Report

of the

Examination of

Time Insurance Company

Milwaukee, Wisconsin

As of December 31, 2013

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

April 14, 2015

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:

TIME INSURANCE COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Time Insurance Company (TIC or the company) was conducted in 2009 as of December 31, 2008. The current examination covered the intervening period ending December 31, 2013, and included a review of such 2014 transactions as deemed necessary to complete the examination.

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

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

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
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 annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company is a Wisconsin-domiciled stock life insurance company. TIC was incorporated in Wisconsin on February 11, 1910, under the name Time Insurance Company. Effective April 1, 1998, Time Insurance Company changed its name to Fortis Insurance Company. On September 6, 2005, Fortis Insurance Company changed its name back to Time Insurance Company.

In April 1969, Time Holdings, Inc., was established to serve as the non-operating holding company parent of Time Insurance Company and other direct and indirectly owned financial services operating subsidiaries. During 1978, control of Time Holdings, Inc., was acquired by N.V. AMEV, a large Dutch insurer. Subsequent acquisitions and mergers of N.V. AMEV with other European insurance and banking companies established Fortis, an international financial services holding company which held a majority ultimate controlling ownership interest in Fortis Insurance Company. Ownership interest of the Fortis enterprise was jointly held by Fortis N.V., a corporation domiciled in the Netherlands, and Fortis S.A./N.V., a corporation domiciled in Belgium. Fortis N.V. and Fortis S.A./N.V. were diversified international insurance, banking, and investment companies that merged their subsidiary operating companies under the trade name Fortis. Fortis, Inc., was the wholly owned U.S. holding company subsidiary of Fortis Insurance N.V., an insurance holding company jointly owned indirectly by Fortis. As of December 31, 2003, the company's direct U.S. parent, Interfinancial, Inc., was a subsidiary of Fortis, Inc.

Effective February 4, 2004, Fortis, Inc., established Assurant, Inc., as a Delaware corporation and merged into Assurant, Inc. (Assurant). As a result of the merger, Assurant is the successor U.S. holding company to the business operations of Fortis, Inc. Effective February 5, 2004, an initial public offering (IPO) of the common stock of Assurant was transacted on the New York Stock Exchange. Subsequent to the 2004 IPO, the ownership interest of Assurant held by Fortis had decreased to approximately 35% of Assurant's outstanding common capital stock, with the remaining 65% ownership of Assurant held by other diverse investors. On January 21, 2005, Fortis sold another 20% ownership interest in Assurant through a public offering.

On January 28, 2008, Fortis distributed shares of Assurant common stock to the holders of the mandatory exchangeable bonds. The shares of the company's common stock distributed to such holders were not registered at the time Fortis sold the exchangeable bonds, but became freely transferable by such holders upon distribution. Following this transaction, Fortis owned 4,147,440 common shares, or approximately 3.5% of Assurant's outstanding shares. On August 7, 2008, Assurant purchased one million of its common shares from Fortis and Fortis subsequently sold virtually all remaining shares to other investors.

Prior to March 1999, TIC held 100% ownership interest in two subsidiary insurers, Fortis Benefits Insurance Company (FBIC) and United Family Life Insurance Company (UFLIC). Effective March 31, 1999, TIC distributed FBIC and UFLIC to Interfinancial, Inc., as a dividend. Effective August 11, 2004, the company established the Wisconsin-domiciled subsidiary National Insurance Institute, LLC (NII).

As summarized above, the company is a member of a holding company system. Some of the company's business operations are performed by holding company affiliates pursuant to intercompany services agreements. Further discussion of the holding company organization, description of the company's significant affiliates, and description of the company's intercompany agreements are included in the section of this report captioned "Affiliated Companies."

In 2013, the company collected direct premium in the following states:

Texas	$ 175,909,334	12.7%
Florida	78,947,296	5.7
Illinois	78,704,118	5.7
Colorado	69,777,436	5.0
Wisconsin	64,102,836	4.6
Georgia	62,507,246	4.5
All others	854,023,324	62.0
Total	$1,383,971,590	100.0%

The company is licensed in the District of Columbia and all states except New York.

The company's primary business is the issuance of accident and health insurance, and its business focus is individual and small employer group health insurance. The company's individual health products are primarily for annually renewable major medical coverages. Most of the company’s individual health products are Preferred Provider Organization (PPO) plans which enable the insured to elect any health care provider and provide for higher benefit payments when health care is rendered by a participating network provider. The company offers a Health Savings Account feature for its individual and small employer group health insurance products whereby insureds may participate in a tax-sheltered savings account to fund the insured’s payment of medical expenses including coverage of copayments and deductibles. The company also sells short-term medical insurance, supplemental coverage products, and self-funded small group products.

The company’s small employer group products are marketed primarily to groups of 2 to 50 employees. The average group size as of year-end 2013 was 5 employees. Almost all of the current group benefit policies are PPO plans and offer a package of employee benefit programs including group medical, group life, group AD&D, group dental, and group short-term disability.

The company has a broad distribution system to market its products. The distribution system includes a regional sales network using independent agents, large aggregators employing their own producers, relationships with numerous national accounts, and a direct sales channel. National account partners include State Farm Mutual Automobile Insurance Company, American Standard Insurance Company of Wisconsin (an affiliate of American Family Mutual Insurance Company), and USAA.

