Report

of the

Examination of

Northwestern Long Term Care Insurance Company

Milwaukee, Wisconsin

As of December 31, 2017

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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February 22, 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:

NORTHWESTERN LONG TERM CARE INSURANCE COMPANY
Milwaukee, WI

and this report is respectfully submitted.

I. INTRODUCTION

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

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

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

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

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy all reserves. 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.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by the Office of the Commissioner of Insurance to perform a preliminary review of the company's invested assets portfolio as of December 31, 2017. The results of that review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

The company was organized in Illinois in 1953 as the Poulsen Insurance Company of America. In 1969, the Standard of America Financial Corporation, a Delaware corporation, acquired the company and changed its name to the Standard of America Life Insurance Company. In 1977, the Sundstrand Corporation, a Delaware corporation, acquired the company. In 1982, The Northwestern Mutual Life Insurance Company (NML) acquired the company by purchasing all of its outstanding shares from Sundstrand Corporation. Effective October 10, 1997, the company redomesticated from Illinois to Wisconsin and the company's name was changed to Northwestern Long Term Care Insurance Company. NML continues to own 100% of the outstanding shares of NLTC. NML was examined concurrently with NLTC.

The company is licensed in all 50 states and the District of Columbia. In 2017, the company collected direct premium in the following states:

Illinois	$ 48,429,355	7.51%
Wisconsin	39,537,704	6.13
California	38,508,869	5.97
Florida	38,043,166	5.90
New York	37,830,671	5.87
Texas	29,788,711	4.62
Minnesota	24,790,674	3.84
North Carolina	24,087,515	3.73
Ohio	22,854,208	3.54
Georgia	20,820,514	3.23
Michigan	18,815,341	2.92
All others	301,433,344	46.74
Total	$644,940,072	100.00%

Prior to August 1998, NLTC's insurance business consisted of paying benefits on supplementary contracts purchased by contract owners from NLTC prior to 1996. In August 1998, NLTC began selling its first long-term care insurance product, QuietCare RR, which reimburses insured for the cost of services up to a specified daily limit, ranging from $50 to $500 per day. The policyholder received reimbursement for some or all of the costs of care received at home, at an adult day care center, at an assisted living facility, or at a nursing home. Benefits begin after the policyholder has accrued either 90 or 180 days (chosen at time of purchase) of qualifying expenses. The policyholder could elect to receive benefits for three years, six years, or for life. The policy included a waiver of premium provision. The policy was guaranteed renewable, but if experience by rating class had deviated from expectations, NLTC had the right to increase premiums (subject to state approvals, where required). QuietCare RR was available to individuals 18 to 79 years old. NLTC reinsured 80% of this business in order to limit its exposure to loss on any single insured and to recover a portion of benefits paid.

A new long-term care insurance product, QuietCare RS, was introduced in March 2002 and included dividend participation, alternate living facility reimbursement up to 100% of the nursing home daily benefit, and a caregiver training benefit. Certain features of the new contract were made available to existing policy owners with no increase in current premiums. Since the new participating feature was provided to existing policy owners, all in-force policies became participating. QuietCare RS was not reinsured.

Additional QuietCare RS product enhancement occurred in 2008. A weekly elimination period replaced "days of service" beginning dates. A Hospice Care benefit was added, along with a formalization of claim assistance services, and waiver of premium starting at benefit eligibility.

A new long-term care insurance product, QuietCare TT, was introduced in October 2010. New features included: limited pay options (10-Pay and Paid-up at Age 65); two classified ratings (classes 1 and 2); a 52-week Elimination Period (available in most states); and home health care only available at 100% of the nursing home/alternate living facility monthly maximum limit. In addition, there were changes to the spousal/companion premium discount structure. Lastly, the survivorship benefit provides a paid-up policy upon the death of a spouse or companion instead of a seven-year waiting period from the policy issue date.

During July 2012, NLTC announced the suspension of the lifetime benefit period and limited payment options for all new sales and policy changes beginning August 24, 2012, for its long-term care products in response to the historically low interest rate environment and updated industry morbidity information. NML made a capital contribution to NLTC of $300 million during 2012.

