with specific terms in accordance with s. 617.21 (1) (b), Wis. Stat.

   Action—Compliance.

5. Affiliated Service Agreements—It is recommended that the company amend its affiliated service agreements to specify payment terms and due dates in accordance with s. 617.21 (1) (b), Wis. Stat., and SSAP No. 25, par. 7.

   Action—Noncompliance, see comments in the "Summary of Current Examination Results."

6. Actuarial Opinion Memorandum—It is recommended that future Actuarial Opinion Memoranda include specific descriptions of the company's products and a discussion of the specific risks of each product type the appointed actuary deems significant.

   Action—Noncompliance, see comments in the "Summary of Current Examination Results."

7. Paid-up Life Reserve—It is recommended that future annual statements include the paid-up life reserve in the Life section of Exhibit 5.

   Action—Noncompliance, see comments in the "Summary of Current Examination Results."

8. Affiliated Common Stock—It is recommended that management report the correct number of common shares and the correct actual cost of those shares for affiliated investments in accordance with the NAIC Annual Statement Instructions – Life, Accident & Health.

   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.

Actuarial Opinion Memorandum

In the prior examination, the consulting actuary noted that the company’s actuarial memorandum did not include a description of specified items as required by the Actuarial Opinion Memorandum Regulation. The current consulting actuary’s review of MNL’s 2017 actuarial memorandum noted that it did not include specific criteria for determining asset adequacy as required by VM-30 in the Valuation Manual. In addition, the consulting actuary noted there were several items that VM-30 indicates should be included in the actuarial memorandum that were not included, such as the source of liability in force, investment reserves, and the impact of federal income taxes. It is again recommended that the actuary include specific criteria for determining asset adequacy as required by VM-30 in the Valuation Manual. It is further recommended that the company include the source of liability in force, investment reserves, the impact of federal income taxes and other items identified in VM-30 in future actuarial memoranda.

Affiliated Agreements-Approval

A review of form D filings made by the company since the examination period noted two form D’s filed for amended affiliated service agreements. Both amended agreements did not receive approval within the required time frame under s. Ins 40.04 (2), Wis. Adm. Code. One agreement was non-disapproved on July 27, 2018, and had an effective date of January 1, 2014; the other agreement was non-disapproved on October 4, 2018, and had an effective date of January 1, 2017. Section Ins 40.04 (2), Wis. Adm. Code, requires insurers to provide 30 days’ notice to the commissioner prior to entering into a transaction that is subject to non-disapproval. It is recommended that the company provide 30 days’ notice to the commissioner prior to entering into a transaction that is subject to non-disapproval in accordance with s. Ins 40.04 (2), Wis. Adm. Code.

Affiliated Agreements-Settlement Terms

During the prior examination of MNL, it was noted that several affiliated agreements contained ambiguous language regarding compensation and settlement terms, including settlement due date. The current review of affiliated agreements and their amendments showed two affiliated agreements, the Cost Allocation Agreement with IHC and the Service Agreement with MSC, still did not include specific settlement due dates as required by SSAP No. 25, par. 7. Also, the Service Agreement with IHC-CS dated September 1, 2008, still included ambiguous compensation terms. The terms of the agreement call for a "provisional fee of up to 6% of all Gross Original Net Written Premiums." Such ambiguous terms preclude bookkeeping in a "manner that clearly and accurately discloses the nature and details of the transactions" as required by s. 617.21 (1) (b), Wis. Stat. It is again recommended that the company amend its affiliated service agreements to specify payment terms and due dates in accordance with s. 617.21 (1) (b), Wis. Stat., and SSAP No. 25, par. 7.

Executive Compensation

The company filed its Report on Executive Compensation as required by ss. 601.42 and 611.63 (4), Wis. Stat. The report requires that:

> Compensation reported shall consist of any and all gross direct and indirect remuneration paid and accrued during the report year for the benefit of an individual director, officer, or manager, and shall include wages, stock grants, gains from the exercise of stock options, and all other forms of personal compensation (including employer-paid health, life and any other premiums).

During the examination team's review of executive compensation, it was noted that the company did not include the amounts paid for employer-paid health insurance coverage or the employer-matched 401(k) benefits in the "All Other Compensation" column of the 2017 Report on Executive Compensation filed with OCI in early 2018. It is recommended that MNL report compensation in accordance with the instructions on the Report of Executive Compensation per ss. 601.42 and 611.63 (4), Wis. Stat.

Extraordinary Dividends

It was noted that the company paid a dividend of $11 million during 2017. OCI determined that the dividend was extraordinary, as 2016 year-end resulted in a net loss. Section 600.03 (19), Wis.