The following chart is a summary of premium income as reported by the company in 2013. The growth of the company is discussed in the “Financial Data” section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Ordinary life	$ 39,444,728	$	$ 34,111,527	$ 5,333,201
Individual annuities	811,744		811,744	
Credit life	1,946		1,946	
Group life	1,583,970		0	1,583,970
Group A & H	781,140,662		4,549,892	776,590,770
Credit A & H	1,998		1,998	
Other A & H	555,218,850	1,163	69,275,746	485,944,267
Total All Lines	$1,378,203,898	$1,163	$108,752,853	$1,269,452,208

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. Each of the directors is elected annually to serve a one-year term. Officers are elected by the directors at the board's annual meeting. Each member of the company's board of directors is an employee within the Assurant group and may also be a member of other boards of directors in the holding company group. The board members currently do not receive specific compensation for serving on the board of Time Insurance Company.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Adam D. Lamnin Whitefish Bay, WI	President and Chief Executive Officer Assurant Health	2014
Jennifer M. Kopps-Wagner Franklin, WI	Senior Vice President and General Counsel Assurant Health	2014
Mark D. Berquist Hales Corners, WI	Chief Financial Officer and Chief Actuary Assurant Health	2014

Officers of the Company

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

Name	Office	2013 Compensation*
Adam D. Lamnin	President and Chief Executive Officer	$2,340,866
Jennifer M. Kopps-Wagner	Senior Vice President, Secretary, and General Counsel	616,360
Mark D. Berguist	Senior Vice President, Chief Financial Officer and Treasurer	499,023
Steven M. Dziedzic	Senior Vice President – New Business Development	787,368
Scott G. Krienke	Senior Vice President Marketing and Product Lines	781,662
Steven J. Cain	Senior Vice President – Chief Administrative and Risk Officer	776,107
David F. Oury	Senior Vice President – Human Resources	691,005
Christopher A. Dowler	Senior Vice President and Chief Information Officer	680,837
Charles R. Steele	Senior Vice President – Executive Sales Officer	603,295
Brian N. Rees	Vice President and Appointed Actuary	325,255

* The compensation listed includes all compensation paid to the individual by the Assurant, Inc., group.

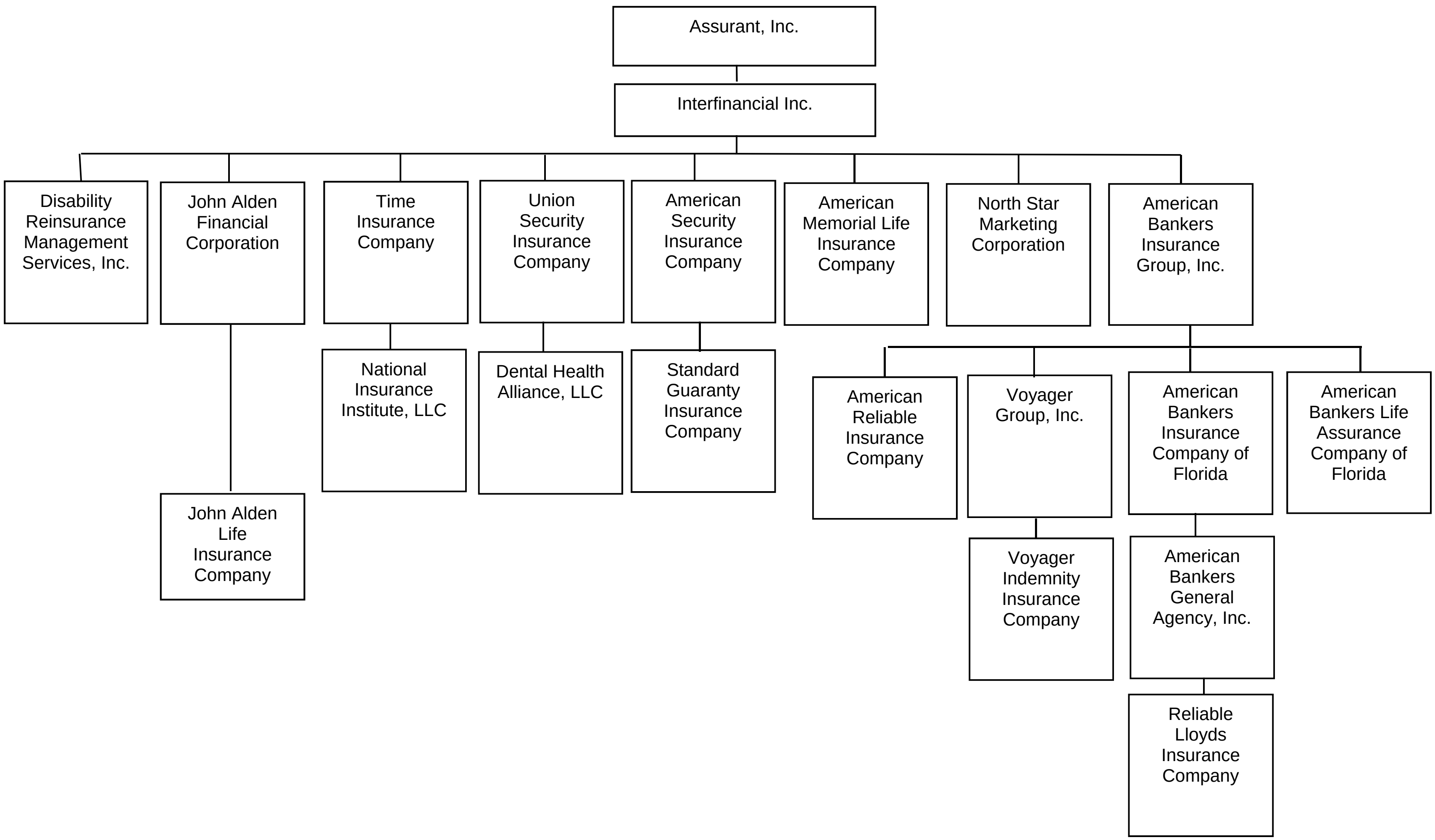
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company has not established any committees of the board of directors at the time of the examination. The company is a member of the Assurant, Inc., holding company system. Assurant is a SOX-compliant publicly traded company with its own board-appointed Audit Committee. Under s. Ins 50.15, Wis. Adm. Code, an insurer that is a direct or indirect wholly owned subsidiary of a SOX-compliant entity is not required to have its own audit committee.