In 2017, NLTC was ranked the second largest long-term care (LTC) carrier, by direct premiums earned, among companies currently issuing policies. The low interest rate environment and unfavorable morbidity continues to pressure product fundamentals for the general LTC market, with active writers dropping significantly from over 100 in the late 1990s to only 17 writers in 2016. The market for

LTC insurance is also shrinking, with policies sold going from approximately 750,000 in 2002 to 89,000 in 2016. In response to these evolving market conditions, NLTC repriced new products in 2013. In 2015 NLTC introduced QuietCare UU, which was priced on a gender-distinct basis to reflect the differences in anticipated claim costs. A repriced QuietCare UU product was introduced in 2016 and is the current product for new sales. Implementation of an inforce premium rate increase for QuietCare RR, RS, and TT2010 series policies began in approved states in 2017 with rate increases ranging from 10% for a three-year benefit period to 30% for a lifetime benefit period. Policyholders were given the option to offset the rate increase by decreasing coverage, if desired. Also in 2017, the company raised the minimum age of purchase from 18 to 30 and made modifications to certain underwriting requirements. Policyholder dividends have also been reduced in recent periods, with virtually no policyholder dividends paid in the last four years.

NLTC has no employees, and distributes policies exclusively through NML's career agent distribution system. It has contracted with NML for management and all administrative services. See the "Affiliated Companies" section of this report for information on the contract with NML.

III. MANAGEMENT AND CONTROL

Board of Directors

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

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

Name and Residence	Principal Occupation	Term Expires
Sandra L. Botcher Mequon, Wisconsin	Vice President Distribution Development NML	2019
John M. Grogan Fox Point, Wisconsin	Executive Vice President, Insurance Products and Client Services NML	2019
Thomas C. Guay Cedarburg, Wisconsin	Vice President Risk Selection Strategy NML	2019
Ronald P. Joelson Milwaukee, Wisconsin	Executive Vice President and Chief Investment Officer NML	2019
Jason T. Klawonn Kenosha, Wisconsin	Senior Vice President and Chief Actuary NML	2019
Christian W. Mitchell Whitefish Bay, Wisconsin	Executive Vice President and Chief Customer Officer NML	2019
Steve P. Sperka Muskego, Wisconsin	Vice President – Insurance Products NML	2019

