

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF  
LIFEWISE ASSURANCE COMPANY  
MOUNTLAKE TERRACE, WASHINGTON

NAIC CODE 94188  
December 31, 2012

Order No. 14-72  
LifeWise Assurance Company  
Exhibit A

**SALUTATION**

Seattle, Washington  
January 29, 2014

The Honorable Mike Kreidler, Commissioner  
State of Washington Office of the Insurance Commissioner (OIC)  
Insurance Building-Capitol Campus  
302 Sid Snyder Avenue SW, Suite 200  
Olympia, WA 98504

Dear Commissioner Kreidler:

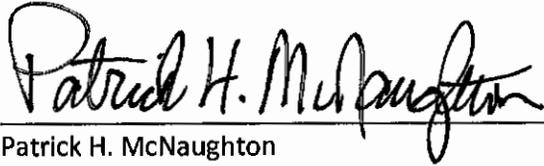
In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an examination was made of the corporate affairs and financial records of

LifeWise Assurance Company  
of  
Mountlake Terrace, Washington

hereinafter referred to as "LWAC," or the "Company" at its home office located at 7001 220<sup>th</sup> Street SW, Mountlake Terrace, WA 98043. This report is respectfully submitted showing the financial condition and related corporate matters of the Company as of December 31, 2012.

**CHIEF EXAMINER'S AFFIDAVIT**

I hereby certify I have read the attached Report of the Financial Examination of LifeWise Assurance Company of Mountlake Terrace, Washington. This report shows the financial condition and related corporate matters as of December 31, 2012.



Patrick H. McNaughton  
Chief Examiner

5-2-14

Date

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## SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2008 through December 31, 2012 and comprises a risk focused review of the books and records of the Company. The examination followed statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of field work on January 29, 2014.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following section of this report. In addition, the Company's Certified Public Accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was performed in compliance with the 2012 NAIC FCEH which requires the examiner to consider the Company's risk management process, corporate governance structure, and control environment. The examiners utilized the information obtained during the examination to assess the Company's overall potential risks both currently and on an on-going basis, allowing the examiners to focus on the Company's greatest areas of risk, and to provide assurance on the Company's financial statements as of the examination date.

## INSTRUCTIONS

The examiners reviewed the Company's filed 2012 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as outlined in the NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review:

### **1. NAIC Annual Statement Errors, Omissions, and Misclassifications**

The examination team found instances in which the Company's filing of the 2012 NAIC Annual Statement did not conform to the NAIC Annual Statement Instructions and the AP&P. While the Company needs to correct these errors, the following items were not material to the financial statements and no adjustments were necessary. The following errors were noted:

- a. **Aggregate write-ins for other than invested assets** - The Company reported a miscellaneous receivable of \$716,000 that represents the ceding commissions due to LWAC pursuant to Exhibit B of the coinsurance reinsurance contract between LWAC and US Able Life Insurance Company

(USAbLe) as Aggregate write-ins for other than invested assets, page 2, line 25. This item should be recorded on page 2, line 16.3, Other amounts receivable under reinsurance contracts.

- b. **Aggregate write-ins for other than invested assets** - The Company reported \$201,000 that represents commissions that LWAC pays to agents monthly but gets reimbursed on a quarterly basis from USAbLe as Aggregate write-ins for other than invested assets, page 2, line 25. This item should be recorded on page 2, line 16.3, Other amounts receivable under reinsurance contracts.
- c. **Schedule D – Part 1** - The Company incorrectly completed Schedule D - Part 1 by including incorrect Securities Valuation Office (SVO) ratings for four mortgage backed securities. According to the Publicly Traded Securities Valuation of Securities (VOS) Database published by the SVO, all four bonds had a 6FE rating as of December 31, 2012, which means that those bonds should be carried at the lower of amortized value or fair value. Because the difference between amortized value and fair value was below our materiality threshold, no adjustment was necessary.