IV. AFFILIATED COMPANIES

Time Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant to the examination follows the organizational chart.

Organizational Chart
As of December 31, 2013



Assurant, Inc. (Assurant)

Assurant is a Delaware-domiciled holding company and is the ultimate parent of TIC. Assurant is an insurance and financial services holding company that through its subsidiaries operates in four decentralized business segments, including Assurant Health, Assurant Employee Benefits, Assurant Solutions, and Assurant Specialty Property. Assurant, Inc., is a publicly traded company, trading on the New York Stock Exchange under the symbol AIZ.

As of December 31, 2013, the audited generally accepted accounting principles (GAAP) consolidated financial statements of Assurant reported assets of $29.7 billion, liabilities of $24.8 billion, and stockholder equity of $4.9 billion. Operations for 2013 produced net income of $488.9 million.

Interfinancial, Inc.

Interfinancial, Inc., is incorporated under the laws of the state of Georgia and is the direct parent of Time Insurance Company, John Alden Financial Corporation, and Union Security Insurance Company. Interfinancial, Inc., is a wholly owned intermediate holding company within the Assurant organization and does not have profit or loss activity.

American Memorial Life Insurance Company (AMLIC)

AMLIC is a South Dakota-domiciled life insurer within the Assurant Solutions business segment. AMLIC's primary business is the sale of pre-need life insurance products designed to pre-fund funeral arrangements. AMLIC is licensed in the District of Columbia, all state jurisdictions except New York, and the U.S. Virgin Islands.

As of December 31, 2013, the statutory basis audited financial statements of AMLIC reported total admitted assets of $2.5 billion, total liabilities of $2.4 billion, and total policyholders' surplus of $103.5 million. Operations for 2013 produced net income of $20.4 million.

American Security Insurance Company (ASIC)

ASIC is a Delaware-domiciled property and casualty insurer within the Assurant Special Property segment. ASIC's principal products insure financial institutions and their revolving credit, installment and mortgage loan customers against property and casualty losses arising from fire, windstorm, loss of income, contractual liability and auto physical damage. ASIC is licensed in the District of Columbia, all state jurisdictions except New Hampshire, Guam, the U.S. Virgin Islands, and Puerto Rico.

As of December 31, 2013, the statutory basis audited financial statements of ASIC reported total admitted assets of $2.08 billion, total liabilities of $1.34 billion, and total policyholders' surplus of $740.8 million. Operations for 2013 produced net income of $294.2 million.

Dental Health Alliance, LLC (DHA)

DHA, a wholly owned subsidiary of Union Security Insurance Company, is incorporated under the laws of the state of Delaware and is part of the Assurant Employee Benefits segment. DHA is a national dental preferred provider organization.

As of December 31, 2013, the unaudited GAAP financial statements of DHA reported total assets of $1.8 million, total liabilities of $0, and total stockholders' equity of $1.8 million. Operations for 2013 produced net income of $1.3 million.

John Alden Life Insurance Company (JALIC)

JALIC is a Wisconsin-domiciled life insurer within the Assurant Health business segment. JALIC's primary business is the sale of small group medical, small group life and individual medical insurance coverages through a network of independent agents and third-party administrators. JALIC is licensed in the District of Columbia, and all state jurisdictions except New York. JALIC is also licensed in Guam and the U.S. Virgin Islands.

As of December 31, 2013, the statutory basis audited financial statements of JALIC reported total admitted assets of $362.8 million, total liabilities of $294.4 million, and total policyholders' surplus of $68.4 million. Operations for 2013 produced net income of $18.1 million.

Standard Guaranty Insurance Company (SGIC)

SGIC, a wholly owned subsidiary of ASIC, is a Delaware-domiciled property and casualty insurer within the Assurant Specialty Products business segment. SGIC's principal products insure financial institutions and their revolving credit, installment and mortgage loan customers against property and casualty losses arising from fire, windstorm, and loss of income, contractual liability and auto physical damage. SGIC is licensed in all state jurisdictions except

Alaska, Connecticut, Maine, Massachusetts, New York, Pennsylvania, and Wyoming. SGIC is also authorized as an Excess and Surplus lines carrier in the state of Texas.

As of December 31, 2013, the statutory basis audited financial statements of SGIC reported total admitted assets of $476.8 million, total liabilities of $325.9 million, and total policyholders' surplus of $150.9 million. Operations for 2013 produced net income of $21.2 million.

Union Security Insurance Company (USIC)

USIC is a Kansas-domiciled life insurance company and is the lead insurer in the Assurant Employee Benefits business segment. USIC's principal business focus is the provision of group dental benefit plans sponsored by employers and also provides disability and term life products and services to small- and medium-sized employer groups. USIC is licensed in the District of Columbia and all state jurisdictions except New York.

As of December 31, 2013, the statutory basis audited financial statements of USIC reported total admitted assets of $5.08 billion, total liabilities of $4.65 billion, and total policyholders' surplus of $434.7 million. Operations for 2013 produced net income of $85 million.