Officers of the Company

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

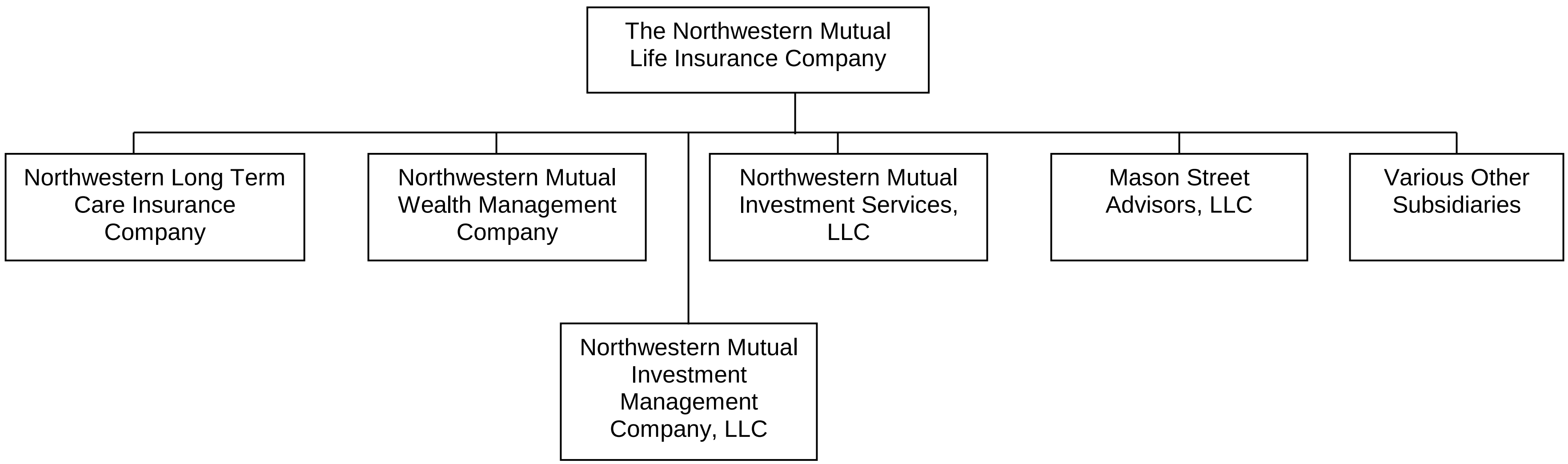
Name	Office	2018 Compensation*
John M. Grogan	Chairman of the Board	$2,247,915
Steve P. Sperka	President and Chief Executive Officer	905,490
Raymond J. Manista	Executive Vice President, Chief Legal Officer and Secretary	2,448,500
Michael G. Carter	Vice President and Chief Financial Officer	3,037,785
Chris K. Gawart	Vice President and General Counsel	629,253
Thomas C. Guay	Vice President – Risk Selection Strategy	868,152
Ronald P. Joelson	Vice President and Chief Investment Officer	3,892,842
Todd M. Jones	Vice President and Controller	1,029,416
Jason T. Klawonn	Vice President and Chief Actuary	624,456
Karen A. Molloy	Vice President and Treasurer	536,054
Lisa A. Cadotte	Vice President – Investment Risk Management	831,646
Steven J. Stribling	Vice President	657,966
Bernd Huber	Chief Information Security Officer	307,836

* This amount represents the total compensation paid to the individual by NML.

IV. AFFILIATED COMPANIES

NLTC is a member of a holding company system which includes over 130 entities of which NML is the ultimate parent. The organizational chart on the following page depicts the relationship among selected significant affiliates in the group. A brief description of the significant affiliates of NLTC is presented in the following pages.

Organizational Chart
As of December 31, 2017



The Northwestern Mutual Life Insurance Company (NML)

NML owns 100% of the outstanding stock of NLTC. NML was organized in 1857 as The Mutual Life Insurance Company of the State of Wisconsin. The name was changed in 1865 to the current name. The company is licensed in all 50 states and the District of Columbia.

The major product market of NML is ordinary life insurance written on a participating basis. Other products include individual annuities, disability income insurance, and variable life insurance and variable annuities. NML also markets products that combine characteristics of whole life and term life insurance. The major products are marketed through NML's career agents.

Pursuant to the introduction of NLTC's QuietCare long-term care product, NML and NLTC executed two agreements, which are described below.

Effective January 1, 1998, NML and NLTC entered into a product and general service agreement, which replaced a previous service agreement. Under the terms of the current agreement, NML agreed to contribute to NLTC the long-term care product developed by NML at an amount that reflects NML's actual development expense. NLTC reported this transaction as a capital contribution. NLTC then expensed the development costs and nonadmitted the related software. No goodwill was carried as a result of the transaction. In addition to the contribution of the product, NML agreed to provide for NTLC's operation all requested services as necessary, including legal, accounting, investment, marketing, and information technology services. Reimbursement to NML for these services is based on actual expenses incurred and allocation of shared costs based on the number of employee hours of service provided to each entity. The agreement also provides that rather than direct reimbursement from NLTC for future services, NML may choose to have its capital investment in NLTC increased by the value of the services rendered. The option was exercised for start-up costs incurred prior to the product's introduction in August 1998. Beginning in September 1998 NLTC began reimbursing NML for administrative expenses.