**The Company is instructed to comply with RCW 48.43.097 by filing its financial statements in accordance with the AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P.**

## **2. Long Term Disability Reserves**

The Company relies on two reinsurance companies to calculate the reserves for long term disability (LTD) claims. The following two areas of reserve calculations were not in compliance with Washington State requirements. The impact was immaterial and no examination adjustments were necessary:

- a. The reinsurers calculated the LTD claim reserves by making modifications to the tables permitted by WAC 284-16-450(1)(b). One of the reinsurers made modifications to the reserves beyond two years. WAC 284-16-450(1)(b) allows modifications to the tables in the first two years at the option of the insurer. After two years, no further table modifications are permitted.
- b. The reserves are calculated using an interest rate that is referenced from single premium immediate annuities instead of from life insurance as required by WAC 284-16-520(2) for LTD policies. This was also a finding on the previous examination. (See Follow Up on Previous Examination Findings, Finding No. 1.)

**The Company is instructed to calculate the LTD claim reserves in accordance with WAC 284-16-450(1)(b), and WAC 284-16-510(1)(b) which only allows modifications to the permitted tables during the first two years. The Company is also instructed to use the appropriate interest rate for LTD claims in accordance with WAC 284-16-520(2).**

### 3. Life Conversions

For life conversions in 2006 and later, the Company values its obligations at 4.5 percent. Per RCW 48.74.030(3)(b)(i), and SSAP Appendix A-820.5.a.i.(a), the Company should use 4 percent. A half percent interest rate disparity did not have a material impact on the financial statements. This was also a finding on the previous examination. (See Follow Up on Previous Examination Findings, Finding No. 2.)

**The Company is again instructed to comply with RCW 48.74.030(3)(b)(i), and SSAP Appendix A-820.5.a.i.(a) in setting the valuation rate of interest for the group conversion policies.**

## COMMENTS AND RECOMMENDATIONS

### 1. Long Term Disability Reserves

The Company relies on reinsurance companies to calculate the reserves for long term disability policies. The opining actuary should review reserves calculation for compliance with Washington State requirements. (See Instruction No. 2.)

**It is recommended that the opining actuary calculates reserves using the claimant data provided from all reinsurers and establish a properly documented valuation basis including calculation formulae and testing for adequacy, in the context of the Company's business.**

## COMPANY PROFILE

### **Company History**

LWAC was originally incorporated as States West Life Insurance Company (SWL) in 1981 through a joint venture between Unigard Olympic Life Insurance Company (UOLIC) and Washington-Alaska Group Services, Inc. (WAGS), a Washington for-profit corporation doing business as an insurance sales agency. On December 1, 1983, UOLIC sold its 96,000 shares of common stock to WAGS for \$2.5 million. In July 2003, States West Life Insurance Company changed its legal name to LifeWise Assurance Company. In January 2007, WAGS changed its name to Ucentris Insured Solutions, Inc. (Ucentris). On July 3, 2013, Ucentris changed its name to Connexion Insurance Solutions, Inc. (Connexion). Premera Blue Cross (PBC) is the sole shareholder of Connexion.

### **Capitalization**

As of December 31, 2012, LWAC was 100 percent owned by Ucentris. The Company has 125,000 shares of common stock authorized and 120,000 shares issued and outstanding at a par value of \$20 per share. The minimum capital requirement pursuant to RCW 48.05.340 was met with \$71,617,714 in capital and surplus as of December 31, 2012.

### Territory and Plan of Operations

In November 1981, LWAC received a Certificate of Authority from the state of Washington to transact life and disability insurance business. It also holds Certificates of Authority in Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, Utah, and Wyoming, but primarily writes stop-loss and student health accident and health in Washington and Alaska. Up until July 1, 2012, it wrote group term life, accidental death & dismemberment, and short-term and long term disability.

### Growth of Company

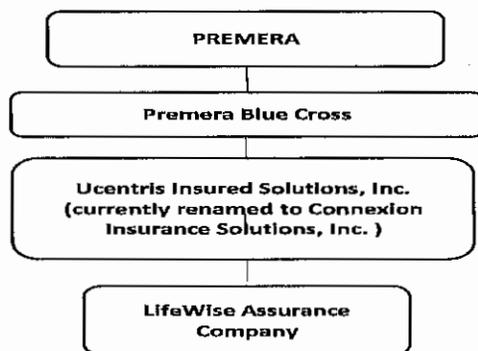
The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the five year period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital &amp; Surplus</u>
2012	\$118,351,415	\$46,733,701	\$71,617,714
2011	94,463,315	36,694,152	57,769,163
2010	94,783,316	42,493,519	52,289,797
2009	76,426,965	31,009,124	45,417,841
2008	70,387,075	29,162,017	41,225,058

