

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Washington National Insurance Company)
11825 N. Pennsylvania Street)
Carmel, IN 46032)

Examination of: **Washington National Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Washington National Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Washington National Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 29, 2020
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9414

STATE OF INDIANA) BEFORE THE INDIANA
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11825 N. Pennsylvania Street)
Carmel, IN 46032)

Examination of: **Washington National Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Washington National Insurance Company (hereinafter “Company”) for the time period January 1, 2014 through December 31, 2018.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 30, 2020.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 26, 2020 and was received by the Company on May 30, 2020.

On June 19, 2020, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:


1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2018.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this June 29 day of June, 2020.



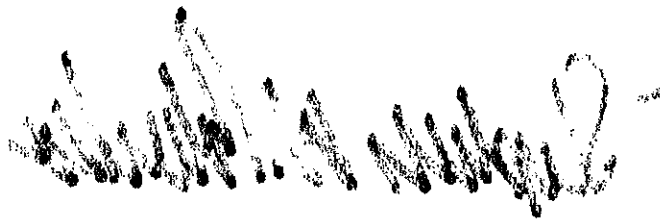
Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

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STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

WASHINGTON NATIONAL INSURANCE COMPANY

NAIC Co. CODE 70319
NAIC GROUP CODE 0233

As of

December 31, 2018

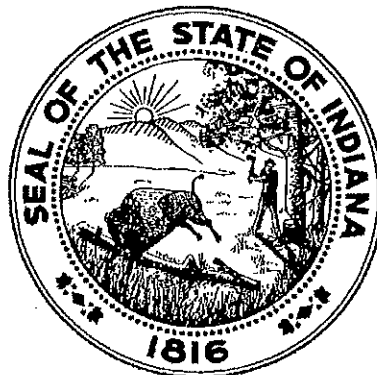


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/doi

April 30, 2020

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4001, an examination has been made of the affairs and financial condition of:

Washington National Insurance Company
11825 North Pennsylvania Street
Carmel, Indiana 46032

hereinafter referred to as the "Company", or "WNIC", an Indiana domestic life, accident, and health insurance company. The examination was conducted at the corporate offices of the Company in Carmel, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2018, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2009 through December 31, 2013. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Indiana domestic insurance companies of CNO Financial Group, Inc., (CNO) was called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The INDOI served as the lead state on the examination, and the Illinois Department of Insurance, the New York State Department of Financial Services, the Texas Department of Insurance, and the Pennsylvania Department of Insurance served as participants.

Mark E. Alberts, FSA, MAAA and Alberts Actuarial Consulting, LLC provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2013.

Winthrop Capital Management provided all investment specialist services throughout the examination and conducted a review of the Company's investment-related risks as of December 31, 2018.

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. 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 following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

CNO Financial Group, Inc., a Delaware Corporation became the successor to Conseco, Inc., an Indiana corporation, in connection with a bankruptcy reorganization which became effective on September 10, 2003. Conseco, Inc. was organized in 1979. Its headquarters are in Carmel, Indiana. CNO is a holding company for a family of life, accident, and health insurance companies.

WNIC was incorporated on May 26, 1923, under the laws of the state of Illinois and became an Indiana domiciled company effective September 30, 2010. The Company is a wholly owned subsidiary of CDOC, Inc (CDOC).

CAPITAL AND SURPLUS

CDOC owned 100% of the Company's issued and outstanding stock as of the examination date. There were 5,250,000 authorized shares of common stock with a par value of \$5 per share and 5,007,370 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, to CDOC during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends
2018	\$ 60,000,000	\$ -	\$ 60,000,000
2017	75,000,000	-	75,000,000
2016	50,000,000	25,000,000	25,000,000
2015	50,000,000	-	50,000,000
2014	130,000,000	-	130,000,000
Total	<u>\$ 365,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 340,000,000</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net gains from such insurer of the prior year. Due to the Company's earned surplus deficit, all dividends require prior approval under IC 27-1-3-24(b). The Company paid thirteen (13) extraordinary dividends during the examination period with the prior approval of the INDOI. As directed by the INDOI in 2011, the Company records dividends in excess of the reported positive unassigned balance as a return of paid-in capital or paid-in surplus. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

The Company made capital contributions which totaled \$10,975,651 and \$26,707,737 in 2017 and 2018, respectively. These capital contributions were paid to Indiana General Investment Corp., an affiliate.

