Report

of the

Examination of

Midwest Security Life Insurance Company

Onalaska, Wisconsin

As of December 31, 2012

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
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March 7, 2014

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:

MIDWEST SECURITY LIFE INSURANCE COMPANY
Onalaska, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Midwest Security Life Insurance Company (the company or MSLIC) was conducted in 2009 as of December 31, 2008. The current examination covered the intervening period ending December 31, 2012, and included a review of such 2013 transactions as deemed necessary to complete the examination.

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

The examination of the company was conducted concurrently with the examination of UnitedHealth Group and its subsidiaries and affiliates. Representatives of the Texas and Indiana insurance departments acted in the capacity as the lead state and facilitating state, respectively, for the coordinated exams. Work performed by the Texas Department of Insurance was reviewed and relied on where deemed appropriate.

The coordinated examination was divided into several groups, with the company’s examination grouped with Indiana and California companies as Group 3. The Group 3 examinations consisted of Golden Rule Ins. Co. (GRIC), All Savers Ins. Co. (ASIC), All Savers Life Ins. Co. of California (ASIC-CA), Unimerica Insurance Company (Unimerica), and MSLIC. The reasoning behind the Group 3 companies grouping is ownership and proximity. As of the date of this report, the examination of the other companies is still on-going.

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

History
Management and Control
Corporate Records
Conflict of Interest
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

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

The company is exempt from filing an audited financial statement for the year ending December 31, 2012, for having met the following requirements of exemption pursuant to ch. Ins 50, Wis. Adm. Code: less than $100,000 in direct premium written in Wisconsin during the year, fewer than 1,000 policyholders in Wisconsin at the end of the year, less than $1,000,000 in direct premium nationwide, and less than $1,000,000 of assumed reinsurance premiums nationwide. The company is in runoff and has stopped writing new business and discontinued renewing active groups since March 2010.

II. HISTORY AND PLAN OF OPERATION

The company was organized in Indiana in 1972 as Golden Investors Life Insurance Corporation and commenced business on March 15, 1973. The company changed its name to Knickerbocker Life Insurance Company of Indiana effective September 24, 1976, and then to Omnivest Life Insurance Company on October 22, 1981. On December 31, 1985, all outstanding stock of the company was purchased by R.W. Houser, Inc. The presently used name of Midwest Security Life Insurance Company was adopted on September 5, 1986. MSLIC redomiciled to the state of Wisconsin from Indiana on January 1, 1993.

On October 1, 2002, UnitedHealthcare, Inc. (UHC) purchased 100% of R.W. Houser, Inc., the parent company of MSLIC and its affiliates, Midwest Security Administration and Midwest Security Care. On October 24, 2002, R.W. Houser, Inc., changed its name to Midwest Security Holdings, Inc. (MSH). On December 31, 2007, MSH issued a dividend of 100% stock ownership of MSLIC to UHC. UHC is 100% owned by United HealthCare Services, Inc., which is in turn 100% owned by UnitedHealth Group Incorporated (UHG), the ultimate parent.

MSLIC merged with IBA Health and Life Assurance Co. (IBA) effective March 31, 2010, with MSLIC as the surviving entity. All outstanding shares of IBA, which were owned by UnitedHealthcare, Inc., were canceled along with the certificates representing the ownership. All outstanding shares of MSLIC which are owned by UHC continued to be the shares of the surviving corporation.

In 2012, the company reported no income on premiums and annuity considerations for life and accident and health contracts. Its source of income was primarily from investments. The company had stopped writing new business and discontinued renewing active groups since March 2010. Its membership declined in 2011 as members transitioned to other affiliated entities for the provision of health care services. At present, the company is licensed to write business in seven states: namely, Illinois, Indiana, Iowa, Michigan, Nebraska, Ohio, and Wisconsin, but has no more active policyholders due to its being in runoff.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently do not receive compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Wendy Arnone Menomonee Falls, WI	President, Commercial Business of UnitedHealthcare of Wisconsin	2015
Richard Dunlop Lewis Center, OH	Vice President, Exchange Development of UnitedHealthcare of Wisconsin	2015
Gregory Pavlic Melrose, WI	Vice President of Sales, UnitedHealth Group Incorporated (UHG)	2015
Kathryn Medus Sullivan Chicago, IL	CEO, Central Region for UnitedHealthcare Employer & Individual (a division of UHG)	2015
Frank Vierling Onalaska, WI	Senior VP, UMR Operations (a TPA of UnitedHealthcare)	2015