<u>Year</u>	<u>Premium Earned</u>	<u>Contract Benefits</u>	<u>Net Investment Income</u>
2012	\$84,346,902	\$53,808,568	\$2,703,245
2011	89,687,486	65,238,566	3,217,687
2010	66,470,898	40,696,087	3,131,723
2009	51,573,797	32,574,164	3,492,374
2008	47,061,211	29,739,245	3,463,302

### Affiliated Companies

The following is an abbreviated organization chart as of December 31, 2012:



The Company was a wholly owned subsidiary of Ucentris Insured Solutions, Inc., currently renamed to Connexion Insurance Solutions, Inc., which is a corporation doing business as an insurance producer and the parent company of six other wholly-owned subsidiaries: Life Wise Health Plan of Oregon, Inc. (LWO), LifeWise Health Plan of Washington (LWW), NorthStar Administrators, Inc. (NorthStar), Calypso Healthcare Solutions (Calypso), Life Wise Administrators, Inc. (LWA), and Vivacity, Inc. (Vivacity).

Connexion is a wholly owned subsidiary of Premera Blue Cross (PBC). PBC is a Washington non-profit corporation, and is registered as a health care service contractor in the state of Washington and a hospital and medical service corporation in the state of Alaska. PBC is primarily engaged in the business of providing basic medical, hospital, major medical, comprehensive, and other prepaid health care benefits for its subscribers in the states of Washington and Alaska. PREMERA is an upstream non-profit holding company and the sole voting member of PBC.

### **Intercompany Agreements**

The Company was a party to various intercompany agreements with PBC and affiliates which were in compliance with SSAP 70. Significant agreements in force as of December 31, 2012 are listed below:

#### **Intercompany Agreement (Allocation of Costs)**

The Intercompany Agreement with PBC and its affiliates was effective January 10, 1994. The agreement allocates operating expense to the lines of business/affiliates based on a system of cost accounting.

#### **Restated Intercompany Tax Sharing Agreement**

The Restated Intercompany Tax Sharing Agreement with PBC and its affiliates was effective November 21, 1994. All affiliates within the PREMERA holding company are allocated their proportional share of tax liability, which is calculated as if the entities had filed separate returns.

#### **Funding and Billing Services Agreement**

The Funding and Billing Services Agreement with LWA was effective July 1, 2002. LWA provides billing and collection services to the Company.

#### **Administrative Services Agreement**

The Administrative Services Agreement with PBC was effective March 23, 2009. PBC provides administrative and management services to manage operations relating to LWAC student policies. PBC is reimbursed based on the Intercompany Agreement (Allocation of Costs).

#### **Administrative Services Agreement**

The Administrative Services Agreement with PBC was effective August 1, 2009. PBC provides administrative and management services to manage operations relating to LWAC medical expense reimbursement plans (MERP). PBC is reimbursed based on the Intercompany Agreement (Allocation of Costs).

#### **Management Agreement**

The Management Agreement with PBC was effective August 15, 2005. PBC provides all management and administrative services reasonably required by LWAC in relation to its long term care insurance policies. PBC is reimbursed based on the Intercompany Agreement (Allocation of Costs).

#### **General Agency Agreement**

The General Agency Agreement with Ucentris was effective October 1, 2010, as amended January 1, 2012, Ucentris provides the following services: marketing, proposal, enrollment, account management, producer commission accounting, and renewal on behalf of PBC in exchange for a fixed commission.

**Services Agreement**

The Services Agreement with PBC was effective July 18, 2008. PBC provides licensed medical professionals to evaluate LWAC claims under the policies in the timeframe requested by LWAC. PBC is reimbursed based on the Intercompany Agreement (Allocation of Costs).