TERRITORY AND PLAN OF OPERATION

WNIC is an indirect, wholly-owned subsidiary of CNO, a publicly-held company. WNIC is licensed to sell its products in forty-nine (49) states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands, excluding the state of New York. WNIC primarily sells supplemental health (including specified disease and accident and health indemnity insurance products) and life insurance policies. WNIC offers both traditional and non-traditional life insurance policies. The policies are marketed to middle-income consumers at home and at the worksite through Performance Matters Associates, Inc. (PMA), a wholly-owned subsidiary of the Company's parent, CDOC, and through independent marketing organizations and agencies.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period*:

Year	Admitted Assets	Liabilities	Surplus and Other Funds*	Premiums and Annuity Considerations	Net Income
2018	\$ 5,466,051	\$ 5,100,288	\$ 365,762	\$ 703,279	\$ 61,246
2017	5,418,462	5,045,213	373,249	688,911	26,732
2016	5,397,646	4,966,502	431,144	663,059	(53,005)
2015	4,807,835	4,474,784	333,051	649,711	60,928
2014	4,775,252	4,448,263	326,988	610,031	50,790

* The balances include immaterial rounding differences.

The decrease in net income in 2016 was associated with the increase in aggregate reserves for life and accident and health contracts (mainly in group and other, accident and health) resulting from the recapture of ceded long-term care business with an impact on net income of approximately (\$120.5) million.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than nine (9) Directors who are at least twenty-one (21) years of age. The shareholder, at each annual meeting, elects the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2018, and their principal occupations as of that date:

Name and Address	Principal Occupation
Timothy S. Bischof Indianapolis, Indiana	Senior Vice President, Corporate Actuarial and Enterprise Risk Management – CNO
Michael D. Heard Carmel, Indiana	Chairman of the Board and President Washington National Insurance Company
Erik M. Holding * Carmel, Indiana	Executive Vice President, Chief Financial Officer CNO Financial Group, Inc.
John R. Kline Indianapolis, Indiana	Senior Vice President, Chief Accounting Officer CNO Financial Group, Inc.
Gregory D. Turner Zionsville, Indiana	Senior Vice President, Product Management (L&A) CNO Services, LLC

* Erik Holding left the board in connection with his departure as an officer of the Company in 2019. Karen DeToro and Paul McDonough were elected as directors in 2019 – see the Subsequent Events section of this report for details.

Officers

The Bylaws state that the elected officers of the Company shall consist of the Chairman of the Board, the President, one (1) or more Vice Presidents, the Secretary and the Treasurer. The Board of Directors may create at any time, any other officers which it may think proper. Each of these officers are elected by the Board at their regular annual meeting and shall hold office for one (1) year and until their respective successors are duly chosen and have qualified. Any vacancy in any office may be filled by the Board of Directors at any meeting. All non-elected offices may be filled by appointment of the Chairman of the Board or the President at any time, and their incumbents shall be subject to removal by the Chairman of the Board or the President at any time. Ownership of stock shall not be necessary qualification for any officer. Any two (2) offices may be held by one (1) person.

The following is a list of key officers and their respective titles as of December 31, 2018:

<u>Name</u>	<u>Office</u>
Michael D. Heard	Chairman of the Board and President
Bruce K. Baude	Executive Vice President, Chief Operations and Technology Officer
Eric R. Johnson	Executive Vice President, Investments
Erik M. Holding (1)	Executive Vice President, and Chief Financial Officer
Matthew J. Zimpfer	Executive Vice President, General Counsel, and Assistant Secretary
Jeremy D. Williams	Vice President, Valuation and Projections
Mark E. Billingsley (1)	Senior Vice President and Valuation Actuary
Timothy S. Bischof	Senior Vice President, Corporate Actuarial
William D. Fritts Jr.	Senior Vice President, Regulatory and Government Affairs
Karl W. Kindig	Senior Vice President and Secretary
Jeffrey M. Kircher	Vice President and Treasurer
John R. Kline	Senior Vice President and Chief Accounting Officer

(1) Departed the Company subsequent to December 31, 2018.