Officers of the Company

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

Name	Office	2012* Compensation
Richard Dunlop	President and Director	$292,098
Frank Vierling	Vice President/Chief Operating Officer	497,662
Stephen Wells	Chief Financial Officer	88,593
Jeffrey Tredway	Secretary	41,846
Robert Oberrender	Treasurer	30,971

* Each officer has responsibility for multiple regulated entities in the UnitedHealth Group. The portion of compensation shown above for each officer is primarily allocated based on the quantity of total legal entities the officer serves as well as percentage of the year that each officer served for Midwest Security Life Insurance Company. These amounts would be included in total salaries and benefits for the respective officer and allocated to the health plan through the United HealthCare Services, Inc., management fee.

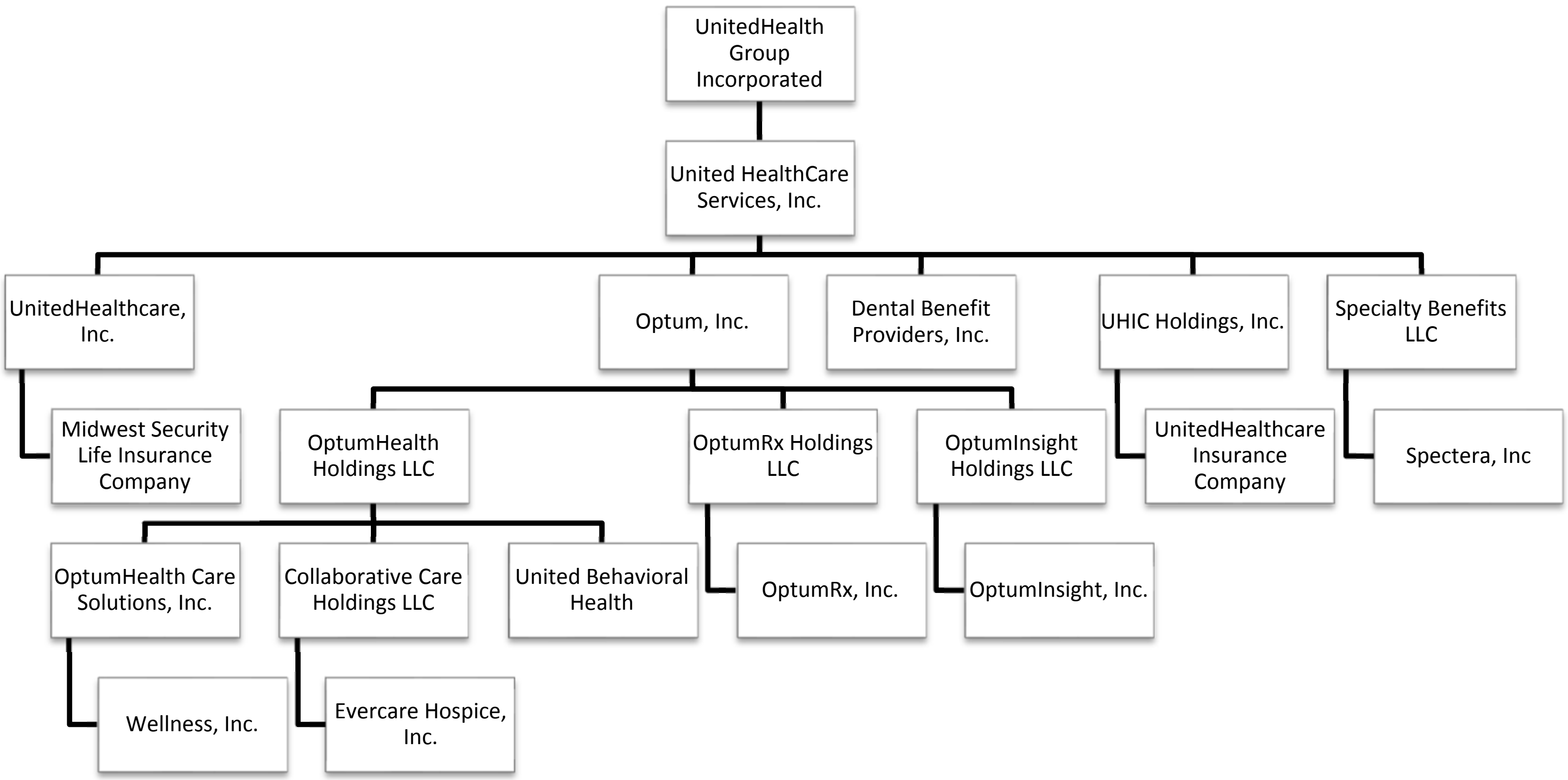
Committees of the Board

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

IV. AFFILIATED COMPANIES

MSLIC is a member of a holding company system under UnitedHealth Group Incorporated as its ultimate parent. The entire group consists of more than 300 companies worldwide. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the company. A brief description of affiliates deemed significant follows the organizational chart.

Organizational Chart
As of December 31, 2012



UnitedHealth Group Incorporated

UnitedHealth Group Incorporated, the ultimate controlling entity in the insurance holding company system, is a diversified health and well-being company serving more than 85 million individuals worldwide with health benefits and services. It operates in all 50 states in the United States and 20 other countries worldwide. Its core competencies are deployed within its two distinct, but strategically aligned business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum. As of December 31, 2012, the consolidated and audited financial statements of UHG reported assets of $80.9 billion, liabilities of $47.6 billion, and shareholders' equity of $31.2 billion. Operations for 2012 produced net earnings of $5.5 billion over total revenues of $110.6 billion. UHG is traded over the New York Stock Exchange under the symbol "UNH."

United HealthCare Services, Inc.