**MANAGEMENT AND CONTROL**

**Board of Directors (BOD)**

BOD of the Company as of December 31, 2012:

James M. Messina	Chair
Richard L. Grover	
Kent S. Marquardt	

**Officers**

Officers of the Company as of December 31, 2012:

Richard L. Grover	Chief Executive Officer
Michael A. Wozny	President
Sharilyn A. Campbell	Treasurer
John H. Pierce	Secretary
Jeffrey E. Roe	Executive Vice President
David J. Braza	Senior Vice President

**Conflict of Interest**

The Company requires the annual completion of a conflict of interest statement by officers, directors, and all employees. All are required to disclose to the Compliance & Ethics department or corporate counsel relevant outside interests, memberships, associations, and affiliations. Our review did not disclose any material exceptions.

**Fidelity Bond and Other Insurance**

LWAC is a named insured on a financial institution fidelity bond insurance policy. The aggregate amount of coverage meets the recommended guidelines of the NAIC.

**Officers', Employees', and Agents' Welfare and Pension Plans**

The Company's employees participate in a PBC sponsored pension equity defined benefit plan, contribution retirement savings plan, and postretirement benefit plan. In addition, the Company's executive management employees participate in a nonqualified defined benefit supplemental retirement program and nonqualified contribution retirement program.

## **CORPORATE RECORDS**

The corporate records were reviewed for the period under examination. All BOD meetings were conducted with a quorum present. The minutes supported the transactions of the Company and actions taken by the officers.

## **MORTALITY AND LOSS**

The general examination emphasis was to review the methods, assumptions or other bases used to determine the actuarial items reported on the NAIC Annual Statement, and to determine whether the reported amounts were within a reasonable range and in compliance with Washington State law.

During the course of the examination, the OIC actuary performed such testing of the Company's reserving methodologies and philosophies as was deemed necessary to form an opinion with respect to the items reported. The OIC actuary relied upon the Company's listings and summaries of in-force policies and contracts.

LWAC provided copies of its actuarial work papers and reserve reports as of December 31, 2012. Tests were performed on the underlying data, methods, and calculations as deemed necessary. Valuation reports and procedures were tested to establish that accurate and complete in-force information as of December 31, 2012 was represented in the valuation reports and work papers. We tested for completeness and accuracy and it was determined that the Company's calculations were based on accurate and complete demographic data.

In the OIC Actuary's opinion, reserves were in compliance with statutory requirements, and, except for the findings as noted in Instruction Nos. 2 and 3 and Comment and Recommendation No. 1, the methods, assumptions, and methodologies used by the Company were appropriate, and all material relevant assets and liabilities on the NAIC Annual Statement were reported in accordance with accepted methods and principles.

## **REINSURANCE**

Reinsurance agreements were found to be in compliance with Washington State reinsurance statutes. The agreements transfer risk in accordance with SSAP No. 61R, paragraph 17. All of the reinsurers are authorized in the state of Washington. The treaties are properly classified in Schedule S of the 2012 NAIC Annual Statement.

Effective July 1, 2012, the Company entered into a purchase agreement with USABLE Life Insurance Company (USABLE). Under the terms of the agreement, USABLE agreed to purchase the renewal rights for the Company's life, disability, and accidental death and dismemberment business.

In addition, LWAC utilizes the services of a reinsurance intermediary to solicit, negotiate, and place reinsurance cessions on its behalf.

### **STATUTORY DEPOSITS**

The Company maintained statutory deposits as of December 31, 2012 in the state of Nevada with a fair value of \$244,563, in the state of New Mexico with a fair value of \$128,528, and in the state of Washington with a fair value \$2,198,359.

### **ACCOUNTING RECORDS AND INFORMATION SYSTEMS**

The Company maintains its accounting records on a Statutory Accounting Principles (SAP) accrual basis of accounting. For the years 2008, 2009, and 2010, the Company was audited annually by the certified public accounting firm of KPMG, LLP. For the years, 2011 and 2012, the Company was audited annually by the certified public accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted.

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted.

The Company's information technology (IT) environment was reviewed during the planning and testing phase of the examination, focusing on the following Control Objectives for Information and Related Technology (COBIT) Framework domains:

- Plan and Organize
- Acquire and Implement
- Deliver and Support
- Monitor and Evaluate

The IT systems and controls were evaluated to gain an understanding of general IT control risks and assess the effectiveness of these controls. Appropriate mitigating and internal controls have been implemented to reduce residual risk to appropriate levels.