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2018.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2018.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of Shareholders, Members, or Policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

CNO committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit and Enterprise Risk Committee, Executive Committee, Governance and Nominating Committee, Human Resources and Compensation Committee, Transaction Committee, and the Investment Committee. At the WNIC level the Investment Committee meeting minutes were also reviewed.

AFFILIATED COMPANIES

Organizational Structure

This abbreviated organizational chart shows the Company and its upstream affiliates as of December 31, 2018:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
CNO Financial Group, Inc. (CNO)		
CDOC, Inc.		
Conseco Life Insurance Company of Texas (CLTX)	11804	TX
Bankers Conseco Life Insurance Company (BCLIC)	68560	NY
Bankers Life and Casualty Company (BLCC)	61263	IL
Colonial Penn Life Insurance Company (CPL)	62065	PA
Resource Life Insurance Company (RLIC)	61506	IL
Washington National Insurance Company	70319	IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Investment Advisory Agreements (BCLIC, BLCC, CPL, CLTX, RLIC & WNIC):

The companies noted above are party to various Investment Advisory Agreements with 40/86 Advisors, Inc. (The Company's affiliate, Bankers Conseco Life Insurance Company, is also a party to an investment advisory agreement with 40/86 Advisors, Inc. and a services agreement with CNO Services, LLC) whereby 40/86 Advisors manages the companies' investments and provides investment accounting services. In 2018, expenses paid by the Company to 40/86 Advisors pursuant to these agreements was \$12.6 million.

Loan Servicing and Origination Agreements (BLCC, CPL, RLIC & WNIC):

The companies noted above are party to various Loan Servicing and Origination Agreements with 40/86 Mortgage Capital, Inc. (40/86 Mortgage) whereby 40/86 Mortgage provides origination and servicing for the companies' mortgage loans. In 2018, expenses paid by the Company to 40/86 Mortgage pursuant to these agreements was \$592,300.

Services Agreements – Administrative Services (BLCC, CPL, CLTX, RLIC & WNIC):

The companies noted above are party to various Services Agreements with CNO Services, LLC (CNO Services) whereby CNO Services provides certain administrative services. In 2018, expenses incurred by only the Company to CNO Services pursuant to these agreements was \$165.5 million.

Tax Allocation Agreement (BLCC, BCLIC, CPL, CLTX, RLIC & WNIC)

The companies noted above are party to the CNO Financial Group, Inc. and Subsidiaries Amended and Restated Consolidated Income Tax Agreement and files a life-nonlife consolidated federal income tax return with CNO and its subsidiaries. CLTX receives and disburses tax-sharing payments from/to CNO's insurance subsidiaries participating in this agreement. Related to WNIC's redomestication, the agreement was non-disapproved by the INDOI on November 23, 2010. In 2018, WNIC paid \$11,085,896 in federal income taxes and received \$26,365 in state income taxes to/ from CLTX pursuant to this agreement.

Lease Agreement – Carmel Home Office

WNIC, is a party to a Lease Agreement with CNO Services dated January 1, 1996 whereby CNO Services leases office space from WNIC at its home offices located in Carmel, Indiana. On December 3, 2015, the lease term was extended for an additional five (5) years until December 31, 2020. In 2018, WNIC earned income of \$6.8 million pursuant to this agreement.

Agent Recruiting and Development Services Agreement

WNIC is a party to an Agent Recruiting and Development Services Agreement with PMA, a licensed insurance agency, effective January 1, 2015. Under the agreement, PMA provides recruitment and training services for agents to sell WNIC's portfolio of products. In 2018, the Company's expenses totaled \$3.0 million pursuant to this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by National Union Fire Insurance Company of Pennsylvania. The bond has a single loss coverage limit of \$10 million. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2018, including but not limited to business income, employee benefits errors and omissions, employer liability, general liability, premises coverage, neighbors and tenant liability, tax liability, and workers compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company provides certain health care and life insurance benefits under postretirement plans for certain former employees. The unfunded plans are closed to new participants. The liabilities were \$2,424,812 as of December 31, 2018 and were included in general expenses due and accrued. The Company recorded expenses of \$180,558 on the plan in 2018.

The Company provides payments under two (2) different deferred compensation plans with two (2) agents. The plans are closed and are in payout status. One of the plans was fully paid in the fourth quarter of 2018 and no liability remains. The liability for these plans was \$142,136 as of December 31, 2018 and was included in the liability for amounts held for agents' accounts. The Company recorded expenses of \$30,754 on these plans in 2018.