United HealthCare Services, Inc. (UHS), a wholly owned subsidiary of UHG, provides administrative and other services to various member companies in the group. As of December 31, 2012, the consolidated and audited financial statements of UHS reported assets of $58.9 billion, liabilities of $23.4 billion, and total shareholder's equity of $35.3 billion. Operations for 2012 produced net earnings of $5.2 billion over total revenues of $96.9 billion.

UnitedHealthcare, Inc.

UnitedHealthcare, Inc. (UHC), a holding company, is a Delaware corporation incorporated on October 30, 1998, and is a wholly owned subsidiary of UHS. As of December 31, 2012, the unaudited financial statements of UHC reported assets of $4.6 billion, liabilities of $226 million and total shareholder's equity of $4.4 billion. Operations for 2012 produced a net loss of $725 thousand, excluding net earnings from wholly owned subsidiaries.

Optum, Inc.

Optum, Inc. (Optum), is a direct subsidiary of UHS and functions as a holding company for the health services business serving the broad health care marketplace, including payers, care providers, employers, government, life sciences companies and consumers, through its OptumHealth, OptumInsight and OptumRx businesses. As of December 31, 2012, Optum's unaudited financial statement reported assets of $11.7 billion, liabilities of $2.9 billion, and shareholder's equity of $8.8 billion. Operations for 2012 produced net income of $0.9 billion on total revenues of $0.6 billion. Substantially all 2012 net income was the result of equity in earnings of subsidiaries.

Agreements with Affiliates

Subordinated Revolving Credit Agreement

MSLIC and UHG entered into a subordinated revolving credit agreement effective June 3, 2003, under which UHG provides MSLIC with a short-term borrowing facility. MSLIC may borrow funds upon demand from UHG up to a maximum of $7.0 million, at an interest rate equal to LIBOR plus 50 basis points. This agreement was amended, increasing the revolving credit amount to a maximum of $10.0 million, at an interest rate equal to LIBOR plus 50 basis points.

Management Services Agreement

MSLIC entered into a management services agreement with UHS effective July 1, 2011, wherein UHS provides management and operational support to MSLIC. In return, MSLIC will pay management fees to UHS. Management fees will be fair and reasonable and all allocations to MSLIC will be fair, reasonable and in conformity with required customary insurance accounting practices. This agreement replaced and superseded the Cost Reimbursement Agreement that was effective October 1, 2002.