### **SUBSEQUENT EVENTS**

None

### **FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS**

The following instructions were not complied with from the previous examination as of December 31, 2007:

1. Interest Rates – Long Term Disability (LTD) Claims

Interest rates used in the determination of reserves for LTD claims incurred before January 1, 2001 should comply with WAC 284-16-520(2). For claims reinsured with four separate reinsurers, the interest rates used by the Company in the calculation of reserves were not in compliance with this regulation.

**The Company is instructed to use the interest rates prescribed in WAC 284-16-520(2) for claims incurred before January 1, 2001. (See Instruction No. 2 (b).)**

## **2. Termination Rates – LTD**

In calculating reserves for LTD claim durations after the first two years, the Company should use the termination rates in the 1987 Commissioners Group Disability Income Table. For claims reinsured with one reinsurer, the Company is using a table based on the reinsurer's experience, which does not meet the requirements of Appendix A-010.29.a.ii of the AP&P.

**The Company is instructed to use the termination rates in the 1987 Commissioners Group Disability Income Table for LTD claims prescribed by Appendix A-010.29.a.ii of the AP&P. The Company is instructed to comply with RCW 48.05.250 and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. (See Instruction No. 3.)**

## **FINANCIAL STATEMENTS**

The following financial statements show the financial condition of LifeWise Assurance Company as of December 31, 2012:

Assets, Liabilities, Surplus and Other Funds  
Summary of Operations  
Five Year Reconciliation of Surplus

**LifeWise Assurance Company**  
**Assets, Liabilities, Surplus and Other Funds**  
**As of December 31, 2012**

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
<b>ASSETS</b>			
Bonds	\$104,713,868	\$0	\$104,713,868
Cash, cash equivalents, and short-term Investments	5,441,193		5,441,193
Contract loans	10,050		10,050
Subtotals, cash and invested assets	<u>110,165,111</u>		<u>110,165,111</u>
Investment Income due and accrued	700,685		700,685
Uncollected premiums and agents' balances in the course of collection	2,346,548		2,346,548
Deferred premiums; agents' balances and installments booked but deferred and not yet due	5,428		5,428
Accrued retrospective premiums	501,417		501,417
Amounts recoverable from reinsurers	2,848,048		2,848,048
Net deferred tax asset	771,872		771,872
Receivables from parent and affiliates	5,817		5,817
Health care and other amounts receivable	87,823		87,823
Aggregate write-ins for other than Invested assets	918,666		918,666
<b>Total assets</b>	<u><b>\$118,351,415</b></u>	<u><b>\$0</b></u>	<u><b>\$118,351,415</b></u>
<b>LIABILITIES</b>			
Aggregate reserve for life contracts	5,733,200	0	5,733,200
Aggregate reserve for accident and health contracts	7,886,370		7,886,370
Life (contract claims)	288,247		288,247
Accident and health (contract claims)	9,943,224		9,943,224
Premiums and annuity considerations received in advance	3,538,691		3,538,691
Provision for experience rating refunds	4,904,118		4,904,118
Other amounts payable on reinsurance	3,458,055		3,458,055
Interest maintenance reserve	2,255,617		2,255,617
Commissions to agents due or accrued-life and annuity contracts	710,778		710,778
General expenses due or accrued	511,386		511,386
Taxes, licenses and fees due or accrued, excluding federal income taxes	305,793		305,793
Current federal and foreign income taxes	491,792		491,792
Amounts withheld or retained by company as agent or trustee	1,123		1,123
Remittances and items not allocated	1,158,655		1,158,655
Asset valuation reserve	275,081		275,081
Payable to parent, subsidiaries and affiliates	1,845,546		1,845,546
Payable for securities	438,076		438,076
Aggregate write-ins for liabilities	2,987,949		2,987,949
<b>Total liabilities</b>	<u><b>46,733,701</b></u>	<u><b>0</b></u>	<u><b>46,733,701</b></u>
Common capital stock	2,400,000		2,400,000
Gross paid in and contributed surplus	600,000		600,000
Unassigned funds (surplus)	68,617,714		68,617,714
<b>Total capital and surplus</b>	<u><b>71,617,714</b></u>	<u><b>0</b></u>	<u><b>71,617,714</b></u>
<b>Total liabilities, surplus, and other funds</b>	<u><b>\$118,351,415</b></u>	<u><b>\$0</b></u>	<u><b>\$118,351,415</b></u>