The Company's employees are eligible to participate in CNO's 401(k) savings plan. In addition, certain executive officers of the Company are included in CNO's deferred compensation plan. The Company has no legal obligation for benefits under these plans. CNO allocates a portion of these costs to the Company based on salary ratios. The Company's allocated expenses under these plans during 2018 totaled \$1,060,644.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, as of December 31, 2018:

<u>State</u>	<u>Book Value</u>	<u>Fair Value*</u>
<u>For the Benefit of All Policyholders</u>		
Florida	\$ 5,859,399	\$ 5,893,628
Georgia	128,033	134,333
Indiana	5,006,426	5,006,485
Massachusetts	110,111	111,193
Michigan	304,175	300,588
Missouri	658,203	650,454
New Hampshire	1,051,434	1,034,810
New Jersey	303,156	345,341
New Mexico	368,477	382,522
North Carolina	1,276,110	1,315,156
Virginia	500,506	505,422
Guam	50,000	49,439
Puerto Rico	1,089,767	1,084,534
U.S. Virgin Islands	500,506	505,422
Total Deposits	<u>\$ 17,206,303</u>	<u>\$ 17,319,325</u>

* The balances include immaterial balancing differences.

REINSURANCE

The following describes significant terms of the Company's reinsurance assumed and reinsurance ceded programs for the examination period ended December 31, 2018.

Ceded Reinsurance

The Company generally maintains a net retention of not more than \$250,000 per life for domestic business. Limits in excess of retention are ceded to various reinsurers through a series of contracts covering the excess over retention limits. Guidelines call for reinsurance to be placed with reinsurers rated A- or better by A.M. Best. None of the contracts are individually considered to involve financially significant balances. Reinsurer ratings are monitored quarterly and less than 2% of total reinsurance recoverables are due from reinsurers whose financial rating has fallen below A-.

In 2007, the Company, together with several affiliates, sold most of its older in-force fixed annuity business through a coinsurance agreement with Jackson National Life Insurance Company (Jackson). Under the terms of the coinsurance agreement administration of this business was also transferred to a third-party administrator and all future policy activity relating to this block of business will be ceded to Jackson. As of December 31, 2018, this transaction accounted for ceded policy reserves totaling about \$1.1 billion.

In October 2013, WNIC reinsured a large block of its long-term care business with Beechwood Re Ltd. (Beechwood). This transaction also involved transfer of a similar, although smaller, block of business from Bankers Consec Life Insurance Company, a WNIC affiliate. As an unauthorized reinsurer, Beechwood provided collateral through a Trust arrangement whereby assets equal to 107% of ceded reserves were to be held as reinsurance collateral. As of December 31, 2013, this transaction accounted for ceded policy reserves totaling \$346.0 million.

Effective September 29, 2016, termination and recapture of the Beechwood transaction occurred via written notice by CNO with an associated withdrawal of all trust assets. This recapture was initiated by CNO based on an audit determination of non-compliance of certain investments held in the Trusts.

Assumed Reinsurance

In 2018, no individual assumed account generated financially significant assumed premium related to life and annuity risks. As of December 31, 2018, the Company had a limited number of "legacy" contracts covering life and annuity business which, in the aggregate, accounted for transactions covering policy reserves totaling \$47.7 million on such risks.

As part of a series of transactions occurring prefatory to the sale of Consec Life Insurance Company (CLIC) to Wilton Reassurance Company, a significant block of health business was transferred from CLIC to WNIC in 2014 via two (2) reinsurance transactions. Through a Modco treaty, the portion of this block of health business with Senior Health Insurance Company of Pennsylvania (SHIP), which was collateralized through a Trust established to protect SHIP from any contingent risk of default by CLIC, was transferred to WNIC. This block accounted for assumed premiums and reserves of \$21.0 million and \$122.9 million (including claim liabilities and advance and due premiums), respectively, as of December 31, 2018. In a companion transaction the remainder of the CLIC health insurance business was reinsured with WNIC through a 100% indemnity agreement. This latter agreement accounted for \$0.2 million of assumed accident and health premiums and \$3.6 million of assumed health reserves in 2018.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2014 and December 31, 2018, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2014 through December 31, 2018, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