Tax-Sharing Agreement

MSLIC became a party to a Tax-Sharing Agreement with UnitedHealth Group Incorporated and each subsidiary effective October 1, 2002. The Tax-Sharing Agreement was first effective January 1, 1997, and amended and restated on January 1, 2001. The Tax-Sharing Agreement establishes a formal method for the allocation and payment of federal, state and local income tax liabilities related to the consolidated federal tax returns of UHG and its subsidiaries filed each year. All settlements under this agreement shall be made within 30 days of the filing of the applicable estimated or actual consolidated tax.

Agreement for Combined Billing and Disbursement

MSLIC entered into the agreement for combined billing and disbursement operations with UnitedHealthcare Ins. Co., United HealthCare Services, Inc., and PacifiCare Health Plan Administrators, Inc., through a Participating Addendum. The purpose of the agreement is to provide a common lockbox for premium collection and zero balance disbursements account for paying certain bills.

Evercare Hospice-Ancillary Provider Participation Agreement

The ancillary provider participation agreement was entered into by and between Evercare Hospice, Inc., and UnitedHealthcare Ins. Co. on behalf of itself and any affiliates who chose to participate. The agreement was effective July 1, 2007. MSLIC became a party of the agreement effective September 1, 2009, by way of a Participating Addendum.

Ingenix Services Agreement

MSLIC entered into a services agreement with OptumInsight, Inc. (f/k/a Ingenix, Inc.) effective August 1, 2011. Under this agreement, Ingenix provides MSLIC with services related to claim analytics and recovery services, retrospective fraud, waste and abuse services and subrogation services. This agreement replaced the Subrogation Services Agreement effective February 1, 2009, and the Subrogation Services Agreement effective October 1, 2008.

The agreement was amended effective April 1, 2012, to reflect the name change from Ingenix to OptumInsight, Inc.

OptumRx, Inc., Facility Participation Agreement - DME Supplies and Hearing Aids

MSLIC and OptumRx, Inc., entered into a facility participation agreement in which OptumRx provides durable medical equipment services and hearing aids for MSLIC members. This agreement is to be made available to be used by all products, Commercial, Medicare and Medicaid, that MSLIC may offer. The agreement was effective January 1, 2012.

OptumRx, Inc., Facility Participation Agreement - Specialty Pharmacy

MSLIC entered into two essentially identical facility participation agreements between UnitedHealthcare Ins. Co., on behalf of itself and its affiliates (which includes MSLIC), and OptumRx, Inc. (f/k/a Rx Solutions). One facility participation agreement is for pharmacy medications covered under MSLIC's medical benefits and the other facility participation agreement is for pharmacy medications covered under MSLIC's pharmacy benefits. There were two amendments to this agreement. The first amendment adds the Medicaid program and the second amendment adds pharmacy medications to the agreements. MSLIC began participating in the first and second amendments through signing a Participating Addendum effective October 1, 2011.

OptumRx, Inc., Prescription Drug Benefit Administration Agreement (Commercial)

UHS entered into a prescription drug benefit administration agreement with OptumRx, Inc., effective January 1, 2013. MSLIC participates as a party to the agreement by signing a Participating Addendum as of October 1, 2013. Under the agreement, OptumRx provides MSLIC with Core Prescription Drug Benefit Services and Mail Order Pharmacy Services. Under the Core Prescription Drug Benefit Services, OptumRx establishes and maintains a network of pharmacies to service the benefit plans, provide claims processing services, benefits administration and support, marketing and sales support, account management services, rebate administration, clinical services and finance and analytical support services. Under the Mail Order Pharmacy Services, OptumRx provides MSLIC with mail order network prescription services. MSLIC remains ultimately responsible for the pharmacy benefit administration services provided to its members.