American Bankers Life Assurance Company of Florida (ABLAC)

ABLAC, a wholly owned subsidiary of the American Bankers Insurance Group, is a Florida-domiciled life insurance company. ABLAC provides credit-related insurance programs primarily through financial institutions, retailers and other entities that provide consumer financing as a regular part of their business. ABLAC offers various life, accident and health, and annuity lines, the most significant of which are credit life and accident and health and group life and accident and health. ABLAC is licensed in the District of Columbia, all state jurisdictions except New York, and in Guam, Puerto Rico, the U.S. Virgin Islands, and Canada.

As of December 31, 2013, the statutory basis audited financial statements of ABLAC reported total admitted assets of $521.6 million, total liabilities of $471.2 million, and total policyholders' surplus of $50.4 million. Operations for 2013 produced net income of $11 million.

American Reliable Insurance Company (ARIC)

ARIC, a wholly owned subsidiary of American Bankers Insurance Group, is an Arizona-domiciled property and casualty insurance company. ARIC's principal products include mobile home, dwelling and personal fire, homeowner's, personal inland marine and farmowner's insurance. ARIC is licensed in all state jurisdictions and the District of Columbia.

As of December 31, 2013, the statutory basis audited financial statements of ARIC reported total admitted assets of $271 million, total liabilities of $192 million, and total policyholders' surplus of $79 million. Operations for 2013 produced net loss of $11.3 million.

Reliable Lloyds Insurance Company (RLIC)

RLIC, a wholly owned subsidiary of American Bankers General Agency, Inc., which is owned by American Bankers Insurance Company of Florida, is a Texas-domiciled property and casualty insurance company. RLIC writes fire, allied, farmowner's and credit property insurance in the state of Texas only. All business written by RLIC is 100% reinsured to affiliates.

As of December 31, 2013, the statutory basis audited financial statements of RLIC reported total admitted assets of $15.5 million, total liabilities of $6.1 million, and total policyholder surplus of $9.4 million. Operations for 2013 produced net income of $547,000.

Voyager Indemnity Insurance Company (VIIC)

VIIC, a wholly owned subsidiary of Voyager Group, Inc., is a Georgia-domiciled property and casualty insurance company. VIIC's principal products insure financial institutions and their revolving credit, installment and mortgage loan customers from property and casualty losses arising from fire, windstorm, and loss of income, contractual liability and auto physical damage. VIIC's products are primarily produced through financial institutions. VIIC is licensed in Puerto Rico and all state jurisdictions except Arizona, Iowa, Minnesota, New Hampshire, New York, North Dakota and Rhode Island.

As of December 31, 2013, the statutory basis audited financial statements of VIIC reported total admitted assets of $83.5 million, total liabilities of $26.8 million, and total policyholder surplus of $56.7 million. Operations for 2013 produced net income of $27.8 million.

Agreements with Affiliates

The company has entered into various intercompany agreements for the provision of investment management services, business operations services, and income tax allocation. The intercompany agreements of the company are described below.

Federal Income Tax Allocation Agreement

The company participates in a federal income tax allocation agreement between and among Assurant and its affiliates. The agreement provides for the allocation of federal income taxes in accordance with provisions of Treasury Regulations s. 1.1552-1 and s. 1.1502-33, whereby the aggregate tax liability of the Assurant group is allocated to the member companies on a separate company income tax return basis. Settlements for tax liability under the allocation agreement are to be made within 30 days of the Assurant filing of the actual consolidated federal corporate income tax return with the Internal Revenue Service. In the event that a refund is due to the combined group, Assurant may defer payment to the other members of the group for a period not to exceed 30 days from Assurant's receipt of such refund.

Investment Management Agreement

The company and Assurant maintain an agreement under which Assurant provides to the company investment management services for the maintenance and administration of the company's investment portfolio. Services provided by Assurant include the following:

a. General investment advice.
b. Investment accounting.
c. Establishment of company brokerage and custodial accounts and other arrangements for trading and safekeeping.
d. Performance of all other functions necessary to manage the investment portfolio and to assist the company in its development of investment strategy.

The agreement provides that investment management services performed by Assurant must conform to the company's investment guidelines and to applicable regulatory guidelines. The company pays an annual fee for services based on the market value of the investment portfolio as of June 30 of the immediately preceding year. All expenses related to Assurant's management of the company's investment portfolio, including brokerage fees and commissions, custodian charges, interest expense, taxes, and auditing and legal expenses, are allocated to and paid by the company.

Management Services Agreement

The company and Assurant maintain a management services agreement whereby Assurant and its subsidiary companies provide various management services to the company. The services provided for under the agreement include the following:

a. Risk management and provision of certain liability insurance coverages.
b. Administration of employee benefit plans in which company personnel participate, including all monitoring, accounting, plan development, certain plan contributions, and servicing.
c. Design, development, and administration of executive compensation programs and plan contributions.
d. Centralized staff and support services, including internal and external audit, accounting, financial reporting, tax advice, preparation and review of tax returns, legal, human resources recruitment, employee training and development, special or unique actuarial, and management consulting.
e. Advice regarding strategic and operational matters, assistance in developing business plans and budgets, general asset and liability management, advice regarding risk-based and other capital systems.
f. Advertising, marketing, public relations and government affairs services.
g. Rating agency coordination.

The company pays an annual fee for services equal to the company's allocated portion of Assurant's net allocable operating expenses for the year, determined by Assurant based on appropriate and rational allocation methods that are in conformity with customary insurance accounting practices.

Administrative Services Agreement

The company is party to a services agreement with USIC for the provision of administrative and other services relating to TIC group dental insurance coverages. Services performed by USIC include claim processing and payment, policyholder services, maintenance of records, daily preparation of claim disbursements, and maintenance of a toll-free 800 telephone number for customer calls. The agreement requires TIC pay USIC a monthly capitation fee plus an hourly consulting fee at scheduled rates if USIC performs certain types of consultant services upon the prior written request of the company. Settlement of balances due under the services agreement is performed monthly.