Effective April 29, 1998, NML and NLTC entered into a capital support agreement and guarantee of benefits under which NML agrees to maintain the capital and surplus of NLTC at a level that is greater than the lesser of a) 30% of earned premium plus 5% of the value of total net reserves, or b) 150% of the NAIC risk-based capital requirements applicable to NLTC. NML also guarantees to the policyholders of NLTC the ability of NLTC to pay all policy benefits due on contracts of insurance sold by NLTC during the term of the agreement. Effective September 18, 2012, NML and NLTC amended the agreement to extend the term to December 31, 2017, or at such time as NML has invested a total of $800 million in NLTC. Effective December 31, 2017, NML and NLTC amended the agreement to extend the term to December 31, 2022, or at such time as NML has invested a total of $200 million in NLTC. As of December 31, 2017, NML contributed an aggregate of $130.2 million to NLTC. The guarantee to policyholders of NLTC survives the termination of the agreement.

Effective October 1, 2014, NLTC and NML entered into a reinsurance agreement under which NML assumed 100% of the risks associated with the NLTC's LTC business in force, apart from the LTC business already reinsured by Munich American Reassurance Company (MARC). The agreement also provides 100% automatic reinsurance on all new LTC business issued by NLTC subsequent to the effective date of the agreement. As a result of this agreement, assets, liabilities, policyholder surplus, and net premium of NLTC declined substantially in 2014. In April 2017, NLTC and MARC reached an agreement to fully commute (or recapture) the LTC business which NLTC had previously ceded to MARC, effective January 1, 2017. NLTC and NML amended their existing automatic coinsurance agreement and reinsured 100% of the recaptured LTC business with NML, effective January 1, 2017. As a result, NML now reinsures all of NLTC's LTC business. The only remaining obligations of NLTC consist of a small block of supplementary contracts with life contingencies, a product that is no longer actively being sold, and deposit funds related to LTC policy owner refunds.

NLTC is also party to a consolidated federal tax agreement with NML and certain of its subsidiaries, whereby NML files its federal income tax on a consolidated basis. Under this agreement, separate tax liability calculations are performed for each affiliate together with all corporations directly or indirectly controlled by each affiliate which would otherwise be entitled or required to file consolidated federal income tax returns with that affiliate. In accordance with these calculations, each affiliate then either pays NML for any taxes so calculated or receives cash or credits from NML.

As of December 31, 2017, NML's statutory annual statement reported admitted assets of $265 billion, liabilities of $244 billion, and capital and surplus of $21 billion. Operations for 2017 produced net income of $1.017 billion. NML is the subject of a separate examination report.

Northwestern Mutual Investment Management Company, LLC (NMIMC)

Northwestern Mutual Investment Management Company, LLC provides investment management and investment advisory services with respect to privately placed debt and equity securities, real estate investments, publicly-traded securities, derivatives, and related investments for NML's general account and its group annuity separate account and for NLTC. NML provides administrative and support services, and provides certain property, equipment, and facilities to NMIMC under an Administrative Services Agreement, effective January 1, 2015. Northwestern Mutual Capital, LLC (NMC) was merged into NMIMCin 2016. Prior to merging with NMIMC, NMC provided investment management and advisory services to NLTC with respect to NLTC's general account assets for a fee based on the value of managed assets as of the last business day of each month. Such services are now among those provided by NMIMC.

As of December 31, 2017, the unaudited financial statements of NMIMC reported assets of $108 million, liabilities of $63 million and member's equity of $45 million. Operations for 2017 produced net income of $38.7 million. NMIMC is reported as a nonadmitted asset by NML.

Mason Street Advisors, LLC (MSA)

Mason Street Advisors, LLC, is a single-member limited liability company whose sole member is NML. MSA was formed on May 31, 2001, by NML and is wholly owned and controlled by NML. Since 2002, MSA has been a party to separate investment management and investment advisory agreements with NML, NLTC, and other clients. Pursuant to these agreements MSA, a federally registered investment advisor, provides investment management and advisory services to these entities with respect to publicly traded securities and related investments. In addition, MSA is also the investment advisor to Northwestern Mutual Series Fund, Inc., an open-end registered management investment company consisting of 27 separate investment portfolios, which underlie the investment options for NML's variable life and variable annuity products. For MSA's service with respect to the public market securities group, NML pays a management fee to MSA based on the value of assets in the investment portfolio as of the last business day of each calendar month.