WASHINGTON NATIONAL INSURANCE COMPANY

Assets

As of December 31, 2018

	<u>Per Examination*</u>
Bonds (Schedule D)	\$ 4,548,281,672
Stocks (Schedule D):	
Preferred stocks	121,633,182
Common stocks	70,113,138
Mortgage loans on real estate (Schedule B):	
First liens	204,536,709
Real estate (Schedule A):	
Properties occupied by the company (less \$0 encumbrances)	33,414,460
Properties held for sale (less \$0 encumbrances)	15,744,432
Cash (\$40,291,852, Schedule E – Part 1), cash equivalents (\$52,866,424, Schedule E – Part 2), and short-term investments (Schedule DA)	93,158,276
Contract loans (Including \$0 Premium Notes)	24,444,803
Derivatives (Schedule DB)	707,929
Other invested assets (Schedule BA)	187,009,854
Receivables for securities	18,268,004
Subtotals, cash and invested assets	5,317,312,457
Investment income due and accrued	54,429,463
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	10,594,839
Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0 earned but unbilled premiums)	4,193,826
Reinsurance:	
Amounts recoverable from reinsurers	1,373,084
Other amounts receivable under reinsurance contracts	3,779,325
Current federal and foreign income tax recoverable and interest thereon	2,048,148
Net deferred tax asset	46,534,432
Guaranty funds receivable or on deposit	5,502,501
Electronic data processing equipment and software	8,998,470
Receivables from parent, subsidiaries and affiliates	6,075,339
Health care and other amounts receivable	267,067
Aggregate write-ins for other than invested assets	523,167
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	5,461,632,119*
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	4,418,749
Totals	\$ 5,466,050,868

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

* The balances include immaterial balancing differences.

WASHINGTON NATIONAL INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2018

	Per Examination*
Aggregate reserve for life contracts	\$ 827,155,585
Aggregate reserve for accident and health contracts	3,109,613,520
Liability for deposit-type contracts	724,866,768
Contract claims:	
Life	7,928,949
Accident and health	157,981,418
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	553,606
Premiums and annuity considerations for life and accident and health contracts received in advance including \$ 18,034,766 accident and health premiums	18,118,221
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance, including \$25,915 assumed and \$112,429 ceded	138,344
Interest maintenance reserve	148,148,435
Commissions to agents due or accrued-life and annuity contracts \$191,050 accident and health \$3,249,680 and deposit-type contract funds	3,440,730
General expenses due or accrued	7,796,997
Transfers to Separate Accounts due or accrued (net)	(464)
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,111,096
Unearned investment income	342,553
Amounts withheld or retained by company as agent or trustee	262,922
Amounts held for agents' account, including \$713,702 agents' credit balances	855,838
Remittances and items not allocated	5,459,889
Miscellaneous liabilities:	
Asset valuation reserve	55,388,984
Payable to parent, subsidiaries and affiliates	3,112,066
Payable for securities	18,934
Aggregate write-ins for liabilities	17,575,258
Total liabilities excluding Separate Accounts business	5,095,869,648
From Separate Accounts Statement	4,418,749
Total liabilities	5,100,288,397
Common capital stock	25,036,850
Gross paid in and contributed surplus	1,348,375,943
Unassigned funds (surplus)	(1,007,650,323)
Surplus	340,725,621
Total capital and surplus	365,762,471
Total liabilities, capital, surplus and other funds	\$ 5,466,050,868

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

* The balances include immaterial balancing differences.