Network Access Agreement

The company is party to a provider network access agreement with Dental Health Alliances, LLC, for the provision of accessing DHA Network Dentists. DHA is to make reasonable efforts to recruit and maintain reasonable access to licensed dentists. The agreement requires TIC to pay an access fee for use of the network.

Affiliated Services Agreement

Several of the affiliated insurance companies within the Assurant Group have entered into an affiliated services agreement for the provision of payments for vendor services, collection of premiums, claim payments and any other service requested by one party of another member in the group. Parties to this agreement include the following entities:

- Time Insurance Company
- John Alden Life Insurance Company
- Voyager Indemnity Insurance Company
- American Security Insurance Company
- Standard Guaranty Insurance Company
- American Memorial Life Insurance Company
- American Reliable Insurance Company
- Reliable Lloyds Insurance Company

The parties agree to allocate charges for services performed based on the actual cost of the service without a profit factor built into the allocation.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below as it relates to significant reinsurance policies in force at the time of the examination. The contracts contain proper insolvency provisions.

Ceding Contracts

100% Ceded Coinsurance – Long-Term Care Insurance

Effective March 1, 2000, the company established a reinsurance agreement with John Hancock Life Insurance Company (John Hancock) whereby the company transferred to John Hancock all of the company’s liability for long-term care insurance policies. The agreement, which is structured as a sale of the business line, provides for TIC cession of risks to John Hancock on a 100% coinsurance basis. John Hancock is the administrator of the business. The 2000 transaction resulted in an after-tax gain of $100.8 million to the company, which was deferred and recorded by the company as an unrealized gain. The unrealized gain is amortized into income in future accounting periods as maturing policies terminate and are removed from the book of business, thereby releasing TIC’s contingent liability as the original issuer of the business. In 2013, the company recognized amortized gains of $2.7 million and ceded $67 million of premiums and $1,326.9 million of aggregate reserves to John Hancock pursuant to the reinsurance agreement.

100% Ceded Coinsurance – Individual Life and Annuity Insurance

Effective April 1, 2001, the company entered into a reinsurance agreement with Hartford Life Insurance and Annuity Company (Hartford) for the transfer to Hartford of business comprised of certain individual life insurance policies and annuity business written by the company. The agreement, which is structured as a sale of the business line, provides for TIC cession of risks to Hartford on a 100% coinsurance basis. Hartford is the administrator of the business. The 2001 transaction resulted in an after-tax gain of $121.8 million to the company, which was deferred and recorded by the company as unrealized gain. The unrealized gain is amortized into income in future accounting periods as maturing policies terminate and are removed from the book of business, thereby releasing TIC’s contingent liability as the original issuer of the business. In 2013, the company recognized amortized gains of $3.2 million and ceded $34.9 million of premium and $506.9 million of aggregate reserves to Hartford pursuant to the reinsurance agreement.

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, 2013, annual statement. Also included in this section are schedules which reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Time Insurance Company
Assets
As of December 31, 2013

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$448,560,582	$	$448,560,582
Stocks:			
Preferred stocks	45,443,045		45,443,045
Mortgage loans on real estate:			
First liens	79,116,974		79,116,974
Real estate:			
Occupied by the company	12,305,819		12,305,819
Cash, cash equivalents, and short-term investments	(13,809,187)		(13,809,187)
Contract loans	96,936	6,766	90,170
Other invested assets	30,808,421		30,808,421
Investment income due and accrued	6,060,145		6,060,145
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	9,681,377		9,681,377
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	8,136		8,136
Accrued retrospective premiums			
Reinsurance:			
Amounts recoverable from reinsurers	1,230,512		1,230,512
Other amounts receivable under reinsurance contracts	963,747		963,747
Amounts receivable relating to uninsured plans			
Current federal and foreign income tax recoverable and interest thereon	4,475,715		4,475,715
Net deferred tax asset	66,320,380	20,527,531	45,792,849
Guaranty funds receivable or on deposit	2,047,588		2,047,588
Receivable from parent, subsidiaries and affiliates	9,891,687	55,693	9,835,994
Health care and other amounts receivable	51,479,189	42,580,800	8,898,389
Write-ins for other than invested assets:			
Prepaid expenses	4,322,681	4,322,681	
Other assets	2,118,800	2,118,800	
Advances on aggregate stop loss	746,702	746,702	
Total Assets	$761,869,249	$70,358,973	$691,510,276

Time Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2013

Aggregate reserve for life contracts		$ 1,097,586
Aggregate reserve for accident and health contracts		68,185,568
Liability for deposit-type contracts		82,796,799
Contract claims:		
Life		954,145
Accident and health		170,292,892
Premiums and annuity considerations received in advance		24,355,161
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		29,570,319
Other amounts payable on reinsurance		3,472,763
Interest maintenance reserve		2,425,384
Commissions to agents due or accrued		17,164,159
General expenses due or accrued		42,221,375
Taxes, licenses, and fees due or accrued, excluding federal income taxes		14,815,796
Amounts withheld or retained by company as agent or trustee		961,907
Remittances and items not allocated		4,291,859
Liability for benefits for employees and agents if not included above		1,709
Miscellaneous liabilities:		
Asset valuation reserve		8,211,369
Payable to parent, subsidiaries and affiliates		6,531,939
Write-ins for liabilities:		
Unclaimed funds		1,165,388
Unearned administration fees		983,010
Total liabilities		479,499,129
Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	425,201,495	
Unassigned funds (surplus)	(215,690,348)	
Total capital and surplus		212,011,147
Total Liabilities, Capital and Surplus		$691,510,276