MSA is managed and operated by MSA employees. NML employees perform certain administrative and support services for MSA, for which NML is reimbursed under an amended and restated administrative services agreement dated October 1, 2011. The agreement also grants MSA the right to use certain property, equipment, and facilities of NML.

As of December 31, 2017, the unaudited financial statements of MSA reported assets of $40 million, liabilities of $9 million, and member's equity of $31 million. Operations for 2017 produced net income of $24.9 million. MSA is reported as a nonadmitted asset by NML

V. REINSURANCE

As noted previously, NML currently reinsures all of NLTC's LTC business. Refer to the section of this report titled "Affiliated Companies" for additional information on this and other affiliated contracts.

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.

Northwestern Long Term Care Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$111,843,728	$	$111,843,728
Cash, cash equivalents, and short-term investments	5,866,697		5,866,697
Receivables for securities	6,694		6,694
Investment income due and accrued	713,411		713,411
Reinsurance:			
Amounts recoverable from reinsurers	5,938,642		5,938,642
Other amounts receivable under reinsurance contracts	12,674,235		12,674,235
Net deferred tax asset	5,504,215	3,246,997	2,257,218
Guaranty funds receivable or on deposit	6,812,507		6,812,507
Receivable from parent, subsidiaries, and affiliates	44,450,585		44,450,585
Write-ins for other than invested assets:			
Prepaid Reinsurance Premium	9,981,792		9,981,792
Tax Recoveries in Process	5,925		5,925
Total Assets	$203,798,431	$ 3,246,997	$200,551,434

Northwestern Long Term Care Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Aggregate reserve for life contracts		$ 285,063
Liability for deposit-type contracts		5,785,992
Premiums and annuity considerations received in advance		9,981,791
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance		56,197,881
Interest maintenance reserve		16,298,711
General expenses due or accrued		59,600
Taxes, licenses, and fees due or accrued, excluding federal income taxes		1,341,060
Remittances and items not allocated		227,685
Miscellaneous liabilities:		
Asset valuation reserve		31,790
Payable to parent, subsidiaries, and affiliates		14,579
Write-ins for liabilities:		
Reserve for Guaranty Fund		6,220,000
Total Liabilities		96,444,152
Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	130,199,110	
Unassigned funds (surplus)	(28,591,828)	
Total Capital and Surplus		104,107,282
Total Liabilities, Capital, and Surplus		$200,551,434

Northwestern Long Term Care Insurance Company
Summary of Operations
For the Year 2017

Premiums and annuity considerations for life and accident and health contracts		$ (72,254)
Net investment income		3,242,766
Amortization of interest maintenance reserve		794,069
Commissions and expense allowances on reinsurance ceded		140,885,577
Total income items		144,850,158
Interest and adjustments on contract or deposit-type contract funds	$ 269,503	
Payments on supplementary contracts with life contingencies	55,422	
Increase in aggregate reserves for life and accident and health contracts	(40,694)	
Subtotal	284,231	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	66,106,503	
General insurance expenses	57,592,685	
Insurance taxes, licenses, and fees excluding federal income taxes	17,198,556	
Write-in for deductions:		
Fines & Penalties	1,637	
Miscellaneous Charges to Operations	(2,427,864)	
Total deductions		138,755,748
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		6,094,410
Federal and foreign income taxes incurred (excluding tax on capital gains)		(1,287,213)
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		7,381,623
Net realized capital gains or (losses)		91,800
Net Income		$ 7,473,423

Northwestern Long Term Care Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance		$168,895,534
Net investment income		125,487
Miscellaneous income		201,973,884
Total		370,994,905
Benefit- and loss-related payments	$ 1,401,452	
Commissions, expenses paid, and aggregate write-ins for deductions	142,627,255	
Total deductions		144,028,707
Net cash from operations		226,966,198
Cost of investments acquired (long-term only):		
Bonds	228,870,088	
Net cash from investments		(228,870,088)
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	1,014,517	
Other cash provided (applied)	1,346,814	
Net cash from financing and miscellaneous sources		2,361,331
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		457,441
Cash, cash equivalents, and short-term investments:		
Beginning of year		5,409,256
End of year		$ 5,866,697