WASHINGTON NATIONAL INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2018

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 703,278,808
Considerations for supplementary contracts with life contingencies	667,890
Net investment income	279,697,988
Amortization of Interest Maintenance Reserve	14,220,316
Commissions and expense allowances on reinsurance ceded	2,232,385
Miscellaneous Income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	57,086
Charges and fees for deposit-type contracts	7,921
Aggregate write-ins for miscellaneous income	220,468
Total	<u>1,000,382,863</u>
Death benefits	23,185,317
Matured endowments (excluding guaranteed annual pure endowments)	1,494,974
Annuity benefits	27,538,256
Disability benefits and benefits under accident and health contracts	430,545,778
Surrender benefits and withdrawals for life contracts	45,925,625
Interest and adjustments on contracts or deposit-type contract funds	13,934,505
Payments on supplementary contracts with life contingencies	6,223,917
Increase in aggregate reserves for life and accident and health contracts	79,658,748
Total (Lines 10 to 19)	<u>628,507,119</u>
Commissions on premiums, annuities, and deposit-type contract funds	126,659,117
Commissions and expense allowances on reinsurance assumed	4,731,117
General insurance expenses	165,870,034
Insurance taxes, licenses and fees, excluding federal income taxes	18,812,928
Increase in loading on deferred and uncollected premiums	(63,198)
Net transfers to or (from) Separate Accounts net of reinsurance	(269,785)
Aggregate write-ins for deductions	(12,144,124)
Totals	<u>932,103,207</u>
Net gain from operations before dividends to policyholders and federal taxes	68,279,655
Dividends to policyholders	526,660
Net gain from operations after dividends to policyholders & before federal taxes	<u>67,752,996</u>
Federal and foreign income taxes incurred (excluding tax on capital gains)	10,698,387
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	<u>57,054,609</u>
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$(1,995,607) (excluding taxes of \$3,181,217 transferred to the IMR)	4,191,493
Net income	<u>\$ 61,246,102</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

* The balances include immaterial balancing differences.

WASHINGTON NATIONAL INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2018	2017	2016	2015	2014
Surplus as regards policyholders, December 31 prior year*	\$373,249,070	\$431,143,860	\$333,051,026	\$326,988,372	\$431,898,980
Net income	61,246,102	26,731,953	(53,005,324)	60,927,500	50,789,993
Change in net unrealized capital gains or (losses) less capital gains tax	(11,231,534)	793,249	7,425,273	(156,971)	1,419,200
Change in net deferred income tax	622,161	(86,724,391)	12,197,262	(3,276,417)	(2,427,298)
Change in nonadmitted assets	(6,468,023)	76,603,339	343,286	(108,031)	(27,110,123)
Change in asset valuation reserve	8,344,695	(298,939)	(18,867,661)	391,522	4,828,938
Surplus adjustments:					
Paid in	(60,000,000)	(75,000,000)	150,000,000	(50,000,000)	(130,000,000)
Change in surplus as a result of reinsurance				(1,714,950)	(2,216,316)
Aggregate write-ins for gains and losses in surplus	-	-	-	-	(195,000)
Change in surplus as regards policyholders for the year	(7,486,599)	(57,894,790)	98,092,835	6,062,653	(104,910,607)
Surplus as regards policyholders, December 31 current year**	<u>\$365,762,471</u>	<u>\$373,249,070</u>	<u>\$431,143,860</u>	<u>\$333,051,026</u>	<u>\$326,988,372</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balances include immaterial balancing differences.

NOTE: 2016 Surplus Adjustments: Paid in includes a \$200 million surplus contribution from CDOC, which has been presented net of the \$50 million dividend reported in the Dividends to Stockholders section of this Report of Examination.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2018, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues based on the results of this examination.

SUBSEQUENT EVENTS

On March 19, 2019, CNO announced the appointment of Paul McDonough as chief financial officer and Board member of Washington National Insurance Company. This appointment is effective April 1, 2019.

On June 20, 2019, CNO announced the appointment of Tim Bischof as Chief Risk Officer. Prior to this role, Mr. Bischof served as senior vice president and corporate actuary with CNO.

On August 29, 2019, CNO announced that Karen DeToro will be appointed Chief Actuary.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on Washington National Insurance Company operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on this entity are not fully addressed within this examination report.

There were no further events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., actuarial assistance from Alberts Actuarial Consulting, LLC, and investment specialist assistance from Winthrop Capital Management, performed an examination of Washington National Insurance Company, as of December 31, 2018.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Washington National Insurance Company as of December 31, 2018, as determined by the undersigned.


Barry Armstrong, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

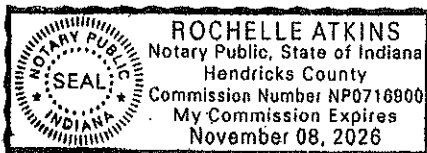
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 13th day of May, 2020, before me personally appeared, Barry Armstrong and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: Nov 8, 2026 Rochelle Atkins
Notary Public



Rochelle Atkins
Notary Public

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