Time Insurance Company
Summary of Operations
For the Year 2013

Premiums and annuity considerations for life and accident and health contracts		$1,269,452,208
Net investment income		29,988,062
Amortization of interest maintenance reserve		848,818
Commissions and expense allowances on reinsurance ceded		13,462,060
Write-ins for miscellaneous income:		
Fee income		15,470,396
Miscellaneous income		113,259
Total income items		1,329,334,803
Death benefits	$ 1,446,472	
Disability benefits and benefits under accident and health contracts	866,209,798	
Surrender benefits and withdrawals for life contracts	15,687	
Interest and adjustments on contract or deposit-type contract funds	2,723,829	
Increase in aggregate reserves for life and accident and health contracts	4,509,170	
Subtotal	874,904,956	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	153,065,114	
General insurance expenses	247,910,811	
Insurance taxes, licenses, and fees excluding federal income taxes	41,240,626	
Increase in loading on deferred and uncollected premiums	(56)	
Write-in for deductions:		
Fines and penalties	(2,944,755)	
Total deductions		1,314,176,696
Net gain (loss) from operations before federal income taxes		15,158,107
Federal and foreign income taxes incurred (excluding tax on capital gains)		14,897,571
Net gain (loss) from operations after federal income taxes and before realized capital gains or losses		260,536
Net realized capital gains or (losses)		5,384,127
Net Income		$ 5,644,663

Time Insurance Company
Cash Flow
For the Year 2013

Net premiums collected			$1,282,061,391
Net investment income			30,530,328
Miscellaneous income			19,846,678
Total			1,332,438,397
Benefit- and loss-related payments		$870,019,455	
Commissions, expenses paid, and aggregate write-ins for deductions		427,501,885	
Federal and foreign income taxes paid (recovered)		8,099,527	
Total deductions			1,305,620,867
Net cash from operations			26,817,530
Proceeds from investments sold, matured, or repaid:			
Bonds	$128,473,547		
Stocks	12,569,833		
Mortgage loans	15,291,637		
Other invested assets	4,555,468		
Miscellaneous proceeds	131,238		
Total investment proceeds		161,021,723	
Cost of investments acquired (long-term only):			
Bonds	139,321,824		
Stocks	26,858,358		
Mortgage loans	12,991,175		
Other invested assets	4,414,224		
Miscellaneous applications	280,799		
Total investments acquired		183,866,380	
Net increase (or decrease) in contract loans and premium notes		6,279	
Net cash from investments			(22,850,936)
Cash from financing and miscellaneous sources:			
Capital and paid in surplus less treasury stock		12,000,000	
Net deposits on deposit-type contracts and other insurance liabilities		(436,839)	
Other cash provided (applied)		(7,344,547)	
Net cash from financing and miscellaneous sources			4,218,614
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			8,185,208
Cash, cash equivalents, and short-term investments:			
Beginning of year			(21,994,395)
End of Year			$ (13,809,187)

Time Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2013

Assets			$691,510,276
Less liabilities			479,499,129
Adjusted surplus			212,011,147
Annual premium:			
Individual life and health	$503,442,307		
Factor	15%		
Total		$75,516,346	
Group life and health	778,619,084		
Factor	10%		
Total		77,861,908	
Greater of 7.5% of consideration or 2% of reserves for annuities and deposit administration funds		1,123,227	
Compulsory surplus (subject to a $2,000,000 minimum)			155,034,189
Compulsory Surplus Excess or (Deficit)			$ 56,976,958
Adjusted surplus (from above)			$212,011,147
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%)			70,537,607
Security Surplus Excess or (Deficit)			$ 41,473,540

Time Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2013

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:

	2013	2012	2011	2010	2009
Capital and surplus, beginning of year	$205,751,938	$273,032,363	$274,468,981	$239,511,074	$211,842,046
Net income	5,644,663	48,684,266	34,470,802	44,158,628	(43,507,376)
Change in net unrealized capital gains/losses	(7)	3,844	(3,844)	1,027,000	(971,840)
Change in net deferred income tax	3,712,362	(5,255,877)	394,795	(4,748,260)	3,661,512
Change in nonadmitted assets and related items	(8,155,150)	1,554,998	(12,151,123)	10,279,231	(10,943,958)
Change in asset valuation reserve	(1,042,689)	(559,166)	(2,271,205)	(1,467,945)	362,951
Cumulative effect of changes in accounting principles		7,624,806			717,651
Surplus adjustments:					
Paid in	12,000,000		6,546,656		71,000,000
Change in surplus as a result of reinsurance	(5,899,969)	(6,708,490)	(7,422,699)	(14,290,747)	(491,118)
Dividends to stockholders		(105,000,000)	(21,000,000)		(13,000,000)
Write-ins for gains and (losses) in surplus:					
Reclassification of change in nonadmitted assets due to adoption of SSAP 101		(7,624,806)			
Additional admitted deferred tax asset under SSAP 10R			(2,339,409)	(10,876,990)	20,841,205
Reclassification of additional admitted deferred tax assets to change in nonadmitted assets			2,339,409	10,876,990	
Capital and Surplus, End of Year	$212,011,147	$205,751,938	$273,032,363	$274,468,981	$239,511,074

2009 net income was adversely affected by two large extra-contractual loss reserves totaling $49.5 million, due to adverse claim-related lawsuit verdicts. The parent contributed capital of $71 million in 2009.