Northwestern Long Term Care Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017

Assets			$200,551,434
Less liabilities			96,444,152
Adjusted surplus			104,107,282
Annual premium:			
Individual life and health	$2,674,885		
Factor	15%		
Total		$401,232	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		115,719	
Compulsory surplus (subject to a $2,000,000 minimum)			2,000,000
Compulsory Surplus Excess (Deficit)			$102,107,282
Adjusted surplus (from above)			$104,107,282
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum of 110%)			2,800,000
Security Surplus Excess (Deficit)			$101,307,282

Northwestern Long Term Care Insurance Company
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	$ 82,226,973	$79,498,470	$77,180,472	$213,750,148	$274,717,278
Net income	7,473,423	2,588,900	2,517,052	403,614,188	(84,193,829)
Change in net unrealized capital gains/losses				(20,855,397)	11,920,624
Change in net unrealized foreign exchange capital gains/losses				(83,470)	273,761
Change in net deferred income tax	(6,078,415)	(709,232)	(323,697)	(152,863,167)	62,346,301
Change in nonadmitted assets and related items	5,363,127	848,835	(983,777)	108,717,886	(38,761,582)
Change in asset valuation reserve	(31,790)			50,273,262	(14,105,741)
Surplus adjustments:					
Paid in	15,153,964			(525,000,000)	
Write-ins for gains and (losses) in surplus:					
Prior period adjustments			1,108,420	(372,978)	1,553,336
Capital and Surplus, End of Year	$104,107,282	$82,226,973	$79,498,470	$ 77,180,472	$213,750,148

Northwestern Long Term Care Insurance Company
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	8%	3%	3%	182%*	-22%*
#2	Gross change in capital & surplus	27	3	3	-64*	-22*
#3	Net income to total income	5	2	2	NR	-15*
#4	Adequacy of investment income	1,126*	797	881	249	143
#5	Non-admitted to admitted assets	2	5	6	5	5
#6	Total real estate & mortgage loans to cash & invested assets	0	0	0	0	12
#7	Total affiliated investments to capital & surplus	43	49	44	46	0
#8	Surplus relief	135*	184*	198*	56*	1
#9	Change in premium	1,112*	4	999*	-431*	23
#10	Change in product mix	NR	0	NR	NR	0
#11	Change in asset mix	0.1	0.2	0.3	2.7	0.6
#12	Change in reserving	0	0	0	0	0

Ratios No. 1, 2, and 3 exceptional results in 2013 were due primarily to the net loss. Ratios No. 1 and 2 exceptional results in 2014 were due to the implementation of the reinsurance agreement under which NML assumed 100% of the risks associated with the NLTC's LTC business in force. For ratio No. 3 "NR" denotes "No Result", which is the outcome when total income plus realized capital gains are negative and net income is positive and was triggered by the implementation of the previously mentioned reinsurance agreement. Ratio No. 4 exceptional result in 2017 was caused by an overabundance of investment income caused by the transfer of all of the risks associated with the NLTC's LTC business in force to NML. NLTC retained only a small amount of life contingencies and deposit-type contract accounts. Ratio No. 8 exceptional results in 2014, 2015, 2016, and 2017 were also the result of the implementation of the reinsurance agreement with NML. Ratio No. 9 exceptional results in 2014 and 2015 were also the result of the implementation of the reinsurance agreement with NML; in 2017 the exceptional ratio was caused by an increase in retained premiums for life contingencies and deposit-type contract accounts which was not a significant amount for this company. For ratio No. 10 "NR" denotes "No Result", which is the outcome when either the current or prior year total premiums are zero or negative and was triggered by the implementation of the previously mentioned reinsurance agreement.

The exceptional results discussed above are due to the nature of the company's business relationships with NML and are not an indication of insufficient premiums or reserves.