United Behavioral Health - Network Access Agreement

MSLIC entered into a network access agreement with United Behavioral Health (UBH) in which UBH provides or arranges for the provision of certain mental health and substance abuse treatment services. The agreement was effective August 15, 2009.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2012, annual statement. Also included in this section are schedules which reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Midwest Security Life Insurance Company
Assets
As of December 31, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$16,011,147	$	$16,011,147
Real estate:			
Held for production of income	576,150		576,150
Cash, cash equivalents, and short-term investments	5,154,430		5,154,430
Investment income due and accrued	105,815		105,815
Current federal and foreign income tax recoverable and interest thereon	1,843		1,843
Net deferred tax asset	268,531		268,531
Receivable from parent, subsidiaries and affiliates	89,197		89,197
Health care and other amounts receivable	2,437	2,437	0
Write-ins for other than invested assets:			
Premium tax recoverable	16,845		16,845
Prepaid IL CHIP	545	545	0
State tax recoverable	3,972		3,972
Total Assets	$22,230,912	$2,982	$22,227,930

Midwest Security Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2012

Aggregate reserve for life contracts		$ 40,335
Aggregate reserve for accident and health contracts		10,428
Contract claims:		
Accident and health		58,124
Contract liabilities not included elsewhere:		
Interest maintenance reserve		1,170,836
General expenses due or accrued		6,501
Taxes, licenses, and fees due or accrued, excluding federal income taxes		1,308
Miscellaneous liabilities:		
Asset valuation reserve		58,350
Payable to parent, subsidiaries and affiliates		54,623
Write-ins for liabilities:		
Unclaimed property		10,225
Total liabilities		1,410,730
Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	12,198,293	
Unassigned funds (surplus)	6,118,907	
Total capital and surplus		20,817,200
Total Liabilities, Capital and Surplus		$22,227,930

Midwest Security Life Insurance Company
Summary of Operations
For the Year 2012

Premiums and annuity considerations for life and accident and health contracts		$
Net investment income		152,830
Amortization of interest maintenance reserve		411,042
Total income items		563,872
Disability benefits and benefits under accident and health contracts	$(274,240)	
Increase in aggregate reserves for life and accident and health contracts	(7,153)	
Subtotal	(281,393)	
General insurance expenses	22,442	
Insurance taxes, licenses, and fees excluding federal income taxes	19,198	
Total deductions		(239,753)
Net gain (loss) from operations before dividends to policyholders and federal income taxes		803,625
Federal and foreign income taxes incurred (excluding tax on capital gains)		(145,911)
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		949,536
Net realized capital gains or (losses)		(76)
Net Income		$ 949,460

Midwest Security Life Insurance Company
Cash Flow
For the Year 2012

Net investment income		$ 332,611
Benefit- and loss-related payments	$ (31,306)	
Commissions, expenses paid, and aggregate write-ins for deductions	(279,843)	
Federal and foreign income taxes paid (recovered)	(74,560)	
Total deductions		(385,709)
Net cash from operations		718,320
Proceeds from investments sold, matured, or repaid:		
Bonds	1,512,459	
Cost of investments acquired (long-term only):		
Bonds	16,237,243	
Net cash from investments		(14,724,784)
Cash from financing and miscellaneous sources:		
Capital and paid-in surplus less treasury stock	500,000	
Other cash provided (applied)	(92,230)	
Net cash from financing and miscellaneous sources		407,770
Reconciliation:		
Net change in cash, cash equivalents, and short-term investments		(13,598,694)
Cash, cash equivalents, and short-term investments:		
Beginning of year		18,753,124
End of Year		$ 5,154,430

Midwest Security Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2012

Assets	$22,227,930
Less liabilities	1,410,730
Adjusted surplus	20,817,200
Compulsory surplus (subject to a $2,000,000 minimum)	2,000,000
Compulsory Surplus Excess	$18,817,200
Adjusted surplus (from above)	$20,817,200
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum of 110%)	2,800,000
Security Surplus Excess	$18,017,200

Midwest Security Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2012

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:

	2012	2011	2010	2009	2008
Capital and surplus, beginning of year	$19,380,221	$24,884,483	$30,189,888	$24,359,196	$34,843,119
Net income	949,460	2,002,917	4,930,366	5,818,597	2,991,003
Change in net deferred income tax	(10,021)	(35,768)	(335,887)	(324,822)	141,499
Change in nonadmitted assets and related items	14,122	46,276	80,740	8,245	681,712
Change in asset valuation reserve	(16,582)	(17,687)	19,377	44,541	421,412
Capital changes:					
Paid in	500,000				
Dividends to stockholders		(7,500,000)	(10,000,000)	(9,000,000)	(15,000,000)
Write-ins for gains and (losses) in surplus:					
Corrections subsequent to issuance of 2007 annual statement					280,451
Capital and Surplus, End of Year	$20,817,200	$19,380,221	$24,884,484	$20,905,757	$24,359,196

Capital and surplus at the beginning of 2010 were restated to reflect the merger between the company and IBA effective March 31, 2010, which added about $9.3 million of surplus to MSLIC. According to SSAP No. 3, paragraph12, prior years' amounts in the annual statement shall be restated as if the merger had occurred as of January 1 of the prior year.