Time Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2013

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	**2013**	**2012**	**2011**	**2010**	**2009**
#1	Net change in capital and surplus	(3)%	(25)%*	(3)%	15%	(20)%*
#2	Gross change in capital and surplus	3	(25)*	(1)	15	13
#3	Net income to total income	0*	4	3	3	(3)*
#4	Adequacy of investment income	1,542*	1344*	1526*	1615*	1545*
#5	Nonadmitted to admitted assets	10*	10*	9	7	8
#6	Total real estate and mortgage loans to cash and invested assets	20	22	18	18	20
#7	Total affiliated investments to capital and surplus	5	2	3	2	13
#8	Surplus relief	4	4	3	3	4
#9	Change in premium	10	(8)	(5)	0	(1)
#10	Change in product mix	0.2	0.4	0.4	0.5	0.4
#11	Change in asset mix	0.5	0.7	0.2	1.7	1.3
#12	Change in reserving	17	(91)*	87*	20*	(21)*

IRIS ratios No. 1 and No. 2 analyze, respectively, the percentage change year-to-year in net and gross capital and surplus. The 2012 unusual results for ratios No. 1 and No. 2 were due to stockholder dividends of $105 million paid in that year. In 2009 the unusual result for ratio No. 1 was due to a capital contribution of $71 million from its parent company.

IRIS ratio No. 3, Net Income to Total Income, was unusual in 2013 due to increased policyholder benefits and insurance expenses attributed to the growth in major medical insurance business combined with the higher acquisition costs on a significant increase in sales during the fourth quarter of 2013. Refer to the "Growth of Time Insurance Company" section below for further discussion on these sales. The unusual result for 2009 was due to the company reporting a net loss for that year.

IRIS ratio No. 4, Adequacy of Investment Income, compares the net investment income to the increase in reserves from tabular interest. The unusual results were due to the run-off of the company's life and disability business combined with a small amount of tabular fund interest from TIC's accident and health contracts.

IRIS ratio No. 5 compares nonadmitted assets to admitted assets. The unusual results for 2013 and 2012 were primarily a result of increased prepaid agent commissions which are reported as a nonadmitted asset under Healthcare and other amounts receivable on the statutory statements.

The unusual results for ratio No. 12, Change in Reserving, were due to the run-off of the company's life insurance and annuity business as a result of the 2001 reinsurance agreement with Hartford Life Insurance and Annuity Company.

Growth of Time Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2013	$691,510,276	$479,499,129	$212,011,147
2012	645,369,685	439,617,747	205,751,938
2011	748,697,670	475,665,307	273,032,363
2010	748,260,818	473,791,837	274,468,981
2009	795,822,407	556,311,333	239,511,074
2008	678,111,757	466,269,711	211,842,046

Net Life Premiums and Deposits

Year	Life Insurance Premiums	Deposit-type Contract Funds
2013	$6,912,361	$15,016,361
2012	5,630,984	17,899,069
2011	3,528,524	23,359,925
2010	2,804,490	26,276,965
2009	3,155,665	29,586,173
2008	2,934,373	37,770,132

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2013	$4,892,472	$4,121,743	$770,729
2012	5,014,392	4,447,175	567,217
2011	5,399,491	4,829,058	570,433
2010	6,049,173	5,531,721	697,452
2009	7,209,171	6,438,043	771,127
2008	6,929,928	6,276,080	653,848

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2013	$1,261,069,490	$899,014,081	$139,693,813	$259,063,776	102.9%
2012	1,168,023,983	823,843,108	105,366,514	228,726,845	99.1
2011	1,221,832,778	878,531,270	100,718,808	248,921,395	100.5
2010	1,320,688,496	895,337,175	135,463,995	284,997,305	99.6
2009	1,308,132,741	994,219,318	153,936,139	291,981,243	110.1
2008	1,320,386,766	861,163,859	142,535,973	275,447,325	96.9

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

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 and the rules and regulations thereunder (together, the “Affordable Care Act”) were signed into law in March 2010. The legislation imposed new requirements and restrictions including, but not limited to, guaranteed coverage and prohibition on some annual and lifetime limits on amounts paid on behalf of or to the insureds. These components were fully effective in 2014.

The company was successful in developing and filing new products that met the mandated essential benefits packages products with 41 states prior to the beginning of the Affordable Care Act open enrollment period for individual products on October 1, 2013. As a result the company experienced a significant increase in sales during the fourth quarter of 2013, which was a primary factor for the reported 9% increase in net premiums earned. During the same time period TIC reported an approximate 18% increase in commissions and other incurred expenses due to the membership growth and higher acquisition costs from a large portion of the open enrollment sales.

The reported changes in capital and surplus over the examination period are primarily a result of TIC paying $139 million in stockholder dividends and receiving approximately $89.5 million in capital contributions from its parent company.

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, 2013, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

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

1. Health Care and Other Amounts Receivable—It is recommended that the company discontinue the practice of offsetting its prepaid commissions against commission bonus payable in accordance with SSAP Nos. 4, 20, and 29 and Issue Paper No. 90.

   Action—Compliance.

2. Aggregate Reserve for Accident and Health Contracts—It is recommended that the company discontinue the use of collectability factors in determining unearned premium in accordance with SSAP No. 54.

   Action—Compliance.

3. Aggregate Reserve for Accident and Health Contracts—It is recommended that the company properly record advanced premium in accordance with SSAP No. 54.

   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.

Management and Control

The examination's review of the company's Report on Executive Compensation (Form OCI 22-040) for 2013 noted that the form is not being completed correctly. The total amount of compensation reported for each individual did not include all types of insurance coverage provided at no cost to the employee. It was also noted that total amount of compensation was missing pension contributions made by Assurant on behalf of TIC's executive officers. According to instructions in the Report on Executive Compensation "compensation 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 employee." It is recommended that the company complete the Report on Executive Compensation in accordance with its instructions.