Growth of Northwestern Long Term Care Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2017	$ 200,551,434	$ 96,444,152	$104,107,282
2016	172,726,124	90,499,151	82,226,973
2015	165,970,786	86,472,316	79,498,470
2014	161,441,477	84,261,005	77,180,472
2013	2,220,146,334	2,006,396,186	213,750,148
2012	1,861,552,902	1,586,835,624	274,717,278

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2017	$ (72,254)	$ 24,641	$(74,779,074)	$74,766,600	(16.8)%
2016	160,021	79,164	(80,298,060)	80,236,622	11.1
2015	288,910	101,106	(83,792,473)	83,590,062	(35.1)
2014	(1,457,317,091)	(1,738,653,523)	27,025,124	83,571,496	111.7
2013	428,404,747	464,487,665	67,067,223	75,753,480	141.7
2012	368,490,799	520,398,988	87,433,019	72,634,305	184.7

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

The 2014 agreement under which NML assumed 100% of the risks associated with NLTC's LTC business had a major impact on many of the financial items illustrated above, and affect the comparability of the data over the examination period. The company's net premium in 2013 of $428 million was the last year before the reinsurance arrangement was implemented. In 2014, as a result of the implementation of the risk transfer to NML, a negative premium of approximately $1.5 million was reported. The 2015 through 2017 insignificant net premium amounts reflect the ongoing operations after implementation of the reinsurance arrangement. A similar pattern can be seen in the commissions incurred results, which are negative from 2015 through 2017, which reflect the reinsurance commissions earned as a result of the ceding arrangement with NML. Over the examination period, the company's surplus decreased nearly $171 million to $104 million at year-end 2017 from $275 million at year-end 2012. Also as a result of this agreement, admitted assets decreased $1.7 billion to $201 million from $1.9 billion over the same time period. The company reported net income in the last four of the five years under examination, including $7.5 million for 2017.

NLTC had approximately 168,000 inforce polices on December 31, 2012, at the close of the last examination, and 249,000 inforce policies at December 31, 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.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were two 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. Accident and Health Contracts—Claim Reserve—It is recommended that the company adopt a standard procedure on which date is to be considered the incurred date by the actuarial department.

   Action—Compliance

2. Accident and Health Contracts—Claim Reserve—It is also recommended a process be adopted for accuracy verification to ensure that claim data being supplied to the actuarial department is accurate and in agreement with the supporting documentation.

   Action—Compliance

Summary of Current Examination Results

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

VIII. CONCLUSION

Northwestern Long Term Care Insurance Company is a wholly owned affiliate of The Northwestern Mutual Life Insurance Company. The two insurance companies were examined concurrently. NLTC benefits from the well-established career agent distribution system of NML, as well as a capital support and guarantee of benefits agreement. NLTC is subject to a reinsurance agreement under which NML assumed 100% of the risks associated with the NLTC's LTC business inforce.

Over the examination period, the company's surplus decreased nearly $171 million to $104 million at year-end 2017 from $275 million at year-end 2012. This decrease was due to the 2014 agreement under which NML entered assumed 100% of the risks associated with the NLTC's LTC business. Also as a result of this agreement, admitted assets decreased $1.7 billion to $201 million from $1.9 billion over the same time period. The company reported net income in the last four of the five years under examination, including $7.5 million for 2017.

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 found to be in compliance with all of the recommendations made on the previous examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

X. ACKNOWLEDGMENT

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

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

Name	Title
Nicholas Barsuli	Insurance Financial Examiner
Jacob Burkett	Insurance Financial Examiner
Thomas Hilger	Insurance Financial Examiner
Adrian Jaramillo	Insurance Financial Examiner
Terry Lorenz	Insurance Financial Examiner-Advanced, Exam Planning and Quality Control Specialist
David Jensen, CFE	Insurance Financial Examiner-Advanced, Information Systems Audit Specialist
Jerry DeArmond, CFE	Insurance Financial Examiner-Advanced, Loss Reserve Specialist

Respectfully submitted,

James Vanden Branden
Examiner-in-Charge