Midwest Security Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2012

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below:

	Ratio	2012	2011	2010	2009	2008
#1	Net change in capital and surplus	5.0%	-22.0%*	19.0%	-14.0%*	-30.0%*
#2	Gross change in capital and surplus	7.0	-22.0*	19.0	-14.0*	-30.0*
#3	Net income to total income	168.0	154.0	12.0	6.0	2.0
#4	Adequacy of investment income	11,552.0*	15,175.0*	15,372.0*	36,905.0*	63,603.0*
#5	Nonadmitted to admitted assets	0.0	0.0	0.0	0.0	0.0
#6	Total real estate and mortgage loans to cash and invested assets	3.0	3.0	2.0	2.0	1.0
#7	Total affiliated investments to capital and surplus	0.0	0.0	2.0	1.0	2.0
#8	Surplus relief	0.0	0.0	0.0	0.0	0.0
#9	Change in premium	-100.0*	-99.0*	-59.0*	-24.0*	-8.0
#10	Change in product mix	NR	0.1	0.0	0.0	0.0
#11	Change in asset mix	8.3*	10.3*	0.1	2.1	1.6
#12	Change in reserving	0.0	903.0*	-904.0*	-70.0*	35.0*

The asterisk denotes unusual IRIS ratios. The results are explained in the following paragraphs:

Change in Capital and Surplus (Ratio Nos. 1 and 2)

Ratio Nos. 1 and 2 measure the improvement or deterioration of the company's financial condition during the year. Ratio No. 1 does not consider capital and surplus paid in to reflect the impact of operations on capital and surplus. Unlike Ratio No. 1, Ratio No. 2 does take into account capital and surplus, including surplus notes, and paid in during the year.

In 2008, 2009, and 2011 both ratios were negative, while in 2010 both ratios were positive. The negative ratios were primarily due to stockholders' dividends of $15.0 million, $9.0 million, and $7.5 million in 2008, 2009, and 2011, respectively.

Although the company reported $10 million stockholders' dividend in 2010, both ratios were positive due to the restatement of capital and surplus at the beginning of 2010 resulting from the merger mentioned above.

Adequacy of Investment Income (Ratio No. 4)

Ratio No. 4 indicates whether the company's investment income is adequate to meet the interest requirements of its reserves. The adequacy of the company's investment income to meet its interest obligations is indicative of the company's profitability.

The ratio compares the net investment income to the tabular interest involving life or disability contingencies, tabular fund interest on A&H contracts, and investment earnings credited to deposit-type contracts. Over the last five years, the ratios were very high. The exceptional results were due to the company being primarily a group health insurer. Since the company's business is not written on a level-premium basis like individual life insurance, there are no tabular reserves. Because the company is in runoff, the exceptional results are not an indication of insufficient reserves.

Change in Premium (Ratio No. 9)

Ratio No. 9 represents the percentage change in premium from the prior to the current year. The increasingly negative ratios over the last five years are indicative that the company's business is declining. The negative results were primarily due to the company's transferring its group policies to its affiliate, UnitedHealthcare Ins. Co. Starting in March 2010, the company has stopped writing new business and discontinued renewing active groups. At present, the company is in runoff and has no more active membership.

Change in Asset Mix (Ratio No. 11)

Ratio No. 11 represents the average change in the percentage of total cash and invested assets for the classes of assets listed above less payable for securities from the Liabilities, Surplus and Other Funds page of the annual financial statement. The unusual results in 2011 and 2012 were primarily due to shifting of investments from long-term to short-term investments in 2011 and back to long-term investments in 2012.