Stat., defines an extraordinary dividend as the lesser of 10% of an insurers' prior-year surplus or "the total net income of the insurer for the calendar year preceded the date of the dividend or distribution, minus realized capital gains for that calendar year." As the 2016 year-end resulted in a net loss, any dividend paid in 2017 is determined to be extraordinary and would, therefore, require non-disapproval by OCI under s. 617.225 (1), Wis. Stat. As the company believed the dividend to be ordinary, it had not filed a request with OCI. It is recommended that the company establish a process for ensuring all dividend payments are calculated in accordance with s. 600.03 (19), Wis. Stat. It is further recommended that the company notify OCI at least 30 days prior to the distribution of an extraordinary dividend in accordance with s. 617.225 (1), Wis. Stat.

IBNR Claims for Non-LTD Benefits

During the consulting actuary's review of group reserves, they noted that non-LTD benefits recorded in Exhibit 6 generally related to accrued benefits on claims that had been incurred but not reported (IBNR). The Annual Statement Instructions indicate that accrued benefits on IBNR claims should be recorded in Exhibit 8 while unaccrued benefits are to be recorded in Exhibit 6. It is recommended that the company report the reserves for non-LTD IBNR claims in accordance with the NAIC Annual Statement Instructions—Life, Accident and Health.

Information Technology

The lead state's review of IHC's IT environment resulted in three management comments. It is recommended that the company comply with the IT recommendations included in the New York DFS's management comment letter.

Paid-up Life Reserves

During the prior examination, it was noted by the consulting actuary that MNL included paid-up life reserves in the miscellaneous section of Exhibit 5. It was noted in the current examination that MNL is still reporting the active life and IBNR reserves associated with its group paid-up life business as a line item in the miscellaneous reserves section of Exhibit 5. It is again recommended that future annual statements include the active life reserves associated with its group paid-up life business in the Life section of Exhibit 5 and the IBNR reserves associated with the group paid-up life in Exhibit 8.

VIII. CONCLUSION

As a result of the two significant reinsurance transactions during the examination period, where MNL ceded nearly all of its individual life and annuity business, the company's financials were notably impacted. The company still retains 75% of the disability business and generally retains 50% of the group term life business for claims under $125,000. Life insurance premiums decreased by 49.6%, annuity considerations decreased from $12.6 million to $0, and accident and health net premiums earned decreased by 21.9%. Admitted assets and liabilities decreased by 52.7% and 76.2%, respectively, due to the cession of reserves to two different reinsurers as well as the transfer of cash and securities. Capital and surplus grew steadily over the examination period, growing 148.5% from 2012 to 2017. With the exception of 2016, the company's operations remained stable and profitable. During 2016, the company experienced a net loss of $1.6 million that stemmed from a large net realized capital loss of $12.7 million as a result of a dividend from IHC Health Holdings Corp. to ICC.

The examination resulted in no adjustments to policyholders' surplus or reclassifications to the balance sheet. The current examination resulted in nine recommendations, three of which are repeated from the prior examination. A listing of the current examination recommendations is summarized on the following page.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 31 - Actuarial Opinion Memorandum—It is again recommended that the actuary include specific criteria for determining asset adequacy as required by VM-30 in the Valuation Manual. It is further recommended that the company include the source of liability in force, investment reserves, the impact of federal income taxes and other items identified in VM-30 in future actuarial memoranda.

2. Page 31 - Affiliated Agreements-Approval—It is recommended that the company provide 30 days' notice to the commissioner prior to entering into a transaction that is subject to non-disapproval in accordance with s. Ins 40.04 (2), Wis. Adm. Code.

3. Page 32 - Affiliated Agreements-Settlement Terms—It is again recommended that the company amend its affiliated service agreements to specify payment terms and due dates in accordance with s. 617.21 (1) (b), Wis. Stat., and SSAP No. 25, par. 7.

4. Page 32 - Executive Compensation—It is recommended that MNL report compensation in accordance with the instructions on the Report of Executive Compensation per ss. 601.42 and 611.63 (4), Wis. Stat.

5. Page 33 - Extraordinary Dividends—It is recommended that the company establish a process for ensuring all dividend payments are calculated in accordance with s. 600.03 (19), Wis. Stat.

6. Page 33 - Extraordinary Dividends—It is further recommended that the company notify OCI at least 30 days prior to the distribution of an extraordinary dividend in accordance with s. 617.225 (1), Wis. Stat.

7. Page 33 - IBNR Claims for Non-LTD Benefits—It is recommended that the company report the reserves for non-LTD IBNR claims in accordance with the NAIC Annual Statement Instructions—Life, Accident and Health.

8. Page 33 - Information Technology Recommendations—It is recommended that the company comply with the IT recommendations included in the New York DFS's management comment letter.

9. Page 33 - Paid-up Life Reserves—It is again recommended that future annual statements include the active life reserves associated with its group paid-up life business in the Life section of Exhibit 5 and the IBNR reserves associated with the group paid-up life in Exhibit 8.

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
Joshua Daggett	Insurance Financial Examiner
Junji Nartatez	Insurance Financial Examiner
Jerry DeArmond, CFE	Reserve Specialist
David Jensen, CFE	IT Specialist

Respectfully submitted,

Marisa K. Rodgers
Examiner-in-Charge