Active Life Reserve—Premium Deficiency Reserve

The examination's consulting actuary was provided copies of the Financial Actuarial Department's December 31, 2013, and 2014 Deficiency Reserve Study findings as reported to the Assurant Health Chief Financial Officer, Vice President of Finance and Risk Management, and the Appointed Actuary. The findings were broken out by entity and line of business on a statutory basis. The examination's consulting actuary used these reports and supporting exhibits to review the company's premium deficiency assumptions and analysis. The examination's consulting actuary's finding as reported to the examiner-in-charge is summarized below.

The company uses guidance from SSAP 54 and the Premium Deficiency Reserves Discussion Paper (March 2007) to determine how the business should be segmented for projection purposes. Based on this guidance, TIC divided its health insurance business into eight segments. In accordance with SSAP 54, the company established a premium deficiency reserve (PDR) for two of the group segments. As of December 31, 2013, the PDR portion of the active life reserves was $2,988,044.

The examination's consulting actuary noted that TIC excluded all "acquisition expenses" from its premium deficiency reserve assumptions and analysis. The company should reflect the total expenses of the legal entity for which the PDRs are being calculated. The examination's consulting actuary sited the Health Reserve Guidance Manual (HRGM) published by the NAIC in February 2007 and the Actuary Standards of Practice (ASOP) 42 in support of that statement.

HRGM states "Generally, the expenses considered for a particular grouping should represent a reasonable allocation of all the reporting entity's expenses. The allocation may reflect that some expenses, such as cost of installation of new business, may not be applicable to a particular grouping. If other lines of business can cover overhead expenses, the test for a deficiency and the calculation of the deficiency reserve can be performed using only direct costs."

ASOP 42 states "The actuary should consider total expenses of the risk-assuming entity in establishing a PDR and should consider whether the expenses allocated to the block of business are reasonable for the purpose of determining PDRs."

The examination's consulting actuary considered it reasonable for a company that is no longer selling a particular line of business to exclude acquisition expenses, which are no longer applicable. These expenses would be allocated to the other open blocks. However, for ongoing blocks of business, the premiums, expenses and claims for the entire block must be analyzed to determine if the premiums are sufficient. The following recommendation took into account the company's sources of data as reported in the Assurant Health PDR studies provided for review. It is recommended that the company apply the total forecast general expense percentage to the projected revenue included in the analysis to determine the premium adequacy.

The examination's consulting actuary also noted that the PDR analysis did not include the company's quality improvement expenses. These expenses only applied to lines of business subject to the ACA requirements, which for 2013 were not significant. However, it is recommended that the company revise the projections going forward to incorporate the quality improvement expenses. The company has stated that they would revise projections going forward. The impact of the expense change including quality improvement was included in the examination's consulting actuary's report. The examination's consulting actuary stated that the impact of the expense changes increased the PDR to around a maximum of $5.6 million.

The examination's consulting actuary also noted that the PDR calculations did not include all business for which TIC has offered rates as of the valuation date. Per HRGM "a PDR calculation should consider contracts expected to become effective after the valuation date for which rate guarantees were made prior to the valuation date." Therefore, it is recommended that the company include new business effective January 1 or later which was accepted by the company prior to the valuation date. Because the 2013 PDR projection data did not include new business with effective dates of January 1, 2014, or later, the actuary was unable to assess the impact on the reserve due to this omission. However, the examination's consulting actuary did not believe this would materially change the reported PDR.

Subsequent Events

The company is subject to an annual fee under Section 9010 of the Affordable Care Act (ACA). The annual fee is allocated to individual health insurers based on the ratio of the amount of the insurer's net premium written during the preceding calendar year to total U.S. health risk written during the preceding calendar year. Under SSAP 35R the company was not required to accrue a liability at December 31, 2013, for the amount which is payable on September 30, 2014, for the Section 9010 Assessment but is required to show a disclosure of estimated amount to be paid and its expected impact on Risk-Based Capital (RBC). The company reported an estimated ACA Assessment of $14,350,000 and a RBC impact of -35%, reducing RBC from 520% to 485%. In 2014 the company paid $15,387,711 in ACA Assessment.

VIII. CONCLUSION

Time Insurance Company is a stock life insurance company that principally markets accident and health insurance for individual and small group coverages. As of December 31, 2013, TIC reported total assets of $691,510,276, total liabilities of $479,499,129 and capital and surplus of $212,011,147.

During 2013 the company successfully filed new products that met the requirements of the Affordable Care Act in 41 states prior to the open enrollment period for individual products on October 1, 2013. As a result, TIC experienced significantly higher sales during the last quarter of 2014.

The examination determined that the company has complied with the previous examination recommendations. The current exam resulted in four recommendations and no account reclassifications or adjustments to surplus.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 33 - Management and Control—It is recommended that the company complete the Report on Executive Compensation in accordance with its instructions.

2. Page 34 - Active Life Reserve—Premium Deficiency Reserve—It is recommended that the company apply the total forecast general expense percentage to the projected revenue included in the analysis to determine the premium adequacy.

3. Page 34 - Active Life Reserve—Premium Deficiency Reserve—It is recommended that the company revise the projections going forward to incorporate the quality improvement expenses.

4. Page 35 - Active Life Reserve—Premium Deficiency Reserve—It is recommended that the company include new business effective January 1 or later which was accepted by the company prior to the valuation date.

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
Scott Bleifuss	Insurance Financial Examiner
Michael Miller	Insurance Financial Examiner
John Ebsen	Insurance Financial Examiner
David Jensen	IT Specialist
Jerry DeArmond	Reserve Specialist

Respectfully submitted,

Eleanor Oppriecht
Examiner-in-Charge