**LifeWise Assurance Company**  
**Summary of Operations**  
**For the Year Ended December 31, 2012**

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENT	BALANCE PER EXAMINATION
<b>Income</b>			
Premiums and annuity considerations	\$84,346,902	\$0	\$84,346,902
Net investment income	2,703,245		2,703,245
Amortization of Interest Maintenance Reserve (IMR)	268,772		268,772
Aggregate write-ins for miscellaneous income	4,246,314		4,246,314
<b>Total income</b>	<b>91,565,233</b>	<b>0</b>	<b>91,565,233</b>
<b>Benefits</b>			
Death benefits	2,726,767		2,726,767
Disability benefits and benefits under accident and health contracts	51,474,869		51,474,869
Increase in aggregate reserves for life and accident and health contracts	(393,068)		(393,068)
<b>Total benefits</b>	<b>53,808,568</b>	<b>0</b>	<b>53,808,568</b>
<b>Expenses</b>			
Commissions on premiums and annuity considerations	4,809,324		4,809,324
General insurance expenses	10,027,228		10,027,228
Insurance taxes; licenses and fees; excluding federal income taxes	2,545,762		2,545,762
<b>Total benefits and expenses</b>	<b>71,190,882</b>	<b>0</b>	<b>71,190,882</b>
Net gain from operations after dividends to policyholders	20,374,351		20,374,351
Federal and foreign income taxes incurred (excluding tax on capital gains)	7,403,859		7,403,859
Net gain from operations after dividends to policyholders and federal income tax and before realized capital gains or (losses)	12,970,492		12,970,492
Net realized capital gains (losses) less capital gains tax	(129,776)		(129,776)
<b>Net Income</b>	<b>\$12,840,716</b>	<b>\$0</b>	<b>\$12,840,716</b>
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
Capital and surplus, December 31, prior year	\$57,769,163	\$0	\$57,769,163
Net income	12,840,716		12,840,716
Change in net deferred income tax	(518,160)		(518,160)
Change in nonadmitted assets	1,168,068		1,168,068
Change in asset valuation reserve	72,479		72,479
Cumulative effect of changes in accounting principles	285,449		285,449
<b>Net change in capital and surplus</b>	<b>13,848,551</b>	<b>0</b>	<b>13,848,551</b>
<b>Capital and surplus, December 31, current year</b>	<b>\$71,617,714</b>	<b>\$0</b>	<b>\$71,617,714</b>

**LifeWise Assurance Company**  
**Five Year Reconciliation of Surplus**  
**As of December 31,**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Capital and surplus, December 31, prior year</b>	<b>\$57,769,163</b>	<b>\$52,289,797</b>	<b>\$45,417,841</b>	<b>\$41,225,058</b>	<b>\$39,394,503</b>
Net Income or (loss)	12,840,716	4,264,911	7,200,128	4,412,049	1,508,551
Change in net unrealized capital gains(losses) less capital gains tax	0	151,517	(151,518)	0	0
Change in net deferred income tax	(518,160)	(178,447)	337,393	(846,039)	941,917
Change in non-admitted assets	1,168,068	1,243,260	(512,878)	(367,254)	98,145
Change in asset valuation reserve	72,479	47,758	5,330	(400,647)	135,906
Cumulative effect of changes in accounting principles	285,448	0	0	484,576	0
Aggregate write-ins for gains and losses in surplus	0	(49,633)	(6,499)	910,098	(853,964)
<b>Net change in capital and surplus</b>	<b>13,848,551</b>	<b>5,479,366</b>	<b>6,871,956</b>	<b>4,192,783</b>	<b>1,830,555</b>
<b>Capital and surplus, December 31, current year</b>	<b>\$71,617,714</b>	<b>\$57,769,163</b>	<b>\$52,289,797</b>	<b>\$45,417,841</b>	<b>\$41,225,058</b>

**NOTES TO THE FINANCIAL STATEMENTS**

The Company has no special consents, permitted practices, or orders from the state of Washington.

## ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of LifeWise Assurance Company during the course of this examination.

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Respectfully submitted,

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