Change in Reserving (Ratio No. 12)

Ratio No. 12 represents the increase or decrease in reserving ratio between the current year and the prior year in percentage points. The unusual results in 2010 and 2011 were primarily due to the company having stopped writing new business and the discontinuance of renewing active groups in 2010. Its group policies were transferred to its affiliate. In 2012, the company had no more active membership, which resulted to a zero percentage in reserving ratio.

Growth of Midwest Security Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2012	$22,227,930	$ 1,410,730	$20,817,200
2011	21,604,288	2,224,067	19,380,221
2010	31,726,334	6,841,850	24,884,484
2009	39,759,277	18,853,520	20,905,757
2008	50,290,823	25,931,627	24,359,196

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2012	$ 0	$0	$0
2011	6,269	0	0
2010	519,792	0	0
2009	1,312,613	0	0
2008	1,847,858	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2012	$ 0	$0	$ 0
2011	0	0	0
2010	23,455	0	23,455
2009	148,519	0	148,519
2008	237,894	0	237,894

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2012	$ 0	$ (267,592)	$ 0	$ 33,409	
2011	439,671	(1,690,466)	26,540	582,403	-246.0%
2010	37,663,771	27,790,576	2,433,957	2,828,390	87.8
2009	88,774,615	73,399,141	5,646,150	4,530,837	94.1
2008	116,806,731	104,511,777	7,822,459	7,102,743	102.3

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

Assets decreased by 56% and liabilities decreased by 95% since the last examination. The decrease in assets was primarily due to payment of dividends, total of $41.5 million over the last five years. The decrease in liabilities was mostly due to decrease in reserves attributed by the company's change in business plan. The company stopped writing business and discontinued renewal of old policies starting March 2010. The company transferred its old policies to affiliates and canceled those who declined to transfer. At the end of 2012, the company has no more existing members. Likewise, surplus also decreased by 15% since the last examination, primarily due to decrease in revenue resulting from runoff of business.

Consistent with the decrease in membership, the company's incurred claims and cost containment expenses decreased significantly in 2011 to a negative $1.69 million due to the release of reserves. Likewise, combined loss and expense ratio dropped to a negative 246% in 2011 as medical and administrative expenses significantly decreased due to the runoff. Run-out on medical expenses and general and administrative expenses continued through 2012.

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, 2012, is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

1. Executive Compensation—It is recommended that the company properly include all compensation amounts for all officers and employees, whose total annual compensation is in excess of $100,000, when completing the Report on Executive Compensation (form OCI 22-060).

   Action—Compliance.

2. Biographical Information—It is recommended that the company properly file biographical sketches in accordance with s. 611.54, Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code.

   Action—Compliance.

3. Agent List—It is recommended that the company establish and implement procedures to ensure that its agent listing is complete and accurate.

   Action—No longer applicable. The company is in runoff.

4. Affiliated Transactions—It is recommended that the company no longer offset their affiliated payables against their affiliated receivables per SSAP No. 64, paragraph 2.

   Action—Compliance.

Summary of Current Examination Results

There were no adverse findings as a result of the examination.

VII. CONCLUSION

There were no recommendations as a result of this examination. No adjustments to surplus or reclassifications of account balances were made as a result of the examination. The company was in compliance with all of the recommendations made on the previous examination, except for one recommendation pertaining to list of agents. This is no longer applicable due to the company being in runoff.

Starting in March of 2010, the company stopped writing new business and discontinued renewal of old policies. The company transferred its old policies to affiliates and canceled those who declined to transfer. At the end of 2012, the company has no more existing members.

Assets, liabilities, and surplus decreased by 56%, 95% and 15%, respectively, since the last examination. Decrease in assets was primarily due to payment of dividends which totaled $41.5 million. Liabilities and surplus decreased as a result of the runoff of business and migration of old policies to the affiliates.

The company's change of business plan in 2010 impacted the combined loss and expense ratio to a negative 246% in 2011, as medical and general and administrative expenses significantly decreased as a result of the runoff. Run-out on medical expenses and general and administrative expenses continued through 2012.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adverse findings as a result of the examination.

IX. 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
Richard Onasch	Insurance Financial Examiner
Thomas Houston	IT Specialist

Respectfully submitted,

Angelita Romaker
Examiner-in-Charge